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AUDIT REPORT QUALITY AND VALUE OF CONSUMER GOODS FIRMS: EVIDENCE FROM NIGERIA

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Abstract

There is little evidence available on whether audit report quality affects firm value. Therefore, this study examines the effects of audit report quality on value of consumer goods firms in Nigeria. The study relies on secondary data derived from various companies' financial statements to determine firm value, applying an all-inclusive multivariate analysis. Samples of 18 consumer goods firms quoted in Nigeria Exchange limited were used for the period of eleven years spanning 2010 to 2020. The study employed ex-post facto and longitudinal research design. The data were collected from annual reports of the selected consumer goods companies and three (3) specific objectives and hypotheses were subjected to some preliminary data tests such as descriptive statistics, Pearson correlation analysis and variance inflation factor and were analyzed using panel regression analysis. The empirical analysis using a total of 198 company-year observations, shows that audit fee and auditor education level have positive and significant effects on value of quoted consumer goods companies in Nigeria at 95% confidence level respectively. Generally, the value of R- squared which is the coefficient of determination stood at 44% which implies that 44% of the systematic variations in individual dependent variables were explained in the model while about 56% were unexplained thereby captured by the stochastic error term. In line with the above findings, this study therefore recommends among others that, audit fees should be monitored to ensure that no audit firm has a client whose audit fee exceeds more than five per cent of total audit fee as suggested by the Institute of Chartered Accountants of Nigerian code of conduct for professional accountants.

Keywords: Audit report quality, auditor education level, audit fee, audit firm size, firm value

1. Introduction

The large business failures and other related breakdowns that have occurred around the world, including in Nigeria, have raised concerns about the credibility of listed firms' financial reporting processes. This prompted several regulatory and professional organizations to call for reforms that would improve financial reporting transparency and, as a result, improve value-based performance and audit quality. The external auditor is responsible for assuring high-quality financial reporting. Audit quality has become a major topic in audit practice nowadays since both internal and external stakeholders are interested in the quality of audited financial reports of firms (IAASB, 2014; Heil, 2012). The need for trustworthy and accurate financial accounting is crucial in corporate organizations when making long-term decisions since financial statements are used by existing and potential investors, the government, and all other stakeholders to make investment decisions intended to meet any other contractual duties with the reporting company.

These financial statements, on the other hand, are generated by management and presented to all users for their various needs. Because the financial statements' legitimacy and dependability are always in dispute,

management may distort the reports for their own personal gain. When there is a lack of confidence in the financial accounts, an external auditor is required to monitor, prevent, detect, and report fraud and other illegal activities and errors that are discovered in the financial reports.

The impact of audit quality on organizational value has always been the topic of research and empirical evidence have shown that audit quality have an impact on corporate value (Heil, 2012; Miettinen, 2011). Other researchers had more access to auditor training processes and were able to conduct more tests. They stated that larger audit firms tend to give higher-quality audit services (Mohammad, 2015). Farouk and Hassan (2014) discovered that the size of audit companies and the independence of auditors had a substantial impact on the firms' financial performance. Miettinen (2011) investigated the link between audit quality and financial results. Audit quality has been shown in several research to increase a company's financial success. According to Afza and Nasir (2014), independent audit quality increased a company's operational success in the eyes of investors. They discovered that some companies that are audited by large audit firms will release financial statements that are reliable, appropriate, and legitimate, with the goal of reinforcing investor trust in those companies. Scholars such as Hanim Fadzil et al. (2005) and Farouk and Hassan (2014) find a link between audit quality and firm performance. However, given the difficult challenges that the audit function faces, some studies (e.g., Heninger, 2001; Ebrahim, 2001; Piot & Janin, 2005; Gerayli, Yanesari, & Ma'atoofi, 2011) have attempted to identify any discernible relationship between auditor tenure, fees, size, and auditor independence, as well as the impact of this relationship on the quality of earnings been reported by listed companies. Yuniarti (2011) discovered a significant positive relationship between audit fees and audit quality while Enofe, Ngbame, Okunega, and Ediae (2013), note that auditor independence improves audit quality.

However, type of study design, sample size, data collection instruments, and analysis techniques used can be adjudged to be probable reasons for inconclusive outcomes. Furthermore, these studies were undertaken before IFRS adoption, thus they may not provide a complete picture of the situation. Furthermore, most prior related studies have focused on foreign nations. Due to outcomes obtained from the following studies Enofe, Ngbame, Okunega, & Ediae, (2013); Heninger, (2001); Ebrahim, (2001); Piot & Janin, (2005); Gerayli, Yanesari, & Ma'atoofi, (2011), more research into the direction of the association between audit quality and business value is needed. As a result, the purpose of this research is to investigate the impact of audit report quality on the value of publicly traded consumer goods companies in Nigeria. Considering this, the following goals were established to steer this research. Specifically, we set to:

1. Investigate the effect of audit fees on value of quoted consumer goods firms in Nigeria.
2. Evaluate the effect of audit firm size on value of quoted consumer goods firms in Nigeria.
3. Examine the effect of auditor educational level on value of quoted consumer goods firms in Nigeria.

2. LITERATURE

Audit fee:

Amounts paid to auditors for an audit assignment are known as audit fees. It reflects the cost of the public accountants' labour as well as the danger of lawsuit (Choi, Kim, Liu, & Simunic, 2009). The audit fee is defined by Chersan, Robu, Carp, and Mironiuc (2012) as the monies payable/paid to the auditor for the audit services provided to the auditee. Auditor compensation is linked to the company's financial performance. When financial activities are running smoothly, management can influence auditor decision-making, and the management board will keep one auditor. Auditor fees are the remuneration paid to an auditor for services performed to a customer, which can include both statutory and non-statutory audits, often known as management consultancy services. According to Jibril (2016), an audit fee is the sum of the expenses of the resources used by the auditor to conduct the audit (audit effort) and the estimated present value of any future losses to clients and stakeholders because of this period's financial statement audit. Nevertheless, considering the contradicting theoretical

argument, this paper does not predict any sign for the effect of audit fee on firm value but propose that *there is a significant relation between audit fee and firm value (Hypothesis 1)*

Audit firm size

One critical element determining audit quality has been discovered as the size of an audit firm.

Klynveld Peat Marwick Goerdeler (KPMG), Price Waterhouse Cooper (PWC), Ernst & Young (E&Y), and Deloitte Touche Tohmatsu (Deloitte) are the top four audit firms. The size of an audit firm can influence the quality of a corporation's report. Empirical findings support the idea that large audit firms improve audit quality, whereas large clients harm auditor independence. Large internationally affiliated firms conduct audit engagements faster than smaller firms, (Ekwueme, Anachebe & Orjinta, 2020; Rusmin & Evans, 2017; Al-Ajmi, 2008; Che-Ahmad & Abidin, 2008; Shukeri & Nelson, 2011; Skinner & Srinivasan, 2012). Using a sample of firms from Nigeria Ekwueme, Anachebe and Orjinta (2020) showed that Big-4 auditors conduct faster audits than non-Big 4 However, there are some inconsistencies that existed in the literature, for that reason, the current study does not intend to propose any sign, rather we hypothesize that *there is significant relationship between audit firm size and firm value (Hypothesis 2).*

Auditor Educational Level

According to prior related findings, large internationally affiliated firms complete audit assignments faster than smaller firms (Ekwueme, Anachebe & Orjinta, 2020; Rusmin & Evans, 2017; Al-Ajmi, 2008; Che-Ahmad & Abidin, 2008; Shukeri & Nelson, 2011; Skinner & Srinivasan, 2012). Specifically, Ekwueme, Anachebe, and Orjinta (2020) find that Big-4 auditors conduct audit assignments faster than non-Big 4 counterparts. When completing audits, educated auditors are more conservative due to their qualifications. The audit quality of the reported financial result can be influenced by the audit partners' qualifications. Education has a beneficial impact on audit company performance, according to Bröcheler

et al. (2004), because more educated auditors are more capable and perform better. Based on previous research, Ocak and Kurt (2018) hypothesized and discovered that highly educated auditors in Turkey are more likely to offer a modified audit opinion because they are more competent and capable than their peers, and these characteristics make them more conservative. Gul, Wu, and Yang (2013) said that auditors with a post-graduate degree are more aggressive since they earn more and have more options to obtain a new job, contrary to popular belief. As previously stated, most of the research on auditor education level indicates that education level has a beneficial impact on audit quality. However, there are some inconsistencies that existed in the prior literature, for that reason, the current study does not intend to propose any sign for auditor education level, rather we hypothesize that *there is significant relation between auditor education level and firm value (Hypothesis 3).*

The researchers attempted to investigate the impact of audit quality on company value, however none of them conducted a study in Nigeria utilizing consumer goods companies. Scholars also utilized audit tenure, audit fee, and audit firm size to proxy audit quality, but this study used auditor education level in addition to the previously used ones by past studies, and it lasted for a long time (11 years) from 2010 to 2020. Furthermore, no native study has employed auditor education level as a proxy for audit quality. This is the knowledge gap this paper intends to address therefore contributing to the existing literature. These are the rationale behind this study. Hence this diagram.



Source: Researchers conceptual Framework (2021)

Theoretical framework

Audit quality principle can be explained by different economic theories such as agency theory, signaling theory, the lending credibility theory, policeman theory and auditors' theory of inspired confidence. But this study was anchored on auditors' theory of inspired confidence.

Auditors' Theory of Inspired Confidence

The Limperg Institute in the Netherlands created this hypothesis in 1985. The auditor is recognized as a confidential agent by the notion of inspired confidence, who draws his function from the requirement for expert and independent scrutiny, as well as an expert judgment supported by the audit activity. This idea establishes a link between the users' desire for trustworthy financial reporting and the audit work's capacity to provide those needs. As a result, auditors must be aware that the public expects a low percentage of audit failure. It tracks the evolution of these public (stakeholder) needs as well as audit processes through time. As a result, auditors must design and conduct their audit in such a way that the risk of undetected significant misstatements is kept to a minimal minimum. The auditor has a responsibility to do his work in a way that does not jeopardize the public's trust in him (Limperg Institute, 1985). The significance of this notion is that the auditors' obligations and responsibilities are drawn from the public's faith and trust in the audit's success and the assurance provided by the auditor. According to Carmichael (2004), the confidence that the society has in audited financial statements is misplaced when the audit process fails to address the societal expectations giving rise to a loss in the value relevance of even the audit.

According to the idea of inspired confidence, the auditor's broad function in society stems from the need for expert and independent examination, as well as the requirement for expert and independent judgment based on the examinations. As a result, accountants and auditors should be aware that the public still expects a low rate of audit failures. This necessitates that the auditors design and conduct their audit in such a way that the risk of undetected material misstatements is minimized. Because the existence of the process is determined by this confidence, a betrayal of the confidence must logically result in the process or function's termination. In examining the social significance of the audit, Carmichael (2004) remarked that when society's trust in the audit process and report is

misplaced, the audit's value relevance is destroyed. As a result, auditors must maintain a respectable level of quality assurance, especially since an audit failure is virtually a career-ending event.

Empirical Studies

The study conducted by Ado, Rashid, Mustapha, and Ademola (2020) demonstrates the impact of audit quality on financial performance of Nigerian listed firms by employing 756 observations from 84 companies listed on the Nigerian Exchange Group (NGX) during a nine-year period (2010 to 2018). Data employed for the study were obtained from Thompson Reuters DataStream as well as from financial statements of sampled companies. Findings from the regression analyses demonstrate that audit fee has a favorable but minor connection with ROA. This means that if the amount paid to auditors for audit services is reduced, financial performance will improve. Further, auditor size has a positive association with ROA, which supports the agency argument. indicating that hiring the services of Big4 audit firms improves financial performance (ROA). Auditor independence is also positively linked to return on asset. Finally, auditor independence is demonstrated to have a greater impact on financial performance than auditor size.

Ivungu, Anande and Ogirah (2019) reviewed extant literature on concepts, theories and empirical studies that relate to audit quality and firm performance. The study found different ways of measuring audit quality in literature. This include audit firm size, audit firm rotation, audit opinion, audit fees, audit tenure and auditor independence while firm performance is measured in terms of financial and market performance of the firm. Findings from past studies revealed that audit quality affect firm performance either positively or negatively. Some studies documented positive relationship between certain audit quality proxies and firm performance measures; others show negative relationship between these variables.

Using regression and covariance analysis, Ugwunta, Ugwuanyi, and Ngwa (2018) examine the impact of audit quality on share prices of Nigerian oil and gas firms. In the study, audit committee membership and auditor type have a considerable impact on share price. According to the covariance study, whereas auditor type, auditor independence, and audit committee composition all have a significant association with share price, it is seen that audit tenure has a negative link with share price.

Al-Attar (2017) investigates the impact of audit quality on stock performance of firms listed on Amman Stock exchange market. Primary data was gathered by soliciting responses from finance managers. The results were determined using descriptive analysis, factor analysis, and structural equation models. Findings suggest that audit quality has a direct impact on the stock prices of public firms listed in the Amman stock exchange and that increased audit quality leads to improved stock price performance of the firms.

From a Malaysia perspective, Hua, Hla, and Isa (2016) investigate the impact of audit quality and financial reporting standard procedures on a firm's financial success. The study data obtained from annual financial reports span through 2010 to 2013 while the sample was drawn from construction-related companies that are listed on the Malaysian stock exchange. The engagement of a firm with a well-known audit firm is used as a proxy for audit quality, while return on assets is used as a metric of firm performance. Ordinary Least Square Regression analyses results reveal that, compliance with financial reporting standard' s relevant disclosure requirements and audit quality assurance of the firms are positively and significantly related with financial performance.

Sayyar, basiruddin, Rasid and Elhabib (2015) assess the impact of audit quality on firm

performance using a sample of 542 listed Malaysian companies, the study uses audit fees and audit firm rotation as proxies for audit quality, return on assets (ROA) and Tobin' s Q were used as measures of firm performance. Data was analysed using regression analysis. Results show that audit quality (audit fee and audit firm rotation) is significantly and negatively related to ROA (performance). This study made use of audit fees as a proxy for audit quality which is in line with Egbunike and Abiahu, (2017).

Almomani (2015) investigates the impact of external audit quality on improving accounting profit quality of listed industrial firms in the Amman stock exchange. In the study, proxies for audit quality include audit office size, auditors' fees, time of customer retention, kind of auditor's opinion, and specialty in the client's business, with continuity of profit serving as a proxy of earnings quality. Using a sample of 45 firms and data covering the period of 2009-2013, the study adopted a multiple linear regression method from which the results show that auditor' s fees have the most significant effect on earning quality and in turn enhances the quality of accounting profits which is a measure of financial performance.

The impact of audit quality on financial performance of listed Jordanian enterprises is investigated by Aledwan, Yaseen, and Alkubisi (2015). The study which is descriptive in nature also employed correlational and ex-post facto research designs. Data analyses and the study hypotheses were tested using multiple regression analysis in SPSS (Version 15.0). The findings show that auditor size and audit independence have a considerable impact on financial performance. However, auditor independence has a greater impact on financial performance than auditor size.

Reza and Quraishi (2015) assess the impact of auditor ethics and auditor independence on share price. The audited financial statements of thirty listed banks and their share prices have been considered in the study while audit report, loan outstanding and loan provision data were used to measure audit quality. Results from findings show that auditors of three banks compromise their independence and ethics by reporting that those banks' financial statements present true and fair view of their financial position rather than report.

METHODOLOGY

Ex post facto research design was used to describe the effects of audit quality on value of all quoted consumer goods firms in Nigeria by using existing secondary data on the selected proxies from financial statement of the quoted firms which cannot be manipulated or altered by the researcher. Ex-post facto and longitudinal research design was adopted. Firm value was es*timated using Tobinq* while audit fee, audit firm size and auditor educational level were adopted as proxies for audit quality while firm size (FSIZE) was added as control variables to control for performance. The model adopted in this study assumed a linear relationship between audit quality and firm value and panel least square was adopted for the purpose of hypothesis testing and was guided by the following linear model:

$FVAL_{it} = \beta_0+\beta_1 AUDFE_{it} + \beta_2 AUDFSZ_{it} + \beta_3 AUDEL_{it} +\beta_4 FSIZE_{it} +\varepsilon_{it}$……1

Where,

FVAL stands for Firm value measured using TOBINQ, AUDFE means audit fee measured as *quantum of audit fees received,* AUDFSZ stands for Audit firm size *measured as a dichotomous variable 1 if a firm is audited by Big4 audit firm and 0 if otherwise,* AUDEL stands for auditor educational level measured as *auditors with post-graduate education measured as a dichotomous variable 1 if the auditor has post-graduate education qualification (MSc or PhD) and 0 if otherwise (inspiration drawn from prior studies like;*

(Ocak; 2018), FSIZE means firm size *measured as natural logarithm of total assets.*

4. RESULTS AND DISCUSSION OF FINDINGS

The study investigated the causal effect that exists between audit report quality variables and value of listed consumer goods firms for eleven years between 2010 and 2020. The study carried out some preliminary data tests like descriptive statistics, correlations, and variance inflation factor (VIF) analysis. Finally, the study used panel regression analysis in obtaining functional causal effect between value of consumer goods firms and audit report quality attributes like audit fee (AUDFE), audit firm size (AUDFSZ) and auditor educational level (AUDEL). Note that regression result was used to either reject a hypothesis or accept it based on its p-value. The table below shows the descriptive statistics of the selected consumer goods firms that make up our sample.

4.1 Descriptive Statistics Analysis

	TOBINQ	AUDFE	AUDFSZ	AUDEL	FSIZE
Mean	1.006515	1.452180	0.575758	0.116162	7.346869
Median	0.955000	0.076200	1.000000	0.000000	7.445000
Maximum	2.930000	48.10780	1.000000	1.000000	8.680000
Minimum	0.510000	0.000000	0.000000	0.000000	5.580000
Std. Dev.	0.325426	6.636758	0.495480	0.321231	0.816540
Skewness	2.506239	6.350720	-0.306570	2.395856	-0.249358
Kurtosis	12.38793	43.05763	1.093985	6.740124	2.123889
Jarque-Bera	934.3797	14569.01	33.07287	304.8295	8.384364
Probability	0.000000	0.000000	0.000000	0.000000	0.015113
Observations	198	198	198	198	198

Source: researcher' s summary of descriptive result (2021) using E-view 10

The descriptive statistics result in table 4.1 above shows the mean values for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera values which show the normality of the data. The result provides some insight into the nature of the selected listed consumer goods company in Nigeria that was used in the study. The aim of the descriptive statistics was to describe the general distributional properties of the data, to identify any unusual observations or any unusual patterns of observations that may cause problems for later analyses to be carried out on the data. Thus, initial exploration of the data using simple descriptive tools was provided to describe and summarize the data generated for the study. That is effect of audit report quality on value of consumer goods firms as shown in table 4.1 above. The researcher sought to establish the central tendency and distribution of audit report quality and value among the 18 selected consumer goods companies in Nigeria.

This section provides the descriptive statistics as per the objective of the study. Firstly, firm value which was the dependent variable was measured using TOBINQ. The mean firm value was 1.006. It was observed that over the period under review, the sampled firms have average increase in their values of 1.006. Within the period under review, the firms have maximum earnings value of 2.930 and minimum value of 0.510. The large difference between the maximum expected earnings growth and minimum earnings growth indicates that the expected earnings of the firms differs greatly among the firms selected and over the period under review, this shows that the firms are not homogenous. The standard deviation for firm value was 0.325. The skewness for firm value was 2.506 implying that data on firm value were skewed to the right hence most values were bunched to the left of the distribution. The kurtosis for firm value was 12.387 that are greater than 3 hence the distribution is said to be leptokurtic hence it may have few outliers.

Audit fee was observed to have a mean value of 1.452 and a standard deviation of 6.636 suggesting considerable clustering of audit fees for the distribution around the mean value. The maximum and minimum values are 48.107 and 0.00 respectively. The Jacque-Bera statistic value alongside its p-value ($p=0.00<0.05$) indicates that the data satisfies normality. The table also indicates that our measure of auditor firm size (BIG4) has an average value of 0.575 with standard deviation of 0.495. While the minimum and maximum values which are dichotomous values are 0 and 1 respectively. This implies that BIG4 auditors' service was about 57.5% during the period of the study and the deviation from the mean is 49.5%. The value of skewness of -0.306 indicates that the data is negatively skewed and therefore does not conform to the symmetrical distribution requirement. Moreover, the coefficient of Kurtosis 1.093 also indicates that audit firm size variable does not meet the Gausian distribution criterion.

The summary descriptive statistics in table 4.1 above shows that on average the percentage of auditor with post-graduate education qualification were about 11.6% with standard deviation of 32.1%, the minimum and maximum values of auditor educational level (AUDEL) as measured by dichotomous variable are 0 and 1 respectively. This implies that the data in the sample firms deviate from the mean by 32.1%. The coefficient of skewness 2.395 implies that the data is positively skewed, hence most values were bunched to the left of the distribution. The kurtosis for auditor educational level was 6.74 that are greater than 3 hence the distribution is said to be leptokurtic hence it may have few outliers.

Generally, the JB Probability values of 0.0000 shows that all the variables are normally distributed at 1% level of significance except the control variable firm size that was normally distributed at 5% level of significance. It is an indication that all variables are approximately normally distributed. This means that there are no variables with outlier, even if there are, they are not likely to distort the conclusion and are therefore reliable for drawing generalization. This also justifies the use of panel least square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

4.2: Pearson Correlation Matrix

Pearson' s correlation matrix was applied to check the degree of association between audit report quality components and value of quoted consumer goods firms in Nigeria so as to determine the nature or degree of association i.e. positive or negative correlation and the significance of the relationship between dependent variable (TOBINQ) and independent variables. Correlation coefficient measures the direction and degree of association between two or more variables. Therefore, in examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the result is presented in the table 4.2. below.

Table 4.2: Correlation Analysis Result

	TOBINQ	AUDFE	AUDFSZ	AUDEL	FSIZE
TOBINQ	1.000000				
AUDFE	-0.058265	1.000000			
AUDFSZ	0.111044	-0.222353	1.000000		
AUDEL	-0.128187	-0.056213	0.183624	1.000000	
FSIZE	0.179956	-0.015426	0.511617	0.052098	1.000000

Source: researcher' s summary of correlation result (2021) using E-view 10

The above results show that there exists a positive but weak association between firm value captured using TOBINQ and audit firm size (TOBINQ/AUDFSZ = 0.111) while a negative and weak association exists between TOBINQ audit fee (TOBINQ and AUDFE = -0.058). It was discovered that another negative and mild association exists between TOBINQ and auditor educational level (TOBINQ and AUDEL = -0.128). In the case of audit fee and other explanatory variables, there exists a negative and mild association between auditor fee, audit firm size and auditor education level (AUDFE/AUDFZ and AUDEL= -0.222 and -0.056) respectively while there exist a positive and very strong association between audit firm size and auditor educational level (AUDFSZ and AUDEL = 0.183) There exists a weak but positive association between auditor educational level and firm size. Therefore, in checking for multicollinearity, the study noticed from the correlation table above that no two explanatory variables were perfectly or highly correlated and thereby ruled out the case of having an outlier. This indicates the absence of multi-collinearity problem in the model used for the analysis. This also justifies the use of the panel regression analysis and variation inflation factor (VIF).

4.3: Test of Multicollinearity or Variance Inflation Factor (VIF)

Multicollinearity was tested by computing the Variance Inflation Factor (VIF) and its reciprocal or the tolerance. To further check for multi-collinearity problem or to know whether the independent variables used are perfectly correlated, we conducted Variance Inflation Factor (VIF) and the result is provided below in table 4.3:

Table 4.3: Variance Inflation Factor Result

Variance Inflation Factors
Date: 09/09/21 Time: 00:23
Sample: 2010 2020
Included observations: 198

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.062920	55.73410	NA
AUDFE	1.52E-05	1.088715	1.060729
AUDFSZ	0.004334	2.759922	1.475678
ADEL	0.004819	1.074752	1.017616
FSIZE	0.001315	64.26338	1.384629

Source: Researcher' s summary of VIF result (2021)

As can be observed from the result of VIF in table 4.3 above, the mean value of the independent variables coefficient is less than 10, therefore the effect of multi-collinearity is negligible. This implies that there was no multicollinearity problem with the variables thus all the variables were maintained in the regression model. Our finding also justifies the use of panel least square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study and thus can be used to draw conclusion.

4.4: Regression Results and Discussion of Findings

To examine the relationship between the independent variable (TOBINQ) and the independent variables (AUDFE, AUDFSZ and AUDEL) and to test the formulated hypotheses, we employed panel regression

analysis since the data had both time series (2010-2020) and longitudinal properties (18 quoted consumer goods firms). Our analysis is presented in table 4.4 below:

Table 4.4 Regression Result

Cross-section random effects test equation:
Dependent Variable: TOBINQ
Method: Panel Least Squares
Date: 09/09/21 Time: 00:21
Sample: 2010 2020
Periods included: 11
Cross-sections included: 18
Total panel (balanced) observations: 198

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.598248	0.291121	2.054978	0.0414
AUDFE	0.010886	0.004522	2.407517	0.0171
AUDFSZ	0.020450	0.084913	0.240835	0.8100
AUDEL	0.101875	0.070809	2.438742	0.0520
FSIZE	0.057730	0.042695	1.352148	0.1781

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.448881	Mean dependent var	1.006515
Adjusted R-squared	0.354455	S.D. dependent var	0.325426
S.E. of regression	0.299241	Akaike info criterion	0.533704
Sum squared resid	15.67036	Schwarz criterion	0.915675
Log likelihood	-29.83672	Hannan-Quinn criter.	0.688313
F-statistic	2.635720	Durbin-Watson stat	1.695626
Prob(F-statistic)	0.000239		

Source: Researcher' s summary of regression result (2021).

The table 4.4 above shows the panel regression analysis of quoted consumer goods firms in Nigeria. From the result above, the study observed that the R. squared value was 0.448 (45%) approximately and R-squared adjusted value was 0.354 (35%). The value of R- squared which is the coefficient of determination stood at 45% which implies that 45% of the systematic variations in individual dependent variables were explained in the model. Again, the adjusted R-squared which stood at 35% indicates that all the independent variables jointly explain about 35% of the system variation in audit report quality of our sampled companies over the 11years period while about 65% of the total variations were unaccounted for, hence captured by the stochastic error term. Moreover, the F-statistics value of 2.635 and its probability value of 0.000 shows that the overall audit report quality model used for the analysis were statistically significant at 1% level. This confirms the appropriateness of our model used for the analysis. Again, the Durbin Watson statistic of 1.695 showed that the model is well spread since the value is approximately 2 and that there have not been self, or auto correlation problem and that error are independent of each other.

In addition to the above, the specific findings from each explanatory variable were provided as follows:

Ho_1: Audit fee has no significant effect on value of quoted consumer goods firms in Nigeria.

Based on the regression result above, it was found that audit fee has a positive and statistically significant effect on firm value having recorded a positive coefficient value of 0.0108 and probability value of 0.0171 (β_1= 0.0108, p = 0.0171 < α = 0.05). The value β_1 was positive showing that audit fee has a

positive effect on value of listed consumer goods firms in Nigeria hence when audit fee increases by one-naira, firm value rises by 0.0108 degree. This suggests that a N1 increase in total audit fees increases firm value by 0.0108%. Significantly high audit fees from an audit client will result in economic bonding which will increase auditor independence and audit quality. Based on this, the study rejects the first null hypothesis and conclude that audit fee has a significant effect on the value of consumer goods firms in Nigeria which was statistically significant at 5% level of significance.

Ho_2: Audit firm size does not significantly affect value of quoted consumer goods firms in Nigeria.

Audit firm size which was measured using BIG4 audit firms was found to have a positive effect on firm value having recorded a positive coefficient value of 0.020 and t-statistic value of 0.240. This shows that BIG4 audit firm has a positive effect on the value of consumer goods companies in Nigeria as shown, from the coefficient of 0.020 which is not significant at all levels of significance (p-value of 0.810). This implies that the large reputable audit firm with relevant expertise do not compromise independence during their audit exercise, as indicated by a positive effect on firm value, but the result is not statistically significant at all levels. The analysis fails to reject null hypothesis two ($H0_2$), which indicates that audit company size has no meaningful effect on value of consumer goods firms in Nigeria.

H_{03}: Auditor education level has no significant effect on value of quoted consumer goods firms in Nigeria.

From the regression result above, it was discovered that auditor education level has a positive and statistically significant effect on value of consumer goods firms in Nigeria having recorded a positive coefficient value of 0.101 and probability value of 0.0520 (significant at 5% level). The value of β_3 which was positive showing that auditor education level has a positive effect on value of listed consumer goods firms in Nigeria hence when an auditor obtains an additional qualification, value is boosted as these qualifications make them more conservative when they perform audit tasks thereby increasing the value of firms by 0.101 magnitude. This suggests that a 1% increase in auditors' educational level improves firm value by 0.101%. Auditor education level is one of the major attributes that enhances audit quality (Yan & Xie, 2016). Auditors who possess a post-graduate degree provide more qualified audit work than auditors with a bachelor's degree.

This results from being more knowledgeable and competent. According to the findings of Che et al. (2017) and Lai et al. (2016), highly educated auditors put in more effort which translate to improved audit quality, hence boosting firm value.

For our control variable, firm size has negative and insignificant effect on value of quoted consumer goods firms in Nigeria having recorded a negative coefficient value of -0.249% and t-statistics value of -1.352 and a probability value of 0.1781.

5 Conclusion and Recommendations

This study has examined and documented evidence that are consistent with the relationship and effects which audit report quality exerts on firm value from the perspectives of consumer goods companies listed on the Nigeria Exchange Limited (NE). Based on a sample of 198 company – year observations from the NE for the eleven fiscal years, 2010 to 2020, and using three audit report qualities, a massive and all-inclusive multivariate analysis was conducted. The result showed that audit fee and auditor education level have positive and significant effect on firm value of quoted consumer goods companies in Nigeria which were statistically significant at 5% levels of significance respectively. Based on the findings and conclusion of the study, the following recommendations were made as follows:

i. Regulatory agencies around the world should increase surveillance on audit practices particularly statutory audit with regards to fees charged. At the same time, audit fees should be monitored to ensure that no audit firm has a client whose audit fee exceeds more than five per cent of total audit fee as suggested by the Institute of Chartered Accountants of Nigerian code of conduct for professional accountants.

ii. Emphasis on the use of BIG4 audit firm should be encouraged since it has shown to have higher chances of improving firm value.

iii. Auditors should be encouraged to obtain additional qualifications as it aids them in providing high quality audit services thereby improving firm value.

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