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MODERATING EFFECT OF PROFITABILITY ON BOARD ATTRIBUTES AND AUDIT QUALITY OF FINANCIAL FIRMS IN NIGERIA

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ABSTRACT

The reliability of accounting information, is largely determined by the quality of financial statement audits, is vital to its users. The board of directors, entrusted with safeguarding shareholders' interests, holds the legal responsibility to oversee management and ensure the integrity of audit processes. Against this backdrop, this study examines the influence of corporate governance attributes on the audit quality of listed financial firms in Nigeria between 2015 and 2024. Specifically, it investigates the effects of board size, board independence, and board gender diversity, as well as the moderating role of profitability, on audit quality. Using a purposive sample of 43 firms and employing a two-model framework with panel regression techniques, findings from Model I reveal that board size, board independence, and board gender diversity each exert a significant positive impact on audit quality. Conversely, Model II results show that profitability negatively moderates the relationships between board size, board independence, and audit quality, but positively moderates the relationship between board gender diversity and audit quality.Showing that profitability is key to audit quality but not in situations. The study therefore recommends that Nigerian financial firms maintain relatively larger boards, increase the proportion of independent non-executive directors, and promote greater gender diversity to enhance audit quality.

1.0 INTRODUCTION

Audit quality is fundamental to the credibility of financial reporting, investor confidence, efficient capital allocation, and the stability of financial markets. High-quality audits enhance the reliability of corporate financial information by providing independent assurance and constraining opportunistic managerial behaviour and information asymmetry between managers and stakeholders (DeFond & Zhang, 2014; Francis, 2011). The importance of effective auditing has become increasingly evident following recurring corporate failures and financial reporting scandals across both developed and emerging economies. Such events demonstrate that weaknesses in auditor independence, corporate oversight, and governance structures can undermine stakeholder confidence and threaten the sustainability of firms and financial systems.

Corporate governance represents an important institutional mechanism for strengthening audit quality because it provides the structures and processes through which organisations are directed, monitored, and held accountable. In particular, the board of directors plays a central role in

monitoring management, protecting shareholders' interests, overseeing financial reporting, and promoting the engagement of competent and independent external auditors (Claessens & Yurtoglu, 2013; Solomon, 2020). Effective governance is particularly important in financial institutions because of their economic significance, high leverage, complex operations, and interconnectedness with the wider financial system. Consequently, weaknesses in board oversight or financial reporting can generate consequences that extend beyond individual firms to investors, depositors, regulators, and the broader economy.

Recent evidence continues to demonstrate the importance of governance attributes for audit outcomes. Studies from emerging economies show that board independence and gender diversity can strengthen monitoring and are associated with higher audit quality, although the effects of some governance mechanisms, particularly board size, remain context-dependent (Al Naim & Alomair, 2025). For example, evidence from India indicates that board independence and gender diversity are positively associated with audit quality, whereas the influence of board size may vary depending on organisational and institutional characteristics (Al Naim & Alomair, 2025). These findings suggest that the effectiveness of board governance mechanisms cannot be assumed to be uniform across institutional environments and reinforce the need for country- and sector-specific evidence. The Nigerian context provides an important setting for examining the governance–audit quality relationship. Nigeria has strengthened its corporate governance architecture through the Nigerian Code of Corporate Governance (NCCG) and complementary regulatory guidelines intended to improve transparency, accountability, board effectiveness, and investor protection. The NCCG applies across sectors, while the Securities and Exchange Commission provides additional governance guidance for public companies. Despite these regulatory developments, concerns about governance effectiveness, financial performance, and institutional oversight persist within the Nigerian financial sector. Recent regulatory interventions, including the revocation of Heritage Bank Plc's licence in June 2024 following continuing financial deterioration and supervisory concerns, illustrate the importance of effective governance and financial oversight for maintaining confidence and stability in the financial system.

The board of directors is particularly important in this regard because its composition and characteristics influence its capacity to monitor management and demand credible financial reporting. This study focuses on three major board attributes: board size, board independence, and board gender diversity. Board size may influence audit quality through its effect on the range of expertise, monitoring capacity, and resources available to the board. While larger boards may provide broader knowledge and experience, excessively large boards may create coordination difficulties and weaken effective monitoring. Similarly, board independence can strengthen governance by reducing managerial influence and promoting objective oversight of financial reporting and external auditing. Board gender diversity may also improve decision-making and ethical oversight by introducing diverse perspectives and reducing the likelihood of excessive managerial dominance or groupthink (Adams & Ferreira, 2009). Recent empirical evidence continues to support the relevance of female representation in strengthening governance and audit quality, particularly in emerging-market environments.

Although previous studies have investigated the relationship between corporate governance and audit quality, empirical findings remain mixed. In Nigeria and other emerging economies, some

studies report that board characteristics improve audit quality, whereas others find weak, insignificant, or inconsistent relationships. Recent Nigerian evidence has examined board attributes and audit quality among quoted financial firms, while studies in other emerging markets similarly report heterogeneous effects of governance mechanisms on audit outcomes. These inconsistencies suggest that the relationship between governance and audit quality may depend on firm-specific conditions that influence the incentives and capacity of boards to exercise effective oversight. One potentially important but relatively underexplored factor is profitability. Profitability may influence the extent to which board characteristics translate into effective audit outcomes. Profitable firms may possess greater financial capacity to invest in high-quality external auditing and stronger governance mechanisms. They may also have greater incentives to maintain transparent reporting and protect their reputation in capital markets. Conversely, financially weak firms may experience greater pressure to reduce monitoring and assurance costs or face stronger incentives for opportunistic financial reporting. Therefore, profitability may condition the effectiveness of board governance mechanisms rather than merely functioning as a conventional control variable.

The moderating role of profitability can be explained through complementary theoretical perspectives. Agency theory suggests that financial conditions influence managerial incentives and the intensity of monitoring required to constrain opportunistic behaviour (Jensen & Meckling, 1976). From a resource dependence perspective, financially successful firms may possess greater resources to attract experienced directors, strengthen governance processes, and engage reputable auditors (Pfeffer & Salancik, 1978). Profitability may also enhance firms' incentives to signal credibility and financial soundness to investors and other stakeholders through stronger governance and high-quality audits. Thus, the interaction between profitability and board attributes may provide a more nuanced explanation of variations in audit quality among financial institutions. This issue is particularly relevant in emerging economies, where governance institutions, investor protection, ownership structures, and regulatory enforcement may differ substantially from those in developed markets. Nigeria's financial sector provides a useful setting for examining these relationships because financial institutions operate within a highly regulated environment while simultaneously facing significant economic, institutional, and governance challenges. Understanding whether profitability strengthens or weakens the effectiveness of board governance mechanisms is therefore important for explaining the conditions under which corporate governance contributes to higher audit quality.

Accordingly, this study investigates the moderating effect of profitability on the relationship between selected board attributes—board size, board independence, and board gender diversity—and audit quality among quoted financial firms in Nigeria. The study contributes to the literature in three important ways. First, it extends existing research by examining audit quality through the interaction between governance structures and financial performance rather than treating profitability solely as a control variable. Second, it provides evidence from the Nigerian financial sector, where strong governance and credible auditing are particularly important for financial stability and stakeholder confidence. Third, by simultaneously examining board size, independence, and gender diversity, the study provides a broader assessment of how different dimensions of board structure interact with firm profitability to influence audit quality. The findings are expected to provide useful implications for regulators, boards of directors, auditors,

investors, and other stakeholders. In particular, the study contributes to ongoing policy discussions concerning the effectiveness of corporate governance reforms and the conditions necessary to strengthen audit oversight in Nigeria's financial sector.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Corporate Governance

Corporate governance refers to the structures, processes and relational mechanisms through which firms are directed, monitored and controlled. At its core, corporate governance seeks to align managerial decisions with the interests of shareholders and other stakeholders while strengthening accountability, transparency and responsible corporate conduct (Aguilera & Crespi-Cladera, 2016). From an agency perspective, governance mechanisms are particularly important because the separation of ownership and control creates information asymmetry and the possibility of managerial opportunism (Jensen & Meckling, 1976). The board of directors is therefore central to the governance system because it monitors management, oversees financial reporting and participates in the appointment and supervision of external auditors. The Nigerian Code of Corporate Governance 2018 similarly emphasizes effective board composition, independence, accountability and oversight as essential elements of sound corporate governance (Financial Reporting Council of Nigeria [FRCN], 2018). In the audit-quality literature, board characteristics are important because the board can influence both the demand for external assurance and the conditions under which auditors perform their work. An effective board is more likely to challenge management, support auditor independence and demand credible financial reporting. Conversely, weak or overly dependent boards may be less capable of constraining managerial discretion. Audit quality is itself multidimensional and difficult to observe directly. It generally concerns the auditor's competence and independence and the probability that material misstatements will be detected and appropriately reported (DeAngelo, 1981; Francis, 2011). Because audit quality is not directly observable from published financial statements, prior studies commonly employ observable proxies such as audit-firm size, audit fees, audit report characteristics and modified audit opinions. In this study, audit quality is proxied by whether the firm engages a Big Four audit firm, consistent with the view that larger international audit firms possess greater specialist expertise, reputational capital and quality-control resources (DeAngelo, 1981; Francis, 2011).

2.1.2 Board Size

Board size represents the number of directors serving on a firm's board in a given financial year. It is a fundamental structural attribute because the number of directors determines the breadth of expertise and monitoring capacity potentially available to the board. From the resource perspective, larger boards can provide firms with a wider pool of knowledge, professional experience, networks and access to external resources. From the monitoring perspective, a larger board may increase the capacity to scrutinize management and financial reporting decisions. These arguments suggest that larger boards may demand more credible external assurance and, consequently, high-quality auditors. Evidence from Nigerian and other emerging-market settings, however, is not uniform. Recent Nigerian evidence reports a positive association between board size and the likelihood of engaging Big Four auditors among quoted financial firms (Abdullahi et al., 2025), while Akhabue and Abusomwan (2025) similarly find that board size is positively associated with audit quality among selected Nigerian listed firms. The potential benefits of board

size should nevertheless be balanced against coordination and communication costs. As boards become larger, individual directors may find it more difficult to participate meaningfully in discussions, reach consensus and maintain effective monitoring. Consequently, the relationship between board size and audit quality may depend on whether additional directors add useful expertise or merely increase structural complexity. This competing logic helps explain the mixed findings reported in the Nigerian literature, where some studies document positive effects, while others report negative or insignificant relationships (Enang et al., 2022; Saidu & Aifuwa, 2020). Accordingly, board size is conceptualized in this study as the total number of directors on the board and is expected to influence the board's ability to demand credible external audit assurance.

2.1.3 Board Independence

Board independence refers to the extent to which directors can exercise objective judgment without undue influence from executive management, controlling shareholders or other relationships that may compromise their monitoring role. Independent non-executive directors are expected to scrutinize managerial decisions, challenge questionable accounting choices and protect the interests of shareholders who are not directly involved in management. In Nigeria, the governance framework places considerable emphasis on an appropriately constituted and independent board, reflecting the importance of objective oversight in publicly traded companies (FRCN, 2018). The theoretical link between board independence and audit quality is strong. Independent directors have greater incentives to protect their reputational capital and are less likely to tolerate aggressive reporting or an auditor-client relationship that compromises assurance. They may therefore be more willing to appoint reputable auditors and support auditors when disagreements with management arise. Empirically, Adewole and Kahinde (2023) report that board independence improves audit quality among Nigerian consumer goods and financial-services firms, whereas Enang et al. (2022) find an insignificant positive association among Nigerian banks. More recent evidence also remains mixed: Abdullahi et al. (2025) report an insignificant effect of board independence among quoted Nigerian financial firms, while Usman et al. (2024) find a positive and significant effect among listed Nigerian consumer-goods firms. These divergent findings indicate that independence on paper does not necessarily translate into effective monitoring and justify further investigation of contextual conditions that may strengthen or weaken its effect.

2.1.4 Board Gender Diversity

Board gender diversity refers to the representation of women and men on the board of directors. The inclusion of women may broaden the range of perspectives available to the board, reduce groupthink and strengthen deliberation over risk, control and financial reporting. Adams and Ferreira (2009) show that gender-diverse boards can be associated with stronger monitoring, while Srinidhi et al. (2011) provide evidence that female directors are associated with higher earnings quality. These findings support the argument that gender diversity can contribute to the monitoring function through greater scrutiny and a wider range of viewpoints. Critical Mass Theory provides an additional explanation for why the effect of female representation may not be linear. Kanter (1977) argues that individuals belonging to a numerically small minority may experience tokenism and limited influence. Once representation reaches a meaningful threshold, minority directors are more likely to participate substantively in group deliberations. Joecks et al. (2013) identify a critical mass of approximately 30% women in their study, although the appropriate threshold may vary across institutional settings. In emerging economies, the evidence remains mixed. Abdullah

et al. (2021) find that female board representation improves financial reporting quality in Malaysia, while Nigerian studies have reported positive, insignificant and negative results depending on the sector, period and audit-quality proxy (Enofe & Igbinoba, 2020; Odum et al., 2021; Abdullahi et al., 2025). Recent Nigerian evidence continues to show that gender diversity can matter for audit quality, but the direction and magnitude are not consistent across samples (Bako et al., 2025; Ebele et al., 2025). This inconsistency makes board gender diversity an important governance attribute for further examination.

2.1.5 Profitability

Profitability reflects a firm's capacity to generate returns from the resources entrusted to it. It is commonly measured through ratios such as return on assets and return on equity. In this study, profitability is measured by return on equity, calculated as net income divided by shareholders' equity. Profitability is relevant to audit quality not only as a measure of financial performance but also because it can determine the resources available to sustain governance and assurance mechanisms. Profitable firms are generally better positioned to absorb the cost of reputable external auditors, maintain internal control systems and invest in compliance and monitoring processes. Beyond its direct effect, profitability may condition the extent to which board characteristics translate into audit quality. A well-structured board may demand a high-quality audit, but its capacity to implement that demand can be affected by the firm's financial resources. In a financially strong firm, independent directors and gender-diverse boards may have greater access to resources needed to appoint reputable auditors and strengthen oversight. In contrast, financial constraints may reduce the board's ability to sustain costly governance and assurance arrangements. This contingency logic suggests that profitability should not be treated only as a control variable; it may alter the strength of the governance–audit-quality relationship. Recent Nigerian evidence that profitability itself is positively associated with audit quality reinforces the relevance of considering financial strength in explaining audit-firm choice (Yahaya, 2025).

2.1.6 Audit Quality

Audit quality concerns the likelihood that an audit will detect material misstatements and that identified misstatements will be appropriately reported. Although the concept is widely used, there is no single observable measure that fully captures all of its dimensions. Francis (2011) emphasizes that audit quality is influenced by multiple levels, including the audit firm, audit engagement and institutional environment. DeAngelo (1981) similarly links audit-firm size to audit quality through the reputational incentives and resource advantages of large audit firms. Accordingly, Big Four engagement remains one of the most frequently used archival proxies for audit quality, especially where direct measures of audit performance are unavailable. The Big Four proxy should, however, be interpreted cautiously because audit-firm size does not guarantee the absence of audit failure. The appropriate interpretation is that engagement of a Big Four auditor indicates a stronger expected capacity for audit quality, based on greater specialist resources, training, monitoring systems and reputational incentives. Recent Nigerian studies continue to use Big Four engagement as a binary measure of audit quality, including Abdullahi et al. (2025), Bako et al. (2025) and Akhabue and Abusomwan (2025). In the present study, audit quality is therefore defined as the likelihood that the financial statements receive high-quality external assurance and is operationalized as a dummy variable equal to one where a Big Four audit firm is engaged and zero otherwise.

2.2 Theoretical Review

The study is anchored primarily on Agency Theory and complemented by Resource Dependence Theory and Critical Mass Theory. The three perspectives provide complementary explanations of the proposed relationships. Agency Theory explains why boards are needed to monitor management and why board independence, size and diversity can affect the demand for credible audit assurance. Resource Dependence Theory explains the resource and expertise dimensions of board composition and the role of profitability in providing financial capacity for governance and external assurance. Critical Mass Theory provides a specific explanation for the potential influence of women directors. Together, the theories support a contingency view in which governance attributes influence audit quality, while profitability may condition the strength of these relationships.

2.2.1 Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), is based on the separation of ownership and control and the resulting conflicts between principals and agents. Managers may possess superior information about the firm's operations and may have incentives to pursue objectives that diverge from those of shareholders. External auditing reduces information asymmetry by providing independent assurance over management's financial reports, while the board provides an additional monitoring mechanism. Board independence is therefore expected to constrain managerial opportunism because independent directors are less directly exposed to management influence. Board size can increase the range of monitoring expertise, while gender diversity can strengthen monitoring through broader perspectives and different approaches to risk and reporting. The engagement of a high-quality auditor can consequently be viewed as part of the firm's broader agency-control system. Agency Theory therefore provides the principal theoretical basis for expecting positive relationships between effective board characteristics and audit quality.

2.2.2 Resource Dependence Theory

Resource Dependence Theory (Pfeffer & Salancik, 1978) views the board not merely as a monitoring body but also as a mechanism through which firms secure valuable external resources, including knowledge, expertise, legitimacy, information and business networks. Directors can connect firms to external stakeholders and provide specialized knowledge needed to address complex organizational and reporting challenges. Larger and more diverse boards may therefore enhance the resource base available to management and strengthen the firm's capacity to obtain credible audit services. Profitability is relevant to this perspective because financially stronger firms possess greater internal resources with which to secure reputable auditors and maintain effective governance systems. Resource Dependence Theory thus complements Agency Theory by explaining how board composition and financial capacity may jointly influence audit-quality outcomes.

2.2.3 Critical Mass Theory

Critical Mass Theory originates from Kanter's (1977) analysis of minority representation and explains why the influence of women directors may depend on their numerical representation. When women constitute only a small minority, they may experience tokenism, social isolation or limited influence over board decisions. As representation increases, women are more likely to

participate actively and influence deliberations. Joecks et al. (2013) provide empirical support for a threshold of approximately 30% in their analysis of German firms. Applied to audit quality, the theory suggests that isolated female directors may have limited ability to influence auditor selection or financial-reporting oversight, whereas a meaningful level of female representation may strengthen monitoring, ethical scrutiny and demand for credible external assurance. The theory therefore provides the specific conceptual foundation for expecting board gender diversity to affect audit quality, while recognizing that the magnitude of the effect may vary across institutional contexts.

2.2.4 Theoretical Synthesis

Agency Theory is adopted as the principal underpinning because the central problem addressed by the study is the need to constrain managerial opportunism and information asymmetry through effective board monitoring and external assurance. Resource Dependence Theory broadens this explanation by recognizing the board's role in providing expertise and access to resources, while Critical Mass Theory explains the distinctive governance implications of female representation. The combination is particularly appropriate for an emerging-market setting such as Nigeria, where formal governance structures coexist with ownership concentration, resource constraints and varying levels of board effectiveness. Importantly, the theoretical framework also provides a basis for treating profitability as a moderator rather than simply a control variable: financial strength can determine whether governance capacity is translated into the acquisition and maintenance of high-quality external audit services.

2.3 Empirical Review

Empirical research on board characteristics and audit quality has produced substantial but inconsistent evidence across countries, sectors and measurement approaches. The differences partly reflect variation in institutional environments, board structures, audit markets and the proxies used to capture audit quality. The Nigerian evidence is particularly fragmented because studies have focused on different industries, periods and subsets of governance attributes. The empirical review therefore considers evidence on board size, board independence, board gender diversity and the role of profitability before identifying the unresolved issues addressed by the present study.

2.3.1 Board Size and Audit Quality

Evidence on board size is mixed. Enang et al. (2022), examining Nigerian banks, report a significant negative relationship between board size and audit quality, suggesting that larger boards may create coordination problems that weaken monitoring. Saidu and Aifuwa (2020), however, find a positive and significant relationship between board size and audit quality among Nigerian listed manufacturing firms. In contrast, Sanyaolu et al. (2021) find no significant effect of board size on audit fees among Nigerian deposit money banks. These differences imply that board size alone does not guarantee effective oversight and that the benefits of additional directors may depend on their competence, independence and ability to coordinate. More recent studies continue to produce divergent results. Abdullahi et al. (2025) find that board size positively affects the likelihood of engaging a Big Four auditor among quoted Nigerian financial firms, while Bako et al. (2025) report a negative and significant relationship among Nigerian listed oil and gas firms. Akhabue and Abusomwan (2025), focusing on listed oil and gas, agriculture and natural-resources

firms, find a positive and significant effect of board size on audit quality. The continued inconsistency across recent Nigerian studies indicates that sectoral and institutional conditions may be important and strengthens the case for examining board size jointly with other governance characteristics and a financial moderator.

2.3.2 Board Independence and Audit Quality

Board independence is generally expected to strengthen audit quality because independent directors can challenge management without the same conflicts of interest faced by executive directors. In Nigeria, Adewole and Kahinde (2023) report that board independence significantly improves audit quality, whereas Enang et al. (2022) find an insignificant positive effect among banks. Earlier evidence is also inconclusive: Ogoun and Perelayefa (2020) report a negative relationship, while Enofe and Igbinoba (2020) document a positive and significant effect. These results suggest that formal independence may not always translate into substantive independence, particularly where ownership concentration, social ties or institutional constraints limit directors' willingness or ability to challenge management. Recent evidence reinforces the lack of consensus. Abdullahi et al. (2025) find an insignificant effect of board independence among quoted Nigerian financial firms, whereas Usman et al. (2024) report a positive and significant relationship among listed consumer-goods firms. Bako et al. (2025) also find a positive but insignificant effect in the Nigerian oil and gas sector. The variation suggests that the effectiveness of independent directors may depend on firm-level resources and the broader governance environment. It also suggests that examining board independence without considering contingent factors may provide an incomplete explanation of audit-firm choice.

2.3.3 Board Gender Diversity and Audit Quality

Research on board gender diversity has generally emphasized the potential monitoring benefits of female participation, but the empirical evidence remains heterogeneous. Adams and Ferreira (2009) document stronger monitoring associated with female directors, while Srinidhi et al. (2011) show that female directors are associated with higher earnings quality. Abdullah et al. (2021) similarly report that female board representation reduces earnings management in an emerging-market setting. These findings are consistent with the argument that gender diversity can improve oversight and strengthen the credibility of financial reporting. Nigerian evidence is less consistent. Odum et al. (2021) report a significant relationship between board gender diversity and audit quality among Nigerian banks, and Oriakhi (2020) finds a positive and significant effect among listed manufacturing firms. Conversely, Enofe and Igbinoba (2020) find no significant effect of female board representation, while Saidu and Aifuwa (2020) also report an insignificant relationship. More recent evidence remains mixed: Abdullahi et al. (2025) find that female directors do not significantly affect Big Four auditor engagement among quoted financial firms, whereas Bako et al. (2025) report a positive and significant effect in Nigerian oil and gas firms. Ebele et al. (2025) also report that board characteristics, particularly the inclusion of women, affect audit quality among Nigerian listed firms. The divergent findings are consistent with Critical Mass Theory, which suggests that the mere presence of women may be insufficient if representation remains too limited to influence board dynamics.

2.3.4 Profitability, Board Attributes, and Audit Quality

Compared with the extensive literature on individual board attributes, relatively little Nigerian evidence directly examines profitability as a moderator of the relationship between board characteristics and audit quality. Most studies treat profitability as a control variable or examine its direct association with audit fees or auditor choice. For example, Sanyaolu et al. (2021) report that profitability significantly affects external audit fees, while Yahaya (2025) finds a positive association between profitability and audit quality in a broad sample of Nigerian publicly traded companies. These findings establish the relevance of financial strength to audit outcomes but do not resolve whether profitability changes the strength of the relationship between board governance and audit quality. The moderating perspective is theoretically important because the effectiveness of board governance may require financial resources. A board may have independent and diverse directors, yet the capacity to translate their monitoring preferences into the appointment and retention of a reputable auditor may be constrained when the firm is financially weak. Conversely, profitable firms can more readily bear the costs of high-quality external assurance and may have stronger incentives to protect their reputation and signal financial credibility. Thus, profitability can be viewed as a boundary condition under which board attributes are more or less effective in producing high-quality audit outcomes. This mechanism remains underdeveloped in the Nigerian audit-quality literature and constitutes an important motivation for the present study.

2.3.5 Synthesis of Empirical Evidence

Generally, the empirical literature demonstrates three important patterns. First, the direction of the relationship between board size and audit quality is unsettled, with evidence ranging from positive to negative and insignificant effects. Second, board independence generally has a theoretically positive relationship with audit quality, but empirical results remain sensitive to industry and institutional context. Third, gender diversity has the potential to strengthen monitoring, but its effect may depend on the degree of representation and the extent to which women directors possess substantive influence. These inconsistencies are not necessarily contradictions; rather, they indicate that governance mechanisms operate within organizational and financial contexts that can strengthen or weaken their effectiveness. The methodological differences across prior studies also matter. Nigerian studies have used different samples, periods, audit-quality proxies and estimation techniques, including logit, probit, ordinary least squares, panel regression, generalized method of moments and panel-corrected approaches. Some studies rely on relatively short or older observation periods, while recent studies have begun to use longer panels and more appropriate panel-data estimators. The literature therefore supports a more integrated model that considers multiple board characteristics simultaneously and explicitly tests whether a firm-level financial condition (profitability) changes the governance–audit-quality relationship.

2.4 Gap in Literature

The literature reveals significant empirical, contextual, theoretical, and methodological gaps in the relationship between board characteristics and audit quality. Existing Nigerian studies provide inconsistent evidence on the effects of board size, board independence, and board gender diversity, reporting positive, negative, and insignificant relationships (Abdullahi et al., 2025; Bako et al., 2025; Usman et al., 2024). Moreover, much of the international evidence is derived from developed markets whose institutional and ownership structures differ from those of Nigeria.

Within Nigeria, evidence specifically relating to quoted financial firms remains relatively limited, despite the importance of these firms to financial stability and investor confidence. Previous studies have also focused largely on direct relationships, with limited attention to factors that may condition the effectiveness of board characteristics. Although some studies have examined moderators such as audit committee attributes (Ebele et al., 2025; Bako et al., 2025), the moderating role of profitability remains insufficiently explored. The present study addresses these gaps by adopting an integrated contingency perspective in which profitability moderates the relationship between board characteristics and audit quality. It simultaneously examines board size, board independence, and board gender diversity, thereby providing a more comprehensive assessment than studies focusing on individual governance attributes. Methodologically, the study employs longitudinal panel data and an observable audit-quality proxy based on auditor choice, while incorporating appropriate diagnostic and estimation procedures to account for firm-specific and temporal effects. The study therefore extends Agency Theory, Resource Dependence Theory, and Critical Mass Theory by demonstrating how a firm's financial strength may enhance or constrain the effectiveness of board governance mechanisms in promoting audit quality among quoted financial firms in Nigeria.

3.0 METHODOLOGY

This study adopts the *ex-post facto* research design since the data analysed were from historical sources that can easily be verified. Several authors, including Alexeyeva (2023) and Kalia *et al.* (2023), have used the research design in their previous studies. The population of this study was made up of 45 financial firms quoted in Nigeria from 2015 to 2024. The sample size of this study comprises 43 financial service firms operating on the Nigerian Exchange Group. The sample size was determined by the purposive sampling technique. The data were obtained from secondary sources made up of financial statements and accounts of the firms examined.

3.1 Model Specification

The study adopts a bi-model analytical approach for ease of interpretation of analytical procedures and understanding. The model specification for Model I is made up of the dependent variable, Audit Quality (AQ), denoted by the use of the Big 4 Audit Firms or not, and the independent variables: board size (BSIZE), board independence (BINDEP), and board gender diversity (BGD). The specified functional linear regression equation for Model I is as follows:

AQ = *f*(BSIZE, BINDEP, BGD, LEV, FSIZE).

Representing the above equation in econometric terms, it becomes:

$AQ = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BINDEP_{it} + \beta_3 BGD_{it} + \beta_4 LEV_{it} + \beta_5 FSIZE_{it} + \mu_{it}$ …….. Model I

Model II linear equation considers both the direct and indirect relationships, and the specified linear equation is as follows:

AQ = *f*(BSIZE +BINDEP +BGD + PROFITAB*BSIZE + PROFITAB*BINDEP + PROFITAB*BGD + LEV + FSIZE)

Econometrically, the above equation is represented below:

$AQ_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 BINDEP_{it} + \beta_3 BGD_{it} + \beta_4 PROFITAB_{it} + \beta_5 PROFITAB*BSIZEit + \beta_6 PROFITAB*BINDEP + \beta_7 PROFITAB*BGD + \beta_8 LEV + \beta_9 FSIZE + \mu_{it}$ …….. Model II.

The components of the above equation are interpreted as follows:
AQ = Audit Quality;
f = Functional relationship symbol.
i = Firms;
t = Periods.
β_0 = Coefficient of the constant term
β_1 - β_5 = measures direct effects
$\beta_1 - \beta_9$ = measures the indirect effect of profitability
μ = Error term
The measurements and justifications of the variables are shown in Table 1 below.

Table 1
Variables Measurement and Justification

Variables	Type	Measurement	Justification
Audit Quality (AQ)	Dependent	If audited by the BIG4, it is 1, and if otherwise, 0	Ogoun and Perelavefa (2020), Bakare (2019)
Board Size (BSIZE)	Independent	Total number of directors on the board	Alkhazaleh et al. (2023), Opuku et al. (2022), Enang et al. (2022), Owolabi and Babarinde (2020). Abdullahi et al. (2025)
Board Independence (BINDEP)	Independent	Proportion of independent non-executive directors on the board	Alexeyeva (2023), Anulika (2022), bulaila et al. (2019).
Board Gender Diversity (BGD)	Independent	Proportion of women on the board	Odum et al. (2021), Oriakhi (2020), Enofe and Igbinobi (2020), and Saidu and Aifuwa (2020).
Profitability (PROFITAB)	Moderator	ROE – represents Return on Equity. It is measured as a ratio of net income to shareholders' equity.	(Haniffa & Cooke, 2005; Manning et al., 2019) (Elaigwu et al., 2026; Elaigwu et al., 2024)
Leverage (LEV)	Control	This is measured as the ratio of total liabilities to total assets	(Abdullah et al., 2011; Manning et al., 2019; Elaigwu et al., 2024; Elaigwu et al., 2024)
Firm Size (FSIZE)	Control	Natural logarithm of total assets	(Hahn & Kühnen, 2013; Haniffa & Cooke, 2005).

3.2 Hypotheses Development

3.2.1 Board Size and Audit Quality

Board size represents the number of directors serving on the board and reflects the breadth of expertise, experience and monitoring capacity available to the firm. From the perspective of Agency Theory, an appropriately constituted board can strengthen managerial monitoring, reduce information asymmetry and constrain opportunistic managerial behaviour, thereby increasing the demand for credible external auditing. Resource Dependence Theory further suggests that larger boards can provide firms with broader expertise, professional knowledge, networks and access to

external resources that may enhance oversight of financial reporting and the external audit process. The attached theoretical framework similarly argues that board size can enhance monitoring capacity through greater availability of expertise, although excessively large boards may create coordination and communication difficulties. The empirical evidence, however, is mixed. While Janjarasjit and Uthayapong (2024) reported a positive association between board composition and audit quality, Moradi et al. (2024) found that board size significantly increased the likelihood of a modified audit opinion. Similarly, Alkhazaleh et al. (2023) reported a positive effect of board size on audit quality, whereas Opoku et al. (2022) found a negative relationship. Nigerian evidence is also inconclusive. Enang et al. (2022) found that board size had a significant negative relationship with audit quality, while Anulika (2022), Owolabi and Babarinde (2020), and Saidu and Aifuwa (2020) reported significant effects, including a positive relationship in the latter study. The inconsistencies suggest that the effectiveness of board size may depend on the institutional and organisational context in which boards operate. For quoted financial firms in Nigeria, where operations are complex and information asymmetry is considerable, a board with sufficient membership may provide a wider pool of expertise for monitoring management and overseeing financial reporting and external auditing. Accordingly, the study hypothesises that:

H1: Board size has a significant positive effect on the audit quality of quoted financial firms in Nigeria.

3.2.2 Board Independence and Audit Quality

Board independence refers to the extent to which the board comprises directors who are sufficiently independent of management to exercise objective oversight. Agency Theory provides a strong basis for expecting independent directors to enhance audit quality because independent directors are better positioned to monitor managers, challenge questionable financial reporting practices, and support the appointment or retention of credible external auditors. The theoretical framework in the study specifically identifies board independence as a mechanism through which objective oversight can be strengthened and managerial influence over financial reporting and auditor-related decisions reduced. Resource Dependence Theory also suggests that independent directors can contribute valuable external knowledge, professional expertise and networks to the board. Such resources can improve the board's ability to evaluate financial reporting processes and engage effectively with external auditors. Empirical findings provide considerable but not unanimous support for this relationship. Adewole and Kahinde (2023) found that board independence significantly improves audit quality among Nigerian consumer goods and financial services firms. Enofe and Igbinoba (2020) similarly reported a positive and significant relationship. International evidence from Abulaila et al. (2019) also indicated that board independence significantly affects audit quality. However, Alkhazaleh et al. (2023) found a negative relationship, while Bakare (2019) reported an insignificant negative association. Enang et al. (2022) found a positive but insignificant relationship among Nigerian banks. These divergent findings indicate that the effect of board independence remains an empirical issue requiring further investigation, particularly within Nigeria's quoted financial sector. Given that independent directors are expected to enhance monitoring and reduce managerial opportunism, particularly in the highly regulated and information-intensive financial sector, the study proposes:

H2: Board independence has a significant positive effect on the audit quality of quoted financial firms in Nigeria.

3.2.3 Board Gender Diversity and Audit Quality

Board gender diversity captures the representation of women on corporate boards. The theoretical justification for its potential effect on audit quality is principally provided by Critical Mass Theory, complemented by Agency Theory and Resource Dependence Theory. Critical Mass Theory argues that the mere presence of women in a boardroom may not necessarily translate into meaningful influence; rather, female directors need sufficient representation to participate effectively in decision-making. Meaningful female representation may strengthen board deliberations, ethical oversight, accountability, and the demand for credible auditing. Agency Theory provides an additional explanation because greater gender diversity can broaden board perspectives and strengthen monitoring of management. Resource Dependence Theory similarly suggests that gender-diverse boards can provide broader knowledge, experience and external connections that contribute to governance effectiveness. The theoretical framework therefore expects gender diversity to potentially strengthen the board's capacity to oversee financial reporting and external audit processes. The empirical evidence generally provides support for this proposition, although results remain mixed. Bona-Sánchez et al. (2024) reported evidence linking female board representation with audit-related governance outcomes, while Abdel-Meguid et al. (2023) found that greater female board representation was associated with higher audit fees, interpreted as evidence of greater demand for audit quality. Perry et al. (2023) likewise found that gender-diverse audit partner teams produced higher audit quality. Within Nigeria, Oriakhi (2020), Owolabi and Babarinde (2020), and Akpotor et al. (2019) documented significant relationships between gender diversity and audit quality. Odum et al. (2021) also found that board gender diversity significantly affects audit quality in Nigerian banks. Conversely, Enofe and Igbinoba (2020) found no significant effect of female board representation, while Saidu and Aifuwa (2020) similarly reported an insignificant relationship. The mixed evidence and the relevance of Critical Mass Theory provide a basis for further examination of whether female representation enhances audit quality among quoted Nigerian financial firms. Thus:

H3: Board gender diversity has a significant positive effect on the audit quality of quoted financial firms in Nigeria.

3.2.4 Moderating Effect of Profitability on Board Attributes and Audit Quality

Profitability is conceptualised in this study as a moderating variable that may influence the extent to which board attributes translate into improved audit quality. Drawing primarily on Resource Dependence Theory, financially stronger firms possess greater capacity to invest in effective governance structures, internal controls, professional expertise and high-quality external audit services. Thus, the benefits associated with board size, board independence and board gender diversity may be more effectively realised in profitable firms. Larger boards can provide broader expertise and monitoring capacity, while independent and gender-diverse directors can strengthen oversight, challenge managerial opportunism and enhance attention to financial reporting. However, the effectiveness of these attributes may depend on the resources available to support their activities. From an Agency Theory perspective, profitability may enhance the ability of

independent and diverse boards to exercise effective monitoring, reduce information asymmetry and strengthen financial reporting oversight. Similarly, Critical Mass Theory suggests that the contribution of female directors to board effectiveness may be strengthened where firms have sufficient resources to support meaningful participation and effective governance processes. The moderating role of profitability is also consistent with the mixed empirical evidence on the direct relationships between board attributes and audit quality. While previous studies have reported positive, negative and insignificant relationships for board size, board independence and gender diversity, limited attention has been given to whether differences in firms' financial capacity explain these inconsistencies. Evidence that profitability influences firms' external audit arrangements, such as audit fees, further suggests that financial condition can affect the resources devoted to external assurance (Sanyaolu et al., 2021). Accordingly, this study proposes that profitability strengthens the positive effects of board size, board independence and board gender diversity on audit quality among quoted financial firms in Nigeria.

H4: Profitability positively moderates the relationship between board attributes (board size, board independence and board gender diversity) and audit quality of quoted financial firms in Nigeria.

4.0 RESULTS AND DISCUSSION

4.1 Results

4.1.1 Descriptive Statistics

Table 1 describes the properties of the proxies of the independent and dependent variables in terms of their mean, standard deviation, minimum, and maximum values.

Table 2
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
AQBIG4	505	.7386139	.4398255	0	1
BSIZE	506	10.94466	2.587269	6	20
BINEDEP	506	.3112525	.0421956	.2	.5
BGD	506	.3190294	.0673892	.1818182	.5
PROFITAB	506	14.50328	16.70571	-47.97	68.8
FSIZE	506	7.419745	.9692272	.774	9.8
LEV	506	30.74538	18.68563	.47	70

Table 2 above shows that the Big 4 audit firms have a mean value of 0.73, indicating that 73% of the financial firms engaged the Big 4 audit firms as their auditors at some point or another during the period covered by the study. The Big 4 auditors exhibit a lower standard deviation of 0.43 compared to the mean, suggesting that the data points are closely clustered around the mean and exhibit little variation. A minimum value of 0 refers to firms that did not use the Big 4 auditors, while a value of 1 represents firms that did. All the independent variables, namely (BSIZE, BINDEP, and BGD have lower standard deviations (2.58, 0.04, 0.06, and 16.70, respectively) relative to their mean values (10.94, 0.311, 0.31, and 14.50), indicating that these variables were not widely dispersed from their means and have not experienced significant changes.

4.1.2 Pearson Correlation Matrix

Table 3 presents the outcomes of the multicollinearity test using Pearson correlation coefficients. According to the decision rule, multicollinearity is present if there is a strong linear relationship among the independent variables. Specifically, multicollinearity is accepted if the correlation between any two predictor variables exceeds 0.85. Conversely, if all correlation coefficients among the independent variables are below this threshold, multicollinearity is rejected (Hair *et al*., 2013).

Table 3
Correlation Matrix

VARIABLES	AQBIG4	BSIZE	BINEDEP	BGD	ROE	FSIZE	LEV
AQBIG4	1.0000						
BSIZE	0.1764	1.0000					
	0.0001						
BINEDEP	0.0972	-0.3979	1.0000				
	0.0289	0.0000					
BGD	0.0231	-0.0689	0.0961	1.0000			
	0.6046	0.1219	0.0306				
PROFITAB	0.1034	0.0140	-0.0664	-0.0810	1.0000		
	0.0201	0.7530	0.1355	0.0688			
FSIZE	0.2271	0.2616	-0.1019	-0.0553	0.0660	1.0000	
	0.0000	0.0000	0.0219	0.2142	0.1385		
LEV	-0.1275	-0.0216	0.0075	0.1702	0.1606	-0.0576	1.0000
	0.0041	0.6275	0.8658	0.0001	0.0003	0.1959	

The study conducts a correlation analysis for all variables to assess the level of relationship (Asteriou & Hall, 2007). A correlation below 0.8 indicates the absence of multicollinearity problems (Gujarati, 1995). In this study, the correlation coefficients range from -0.3979 to 0.2616, which falls within the acceptable range. The rule of thumb for detecting multicollinearity is that correlations significantly above 0.80 indicate a problem (Corlett & Aigner, 1972; Gujarati & Porter, 2004; Gujarati, 1995). Table 3 displays the results of the Pearson correlation matrix. The findings suggest the absence of multicollinearity, as there are no high correlations among the variables, and most relationships are statistically significant. This absence of multicollinearity is further confirmed by the Variance Inflation Factor (VIF) results presented in Table 6 below.

4.1.3 Diagnostic Tests

The study ran diagnostic tests such as Variance Inflation Factor (vif), Autocorrelation, and heteroscedasticity, as shown below.

4.1.3.1 Autocorrelation Test

Below is the result of the autocorrelation test to show if there is a correlation problem in one or more of the independent variables. The decision criteria are to accept the presence of autocorrelation in the model if the Wooldridge test for autocorrelation is significant.

Table 4
Test for Autocorrelation

Wooldridge test for autocorrelation in panel data (xtserial FEML OVERLAP EXTASS ROE LEV)	
H0 =	no first-order autocorrelation
F(1, 45) =	48.0987
Prob > F =	0.0000

Source: STATA 14 Output

The result of the Wooldridge test for autocorrelation above is significant at 1%, indicating that serial correlation is an issue for the model.

4.1.4. Heteroskedasticity Test

The test for the constancy of the residual variance in the model was conducted with the Breusch-Pagan /Cook-Weisberg method. The decision rule holds that any model with a significant p-value indicates the presence of heteroskedasticity.

Table 5
Heteroskedasticity Test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity (Hettest)	
Ho:	Constant variance
Variables:	fitted values of esgdp
chi2(1) =	31.10
Prob > chi2 =	0.0000

Source: STATA 14 Output

Table 5 above shows that heteroscedasticity is a problem in this model at a 0.0000 level of significance.

3.2.3.3 Variance Inflation Factor Test for Multicollinearity

The decision rule is that a mean value of VIF below 10 shows the absence of multicollinearity.

Table 6
Test for Multicollinearity

Variable	**VIF**	**1/VIF**
BSIZE	1.26	0.791202
BINEDEP	1.20	0.833917
FSIZE	1.08	0.922953
LEV	1.07	0.935503
BGD	1.06	0.947836
PROFITAB	1.05	0.954561
Mean VIF	1.12	

The mean value of the VIF test in Table 6 above is 1.12, which is below 10. It shows that multicollinearity is not an issue, thereby confirming the results of the Pearson Correlation.

4.1.5 Panel Regression Analysis

To select the appropriate estimation technique following panel regression rules, the study carried out the Lagrangian Multiplier and the Hausman Specification Tests in Tables 7 and 8 below. The rule is that, if the tests are significant, it reveals that either the Random or the Fixed Effect Model is the appropriate estimation technique, and vice versa.

Table 7
Lagrangian Multiplier Test

Breusch and Pagan Lagrangian multiplier test for random effects		
BIG4[id,t] = Xb + u[id] + e[id,t]		
Estimated results:		
	Var	sd = sqrt (Var)
AQBIG4	0.1934465	0.4398255
E	0.0360806	0.1899489
U	0.1400415	0.3742212
Test: Var (u) = 0		
chibar2(01) = 1418.40		
Prob > chibar2 = 0.0000		

Source: STATA 14 Output

The result of the Lagrangian Multiplier test (Breusch & Pagan, 1980) for the Audit Quality Model is significant at the 0.0000 level, as presented in Table 7 above, indicating that the Random Effect Model is more appropriate.

Furthermore, the Hausman Specification Test for Random/Fixed Effect Models is shown in Table 8 below.

Table 8
Hausman Specification Test

```
b = consistent under Ho and Ha; obtained from xtreg
        B = inconsistent under Ha, efficient under Ho; obtained from xtreg
  Test:  Ho:  difference in coefficients is not systematic
            chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                    =       13.16
           Prob>chi2 =      0.0405
```

The Hausman test conducted above aims to ascertain whether fixed effects (FE) or random effects (RE) would provide a more suitable estimation for this model. The result in Table 8 above indicates that the Fixed Effect (FE) is more appropriate.

4.1.6 Regression Results for Panel Corrected Standard Errors (PCSEs) Method

The Hausman Specification Test indicated in Table 8 above that the Fixed Effect Model is the appropriate estimation technique. However, due to the presence of autocorrelation and heteroscedasticity, as shown in Tables 7 and 8 above, the PCSEs, which are robust to these issues, are used as the estimation technique appropriate for the Audit Quality Model, which is consistent

with prior investigations (Elaigwu et al., 2024; Elaigwu et al., 2024; Katmon et al., 2019; Zhuang et al., 2018).

Table 9
Regression Results for PCSE

VARIABLES	PCSE M1	PCSE M2
BSIZE	0.03 (10.65)***	0.04 (8.49)***
BINDEP	2.10 (4.20)***	2.97 (3.84)***
BGD	0.41 (2.32)**	0.05 (0.18)
PROFITAB	0.00 (3.10)***	0.02 (2.11)**
BSIZE*PROFITAB		-0.00 (-3.67)***
BINDEP*PROFITAB		-0.06 (-1.90)*
BGD*PROFITAB		0.02 (1.67)*
FSIZE	0.08 (4.67)***	0.08 (4.39)***
LEV	-0.00 (4.62)***	-0.00 (-2.90)***
_cons	-0.98 (-4.39)***	-1.31 (-4.67)***
R-squared	0.1309	
Number of obs	505	505
Prob > chi2	0.000	0.000
Panels	unbalanced	unbalanced
Correlation	no autocorrelation	no autocorrelation

Source: STATA software, 2025. Note: *** = 1%, ** = 5% significant levels, * = 10% significant level

4.2 Discussion of Results

In Hypothesis One, the study finds in Model I (the direct relationship) that there is a significant positive relationship between board size and audit quality, as measured by the engagement of Big 4 audit firms among Nigerian quoted financial firms between 2015 and 2024. This implies that, holding other explanatory variables constant, each additional member on the board enhances audit quality. This result aligns with prior studies such as Alkhazaleh et al. (2023), Opoku et al. (2022), Enang et al. (2022), and Owolabi and Babarinde (2020), who all concluded that board size significantly influences audit quality. The finding supports Resource Dependence Theory, which posits that larger boards possess broader access to expertise, networks, and resources, enabling them to secure the services of Big 4 audit firms. In Hypothesis Two, Model I shows that board independence has a significant positive relationship with audit quality. This suggests that, ceteris paribus, each additional independent non-executive director contributes to improving audit quality.

This result is consistent with the findings of Alexeyeva (2023), Anulika (2022), Enang et al. (2022), and Alawaqleh et al. (2021), who reported that independent directors protect shareholders' interests by ensuring high-quality audits. This finding is also consistent with the theoretical expectation that independent directors enhance corporate accountability and oversight.

In Hypothesis Three, the study finds in Model I that board gender diversity (BGD) has a significant positive relationship with audit quality. This implies that, when other variables remain constant, the inclusion of additional female directors on the board enhances audit quality. This finding corroborates those of Alkhazaleh et al. (2023) and Enofe and Igbinobi (2020), and supports the Critical Mass Theory, which posits that female directors are more likely to advocate for higher-quality audits and the engagement of Big 4 auditors. In Hypotheses Four and Five, the study, through Model II, finds that profitability has a significantly negative moderating effect on the relationships between board size, board independence, and audit quality. This indicates that, holding other independent variables constant, increases in profitability tend to reduce the positive influence of board size and independence on audit quality. This result contrasts with the findings of the direct models and diverges from the theoretical expectations, suggesting that when firms are highly profitable, management may experience less pressure to signal credibility through high-quality audits. However, in Hypothesis Six, Model II reveals that profitability has a significantly positive moderating effect on the relationship between board gender diversity and audit quality. This finding is consistent with the direct relationship observed in Model I, indicating that profitability amplifies the positive effect of gender-diverse boards on audit quality. Thus, firms with profitable operations and gender-diverse boards are more inclined to engage Big 4 audit firms, reinforcing the importance of inclusivity in enhancing audit quality.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study concludes that board composition significantly affects audit quality in Nigerian financial firms. Larger, more independent, and gender-diverse boards tend to ensure better audit quality through enhanced oversight, accountability, and inclusiveness. However, the moderating role of profitability suggests that financial performance can influence corporate governance dynamics, either reducing the emphasis on external credibility (through high-quality audits) when profits are high or amplifying it in gender-diverse contexts. This underscores the complexity of the governance–performance–audit nexus and highlights the need for a balanced governance structure that sustains audit quality regardless of profitability levels.

5.2 Recommendations

1. Board composition - Firms should maintain adequately sized boards that balance expertise and coordination to improve oversight and ensure high audit quality.
2. Independence - Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) should strengthen corporate governance codes to enforce the inclusion of more independent non-executive directors.
3. Gender diversity - Policymakers and stakeholders should promote gender inclusion on corporate boards to enhance audit quality and decision-making diversity.

4. Profitability management - Firms should avoid allowing profitability to weaken governance practices. Even in profitable periods, maintaining rigorous audit quality should remain a strategic priority.
5. Regulatory oversight - Continuous monitoring and enforcement of governance best practices can sustain transparency and trust in the Nigerian financial sector.

5.3 Suggestions for Further Studies

Future research could extend the study to non-financial sectors to determine whether the observed relationships hold across different industries. Also, subsequent studies may employ other audit quality proxies (such as audit fees, restatement frequency, or audit report lag) to validate the robustness of findings. Equally, researchers could explore non-linear or mediating effects of other corporate attributes (e.g., ownership structure, CEO duality, or board expertise) on audit quality. Besides, a comparative cross-country analysis within Sub-Saharan Africa could provide broader insights into how institutional environments shape governance–audit quality interactions. Finally, future studies could also incorporate qualitative methods to understand boardroom dynamics influencing audit quality beyond quantitative metrics.

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