

Audit Quality and Financial Performance: Evidence from Quoted Consumer Goods Companies in Nigeria

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ABSTRACT

This study examined the effect of audit quality on the financial performance of listed consumer goods companies in Nigeria. Specifically, the study investigated the effects of audit committee size (ACS), audit firm size (AFS), audit committee expertise (ACE), and audit committee meetings (ACM) on financial performance, measured by net profit margin (NPM). The study adopted an ex-post facto research design and employed purposive sampling to select 16 companies from the population of 19 consumer goods companies listed on the Nigerian Exchange Group as at 2025. Secondary data were manually extracted from the audited annual reports and financial statements of the sampled companies for the period 2014–2024, producing 192 firm-year observations. Data were analysed using descriptive statistics, correlation analysis, multicollinearity and heteroskedasticity tests, Hausman specification test, and Panel-Corrected Standard Errors (PCSEs) regression. The findings revealed that audit committee size had a negative but statistically insignificant effect on NPM ($\beta = -4.1836$; $p = 0.362$). Audit firm size exerted a negative and statistically significant effect on NPM ($\beta = -4.1837$; $p = 0.003$), while audit committee expertise had a positive and statistically significant effect on NPM ($\beta = 4.5967$; $p = 0.002$). Audit committee meetings also had a negative and statistically significant effect on NPM ($\beta = -1.2897$; $p = 0.006$). Collectively, the audit quality variables significantly influenced financial performance, as indicated by an F-statistic of 10.98 and a p-value of 0.0268, while the model explained 17.68% of the variation in NPM. The study concludes that audit quality is an important factor influencing the financial performance of listed consumer goods companies in Nigeria, although its individual dimensions have different effects. The study recommends greater emphasis on the financial expertise and competence of audit committee members, careful selection of reputable and technically competent audit firms, and improvement in the effectiveness and quality of audit committee meetings rather than focusing solely on their frequency.

Keywords: Audit Committee Size; Audit Firm Size; Audit Committee Expertise; Audit Committee Meetings; Financial Performance; Net Profit Margin; Listed Consumer Goods Companies.

INTRODUCTION

Nigeria's consumer goods industry plays a significant role in the country's economy by manufacturing necessities like food, drinks, household goods, and personal care products. These businesses contribute substantially to GDP, provide jobs, and meet the everyday needs of millions of Nigerians (National Bureau of Statistics [NBS], 2023). Operating in a highly visible sector, these firms rely on trust, brand reputation, and financial transparency to maintain market share and investor confidence (PwC Nigeria, 2021).

Yeboah (2020) sees auditing as obtaining and reasonable assurance that misstatement arising from Fraud and error that are material to the financial statements are detected. Audit quality is also seen as the market-estimated joint likelihood that a specific auditor would both detect and disclose a violation in the client's

accounting system (Kaoje and Mohammed, 2022). From the foregoing, there are numerous criteria and elements that have been found to influence audit quality. Audit fees, audit firm rotation, audit committee oversight, audit firm size, and the Auditor's personal attributes, such as competence, independence, qualification, and experience, are all revealed (Kaoje, Babangida, and Kaoje, 2022). These criteria appear to be linked, as the larger the audit company, the higher the audit fees, competence, audit plan, independence, qualification, and experience, all of which contribute to the quality of the audit and the likelihood of a truthful and fair assessment of the financial statements being audited (Ugwunta, Ugwuanyi and Ngwa, 2018).

The credibility and value derived from assurance services by auditors are grounded in the foundation of auditors' independence, both mind and in appearance. In recent years, the issues associated with the internal auditors' independence and objectivity began to become of great interest to researchers (Adeleke, 2021). Audit quality has been viewed as being very fundamental to the auditor's job and profession because, without it, audited financial statements would not have value in the perception of the end-users (Gana, Mohd and Peter, 2020). The quality of an audit is also expected to contribute to the improvement of efficiency and effectiveness of the management in financial management thereby contributing to the growth of organizational performance and maximization of shareholders wealth.

An increased focus on techniques of financial reporting has been seen in the early years of the 21st century (Campa & Laguecir, 2025). This trend has been mostly driven by a string of infamous accounting scandals that have occurred in recent years (Toms & Lin, 2025). The occurrences have resulted in an increased need for more transparency, the standardization of accounting procedures, and the implementation of more strong oversight mechanisms in order to address deficiencies in the quality of financial reporting information (Maniatis, 2022). The relevance of accounting information serves as an indicator of the quality of financial reporting, which is vital for promoting transparency, accountability, and decision making that is informed by relevant information (Campa et al., 2025). According to Landu et al. (2025), as well as Barrios et al. (2025), financial reports are essential for attracting capital and human resources, and as a result, they are able to cater to the various needs of a large number of stakeholders.

In the manufacturing sector upon which the consumer goods belong to, management often views audits as low-priority compliance exercises, leading to strained relations between auditors and management. Additionally, there exists no legal or regulatory mandate compelling management to furnish auditors with all requisite information and access for conducting thorough audits. Management's reluctance to divulge information can cast a shadow on audit quality, with incomplete documentation potentially impeding the equitable preparation of audit reports, thereby affecting a company's profitability (Ekundayo, Olaoeye & Awe 2024). The absence of a robust regulatory framework for auditing compounds the challenges associated with low audit quality. Developers of auditing standards should endeavor to enhance transparency and reduce information asymmetry between auditors and their clients. Consequently, further, research is imperative to explore strategies for bolstering audit quality within the manufacturing sector and addressing the obstacles posed by management's perception and the lack of regulatory support. It is equally important to educate management about the significance of audit quality in enhancing financial performance and fostering trust among stakeholders. Ultimately, audit quality plays a pivotal role in upholding the reliability of financial statements and preserving investor confidence, thereby contributing to businesses' overall profitability and prosperity.

The manufacturing industry in Nigeria faces several challenges, including inconsistent government policies, poor infrastructure, foreign exchange volatility, and access to finance. In this volatile environment, trust and confidence in financial reporting become more vital than ever. An audit report, particularly one that is perceived to be independent and of high quality, provides assurance that a firm's financial statements are free from material misstatements and reflect a true and fair view of its operations.

In the works of Ehiedu & Toria, (2022), it was asserted that "Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to

interested users". The turbulent effects of the global financial crisis have highlighted the critical importance of credible high-quality audits. Audit quality plays an important role in maintaining an efficient market environment, an independent quality audit underpins confidence in the credibility and integrity of financial statements which is essential for enhanced financial performance (Ehiedu & Toria, 2022). Auditors are by the nature of their professional duties exposed to an extensive knowledge of experiences from different organizations and industries which they can bring to bear on the financial performance of any organization, especially when they present quality audits to their clients.

In Nigeria, while audit practices are governed by professional standards and regulatory frameworks, concerns persist regarding their effectiveness in enhancing financial reporting quality and performance (Ofoegbu & Ndubuisi, 2024). The relationship between audit quality and financial performance has garnered significant attention in corporate governance and financial reporting research. Audit quality, characterized by thoroughness, objectivity, and accuracy, influences operational efficiency and market perception (Soyemi et al., 2023).

Metrics such as audit committee size, audit firm size, audit committee expertise, and audit committee meeting serve as proxies for audit quality (Oladejo & Yinus, 2020). Financial performance in publicly traded consumer goods companies reflects not only operational success but also reputation, investor confidence, and market competitiveness. This sector is vulnerable to price fluctuations, supply chain disruptions, consumer demand shifts, and input costs (PwC Nigeria, 2021). Performance can be measured using metrics like return on assets (ROA), return on equity (ROE), and net profit margin (NPM).

Prior studies in Nigeria have explored audit quality's impact on financial reporting and performance across sectors, including banking and manufacturing (Lambe et al., 2022; Abubakar et al., 2020; Ofoegbu & Ndubuisi, 2024). However, findings are mixed: some report positive effects (Bakare, 2022), while others find insignificant or negative relationships (Omodero & Ogisi, 2021; Kantudu & Alhassan, 2022). Recent research highlights the need to examine interactions among audit quality components (Shina & John-Akamelu, 2024). Poor audit quality can mislead investors, invite regulatory penalties, damage brand reputation, and impair performance, particularly in the consumer goods sector with its high inventory turnover and sensitivity to consumer perceptions (PwC Nigeria, 2021).

Despite the sector's economic importance, limited studies focus specifically on audit quality and financial performance in Nigerian listed consumer goods firms, creating a research gap. This study addresses this by examining audit quality dimensions (audit committee size, audit firm size, audit committee expertise, and audit committee meeting) and their impact on NPM, while incorporating recent literature to provide fresh insights

Objectives of the study

The main objective of this study is to examine the effect of audit quality on financial performance of quoted consumer goods companies in Nigeria. The specific objectives of the study are:

1. to find out the relationship between audit committee size and financial performance of quoted consumer goods companies in Nigeria.
2. to assess the effect of audit firm size on financial performance of quoted consumer goods companies in Nigeria.
3. to determine the effect of audit committee expertise on financial performance of quoted consumer goods companies in Nigeria.
4. to ascertain the effect of audit committee meeting on financial performance of quoted consumer goods companies in Nigeria.

Research questions

The following questions have been raised to guide the study:

1. What is the relationship between audit committee size and net profit margin of quoted consumer goods companies in Nigeria?
2. To what extent does audit firm size affect net profit margin of quoted consumer goods companies in Nigeria?
3. What impact does audit committee expertise have on net profit margin of quoted consumer goods companies in Nigeria?
4. How does audit committee meetings influence the financial performance of quoted consumer goods firms in Nigeria?

Research hypotheses

The following research hypotheses have been constructed and are presented in their null form.

1. Ho: There is no significant relationship between audit committee size and net profit margin of quoted conglomerates in Nigeria.
2. Ho: Audit firm size does not significantly affect net profit margin of quoted consumer goods firms in Nigeria
3. Ho: Audit committee expertise has no significant effects on net profit margin of quoted consumer goods firms in Nigeria.
4. Ho: Audit committee meeting has no significant effects on net profit margin of quoted consumer goods firms in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual framework

The conceptual framework of this work is deliberated below:

Concept of Audit Quality

Audit quality is the extent to which an audit effectively evaluates financial statements and internal controls, ensuring accuracy and compliance with standards (Trianjani et al., 2023). It enhances investor trust, especially in consumer goods where financial clarity supports brand integrity (Ofoegbu & Ndubuisi, 2024). Audit quality provides reasonable assurance against material misstatements from fraud or error, reflecting auditors' competence and independence (IAASB, 2020; Knechel et al., 2021).

Ehiedu, & Toria. (2022), opines that auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.

Concept of Audit Committee Size

Audit committee size refers to the number of members overseeing financial reporting (Knechel et al., 2021). Larger committees offer diverse expertise for better monitoring (Akinsulire et al., 2022). Empirical evidence suggests positive links to disclosure and reduced agency costs (Ho & Wong, 2021; Barako, 2020), though size alone may not suffice without expertise.

Concept of Audit Firm Size

Audit firm size, often proxied by Big 4 affiliation, is associated with higher quality due to resources, expertise, and reputational incentives (Knechel et al., 2021). In Nigeria, Big 4 firms improve misstatement detection and financial reporting reliability (Akinsulire et al., 2022). Omodero and Ogisi (2021) linked Big 4 audits to stronger performance, though market dynamics may moderate this (Shina & John-Akamelu, 2024).

Concept of Audit Committee Expertise

Audit Committee Expertise refers to the total number of audit members with accounting qualification, finance industry experience and professional qualifications Isah (2026) and Yakubu et al. (2026).

Audit committees are responsible for the assessment and evaluation of the organizational ethics atmosphere, financial records, compliance with legislation, institutional management and information mechanisms (Osevwe-Okoroyibo & Emeka-Nwokeji, 2021). Gurusamy (2017) noted that having the proper personnel with the right degrees of knowledge can help a company's financial performance tremendously. Presence of an accounting or financial professional will assist a company in avoiding accounting errors (Kallamu & Saat, 2015). Similarly

Audit Committee expertise also known audit financial expertise is fundamental in conducting thorough audits that not only evaluate the accuracy of financial records but also assess organizational performance. According to the Financial Reporting Council of Nigeria (<https://www.financialreportingcouncil.gov.ng/>), effective audits can help firms identify financial discrepancies, assess risk factors, and ultimately enhance overall transparency. Audit financial expertise entails understanding complex financial systems, which involves evaluating the application of sound financial practices, recognizing areas of mismanagement, and recommending appropriate corrective measures.

Concept of Audit Committee Meeting

Regular audit committee meeting is more important than ever. Such gatherings could aid in the reduction of the agency's difficulty and the elimination of asymmetric information. Shareholders and all investors may be able to acquire accurate and timely data to make informed financial decisions if regular meetings are held. As a result, regular Audit Committee meetings are a critical aspect that can have a substantial impact on a company's financial success. Morrissey (2011), for the Audit Committee, recommends four social problems in one year. In addition, he declares that monetary report confirmation is achieved when four meetings are held within the year. It is argued by Menon and Williams (2014) that it is not adequate to be self-sufficient and to be dynamic for audit committees as fair bodies.

Concept of Financial Performance

Financial performance replicates a company's ability to utilize its resources efficiently to generate profits, create shareholder value, and sustain operations over time (Omodero & Ogisi, 2021). It serves as a critical indicator of a firm's operational viability, profitability, and overall economic health, particularly in dynamic sectors like consumer goods, which are highly sensitive to shifts in consumer demand, input costs, supply chain disruptions, and market competition (Akinsulire et al., 2022; Ofoegbu & Ndubuisi, 2024). Financial performance encompasses a range of metrics, including return on assets (ROA), return on equity (ROE), earnings per share (EPS), and net profit margin (NPM), each providing unique insights into different aspects of a company's financial success (Ezeani et al., 2025).

The interplay between financial performance and audit quality is particularly relevant in consumer goods, where trust and brand integrity are paramount. High audit quality ensures reliable financial data, reducing information asymmetry and enhancing decision-making for stakeholders (Rashidi, 2019). Recent studies emphasize that firms with strong financial performance are often those with effective governance structures, including rigorous audit processes, which mitigate risks of financial misstatements and improve market perception (Ezeani et al., 2025; Soyemi et al., 2023).

Concept of Net Profit Margin

Net profit margin (NPM) is a key profitability ratio, calculated as the percentage of net income relative to total revenue, reflecting a company's ability to convert sales into profits after accounting for all expenses, including operating costs, interest, and taxes (Omodero & Ogisi, 2021). The formula is: $(\text{Net Profit} / \text{Sales}) \times$

100. NPM is widely used in financial analysis because it provides a clear measure of operational efficiency and cost management, particularly in sectors like consumer goods, where margins are influenced by high inventory turnover, production efficiency, and market competition (Shina & John-Akamelu, 2024). High-quality audits play a critical role in ensuring the accuracy of NPM by reducing the risk of earnings manipulation and enhancing the reliability of financial statements (Knechel et al., 2021).

In Nigeria's consumer goods sector, where firms face pressures from volatile input costs and consumer demand, accurate NPM reporting is essential for stakeholders to assess true profitability and make informed decisions (PwC Nigeria, 2021). For example, a high NPM may signal effective cost control and strong market positioning, while a low NPM could indicate operational inefficiencies or external pressures, such as supply chain disruptions post-COVID-19 (Ofoegbu & Ndubuisi, 2024).

Audit Quality

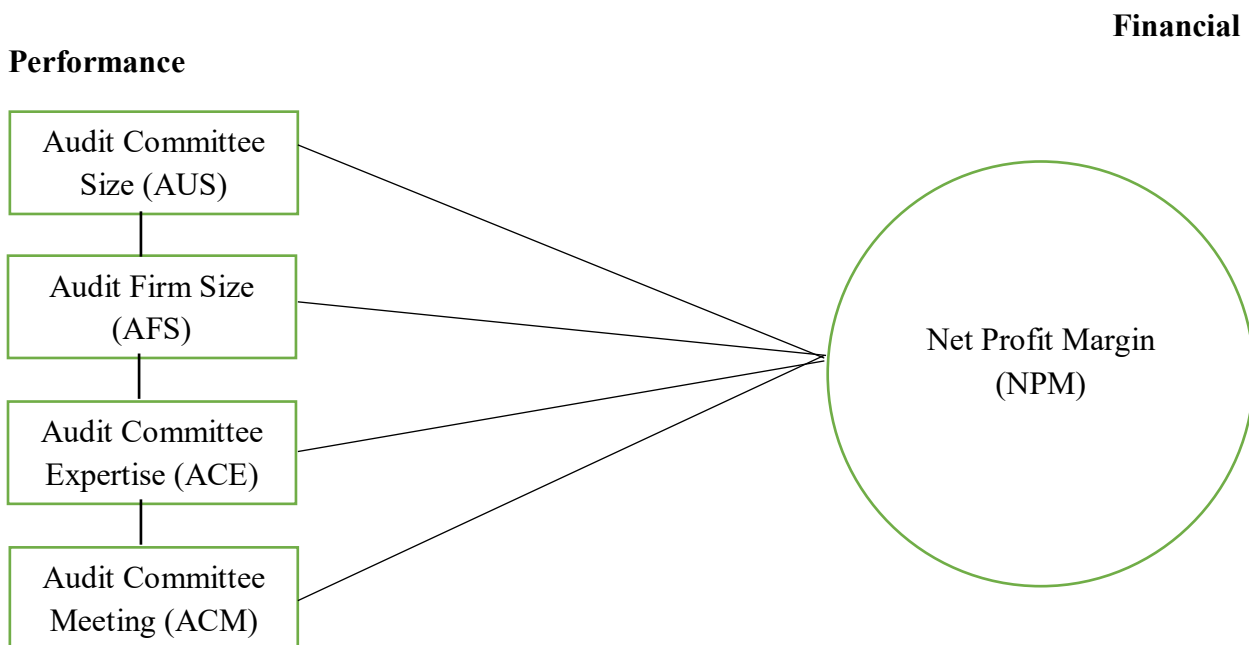


Figure 1: Conceptual Model Researcher (2026)

EMPIRICAL REVIEW

Isah (2026) examined the effect of audit committee financial expertise on the value of listed industrial firms in Nigeria using panel data from 13 firms over 2015–2024. Audit committee financial expertise was measured by the proportion of members with accounting qualifications, while Tobin's Q and earnings yield represented firm value. Using an ex-post facto design and panel-data analysis, the study found that audit committee financial expertise positively influenced firm value, leverage, and performance. The findings underscore the importance of financially knowledgeable audit committee members in strengthening corporate monitoring and enhancing firm value.

Ozegbe and Jeroh (2022) investigated the relationship between audit quality and the financial performance of quoted companies in Nigeria over the period 2011–2020. Audit quality was measured using statutory audit services, auditor tenure, auditor independence, and audit firm size, while financial performance was proxied by ROA. Using panel least squares estimation and relevant diagnostic tests, the study found that auditor independence had a significant negative effect on ROA, whereas audit tenure and audit firm size had positive but insignificant effects. Statutory audit services, however, significantly improved financial performance. The study further established that audit quality variables jointly had a significant effect on corporate performance, highlighting the importance of effective audit practices and regulatory oversight.

Onmonya and Ebire (2023) examined the relationship between audit committee characteristics and the performance of listed conglomerates in Nigeria using data from 2015–2021. The study considered audit committee size, meeting frequency, and independence, while corporate performance was measured using ROA. Using data from annual reports and panel fixed-effects regression, the authors found that audit committee size and independence had no significant effect on performance. However, audit committee meetings had a significant negative effect on ROA, suggesting that holding more meetings did not necessarily translate into better firm performance. The study therefore recommended stronger regulatory monitoring and compliance with the required frequency of audit committee meetings to enhance corporate oversight.

Onwubiko and Nwankwo (2024) examined the effect of audit firm size, audit fees, and auditor tenure on the financial performance of quoted conglomerates in Nigeria from 2011–2021. Employing OLS regression alongside ADF and Johansen cointegration tests, the study found that auditor tenure influenced audit-related disclosures, while audit firm size and audit fees were not significant determinants of financial performance. The authors therefore emphasised the need for greater audit credibility, transparency, and effective communication between management and auditors to strengthen audit quality and financial reporting reliability.

Alshira'h (2026) investigated the effect of geographical distance, social distance, auditor independence, technical quality, and audit process quality on financial reporting quality among Jordanian SMEs. Based on survey responses from 186 SME managers and proprietors, the study employed PLS-SEM with 5,000 bootstrap resamples. The findings revealed that all five audit quality dimensions significantly and positively affected financial reporting quality, with geographical distance emerging as the strongest predictor, followed by process quality, social distance, technical quality, and auditor independence. The study demonstrates that audit quality is multidimensional and that improvements in auditor competence, independence, audit processes, and auditor–client relationships can enhance financial reporting quality.

Lee and Malik (2026) examined whether ROA, ROE, current ratio, and debt-to-equity ratio influence audit quality among 10 automotive companies listed on the Indonesia Stock Exchange during 2021–2024. Using logistic regression and secondary data from annual reports and audited financial statements, the study found that only the debt-to-equity ratio had a significant positive effect on audit quality, while ROA, ROE, and current ratio were insignificant. The findings suggest that highly leveraged companies may face greater monitoring and audit scrutiny, thereby increasing the likelihood of higher audit quality.

Sani (2024) examined the effect of audit committee financial expertise on financial reporting lag among 68 Nigerian listed companies over 2014–2023. Using fixed-effects estimation, the study found that audit committee financial expertise significantly reduced financial reporting lag, indicating that financially knowledgeable audit committee members enhance the timeliness of corporate reporting. Audit committee independence, committee size, profitability, and institutional ownership were also associated with improved reporting timeliness, whereas COVID-19 and leverage contributed to reporting delays. The study highlights the importance of financially competent audit committees in strengthening timely and credible corporate disclosures.

Chinemerem et al. (2025) investigated the effect of audit firm size, audit committee size, and auditor tenure on the financial performance of nine listed consumer goods companies in Nigeria between 2015 and 2024. Using an ex-post facto design and panel regression, with net profit margin as the performance measure, the study found that audit firm size had a significant positive effect on profitability, while auditor tenure had a significant negative effect. Audit committee size had a negative but insignificant relationship with profitability. The study therefore emphasised the importance of reputable audit firms and effective audit committee oversight in enhancing audit quality and corporate performance.

Orjinta et al. (2026) examined the influence of audit fee, audit firm size, and audit committee characteristics on the financial performance of manufacturing firms in Nigeria. Using an ex-post facto research design, secondary financial statement data, and panel-data techniques, the study found that audit fee and audit firm

size significantly affected financial performance, whereas audit committee characteristics had no significant effect. The study concluded that audit quality is an important determinant of corporate performance and recommended greater engagement with competent and reputable audit firms, together with stronger audit committee effectiveness and independence.

Osevw-Okoroyibo and Emeka-Nwokeji (2021) examined the influence of audit committee attributes on the performance of listed food and beverage firms in Nigeria, using audit committee independence, financial expertise, and meeting frequency as measures of audit committee effectiveness and financial performance as the indicator of firm performance. Employing an ex-post facto research design, the study analysed secondary data from the annual reports of 14 purposively selected firms covering 2011–2018. The findings revealed that audit committee independence and financial expertise exerted positive but insignificant effects on financial performance, whereas audit committee meeting frequency had a positive and significant effect on firm performance. The study therefore emphasized the importance of regular and effective audit committee meetings in strengthening corporate oversight and improving firm performance, while also recommending greater representation of independent non-executive directors and financially knowledgeable members, particularly those with accounting expertise, on audit committees.

Table 1.0 Summary of the Research Gaps

Gap	Existing Literature	Gap Addressed by the Present Study
Empirical gap	Findings on audit quality and performance are inconsistent	Provides additional empirical evidence
Variable gap	Audit attributes are often examined separately	Examines ACS, AFS, ACE and ACM jointly
Sectoral gap	Studies cover different sectors with limited sector-specific evidence	Focuses on listed consumer goods companies
Measurement gap	Heavy use of ROA, ROE and EPS	Uses NPM as the measure of profitability
Temporal gap	Some studies cover earlier periods	Provides evidence based on a more recent study period
Methodological gap	Predominantly OLS and conventional panel techniques	Incorporates diagnostic tests and appropriate robust estimation
Theoretical gap	Limited explanation of conflicting results	Uses corporate agency theory, stakeholder and social exchange theory to explain relationships
Contextual gap	International evidence comes from different institutional settings	Provides evidence specific to Nigeria

THEORETICAL REVIEW

This study is anchored on Agency Theory, Stakeholder Theory and Social exchange theory, which provide a robust framework for understanding the relationship between audit quality (measured by audit committee size, audit firm size, audit committee expertise, and audit committee meeting) and financial performance (proxied by net profit margin) in Nigeria’s listed consumer goods companies. These theories explain how audit mechanisms align interests, enhance transparency, and address stakeholder expectations, directly influencing the study variables in the context of a sector where trust and reputation are critical (PwC Nigeria, 2021).

Agency Theory: Jensen & Meckling, (1976) addresses conflicts between shareholders (principals) and managers (agents) arising from information asymmetry, where managers may prioritize personal interests over shareholder value (Musa et al., 2021). Audits in terms of audit committee financial expertise (ACE) and quality audit committee meetings (ACM), mitigate these conflicts by ensuring transparent financial

reporting, which supports accurate net profit margin (NPM) reporting and reduces earnings manipulation (Omodero & Ogisi, 2021).

Specifically, larger audit firms (AFS), such as the Big 4, leverage resources and expertise to deliver credible audits, aligning managerial actions with shareholder interests and enhancing NPM (Knechel et al., 2021). Similarly, a larger audit committee size (ACS) strengthens oversight, reducing agency costs by ensuring reliable financial statements (Egbunike & Abiahu, 2017).

Stakeholder Theory

Freeman, (1984) complements Agency Theory by emphasizing the need to address broader stakeholder groups (investors, consumers, regulators, and creditors) whose trust is vital for consumer goods firms (Rashidi, 2019). High-quality audits satisfy these stakeholders by ensuring reliable financial reporting, which supports NPM accuracy and enhances brand reputation (Ezeani et al., 2025). For instance, larger audit firms (AFS) signal quality to stakeholders, boosting investor and consumer confidence, which can positively influence NPM (Okafor et al., 2025). A robust audit committee (ACS) reassures regulators and creditors of compliance, fostering trust that supports financial performance (Ho & Wong, 2021).

Social Exchange Theory

The theoretical framework for this study is centered on social exchange theory. Social exchange theory as propounded by Blau in (1964) provides a useful framework for understanding how social interaction in the workplace influence auditor's independence with the management and in carrying out his task. Social exchange relationships are often described as subjective, relationship-oriented contracts between employees and organizations characterized by mutual exchange of socio-emotional benefits, cooperation, trust, and a long-term focus social exchange relationships can therefore strengthen the motivation of auditors to truly assess the facts of the financial statement.

Together, these theories highlight the role of audit quality in aligning internal governance (Agency Theory), aligning relationship-oriented contracts between employees and organizations (Social Exchange Theory) as well as meeting external stakeholder expectations (Stakeholder Theory). In Nigeria's consumer goods sector, where market competitiveness depends on trust and transparency, audit firm size, audit committee size, audit committee expertise and auditor audit quality meeting influence NPM by reducing information asymmetry and enhancing stakeholder confidence (Shina & John-Akamelu, 2024). These frameworks highlight the study's focus on how audit quality drives financial performance in a volatile economic environment.

RESEARCH METHODOLOGY

The study adopted an ex post facto research design, as it is appropriate for analyses based on historical data where the researcher has no control over or ability to manipulate the variables of interest. A purposive sampling technique was employed to select firms with complete data on audit committee size, audit firm size, audit committee expertise, audit committee meeting and net profit margin over the period 2014 to 2024.

The population of the study comprised all nineteen (19) consumer goods company listed on the Nigerian Exchange Group as at 2025. However, a sample of sixteen (16) was selected based on the availability and accessibility of relevant data. These consumer goods company include cadbury nigeria plc, champions brew plc, dangote sugar refinery, guinness nig plc, honeywell flour mill plc, international breweries plc, mcnichols plc, multi-trex integrated foods plc, n nig. flour mills plc, nascon allied industries plc, nestle nigeria plc nigerian breweries plc, nigerian enamelware plc, pz cussons nigeria plc, unilever nigeria plc, vitafoam nig plc

Data were obtained through manual extraction from audited annual reports and statutory financial statements of the selected consumer goods company. The analysis of data was conducted using both descriptive and

inferential statistical techniques. The descriptive analysis involved measures of central tendency and dispersion, including mean, median, minimum, maximum, and standard deviation. The inferential analysis employed a static panel data approach, a robust econometric technique suitable for examining longitudinal data across multiple entities over time under both fixed and random effects assumptions. This method enables the simultaneous analysis of cross-sectional and time-series variations, thereby providing a more comprehensive understanding of the relationships among the study variables.

Model Specification and Variable Measurement

The panel regression model that captures the effects of audit quality on financial performance of listed consumer goods in Nigeria is presented below:

$$NPM_{it} = \alpha + \beta_1 ACS_{it} + \beta_2 AFS_{it} + \beta_3 ACE_{it} + \beta_4 ACM_{it} + \varepsilon_{it}$$

Were, NPM – Net Profit Margin

ACS – Audit Committee Size

AFS – Audit Firm Size

ACE –Audit Committee Expertise

ACM – Audit Committee Meeting

$\beta_1 \beta_3$ – Beta coefficient

α – constant

ε – error terms

Table 1: Measurement of Variables

Description of Variables

Variables	Type	Description	Sources
Net Profit Margin (NPM)	Dependent variable	(Net Profit / Sales) $\times$ 100	Chinemerem et al. (2025) Bakare (2021)
Audit Committee Size (ACS)	Independent variable	Number of audit committee members	Onmonya and Ebire (2023)
Audit Firm Size (AFS)	Independent variable	1 if audited by Big 4, 0 otherwise	Chinemerem et al. (2025)
Audit Committee Expertise (ACE)	Independent variable	Total number of audit members with accounting qualification, finance industry experience and professional qualifications	Isah, N. O. (2026), Yakubu et al. (2026)
Audit Committee Meeting (ACM)	Independent variable	Measure as number of meetings held by audit committee members	Osevwe-Okoroyibo and Emeka-Nwokeji (2021).

Author's compilation (2026)

DATA ANALYSIS AND DISCUSSION

The focus of this chapter is on presenting and empirically interpreting the result of the research work obtained from the model specification carried out in the previous section. In this section, reference is made to the data collected in relation to the study's variables ranging from Net Profit Margin (NPM), Audit Committee Size (ACS), Audit Firm Size (AFS), Audit Committee Expertise (ACE), Audit Committee Meeting (ACM).

Descriptive Statistics

Table 1 presents the result of descriptive statistics of Net Profit Margin (NPM), Audit Committee Size (ACS), Audit Firm Size (AFS), Audit Committee Expertise (ACE), Audit Committee Meeting (ACM)

Table 1: Descriptive Statistics (NPM, ACS, AFS, ACE and ACM)

Variables	Mean	Std. Dev	Min	Max	Obs.
NPM	1.4127	7.7656	0.001	91.89	192
ACS	5.6822	0.9084	4	9	192
AFS	0.7552	0.4310	0	1	192
ACE	0.4045	0.2633	.111	1	192
ACM	3.2343	1.6347	0	6	192

Source: Stata 17 output (2026)

Table 1 presents the descriptive statistics for Net Profit Margin (NPM), Audit Committee Size (ACS), Audit Firm Size (AFS), Audit Committee Expertise (ACE), and Audit Committee Meetings (ACM) for the 16 sampled listed consumer goods companies over the period 2014–2024. The analysis is based on 192 firm-year observations.

Net Profit Margin (NPM)

The mean NPM of 1.4127 indicates that, on average, the sampled consumer goods companies generated a net profit equivalent to approximately 1.41% of their revenue during the period under review. The standard deviation of 7.7656 is considerably higher than the mean, indicating substantial variation in profitability among the firms and across the years.

NPM ranges from a minimum of 0.001 to a maximum of 91.89, suggesting considerable differences in profitability. The very wide range and high standard deviation indicate the presence of substantial dispersion and possible extreme observations in the profitability data. This implies that while some firms recorded relatively low profit margins, others achieved exceptionally high margins during certain years.

Audit Committee Size (ACS)

The mean audit committee size is 5.6822, indicating that the sampled companies had, on average, approximately six members on their audit committees. The standard deviation of 0.9084 shows relatively limited variation in committee size across the sampled firms. The minimum and maximum values of 4 and 9 members, respectively, indicate that audit committee composition varied from four to nine members. The relatively small standard deviation suggests that most firms-maintained audit committees within a fairly narrow range around the average size.

Audit Firm Size (AFS)

Audit firm size has a mean of 0.7552, with a standard deviation of 0.4310. Assuming AFS is coded as a binary variable, where 1 represents a Big Four audit firm and 0 represents a non-Big Four firm, the mean implies that approximately 75.52% of the firm-year observations were audited by Big Four firms, while about 24.48% were audited by non-Big Four firms. The minimum value of 0 and maximum of 1 confirm the binary nature of the variable. This relatively high mean suggests that large and reputable audit firms have substantial representation among the listed consumer goods companies in the sample.

Audit Committee Expertise (ACE)

The mean ACE of 0.4045 indicates that, on average, approximately 40.45% of audit committee members possessed the required financial or accounting expertise, assuming the variable is measured as the proportion of financially knowledgeable members. The standard deviation of 0.2633 indicates moderate variation in audit committee financial expertise across the companies. The minimum value of 0.111 and maximum of 1.000 indicate that financial expertise ranged from approximately 11.1% to 100% of committee membership. This variation suggests that while some companies had audit committees with relatively limited financial expertise, others had committees in which all members possessed relevant financial expertise.

Audit Committee Meetings (ACM)

The mean number of audit committee meetings is 3.2343, indicating that the sampled companies held approximately three audit committee meetings per year on average. The standard deviation of 1.6347 indicates considerable variation in meeting frequency. The minimum value of 0 suggests that some firm-year observations recorded no audit committee meeting, whereas the maximum of 6 indicates that some companies held as many as six meetings within a financial year. The variation suggests differences in the level of audit committee engagement and monitoring activities across the sampled companies.

Correlation Matrix

Table 2: Correlation Matrix

Var.	NPM	ACS	AFS	ACE	ACM
NPM	1.0000				
ACS	-0.1748	1.0000			
AFS	-0.2988	0.0945	1.0000		
ACE	0.0872	0.0604	0.0074	1.0000	
ACM	-0.3172	0.3959	0.2304	0.2345	1.0000

Source: Stata 17 output (2026)

Table 2 presents the Pearson correlation coefficients among Net Profit Margin (NPM), Audit Committee Size (ACS), Audit Firm Size (AFS), Audit Committee Expertise (ACE), and Audit Committee Meetings (ACM). The correlation coefficients indicate the direction and strength of the linear association between the variables. However, correlation does not by itself establish causality.

NPM and Audit Committee Size (ACS)

The correlation coefficient between NPM and ACS is -0.1748, indicating a weak negative relationship between audit committee size and net profit margin. This suggests that companies with relatively larger audit committees tend to have slightly lower profit margins, although the association is weak. The result does not imply that increasing audit committee size causes profitability to decline; other firm-specific and economic factors may explain the observed relationship.

NPM and Audit Firm Size (AFS)

The correlation between NPM and AFS is -0.2988, indicating a weak-to-moderate negative relationship. Assuming AFS is coded as 1 for Big Four auditors and 0 for non-Big Four auditors, the result suggests that firms audited by larger audit firms tend to exhibit lower NPM. This may reflect the possibility that larger firms are more likely to audit companies with greater complexity, financial risk, or reporting scrutiny. Nevertheless, the correlation does not establish that Big Four auditing reduces profitability.

NPM and Audit Committee Expertise (ACE)

The coefficient between NPM and ACE is 0.0872, indicating a very weak positive relationship. This suggests that firms with a higher proportion of financially or accounting-qualified audit committee members tend to have marginally higher net profit margins. However, the relationship is sufficiently weak to suggest that the association between audit committee financial expertise and profitability may be limited at the bivariate level.

NPM and Audit Committee Meetings (ACM)

The correlation between NPM and ACM is -0.3172, representing a moderate negative relationship. This indicates that firms holding more audit committee meetings tend to record lower net profit margins. One possible explanation is that companies experiencing financial difficulties or greater reporting and control challenges may convene more frequent audit committee meetings in response to these problems. Thus, the negative relationship should not be interpreted as evidence that frequent audit committee meetings necessarily reduce profitability.

Overall Interpretation

The correlation results show that NPM has weak to moderate relationships with the audit quality variables. NPM is negatively related to ACS (-0.1748), AFS (-0.2988), and ACM (-0.3172), but has a weak positive relationship with ACE (0.0872). The correlations among the independent variables are also relatively low, with the highest being between ACS and ACM (0.3959), indicating no serious multicollinearity concerns, as none approaches the 0.80 threshold. Overall, the results suggest that audit quality attributes have different associations with profitability, but further panel regression analysis is required to determine their statistical significance and account for other factors that may influence NPM.

VIF (Multicollinearity) Test

Table 3: Multicollinearity Test

Variable	VIF	1/VIF
ACM	1.31	0.761295
ACS	1.19	0.842146
ACE	1.06	0.941467
AFS	1.19	0.944604
Mean VIF	1.16	

Source: Stata 17 Output (2026)

The multicollinearity test demonstrates that all the independent variables have VIF values ranging from 1.06 to 1.31, while the tolerance values are substantially above the minimum acceptable level of 0.10. The highest VIF, recorded for ACM at 1.31, remains extremely low. Therefore, multicollinearity is not a problem in the model.

This result implies that audit committee meeting, audit committee size, audit committee expertise, and audit firm size measure sufficiently distinct aspects of audit quality. Consequently, the coefficient estimates obtained from subsequent regression analysis are unlikely to be substantially distorted by excessive correlation among the explanatory variables. The variables can therefore be jointly included in the panel regression model for assessing their effects on net profit margin (NPM).

Normality of Residual

An assumption of classical ordinary least square regression is normality of the residual. The Jacque Bera test conducted for this regression model shows a p-value of 0.000 which is less than 5% indicating that the residual is not normally distributed.

Table 4 Normality test of data

MODEL	Variables	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
NPM	Residual	192	0.0000	0.0001	.	0.0000

Source: Skewness/Kurtosis (Jacque Bera) test for Normality result using STATA 17 Output 2026

Heteroskedasticity

The Breusch-Pagan/Cook-Weisberg test yielded a chi-squared value of 538.58 with a p-value of 0.000, indicating a statistically significant result and thus the presence of heteroskedasticity. Similarly, the Cameron & Trivedi's decomposition test produced a chi-squared value of 38.32 with a p-value of 0.035, further confirming the violation of the homoskedasticity assumption. Given heteroskedasticity and non-normality of residuals in the model, this study accounts for these violations by interpreting the regression results using robust regression. The model will further be determined by Hausman specification Test results.

Table 5 Test for heteroskedasticity

Breusch-Pagan/ Cook-Weisberg test		Cameron & Trivedi's decomposition	
	NPM		NPM
chi2	538.58	chi2	38.32
Prob > chi2	0.0000	Prob > chi2	0.0035

Stata output, 2024

Hausman Specification Test

Because the data have a panel structure, both Fixed Effects (FE) and Random Effects (RE) models were estimated, and the Hausman specification test was used to identify the more suitable model for each dependent variable. As shown in Table 6, the test produced a Chi-squared statistic of 3.90 with a p-value of 0.4191. Since this p-value exceeds conventional significance thresholds, it indicates no statistically significant divergence between the FE and RE coefficient estimates, implying that the Random Effects model is the statistically preferred specification.

However, given the earlier diagnostic findings of heteroskedasticity and non-normal residuals, robust regression techniques were required to ensure valid inference regardless of which model was chosen. In light of this, the study proceeds with the Random Effect model estimated using robust standard errors, both to correct for these econometric irregularities and to preserve consistency and comparability across the reported results.

Table 6 Hausman specification Test

	NPM
chi2	3.90
Prob > chi2	0.4191

Stata output, 2026

Regression Results

The multiple regression, which captures the effect of audit quality on the financial performance of quoted consumer goods companies in Nigeria, was analysed using Robust Regression. This was used because of heteroskedasticity and non-normality of the data between the variables. The regression results are as follows:

Table 7: Robust Regression Result (PCSEs)

Variables	Coefficients	Std. Err	Z	P-value
Constant	9.5473	3.5929	2.66	0.008
ACS	-4.1836	0.5142	-0.91	0.362
AFS	-4.1837	1.4321	-2.92	0.003
ACE	4.5967	1.4729	3.12	0.002
ACM	-1.2897	0.4667	-2.76	0.006
R-Squared	17.68			
F-Stat.	10.98			
P-sig.	0.0268			

Source: Stata 17 output (2026)

Table 7 presents the Panel-Corrected Standard Errors (PCSEs) regression results examining the effect of audit quality characteristics: audit committee size (ACS), audit firm size (AFS), audit committee expertise (ACE), and audit committee meetings (ACM) on the financial performance of listed consumer goods companies in Nigeria, measured by Net Profit Margin (NPM).

The PCSE approach is appropriate where panel data may exhibit heteroskedasticity and other cross-sectional or temporal disturbances. Given the heteroskedasticity identified in the earlier diagnostic tests, the use of PCSEs provides more reliable standard errors and statistical inferences.

Constant

The constant coefficient is 9.5473, with a standard error of 3.5929, a z-value of 2.66, and a p-value of 0.008. Since the p-value is below 0.05, the constant is statistically significant.

This indicates that, holding the audit quality variables constant, the estimated baseline level of NPM is approximately 9.55 units. The significant constant suggests that factors outside the specified audit quality variables also contribute to the financial performance of the sampled companies.

Audit Committee Size (ACS)

Audit committee size has a coefficient of -4.1836, with a standard error of 0.5142, a z-value of -0.91, and a p-value of 0.362. Although the coefficient is negative, the relationship is not statistically significant because the p-value exceeds 0.05. This implies that an increase in audit committee size is associated with a decrease

in NPM, but there is insufficient statistical evidence to conclude that audit committee size significantly influences the profitability of listed consumer goods companies.

The finding suggests that simply increasing the number of audit committee members may not necessarily improve financial performance. The effectiveness of the committee may depend more on the members' expertise, independence, commitment, and quality of oversight than on the number of members. Decision: The null hypothesis relating to ACS is not rejected.

Audit Firm Size (AFS)

Audit firm size has a coefficient of -4.1837 , with a standard error of 1.4321 , a z-value of -2.92 , and a p-value of 0.003 . The p-value is below 0.05 , indicating that the relationship is statistically significant. The negative coefficient indicates that a one-unit increase in the measure of audit firm size is associated with an estimated 4.18 -unit decrease in NPM, holding other variables constant.

This finding suggests that larger audit firms, potentially represented by Big Four auditors, are associated with lower reported profitability among the sampled consumer goods companies. One possible explanation is that larger audit firms may exercise greater professional scrutiny and impose stricter accounting and reporting requirements, thereby limiting aggressive accounting practices and producing more conservative reported profits. Alternatively, companies experiencing financial difficulties may be more likely to engage larger audit firms because of heightened monitoring requirements. Decision: The null hypothesis relating to AFS is rejected.

Audit Committee Expertise (ACE)

Audit committee expertise has a coefficient of 4.5967 , with a standard error of 1.4729 , a z-value of 3.12 , and a p-value of 0.002 . Since the p-value is below 0.05 , ACE has a positive and statistically significant relationship with NPM. The coefficient indicates that a one-unit increase in audit committee expertise is associated with an estimated 4.60 -unit increase in NPM, holding other variables constant.

This result suggests that financially knowledgeable and professionally competent audit committee members can enhance the effectiveness of financial oversight. Their expertise may enable them to identify accounting irregularities, scrutinize financial reports more effectively, strengthen internal controls, and improve management accountability. These mechanisms can contribute to better financial management and ultimately enhance profitability. The finding provides support for the view that the quality and competence of audit committee members may be more important than committee size alone. Decision: The null hypothesis relating to ACE is rejected.

Audit Committee Meetings (ACM)

Audit committee meetings have a coefficient of -1.2897 , with a standard error of 0.4667 , a z-value of -2.76 , and a p-value of 0.006 . The p-value is below 0.05 , indicating a statistically significant negative relationship between ACM and NPM. The coefficient implies that a one-unit increase in the frequency of audit committee meetings is associated with an estimated 1.29 -unit decrease in NPM, holding other explanatory variables constant.

The negative relationship does not necessarily imply that audit committee meetings cause poor performance. Rather, it may indicate that companies experiencing financial difficulties or reporting problems tend to convene more frequent audit committee meetings in response to emerging challenges. Thus, frequent meetings could partly be a reactive governance mechanism rather than an indication of superior performance.

Overall Model Fit and Significance of the Model

The model's R-squared of 17.68% indicates that the audit quality variables jointly explain about 17.68% of

the variation in net profit margin (NPM), while the remaining 82.32% is explained by other factors such as firm size, leverage, sales growth, inflation, exchange rates, production costs, taxation, and market competition. Despite its modest explanatory power, the model remains meaningful because profitability is influenced by many firm-specific, industry, and macroeconomic factors. Furthermore, the F-statistic of 10.98 with a p-value of 0.0268 shows that the model is statistically significant at the 5% level. Thus, audit quality variables, when considered collectively, have a significant relationship with the financial performance of listed consumer goods companies in Nigeria.

Discussion of the Findings

The findings of this study provide empirical evidence on the relationship between audit quality and the financial performance of listed consumer goods companies in Nigeria, with financial performance measured by Net Profit Margin (NPM) and audit quality proxied by audit committee size (ACS), audit firm size (AFS), audit committee expertise (ACE), and audit committee meetings (ACM). The results indicate that audit quality, taken collectively, has a statistically significant effect on financial performance, although the individual dimensions exhibit different directions and levels of significance. The overall model is statistically significant, with an F-statistic of 10.98 and a probability value of 0.0268, while the R-squared of 17.68% indicates that the selected audit quality variables explain a meaningful proportion of the variation in NPM.

Audit Committee Size and Financial Performance

The regression results indicate that audit committee size has a negative but statistically insignificant effect on NPM (coefficient = -4.1836; $p = 0.362$). This suggests that simply increasing the number of audit committee members does not significantly improve the profitability of listed consumer goods companies in Nigeria. Rather, audit committee effectiveness appears to depend more on members' competence, independence, commitment, and quality of participation than on committee size. The finding is consistent with Chinemerem et al. (2025) and Orjinta et al. (2026), but differs from studies that associate larger audit committees with stronger monitoring and improved performance. From the perspective of Agency Theory, the result indicates that increasing the number of monitors alone may not effectively address agency problems; what matters is the ability of qualified and independent members to provide effective oversight of management and financial reporting.

Audit Firm Size and Financial Performance

The findings show that audit firm size has a negative and significant effect on NPM (coefficient = -4.1837; $p = 0.003$), indicating that firms audited by larger audit firms tend to report lower profitability. This may reflect the stronger scrutiny, professional skepticism, technical expertise, and quality-control procedures associated with larger audit firms, which can discourage aggressive accounting practices and lead to more conservative and credible profit reporting. Thus, the negative relationship does not necessarily imply that large auditors reduce actual profitability, but may indicate greater reliability in reported earnings.

The finding differs from Chinemerem et al. (2025), who reported a significant positive effect, and from Ozegbe and Jeroh (2022) and Onwubiko and Nwankwo (2024), who found insignificant relationships. However, it agrees with Orjinta et al. (2026), who reported a significant relationship between audit firm size and financial performance. These differences suggest that the effect of audit firm size may depend on industry, performance measures, study period, and economic conditions. Overall, the significant result highlights audit firm selection as an important factor associated with the financial performance of listed consumer goods companies in Nigeria.

Audit Committee Expertise and Financial Performance

The findings indicate that audit committee expertise has a positive and significant effect on NPM (coefficient = 4.5967; $p = 0.002$). This suggests that companies with financially knowledgeable audit

committee members tend to achieve better profitability. Members with accounting and financial expertise are better able to scrutinise financial reports, identify risks, assess internal controls, and challenge questionable management decisions, thereby strengthening oversight and supporting more effective resource management.

The finding is consistent with Isah (2026), who reported that audit committee financial expertise positively influenced firm value, and Sani (2024), who found that it improved the timeliness of financial reporting among Nigerian listed firms. It also aligns with Agency Theory, which suggests that financially competent directors can reduce information asymmetry, strengthen monitoring, and protect shareholders' interests. Overall, the result highlights that the competence and financial expertise of audit committee members may be more important for profitability than simply increasing committee size.

Audit Committee Meetings and Financial Performance

The results show that audit committee meetings have a negative and significant effect on NPM (coefficient = -1.2897; $p = 0.006$), suggesting that more frequent meetings are associated with lower profitability among listed consumer goods firms in Nigeria. This may indicate that meeting frequency alone does not necessarily translate into effective monitoring. The finding agrees with Onmonya and Ebire (2023), who also reported a significant negative relationship between audit committee meetings and firm performance. However, it differs from Osewwe-Okoroyibo and Emeka-Nwokeji (2021), who found that frequent audit committee meetings significantly improved performance among listed food and beverage firms. The differences may reflect variations in industry, performance measures, study periods, and the actual effectiveness of audit committee meetings.

Overall Effect of Audit Quality on Financial Performance

The overall regression model is statistically significant ($F = 10.98$; $p = 0.0268$), showing that audit committee size, audit firm size, audit committee expertise, and audit committee meetings jointly influence the financial performance of listed consumer goods companies in Nigeria. The result reinforces the importance of audit quality as a corporate governance mechanism for strengthening financial reporting, managerial accountability, and firm performance. However, the different signs and significance levels of the individual variables indicate that audit quality is a multidimensional concept, with some attributes contributing positively while others have limited or negative effects.

The model's R-squared of 17.68% shows that the audit quality variables explain about 17.68% of the variation in NPM, while the remaining 82.32% is influenced by other factors such as firm size, leverage, sales growth, inflation, exchange rates, production costs, taxation, working-capital management, and market conditions. Overall, the findings suggest that while audit quality matters, corporate profitability is shaped by a much broader range of firm-specific and economic factors.

Implication of the Findings for the Nigerian Consumer Goods Sector

The findings have important implications for managers, shareholders, regulators, and investors in Nigeria's consumer goods sector. Companies should place greater emphasis on the quality and expertise of audit committee members, particularly those with strong accounting and financial knowledge, rather than focusing mainly on committee size. The positive effect of audit firm size on net profit margin also suggests that firms should carefully select external auditors with adequate technical expertise, independence, resources, and strong quality-control systems.

The negative relationship between audit committee meeting frequency and profitability further indicates that simply holding more meetings does not necessarily improve performance. What matters is the quality and effectiveness of the discussions, decisions, follow-up actions, and resolution of identified control weaknesses. Overall, the findings reinforce the importance of effective audit quality as a key component of corporate governance. Strengthening audit committee expertise, auditor quality and independence, and

substantive oversight can promote credible financial reporting, greater accountability, and improved financial performance among listed consumer goods firms in Nigeria.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

This study examined the effect of audit quality on the financial performance of listed consumer goods companies in Nigeria. Audit quality was measured using audit committee size (ACS), audit firm size (AFS), audit committee expertise (ACE), and audit committee meetings (ACM), while financial performance was measured using net profit margin (NPM). The study employed an ex-post facto research design and analysed panel data obtained from the audited annual reports of selected listed consumer goods companies over the study period.

Based on the empirical analysis and the Panel-Corrected Standard Errors (PCSEs) regression results, the major findings are summarised as follows:

1. Audit committee size has a negative but statistically insignificant effect on the financial performance of listed consumer goods companies in Nigeria. The coefficient of -4.1836 and p-value of 0.362 indicate that variations in the number of audit committee members do not significantly influence NPM.
2. Audit firm size has a negative and statistically significant effect on NPM, with a coefficient of -4.1837 and p-value of 0.003. This indicates that larger audit firms are significantly associated with lower reported profitability among the sampled companies.
3. Audit committee expertise has a positive and statistically significant effect on NPM. The coefficient of 4.5967 and p-value of 0.002 demonstrate that companies with greater financial expertise within their audit committees tend to record higher profitability.
4. Audit committee meetings have a negative and statistically significant effect on NPM, with a coefficient of -1.2897 and p-value of 0.006. This suggests that increased meeting frequency is associated with lower profitability, possibly because companies experiencing financial or reporting difficulties may require more frequent audit committee meetings.
5. The audit quality variables jointly have a statistically significant effect on financial performance, as indicated by an F-statistic of 10.98 and a p-value of 0.0268. The model explains approximately 17.68% of the variation in NPM, indicating that audit quality constitutes an important, although not exclusive, determinant of financial performance.

CONCLUSION

Based on the findings of the study, it is concluded that audit quality significantly influences the financial performance of listed consumer goods companies in Nigeria. However, the effect differs according to the specific dimension of audit quality examined.

In relation to the first objective, audit committee size does not significantly influence NPM, suggesting that the numerical composition of the audit committee alone is insufficient to enhance corporate profitability. What appears to matter more is the quality and competence of the members.

With respect to the second objective, audit firm size has a significant negative effect on NPM. This finding suggests that engagement with larger audit firms may be associated with more rigorous audit scrutiny and relatively conservative financial reporting.

Regarding the third objective, audit committee expertise has a significant positive effect on NPM. This establishes the importance of having financially knowledgeable and professionally competent members on audit committees. Financial expertise strengthens monitoring, improves the evaluation of financial information, and can contribute to better managerial decisions and corporate profitability.

For the fourth objective, audit committee meetings have a significant negative effect on NPM. This result suggests that frequent meetings may be associated with firms experiencing financial or reporting challenges. It further indicates that meeting frequency alone should not be regarded as an adequate measure of audit committee effectiveness.

Finally, the study concludes that audit quality dimensions jointly have a significant effect on the financial performance of listed consumer goods companies in Nigeria. The findings therefore support the importance of effective audit and corporate governance mechanisms in promoting credible financial reporting, managerial accountability, and corporate performance

RECOMMENDATIONS

The recommendations are presented in direct alignment with the specific objectives and findings of the study.

Recommendation One: Audit Committee Size: In view of the finding that audit committee size has an insignificant effect on financial performance, listed consumer goods companies should avoid increasing audit committee membership merely to increase its numerical strength. Instead, boards should focus on appointing members with relevant qualifications, independence, experience, integrity, and financial knowledge. The composition of the committee should be sufficiently large to provide diverse perspectives while remaining manageable enough to facilitate effective communication and decision-making.

Recommendation Two: Audit Firm Size: Given the significant negative effect of audit firm size on NPM, listed consumer goods companies should exercise careful judgement in selecting external auditors. While reputable and larger audit firms may provide stronger technical resources and quality-control systems, management should ensure that the appointment of such firms is based on audit competence, independence, industry experience, professional scepticism, and quality of service rather than firm size alone. Regulatory authorities should also ensure that larger audit firms maintain high professional and ethical standards.

Recommendation Three: Audit Committee Expertise: In response to the significant positive effect of audit committee expertise on NPM, listed consumer goods companies should prioritise the appointment of financially literate and professionally qualified audit committee members. Members should possess appropriate expertise in accounting, auditing, finance, risk management, taxation, and financial reporting. Companies should also provide continuous professional development to ensure that audit committee members remain abreast of changes in accounting standards, regulatory requirements, financial risks, and emerging corporate governance practices.

Recommendation Four: Audit Committee Meetings

Given the significant negative relationship between audit committee meetings and NPM, companies should shift attention from the frequency of meetings to the quality and effectiveness of meetings. Audit committee meetings should have clearly defined agendas focusing on financial reporting, internal control weaknesses, risk management, audit findings, fraud risks, regulatory compliance, and corrective actions. Minutes and resolutions should be properly documented and followed up to ensure that decisions taken during meetings produce meaningful governance outcomes.

Contribution of the Study

The study contributes to the existing body of knowledge by providing empirical evidence on the relationship

between audit quality and financial performance specifically within Nigeria's listed consumer goods sector. Unlike studies that examine audit quality using a single measure, this study considers multiple dimensions, namely audit committee size, audit firm size, audit committee expertise, and audit committee meetings, thereby providing a broader assessment of audit quality.

The study also contributes empirical evidence that audit committee expertise is particularly important in improving financial performance, while audit committee size alone may not be sufficient to produce better outcomes. The findings therefore provide useful insights for corporate boards, managers, investors, auditors, and regulators concerned with improving corporate governance and financial reporting among listed consumer goods companies in Nigeria.

Suggested Areas for Further Research

Future studies could extend the research by incorporating additional audit quality measures such as audit fees, auditor independence, auditor tenure, audit delay, audit rotation, audit partner characteristics, and audit reporting quality. Further research could also employ alternative measures of financial performance, such as ROA, ROE, EPS, Tobin's Q, and market-based performance measures.

Future researchers may also examine whether firm size, leverage, corporate governance quality, ownership structure, or economic conditions moderate the relationship between audit quality and financial performance. Comparative studies involving other sectors of the Nigerian economy or other emerging economies could further establish whether the findings are sector- or country-specific.

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