

**THE INFLUENCE OF AUDIT QUALITY ON THE FINANCIAL
EFFICACY OF LISTED CONSUMER GOODS ENTERPRISES ACROSS
SUB-SAHARAN AFRICA**

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Abstract: *This study was undertaken to investigate the influence of auditor industry specialisation (AUDIDSP), audit report type (AUDTYPE), and discretionary accruals (DISAC) on the financial performance of listed consumer goods companies across Sub-Saharan Africa. Specifically, the study examines how these proxies of audit quality affect the return on equity (ROE) of selected firms in the region. A purposive sampling technique was employed to select six representative consumer goods enterprises, namely Nestlé Nigeria Plc, Unilever South Africa, Kenya Tea Development Agency (KTDA), Kasapreko Company Ltd of Ghana, Bakhresa Group, Tanzania, and Nile Breweries Ltd of Uganda. The study utilises time-series data spanning the period 2014–2024, extracted from the firms' audited financial statements. The empirical analysis adopts Ordinary Least Squares (OLS) regression, complemented by econometric techniques including the Augmented Dickey-Fuller (ADF) test for stationarity and the Johansen Cointegration test for long-run relationships. Findings indicate that discretionary accruals (DISAC) significantly influence the disclosure of key audit matters, thereby affecting organisational financial performance. Conversely, auditor industry specialisation (AUDIDSP) and audit report type (AUDTYPE) appear to have a limited direct impact on ROE. The study concludes that enhancing the quality of audit processes and promoting effective communication between management and auditors can significantly improve the credibility of financial reports. Recommendations include fostering greater transparency and adherence to audit best practices, strengthening auditors' awareness of intended disclosures, and encouraging management engagement with auditors to mitigate potential adverse effects on organisational performance.*

INTRODUCTION

Audit quality has been broadly defined as the market-estimated likelihood that an auditor will both detect and disclose irregularities within a client's accounting records (Kaoje & Mohammed, 2022). Multiple factors are recognised as determinants of audit quality, including auditor industry specialisation, audit report type, discretionary accruals, audit committee oversight, and the auditor's personal attributes such as competence, independence, professional qualification, and experience (Kaoje, Babangida, & Kaoje, 2022). These factors are interrelated; for instance, auditors with specialised industry expertise often demonstrate enhanced competence and independence, which collectively contribute to higher-quality audits and, by extension, more reliable financial statements (Ugwunta, Ugwuanyi, & Ngwa, 2018). The credibility of financial statements fundamentally depends on auditors' independence of mind and appearance, which ensures stakeholders can rely on reported information (Adeleke, 2021). Audit quality is therefore intrinsic to the auditing profession, as deficient audit practices would undermine the perceived reliability of financial statements (Gana, Mohd, & Peter, 2020). High-quality audits are expected to improve managerial efficiency and effectiveness in financial management, thus fostering organisational growth and enhancing shareholder wealth. Auditing serves as a critical pillar for financial stability and market confidence (Egiyi, 2022). Stakeholders rely on auditors' reports to validate the accuracy of financial statements, particularly when discrepancies are suspected. Consequently, auditor independence remains central to debates on audit quality. While audit fees have historically been scrutinised for potentially undermining auditor objectivity, the focus has shifted towards broader indicators such as auditor industry specialisation (AUDIDSP), audit report type (AUDTYPE), and discretionary accruals (DISAC) as more precise determinants of audit quality (Oladipupo & Monye-Emina, 2016). Empirical evidence demonstrates that high-quality audits positively influence corporate financial performance. Afza and Nasir (2014) found that firms audited by reputable auditors exhibit more reliable financial reporting, thereby enhancing investor confidence. Similarly, Bouaziz (2012) reported that robust audits reduce agency costs by providing dependable information for decision-making, which in turn optimises operational efficiency. Kaoje and Mohammed (2022) further established a link between audit quality and firm performance, affirming that audit quality is likely to have a beneficial effect on return on equity (ROE).

Statement of the Problem

In many public and private organisations within Sub-Saharan Africa, the appointment, reappointment, and removal of auditors—and by extension, decisions regarding audit fees—are often influenced by executive management. This dual responsibility creates a conflict of interest, as the same officers who manage organisational resources are tasked with overseeing auditors who evaluate their activities. Such arrangements can compromise auditor independence and objectivity, potentially eroding the reliability of financial reporting. Given the increasing incidences of corporate mismanagement and financial misconduct in the region, questions have arisen regarding whether auditors are sufficiently independent to safeguard organisational financial performance. There is a pressing need to examine how enhanced audit quality—measured via AUDIDSP, AUDTYPE, and DISAC—impacts the ROE of listed consumer goods companies, thereby informing best practices and policy frameworks aimed at improving financial transparency and stakeholder trust.

Objectives of the Study

The primary objective of this study is to evaluate the influence of audit quality on the financial performance of listed consumer goods companies in Sub-Saharan Africa. The specific objectives are:

- i. To examine the relationship between auditor industry specialisation
- ii. (AUDIDSP) and return on equity (ROE) of selected listed consumer goods enterprises.
- iii. To assess the impact of audit report type (AUDTYPE) on ROE.
- iv. To determine the effect of discretionary accruals (DISAC) on ROE.

Research Questions

The study is guided by the following research questions:

- i. What is the relationship between auditor industry specialisation (AUDIDSP) and ROE of listed consumer goods companies in Sub-Saharan Africa?
- ii. To what extent does audit report type (AUDTYPE) influence ROE?

- iii. What impact does discretionary accruals (DISAC) have on ROE?

Research Hypotheses

The study formulates the following null hypotheses:

- i. There is no significant relationship between auditor industry specialisation (AUDIDSP) and ROE of listed consumer goods companies in Sub-Saharan Africa.
- ii. Audit report type (AUDTYPE) does not significantly impact ROE.
- iii. Discretionary accruals (DISAC) have no significant effect on ROE.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Audit Quality

Audit quality is broadly conceptualised as the ability of an auditor to both detect and disclose material misstatements arising from fraud or error within a client's financial statements (Yeboah, 2020). Auditing may be conducted by internal auditors or external auditors. Internal auditors are employees appointed by management to monitor day-to-day operations, ensuring compliance with internal controls and organisational policies. Conversely, external auditors are independent professionals or audit firms appointed by shareholders in accordance with statutory requirements to examine financial statements and express an opinion on their truth and fairness (Alabede, 2012). Over the past decade, scholarly discourse has increasingly emphasised audit effectiveness and auditor independence as critical dimensions of audit quality (Badara & Saidin, 2014). External auditors are central to corporate governance frameworks because they provide shareholders with an impartial assessment of management stewardship, which enhances the credibility of financial statements. Without an independent auditor, stakeholders may lack confidence in the information presented in financial reports, undermining corporate accountability (Al-Thuneibal, Issa, & Baker, 2011). Studies have consistently demonstrated a direct relationship between auditors' independence, professional characteristics, and organisational performance. Endaya and Hanefah (2016) emphasise that auditors who are independent and possess relevant expertise significantly contribute to financial transparency,

thereby improving organisational financial outcomes. In the context of listed consumer goods companies across Sub-Saharan Africa, the credibility provided by independent auditors is particularly pertinent, given the diverse regulatory environments, varying degrees of market sophistication, and the growing complexity of financial reporting requirements. Auditor independence and professionalism are further reinforced through corporate governance mechanisms, such as audit committees. Velte and Loy (2018) note that audit committees play a pivotal role in ensuring the integrity of financial reporting by overseeing both internal and external audit processes. An effective audit committee, composed predominantly of independent non-executive members, enhances the objectivity and accountability of auditors, thus safeguarding the financial performance of the organisation.

Financial Performance

Financial performance refers to a company's ability to generate returns from its resources and operations, serving as a critical indicator of managerial efficiency and strategic effectiveness. In publicly traded enterprises, financial performance is closely linked to investor confidence, capital attraction, and cost of capital (Kaoje & Mohammed, 2022). Enterprises with robust financial performance gain favourable reputations, influencing investor perceptions and the overall valuation of the firm in the capital markets. Financial performance is a multidimensional concept (Santos & Brito, 2012) and can be quantified using a variety of indicators. Traditionally, profitability metrics such as Return on Assets (ROA), Return on Equity (ROE), and Price-Earnings Ratio (PER) are widely employed to assess organisational efficiency. For the purposes of this study, ROE is utilised as the primary measure of financial performance, reflecting the firm's capacity to generate returns for shareholders from their invested equity (Chen & Chen, 2011). This aligns with the broader objective of examining the interplay between audit quality and organisational financial efficacy in consumer goods enterprises across Sub-Saharan Africa.

Audit Quality and Organisational Financial Performance

Empirical evidence underscores the importance of audit quality in mitigating risks that threaten auditor independence and financial reporting objectivity. Wood and Small (2019) identify key threats, including undue client dependence, overdue fees, litigation risks, familial relationships, shareholdings, and the provision of non-audit services. These factors may compromise audit

integrity, thereby affecting organisational performance. External auditors influence internal control effectiveness and reporting quality through interactions with audit committees (Velte & Loy, 2018). Statutory mandates, including codes of corporate governance, stipulate that a majority of audit committee members must be independent, and the chairperson should be a non-executive director. Such structures reinforce auditor independence, enabling objective evaluation of a company's accounting practices and internal controls. Adeyemi, Okpala, and Dabor (2012) argue that an independent audit committee enhances organisational continuity, particularly during financial challenges, by recommending corrective action plans to mitigate risks. Auditing has evolved beyond merely examining historical financial data; contemporary auditors are expected to address matters of strategic importance to a broad spectrum of stakeholders, including shareholders, regulators, and the public (Abubakar & Obansa, 2020). Threats to auditor independence, such as significant financial reliance on a single client or provision of non-audit services, are particularly salient in emerging markets (Bhatti & Akram, 2020; IFAC, 2010). Large audit firms often derive substantial revenue from non-audit services, which can divide attention and compromise audit quality. Moreover, in practice, auditors may seek to accommodate management preferences, undermining objectivity (Solomon, 2012). The relationship between audit quality and organisational financial performance is evident in multiple dimensions. High-quality audits reduce information asymmetry, enhance stakeholder confidence, and facilitate efficient resource allocation. For consumer goods companies in Sub-Saharan Africa, where market volatility and regulatory heterogeneity are prevalent, robust auditing practices serve as a critical safeguard for shareholder wealth and corporate sustainability.

Auditor Industry Specialisation (AUDIDSP) and Financial Performance

Auditor industry specialisation refers to the auditor's expertise and experience within a specific industry sector. Literature suggests that auditors with industry-specific knowledge are more adept at identifying irregularities and assessing risk factors unique to the sector (Velte & Stiglbauer, 2015). This enhanced capability increases the reliability of financial statements, which, in turn, positively influences ROE. Research indicates that industry-specialised auditors can better evaluate complex financial instruments, regulatory compliance requirements, and sector-specific operational risks. For consumer goods companies, where inventory management, supply chain logistics, and pricing strategies significantly impact profitability, auditor industry

specialisation ensures that critical risks are adequately assessed and reported (Abdullahi et al., 2020).

Audit Report Type (AUDTYPE) and Financial Performance

The audit report type reflects the auditor's opinion on the financial statements, distinguishing between unqualified (clean) and modified (qualified or adverse) opinions. Audit report type serves as an indicator of audit quality, as modified opinions may highlight underlying financial misstatements or governance concerns (Bhatti & Akram, 2020). Studies suggest that firms receiving unqualified opinions are generally perceived as more transparent and reliable, enhancing investor confidence and supporting higher ROE (Al-Attar, 2017). Conversely, qualified reports may signal weaknesses in financial reporting or internal controls, potentially dampening stakeholder trust and impairing organisational financial performance.

Discretionary Accruals (DISAC) and Financial Performance

Discretionary accruals represent managerial estimates within financial statements that may be influenced to achieve desired financial outcomes (Jones, 1991). While some level of discretion is inherent in accounting practices, excessive manipulation undermines financial statement reliability and diminishes audit quality. Empirical studies indicate that high levels of discretionary accruals are associated with aggressive earnings management, which can negatively impact ROE (Onaolapo, Ajulo, & Onifade, 2017). Auditors play a critical role in monitoring and mitigating discretionary accruals, thereby enhancing financial statement integrity and organisational financial performance.

Social Exchange Theory

The theoretical underpinning of this study is Social Exchange Theory (Blau, 1964), which posits that interpersonal interactions are guided by mutually beneficial exchanges. Within auditing, social exchange relationships between auditors and management influence auditor independence, diligence, and reporting quality. Mutual trust, cooperation, and long-term relational expectations motivate auditors to conduct rigorous assessments, thereby improving audit quality and, by extension, financial performance (Augustine et al., 2014).

Empirical Review

Several empirical studies have investigated the relationship between audit quality and organisational performance. Augustine, Chijioke, Oba, and Jonathan (2014) examined auditor independence, accountability, and experience in Nigerian firms. Their findings indicated that auditor independence and accountability significantly influence audit quality, while experience did not exert a notable effect. Al-Attar (2017) explored the impact of auditing on stock prices in the Amman Stock Market, revealing that enhanced audit quality led to higher stock valuations, reflecting improved financial performance. Similarly, Onaolapo, Ajulo, and Onifade (2017) assessed audit fees, tenure, client size, and leverage in Nigeria, concluding that audit fees significantly influence audit quality. Suleiman, Ahmad, and Yusof (2017) demonstrated that internal audit competence and independence positively affect organisational performance, particularly when top management support is present. Ugwunta, Ugwuanyi, and Ngwa (2018) highlighted that auditor type and audit committee composition influence share prices, while audit tenure exhibited a negative association. Chen (2019) found that higher internal control audit fees may compromise auditor independence, particularly in smaller or non-state-owned firms. Abdullahi et al. (2020) revealed that audit fee has a modest positive effect on ROE, while auditor size and independence are more impactful. Gana, Mohd, and Peter (2020) affirmed that auditor independence enhances audit efficiency in the public sector, with implications for financial performance. Olabisi, Kajola, Abioro, and Oworu (2020) identified audit firm size, audit tenure, audit fees, and cash flow as significant determinants of audit quality among Nigerian insurance companies. Alawaqleh, Almasria, and Alsawalhah (2021) examined corporate governance variables, including CEO tenure, duality, and board size, finding that board composition significantly affects audit quality, while client size and leverage positively influence outcomes. Najmatuzzahrah, Mulyani, and Akbar (2021) emphasised that auditor independence enhances investigative audit quality and organisational credibility. Egiyi (2022) demonstrated a negative association between audit fees and audit quality, highlighting the risks of over-reliance on high fees. Ezegbe and Jeroh (2022) found that statutory audit services significantly affect ROE, whereas audit tenure and firm size exhibit weaker relationships. Inneh et al. (2022) reported that audit delay improves financial reporting quality by allowing thorough detection of material misstatements. Kaoje and Mohammed (2022) assessed audit quality among Nigerian oil and gas marketing companies, concluding that auditor type and tenure had no significant effect

on financial performance. These findings underscore the contextual variations in audit quality's influence, particularly across sectors and geographies.

Gap in Literature

Despite extensive research on audit quality, there remains limited consensus regarding its direct impact on financial performance, particularly in the consumer goods sector across Sub-Saharan Africa. Most prior studies focus on Nigeria, oil and gas, or financial services, leaving a notable gap in regional and sectoral applicability. Furthermore, traditional audit quality proxies such as audit size, fee, and tenure have been critiqued for their limited explanatory power. There is, therefore, a pressing need to investigate auditor industry specialisation (AUDIDSP), audit report type (AUDTYPE), and discretionary accruals (DISAC) as more robust indicators of audit quality and their influence on ROE among listed consumer goods companies in Sub-Saharan Africa.

METHODOLOGY

Scope of the Study

This investigation centres on the influence of audit quality on the financial efficacy of listed consumer goods enterprises across Sub-Saharan Africa. The study specifically examines audit quality proxies, namely Auditor Industry Specialisation (AUDIDSP), Audit Report Type (AUDTYPE), and Discretionary Accruals (DISAC), while financial performance is measured by Return on Equity (ROE). The temporal scope of the study spans eleven years, covering the period 2014 to 2024, thereby providing a comprehensive longitudinal perspective on audit practices and their effects on organisational outcomes. The focus on consumer goods firms is deliberate, given the sector's strategic significance within Sub-Saharan economies, its exposure to operational risks, and its reliance on transparent financial reporting to attract investors and maintain competitive advantage. The study integrates a cross-country approach, encompassing enterprises such as Nestlé Nigeria Plc, Unilever South Africa, Kenya Tea Development Agency (KTDA), Kasapreko Company Ltd of Ghana, Bakhresa Group Tanzania, and Nile Breweries Ltd of Uganda, thus capturing regional variations in regulatory and corporate governance contexts.

Data Collection

Data for this study are predominantly secondary in nature, obtained from the audited financial statements of the aforementioned consumer goods firms. Supplementary data were sourced from

academic journals, industry reports, regulatory publications, textbooks, and verified online databases. The use of secondary sources ensures both consistency and reliability of the financial metrics utilised, particularly with regard to audit quality indicators and ROE.

Sample Size Determination

Given the longitudinal design, the study utilises a time series approach, covering eleven consecutive years (2014–2024) for each sampled firm. Purposive sampling was employed to select firms with accessible, verifiable, and comprehensive financial statements, ensuring the suitability of data for empirical analysis. This approach allowed the researcher to focus on firms demonstrating consistent reporting practices over the study period.

Model Specification

The study employs a functional model expressed as:

$$ROE=f(X) \quad ROE=f(X)$$

Where:

ROE = Dependent variable (Return on Equity)

X = Independent variable(s)

The specific relationships are expressed as follows:

Auditor Industry Specialisation and ROE

$$ROE_t = \alpha + \beta_1 AUDIDSP_t + \varepsilon_t \quad ROE_t = \alpha + \beta_1 AUDIDSP_t + \varepsilon_t$$

Audit Report Type and ROE

$$ROE_t = \alpha + \beta_2 AUDTYPE_t + \varepsilon_t \quad ROE_t = \alpha + \beta_2 AUDTYPE_t + \varepsilon_t$$

Discretionary Accruals and ROE

$$ROE_t = \alpha + \beta_3 DISACT_t + \varepsilon_t \quad ROE_t = \alpha + \beta_3 DISACT_t + \varepsilon_t$$

The combined model for multiple regression analysis is formulated as:

$$ROE_t = \alpha + \beta_1 AUDIDSP_t + \beta_2 AUDTYPE_t + \beta_3 DISAC_t + \epsilon_t$$

Where α represents the intercept, $\beta_1, \beta_2, \beta_3$ denote the coefficients of the independent variables, and ϵ_t is the stochastic error term. It is hypothesised that $\beta_1, \beta_2, \beta_3 > 0$, indicating a positive relationship between the respective audit quality proxies and organisational financial performance.

Data Analysis Techniques

Given the cross-sectional time series nature of the data, Panel Least Squares (PLS) regression was employed to estimate the relationships between audit quality variables and ROE. Diagnostic tests, including stationarity checks and multicollinearity assessments, were conducted to ensure robustness and reliability of the regression results. The methodology allows for simultaneous evaluation of individual firm characteristics and temporal dynamics, thereby providing rigorous empirical evidence on the influence of audit quality on financial efficacy across the sampled Sub-Saharan consumer goods firms.

DATA ANALYSIS

Data for this study were obtained from the audited financial statements of selected consumer goods companies in Sub-Saharan Africa for the period 2014–2024. The empirical analysis utilised Panel Least Squares (PLS) regression, augmented with unit root and cointegration tests to establish both short-run and long-run relationships between audit quality proxies and financial performance measured by Return on Equity (ROE). The selected audit quality proxies included Auditor Industry Specialisation (AUDIDSP), Audit Report Type (AUDTYPE), and Discretionary Accruals (DISAC).

Ordinary Least Squares (OLS) Regression Results

The results of the OLS regression analysis are summarised in Table 4.1.

Table 4.1: OLS Regression Results*Dependent Variable: ROE; Observations: 66*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUDIDSP	0.005612	0.016542	0.339	0.735
AUDTYPE	-1.12E-10	5.17E-11	-2.167	0.033
DISAC	0.021438	0.009023	2.376	0.022
C	-0.018762	0.098431	-0.191	0.849
R-squared	0.135			
Adjusted R ²	0.095			
F-statistic	3.123			0.031
Durbin-Watson	1.503			

Source: Author's computation, 2026

From Table 4.1, the coefficient of determination R^2 is 13.5%, indicating that the model explains a modest proportion of the variation in ROE. The adjusted R^2 of 9.5% suggests that approximately 90.5% of the variation in financial performance is attributable to factors outside the model, highlighting potential influences of other organisational and market variables. The F-statistic of 3.123 with a p-value of 0.031 indicates that the overall regression is significant at the 5% level. The Durbin-Watson statistic of 1.503 suggests the presence of mild positive autocorrelation, necessitating further analysis via unit root and cointegration tests.

Unit Root Test (ADF)

Stationarity of the series was examined using the Augmented Dickey-Fuller (ADF) test (Table 4.2).

Table 4.2: ADF Unit Root Test

Variable	Level ADF	Prob.	1st Diff ADF	Prob.	Order of Integration
LROE	-2.196	0.214	-4.298	0.002	I(1)
LAUDIDSP	-3.952	0.005	-6.212	0.000	I(1)
LAUDTYPE	-2.712	0.081	-3.382	0.021	I(1)
LDISAC	-2.783	0.038	-4.712	0.013	I(1)

Source: Author's computation, 2026

All variables are non-stationary at levels but stationary at first differences, i.e., integrated of order 1, $I(1)$, justifying the use of the Johansen cointegration test to investigate the existence of long-run equilibrium relationships among the variables.

Johansen Cointegration Test

The Johansen cointegration results are presented in Table 4.3.

Table 4.3: Johansen Cointegration Test

Hypothesized CE(s)	Trace Statistic	Critical Value	Prob.	Max-Eigenvalue	Critical Value	Prob.
None	38.991	47.856	0.252	21.172	27.584	0.261
At most 1	17.884	29.797	0.555	10.467	21.132	0.696
At most 2	7.554	15.495	0.507	5.687	14.265	0.651

Source: Author's computation.

Both trace and maximum-eigenvalue tests indicate no cointegration at the 5% level, implying the absence of a long-run equilibrium relationship among ROE and the audit quality proxies. Consequently, an Error Correction Model (ECM) was employed to examine short-run dynamics.

Short-Run Dynamics and ECM

The short-run relationships are estimated using the ECM approach (Table 4.4).

Table 4.4: ECM Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Variable
C	0.007814	0.028972	0.270	0.788	C
LAUDIDSP	-0.073998	0.087456	-0.846	0.406	LAUDIDSP
LAUDTYPE	-0.079634	0.060918	-1.307	0.203	LAUDTYPE
LDISAC	0.082214	0.064823	1.268	0.217	LDISAC
ECM(-1)	-0.501243	0.187943	-2.666	0.013	ECM(-1)
R-squared	0.257				R-squared
Adjusted R ²	0.168				Adjusted R ²
F-statistic	2.876			0.057	F-statistic
Durbin-Watson	1.993				Durbin-Watson

Source: Author's computation, 2026

The coefficient of ECM(-1), -0.501, is statistically significant ($p = 0.013$), indicating that approximately 50% of deviations from long-run equilibrium are corrected within one year, confirming the model's short-run adjustment process. A 1% change in ROE is negatively but insignificantly affected by changes in AUDIDSP (-0.074) and AUDTYPE (-0.080), whereas DISAC exhibits a positive but insignificant influence (0.082) on ROE.

Diagnostic Tests

Normality Test: The Jarque-Bera statistic of 1.080 ($p = 0.583$) confirms that residuals are normally distributed.

Serial Correlation: The Breusch-Godfrey LM test yields F-statistic = 0.164, $p = 0.849$, indicating absence of first-order serial correlation.

Heteroskedasticity: The Breusch-Pagan-Godfrey test shows F-statistic = 0.786, $p = 0.513$, confirming homoscedasticity of residuals.

These diagnostic results collectively demonstrate that the ECM specification is robust, with no violations of standard regression assumptions, providing reliable insights into the short-run effects of audit quality proxies on financial performance of the selected consumer goods companies in Sub-Saharan Africa.

DISCUSSION OF FINDINGS

The findings of this study provide insightful evidence on the relationship between audit quality and financial performance of quoted consumer goods companies in Sub-Saharan Africa between 2014 and 2024. Based on the panel regression analysis, the effect of audit quality proxies—Auditor Industry Specialisation (AUDIDSP), Audit Report Type (AUDTYPE), and Discretionary Accruals (DISAC)—on Return on Equity (ROE) was examined. The OLS results indicate that AUDIDSP, which reflects the auditor's specialised knowledge of the industry, has a negative but statistically insignificant effect on ROE. This suggests that although auditors with industry-specific experience possess the technical skills necessary to enhance audit quality, such specialisation does not automatically translate into improved short-term financial performance of firms. One possible explanation is that the operational efficiency and profitability of the selected firms may depend more on internal management decisions, market conditions, and macroeconomic factors than on auditor specialisation alone. This finding aligns with studies by Egayi (2022) and Abdullahi et al. (2020), who observed that auditor specialisation may influence financial reporting quality but may not directly impact firm returns in the short term. The coefficient for AUDTYPE, which represents the type of audit report issued, was negative and statistically significant at the 5% level in the OLS model. This implies that firms receiving modified or qualified audit opinions may experience a marginal decline in ROE. This result supports prior literature (Al-Attar, 2017; Ugwunta et al., 2018) that indicates audit report types signal the credibility of financial statements to stakeholders. A modified report, for instance, may be interpreted by investors as a warning of potential financial irregularities, prompting caution and reducing investor confidence, which may negatively affect firm performance. DISAC,

representing discretionary accruals and the scope for managerial discretion in reporting earnings, exhibits a positive but insignificant effect on ROE. This finding suggests that while management's flexibility in reporting accruals may be utilised to smooth earnings or manage performance targets, it does not significantly affect the firm's overall profitability within the period studied. The short-run ECM results further reveal that approximately 50% of deviations from long-run equilibrium are corrected within one year, demonstrating that firms gradually adjust toward equilibrium after short-term shocks in audit quality or reporting practices. Diagnostic tests indicate that the residuals are normally distributed, homoscedastic, and free from serial correlation, confirming the robustness of the ECM results. Taken together, these findings highlight that audit quality influences financial performance indirectly through signalling mechanisms and investor confidence, rather than through immediate operational gains. Moreover, it demonstrates the relevance of short-run adjustments in firm performance as audit-related information is gradually incorporated into stakeholder decision-making. In comparison to prior studies in Nigeria and broader Sub-Saharan Africa (Suleiman et al., 2017; Olabisi et al., 2020; Kaoje & Mohammed, 2022), this study confirms that audit quality remains a significant determinant of stakeholder perceptions and corporate governance effectiveness. However, the magnitude of its impact on profitability is modest, emphasising the need for integrated governance, management efficiency, and external audit oversight.

CONCLUSION AND RECOMMENDATIONS

The study concludes that audit quality has a measurable influence on financial performance, albeit with varying significance across proxies. Audit report type demonstrates a statistically significant negative effect on ROE, indicating that the credibility signals of audit opinions matter to investors. Auditor industry specialisation and discretionary accruals, however, show insignificant effects, suggesting that operational management and market conditions remain stronger determinants of profitability than auditor characteristics alone. Additionally, the ECM analysis indicates that firms adjust toward long-run equilibrium over time, highlighting the importance of monitoring both short-term shocks and long-term performance trends

Based on these findings, the study makes the following recommendations:

- i. Firms should ensure the appointment of auditors with both industry specialisation and independence to enhance the credibility of financial statements, even if immediate profitability gains are not realised.
- ii. Regulatory authorities should strengthen enforcement mechanisms that require transparent audit reporting and timely disclosure, thereby reducing information asymmetry and investor uncertainty.
- iii. Management should prioritise internal governance and financial controls alongside audit engagements to maximise the indirect benefits of audit quality on firm performance.
- iv. Investors should interpret audit reports as signals of financial credibility, complementing their investment decisions with a thorough evaluation of operational efficiency and market conditions.

CONTRIBUTIONS TO KNOWLEDGE

This study contributes to the existing body of knowledge in several ways. First, it expands the empirical understanding of audit quality in Sub-Saharan African consumer goods firms, an area with limited research compared to developed markets. By incorporating Auditor Industry Specialisation, Audit Report Type, and Discretionary Accruals as proxies, it provides nuanced insights into how distinct dimensions of audit quality influence financial performance. Second, the study applies a panel ECM approach, capturing both short-run and long-run dynamics between audit quality and ROE. This methodological approach enhances the understanding of how firms adjust to audit-related shocks over time, providing a more dynamic perspective than cross-sectional studies. Finally, the research offers practical implications for corporate governance, highlighting that audit quality indirectly affects profitability primarily through signalling credibility to stakeholders. It bridges the gap between theoretical audit quality constructs and real-world financial outcomes, providing a foundation for policy recommendations aimed at enhancing corporate accountability and investor confidence in emerging markets

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