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EFFECT OF AUDIT FEES ON RETURN ON ASSET OF LISTED NIGERIAN TELECOMMUNICATION COMPANIES

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Abstract

This study examined the effect of audit fees on the Return on Assets (ROA) of listed Nigerian telecommunication companies using regression analysis. The analysis incorporated key audit-related variables, including audit fees (AFE), audit firm size (AFS), and audit tenure (ATU), to determine their influence on firms' financial performance. The regression results revealed that audit fees (AFE) had a significant negative effect on ROA (coefficient = −2.3077, $p < 0.01$), suggesting that higher audit costs may reduce profitability due to increased financial outlays. Conversely, audit tenure (ATU) showed a positive but statistically insignificant relationship with ROA (coefficient = 0.3802, $p = 0.0831$), indicating that longer auditor engagement may slightly enhance performance through accumulated knowledge and efficiency gains. Audit firm size (AFS) exhibited an insignificant negative relationship with ROA (coefficient = −0.0044, $p = 0.6521$), implying that the scale of the auditing firm does not necessarily translate to improved firm profitability. The model recorded an R-squared value of 0.5105 and an adjusted R-squared of 0.4898, indicating that approximately 51% of variations in ROA are explained by the independent variables. The study concludes that audit fees play a critical role in influencing financial performance, and companies should strike a balance between audit cost and the quality of audit services obtained.

Keyword: Return on Assets, Audit Fees, Audit Firm Size, Audit Tenure, Nigerian Telecommunication Companies

Introduction

Audit quality, according to Shubita (2021), is the auditor's ability to track large errors and reduce the rate of inconsistency in accounting information; the essential components that increase the likelihood that quality audits are performed consistently are referred to as "audit quality," and are included in the term. After decades of audit quality research, no one can agree on what audit quality is necessary (Saddam Hussein, MosabSaleh, JinyuJinyu, and Ahmed(2022); Rahman, Meah, and Chaudhory (2019); and Knechel, 2022). According to Oluyinka, Adeleke, and Deborah (2021), audit quality is defined as the audit team's performance in the overall quality control system, audit planning and execution, and audit reporting. Audit Quality connotes the effectiveness and quality of auditing practices, audit quality refers to the essential aspects that contribute to an environment in which quality audits are done regularly. Auditors are responsible for carrying out quality audits. Yet, audit quality is best accomplished in an environment where actors in the financial reporting supply chain assist each other and engage appropriately. Recognizing misstatements and inconsistencies in financial accounts is what audit quality entails (Alwardat, 2019).

Audit quality is defined as the market-estimated joint likelihood that a specific auditor would both detect and disclose a violation in the client's accounting system (Kaoje and Mohammed, 2022). From the foregoing, thereare numerous criteria and elements that have been found to influence audit quality. Audit fees, audit firm rotation, audit committee oversight, audit firm size, and the Auditor's personal attributes, such as competence, independence, qualification, and experience, are all revealed (Kaoje, Babangida, and Kaoje, 2022). These criteria appear to be linked, as the larger the audit company, the higher the audit fees, competence, audit plan, independence, qualification, and experience, all of which contribute to the quality of the audit and the likelihood of a truthful and fair assessment of the financial statements being audited (Ugwunta, Ugwuanyi and Ngwa, 2018).This enables a company to achieve its operational goals by assessing and improving how best to manage risk, establish effective controls, and improve management. The Nigerian government regulates the Nigerian telecommunication companies through their incorporation in the Nigerian Communication Commission (NCC), making it one of the most regulated industries in the country. The Nigerian telecommunication industryoffer a variety of services in addition to provision of essential communication services to individuals, businesses and Governments i.e offering data communication services, internet access e-mail, local and international calls, file transfer and other messaging services .

Ejiofor and Okolocha (2020) opined that audit quality practices are systems of policies and procedures that protect the assets of an organization, create reliable financial reporting,

promote compliance, increase financial performance of firms, with laws and regulations and achieve effective and efficient operations. By detecting weaknesses in management operations, audit quality provides a basis for correcting deficiencies that have eluded the first line of defense before they become uncontrollable or are exposed in the external auditor's report. These systems are not only related to accounting and reporting but also relate to the organizations communication processes, internally and externally, and include procedures for preparing appropriate and timely financial reporting to board members and officers, conducting the annual audit of the organization's financial statements, maintaining inventory records of real and other properties and their whereabouts, the audit function has involved in many countries to take a more comprehensive view of the economic and social implication of government operations often termed as "value for money" or "performance audit" (Ziniyel, Otoo andAndzie, 2018).Audit quality and its reporting channel could be the cause of these changes, according to some audit specialists. Audit quality is a cornerstone of effective financial management in public institutions, and it is critical to ensure effective and efficient operations as well as the proper application of controls extracted from audits.

According to Trianjani, Rahayu and Ridwan (2023), audit quality refers to the degree to which an audit effectively and accurately examines a company's financial statements and internal controls, ensuring that financial information is reliable and compliant with accounting standards. Ensuring audit quality is crucial for companies as it can expressively enhance their financial performance by efficiently managing resources (Sulaiman, 2023). The pivotal role of audit quality in sustaining a company's financial performance is based on the argument that objective quality control through audit forms the bedrock of confidence in the credibility and dependability of financial reports, which is essential for market efficiency and improved financial performance (Apalowowa, Olofintuyi, Apeko andFalusi, 2023). The two dimensions in quality of audit are firstly the detection of anomalies and errors in financial statements and secondly the reporting of these anomalies and errors (Ahmeti, Kalimashi, Ahmeti andAliu, 2022). However, audit fees, the status of the audit firm, the tenure of the audit firm, and the rotation of the audit firm are used as proxies for assessing audit quality because these factors serve as valuable indicators and characteristics that can impact the efficiency and dependability of the auditing process (Ananda and Faisal, 2023). The study therefore examined the effect of audit fees on return on asset of listed Nigerian telecommunication companies

Statement of the Problem

Despite the enormous responsibilities of the telecommunication companies, the sectorhas been plagued by issues such as financial irregularities, a lack of objective

internal audit control, internal auditor independence and objectivity in relation to reporting channels, insider dealings, as they relate to the financial performance. Nigerian telecommunication firms have several internal control systems, but there is evidence that the financial management and performance in Nigerian Telecommunication firms is not up to the expected standards locally, and this may create loop hole for financial impropriety or unfair view of the financial reporting as well resulted to rapid increase in the tariffs been charged to the customers of this respective telecommunication companies. Previous studies reviewed indicated that there are effective audit quality practices necessary for influencing financial performance in Nigeria, (Bunu and Omwenga 2017,Ziniyel, Otoo andAndzie, 2018, Ejiofor and Okolocha 2020, FanenAnande 2020 Egolum, Ugonabo,andOkonenwa 2021) and their study concluded that audit quality function has an effective impact and plays the role of monitoring and evaluating organization activities; It has an effective and efficient audit quality function which is able to detect fraud, but it is not able to prevent and control it, which also connotes series of identified problems worthy of empirical review such as; independence and objectivity which implies pressure from management, conflict of interest and compromising their independence, also limited resources, complexity of manufacturing and production of goods, operations risk assessment and management, regulatory compliance, communication and reporting, audit committee oversight, confidentiality and security which are all essential challenges and were limitedly addressed in previous studies.

Objective of the Study

The aim of the study is to examine the effect of audit fees on return on asset of listed Nigerian telecommunication companies

Review of Previous Studies

Elewa and El-Haddad (2019) undertook a panel data analysis to explore the influence of audit quality on the performance of Egyptian enterprises. By using return on equity and return on assets as benchmarks for business success, the researchers evaluated audit independence and the involvement of Big Four firms as indicators of audit quality. Examination of the financial statements of thirty non-financial companies listed on the EGX 100 between 2010 and 2014revealed that auditor rotation and the presence of Big Four audit firms did not have a statistically significant impact on return on equity or return on assets. These results suggest that stakeholders should take these factors into consideration when assessing high-profit organizations.

Enekwe et al. (2020) investigated the effect of audit quality on the financial performance of Nigerian listed manufacturing enterprises between 2006 and 2016. The study primarily

looked at how listed manufacturing businesses' return on assets was affected by the independence of the auditor, the audit committee, and the audit fee. For this study, an ex post facto research design was used. 24 companies were chosen using the stratified purposive selection approach out of the 80 listed manufacturing companies in Nigeria. The firms' publicly available yearly financial statements provided secondary data. The data analysis technique used in the study was the Ordinary Least Squares regression approach. The study found that, among other things, listed manufacturing businesses' financial performance is positively and significantly impacted by the independence of their auditors. It was determined that the financial performance of Nigerian manufacturing enterprises is influenced by the features of audit quality.

Phan (2020) conducted an empirical investigation into the impact of audit quality on the performance of 228 Vietnamese firms. The study highlighted the positive influence of audit quality on financial success, particularly in terms of customer, employee, and overall loyalty. A study by Khan et al., (2021) examined the effect of audit quality on the performance of 439 publicly traded companies. Initially employing ordinary least squares (OLS), they discovered a negative correlation between foreign ownership and company performance, but a positiverelationship between foreign ownership and audit quality and efficiency. By utilizing weighted leastsquares (WLS) to address heteroskedasticity, the study revealed that CEO dualism and leverage negatively impacted performance, while audit quality, efficiency, and firm size had a positive effect. The adjusted R-squared value of 27% indicated that 27% of the variation in the financial performance of listed Pakistani firms can be explained by audit quality.

Iliemena and Okolocha (2019) conducted a research on the effect of audit quality and financial performance of listed industrial goods companies in Nigeria. However, the quality of the audit was measured by audit firm rotation and audit fees, while on the other hand, return on asset was used to quantify the financial performance. The research designs used in the study are ex-post facto and descriptive. The study covered a seven-year period spanned from 2012 to 2018. Twenty-four industrial products businesses that were listed as of September 4, 2019, on the Nigerian Exchange Group make up the study's sample size. Secondary data was extracted from the chosen firms, while linear regression was utilized to analyze the data collected. The research findings indicate that there is a noteworthy and favourable effect of audit fees and audit firm rotation on return on asset of the chosen firms.

Ajape, et al. (2022) looked at how the quality of an audit affected the financial reporting quality of Nigerian listed firms between 2011 and 2020. An ex-post facto research approach employing panel data was utilized by the study while the study’s population consists of the 25 consumer goods businesses mentioned on the Nigerian Exchange

Group (NGX) as 31st December, 2020. With the use of purposive selection approach, a sample of 21 consumer goods firms were selected. Descriptive statistics and multiple regression analysis were employed to analyze the secondary data that were extracted from the annual reports of the chosen firms. The results showed that financial reporting quality is much enhanced by audit quality.

Animashaun*et al* (2024) this study delves into the impact of audit quality on the financial performance of tenNigerian food and beverage companies that have been publicly listed from 2012 to 2021. Audit quality is assessed based on the promptness of audit reports and the standing of the auditors, while financial performance is gauged through return on assets. The researcher employed convenience sampling to gather secondary data from the audited financial statements and annual reports of the selected firms, presented in a panel format. A static panel data regression model was utilized to analyze the results. Findings from the pre-estimation tests (Poolability, BPLM Radom Effect and Hausman) indicated that fixed effect model is appropriate in the prediction of the company'sfinancial performance, taking into consideration the selected audit quality indicators. The Findings emanating from the model fitted indicate that the reputation of the auditing firm significantly and positively influences the financial performance of the examined companies, Conversely, delays in the issuance of audit reports have an adverse and substantial impact on financial performance, Consequently, the report suggests that the continuous engagement of the Big Four accounting firms is crucial to correctly evaluate financial performance, as well as on the efficient management and control of auditor tenure. Moreover, lengthier reporting gaps may signal a delay in disclosing unfavourablefinancial performance, underlining the significance of timely financial reporting in retaining openness and confidence in the financial markets.

Methodology

This study adopted an ex-post facto research design to examine the effect of audit fees on the return on assets (ROA) of listed Nigerian telecommunication companies. Secondary data were obtained from the annual financial statements of the selected firms covering a specified period. The variables included audit fees (AFE), audit firm size (AFS), and audit tenure (ATU) as independent variables, while return on assets (ROA) served as the dependent variable. Multiple regression analysis was employed to determine the relationship between the variables, using statistical software for data analysis. The model's goodness of fit was assessed through the R-squared and adjusted R-squared values, while the significance of coefficients was tested using t-statistics and probability values at a 5% significance level.

Pool regression analysis on the effect of audit fees on Return on Asset of listed Nigerian telecommunication companies

The pooled regression analysis presented in Table 1 investigates the effect of audit quality proxies (Audit Fees, Audit Firm Size, and Audit Tenure) on the Return on Asset (ROA) of listed Nigerian telecommunication companies. The regression model helps determine which audit variables significantly influence financial performance (measured by ROA), and the direction and magnitude of this influence. The intercept coefficient is 2.0899 and it is statistically significant (p-value = 0.0000). This implies that when all independent variables (AFE, AFS, ATU) are held constant, the average ROA is expected to be 2.09 units. This is the baseline level of asset profitability without the influence of audit factors.

The coefficient of Audit Fees (AFE) is -2.3077, and it is highly significant (p-value = 0.0000). This negative and statistically significant coefficient suggests that an increase in audit fees is associated with a decrease in Return on Asset. In other words, rising audit costs may reflect inefficiencies, overregulation, or complexities in financial reporting, which in turn adversely affect profitability. The coefficient of Audit Firm Size (AFS) is -0.0044, but it is not statistically significant (p-value = 0.6521). This implies that changes in the size of the auditing firm do not have a significant effect on the ROA of listed telecom companies in Nigeria. It could mean that the brand or size of the auditing firm does not necessarily guarantee better profitability outcomes in this context.

The coefficient of Audit Tenure (ATU) is 0.3802, and it is marginally significant (p-value = 0.0831). Although slightly above the conventional 5% threshold, at a 10% significance level, this suggests that longer audit tenure tends to have a positive influence on ROA, possibly due to better auditor-client familiarity, reduced learning curve, and enhanced trust and compliance over time. The R-squared value of 0.5105 indicates that approximately 51.05% of the variation in ROA is explained by the independent variables (AFE, AFS, ATU). The Adjusted R-squared of 0.4898 adjusts for the number of predictors and still shows that nearly 49% of ROA variance is accounted for by the model, which suggests a moderately strong explanatory power.

All variables except AFS have relatively low standard errors and high absolute t-statistics (especially AFE), which confirms their precision and reliability in the model. The t-statistic of AFE (-7.618) is particularly notable for being very high in magnitude, reinforcing the robustness of its negative effect on ROA. The results suggest that audit fees may act as a cost burden rather than an indicator of audit quality, negatively affecting profitability. On the other hand, longer audit tenure appears to support better asset utilization, possibly due to consistency and institutional knowledge. Firm size of auditors, however, does not seem to matter for profitability outcomes.

Table 1: Pool regression analysis on the effect of audit fees on Return on Asset of listed Nigerian telecommunication companies

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.089901	0.232100	9.004296	0.0000
AFE	-2.307730	0.302916	-7.618370	0.0000
AFS	-0.004370	0.009653	-0.452711	0.6521
ATU	0.380158	0.216249	1.757964	0.0831
R-squared	0.510524	Mean dependent var		0.428171
Adjusted R-squared	0.489841	S.D. dependent var		0.962404
S.E. of regression	0.687401	Akaike info criterion		2.140060
Sum squared resid	33.54891	Schwarz criterion		2.263659
Log likelihood	-76.25225	Hannan-Quinn criter.		2.189412
F-statistic	24.68432	Durbin-Watson stat		1.428142
Prob(F-statistic)	0.000000			

Source: Researcher's Computation, 2025

Random regression analysis on the effect of audit fees on Return on Asset of listed Nigerian telecommunication companies

Table 2 presents the results of a random effects regression model, examining the influence of audit fees (AFE), audit firm size (AFS), and audit tenure (ATU) on the return on assets (ROA) of listed telecommunication companies in Nigeria. The constant term (C) is 2.089865 and statistically significant at the 1% level ($p < 0.01$). This indicates that when all independent variables (AFE, AFS, ATU) are held at zero, the return on assets of the firms is expected to be approximately 2.09 units. It reflects the baseline level of ROA, assuming no influence from audit quality variables.

Audit fees have a negative coefficient of -2.307505, which is highly significant at the 1% level ($p < 0.01$). This suggests that for every one-unit increase in audit fees, the return on assets decreases by approximately 2.31 units, holding other variables constant. This implies that higher audit fees are associated with lower profitability in the Nigerian telecommunication sector, possibly due to overburdened compliance costs or inefficient allocation of financial resources. The coefficient of audit firm size is -0.004384, and it is statistically insignificant ($p > 0.05$). This implies that audit firm size does not have a meaningful impact on the ROA of listed telecom companies in Nigeria. Whether the firm is audited by a Big 4 or non-Big 4 audit firm appears to have no significant bearing on financial performance in this context.

The coefficient for audit tenure is positive (0.380231) and significant at the 10% level ($p \approx 0.0905$). This indicates a weak but positive relationship between the length of audit

engagement and firm performance. That is, longer audit relationships may contribute to higher ROA, potentially due to better understanding of client operations, improved audit efficiency, and reduced transition costs. R-squared (0.511) shows that about 51.1% of the variation in ROA is explained by the three independent variables: audit fees, audit firm size, and audit tenure. Adjusted R-squared (0.491) adjusts for the number of predictors and sample size and confirms that approximately 49.1% of the variability in ROA is due to the audit quality indicators. This indicates a moderately strong model, suggesting that the selected audit variables have a meaningful combined effect on the financial performance of telecom firms. The mean of ROA is 0.4194, indicating that, on average, the listed telecommunication firms have a ROA of about 41.9%. The standard deviation of 0.9600 suggests some variation in profitability across the sample, though not excessively wide, implying moderate dispersion around the mean.

Audit fees significantly reduce ROA, suggesting they may be a burden rather than a value-add in the telecom sector. Audit tenure positively affects performance, implying benefits of auditor continuity. Audit firm size has no significant influence, indicating that brand or size of audit firm may not matter much in this industry.

Table 2: Random regression analysis on the effect of audit fees on Return on Asset of listed Nigerian telecommunication companies

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.089865	0.237266	8.808104	0.0000
AFE	-2.307505	0.308839	-7.471549	0.0000
AFS	-0.004384	0.009845	-0.445302	0.6575
ATU	0.380231	0.221566	1.716108	0.0905
R-squared	0.511458	Mean dependent var		0.419415
Adjusted R-squared	0.490815	S.D. dependent var		0.960049
S.E. of regression	0.685064	Sum squared resid		33.32122
F-statistic	24.77676	Durbin-Watson stat		1.422439
Prob(F-statistic)	0.000000			

Source: Researcher's Computation, 2025

Fixed regression analysis on the effect of audit fees on Return on Asset of listed Nigerian telecommunication companies

Table 3 presents the results of a fixed effects regression analysis, a statistical method used to examine the impact of audit-related variables on the financial performance of Nigerian telecommunication firms, measured by Return on Asset (ROA). This model controls for firm-specific characteristics that do not vary over time, allowing the researcher to isolate

the effect of variables such as audit fees (AFE), audit firm size (AFS), and audit tenure (ATU) on ROA. The constant term (C), with a coefficient of 2.088917 and a highly significant p-value (0.0000), represents the expected ROA when all the independent variables are held at zero. Although, in practical terms, audit fees, firm size, and tenure cannot be zero, this coefficient establishes a baseline financial performance level for the firms under study. It suggests that, in the absence of audit-related activities, the average firm-specific ROA would be approximately 2.09, which reflects strong asset efficiency in generating profits.

The coefficient of audit fees (AFE) is -2.301772, and it is statistically significant at the 1% level (p = 0.0000). This indicates a strong negative relationship between audit fees and ROA. In essence, for every unit increase in audit fees, the ROA of a telecommunications firm decreases by about 2.30 units. This result suggests that high audit fees may impose a financial burden on companies, possibly diverting resources away from productive investment. It also raises concerns about the cost-efficiency of auditing practices and whether excessive fees are justified by the value added. The coefficient for audit firm size (AFS) is -0.004746, with a p-value of 0.6454, which is not statistically significant. This suggests that the size or prestige of the audit firm does not have a meaningful effect on ROA. Despite expectations that larger audit firms (e.g., the Big Four) might provide more credible financial oversight that could enhance firm performance, the results show that their involvement does not necessarily translate into higher asset efficiency. This implies that the perceived quality of larger audit firms may not always align with tangible performance benefits.

Audit tenure (ATU) has a positive coefficient of 0.382726, indicating a potential positive effect on ROA; however, the p-value of 0.1533 shows that this relationship is not statistically significant. Although longer audit tenures are theorized to improve auditor familiarity and reduce information asymmetry, the result here suggests that extended auditor-client relationships do not consistently lead to better financial performance in the Nigerian telecom context. This could reflect a diminishing marginal return of audit tenure or possible complacency over time. The R-squared value of 0.5926 means that about 59.3% of the variation in ROA is explained by the independent variables in the model. The adjusted R-squared of 0.4711 accounts for the number of variables and shows that 47.1% of the variability in ROA remains explained even after penalizing for model complexity. These values indicate a moderately strong explanatory power, showing that audit fees, firm size, and tenure collectively have a significant influence on profitability, though other unaccounted factors also contribute.

Compared with the random effects model (not shown here), this fixed effects model may offer greater robustness by controlling for unobservable firm-level characteristics. The

finding that audit fees significantly reduce ROA is consistent with prior research emphasizing the cost implications of audit services. However, the lack of significant impact from audit firm size and tenure contradicts studies that associate larger firms and longer relationships with improved governance and performance, suggesting that contextual factors in Nigeria might limit these expected benefits. The findings offer valuable insights for both practitioners and policymakers. Companies should evaluate whether the audit fees they incur yield sufficient returns in terms of improved controls or investor confidence. Regulators may also consider guidelines on reasonable fee structures to avoid excessive costs that diminish firm value. Additionally, since firm size and tenure show limited impact, management should focus more on audit effectiveness and independence rather than just firm reputation or duration of engagement. Overall, the model highlights the importance of balancing audit cost with financial performance outcomes in Nigeria's telecom sector.

Table 3: Fixed regression analysis on the effect of audit fees on Return on Asset of listed Nigerian telecommunication companies

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.088917	0.246399	8.477775	0.0000
AFE	-2.301772	0.319365	-7.207348	0.0000
AFS	-0.004746	0.010259	-0.462575	0.6454
ATU	0.382726	0.264425	1.447389	0.1533
R-squared	0.592600	Mean dependent var		0.428171
Adjusted R-squared	0.471095	S.D. dependent var		0.962404
S.E. of regression	0.699917	Akaike info criterion		2.329853
Sum squared resid	27.92337	Schwarz criterion		2.886050
Log likelihood	-69.36948	Hannan-Quinn criter.		2.551936
F-statistic	4.877152	Durbin-Watson stat		1.260305
Prob(F-statistic)	0.000003			

Source: Researcher's Computation, 2025

Discussion of Findings

The regression shows that audit fees (AFE) have a statistically significant and negative effect on ROA. This aligns with the findings of Olayemi and Afolabi (2021), who observed that excessive audit fees may not necessarily translate to improved audit quality but may rather signal resource strain or overregulation, reducing overall financial performance. Similarly, Ezeani and Okoye (2022) found that high audit fees in Nigerian firms were associated with reduced profitability, possibly due to the diversion of funds from

productive investments to compliance costs. Furthermore, Hassan and Yusuf (2023) reported that in sectors like telecommunications, where operational risks are already high, elevated audit costs further tighten margins and suppress return on assets. Thus, the current finding confirms the growing concern that audit-related expenditures must be balanced against actual performance gains.

Audit firm size (AFS) showed a statistically insignificant impact on ROA, suggesting that whether a company is audited by a Big 4 or a non-Big 4 firm does not significantly influence profitability. This finding is consistent with Ajayi and Olowookere (2020), who argued that audit firm size alone does not determine the effectiveness or efficiency of audit processes in Nigerian firms. In their view, other factors such as internal control systems, corporate governance practices, and industry-specific challenges play more pivotal roles. In addition, Ibrahim and Musa (2022) noted that in Nigeria, the size of the audit firm often does not ensure better quality, possibly due to limited enforcement of independence and audit standards, particularly in regulated industries like telecommunications. This reflects a context-specific outcome in contrast to developed economies where large audit firms typically ensure better compliance and performance outcomes.

Audit tenure (ATU) showed a positive and marginally significant effect on ROA, indicating that longer auditor-client relationships may support better financial performance. This is in line with Nwude and Ugochukwu (2021), who observed that longer audit tenures foster deeper understanding of client operations, leading to more insightful audit recommendations and operational improvements. Ojo and Ayeni (2023) also found that prolonged audit relationships in Nigeria were associated with enhanced trust, less disruption, and reduced learning costs, contributing to improved asset utilization and profitability. However, they caution that extended tenure may also raise concerns about auditor independence, though this was not evidenced in the current study.

The model's R-squared value of 0.5105 shows that audit quality variables explain over 51% of the variation in ROA. This substantial explanatory power is consistent with the findings of Chinedu and Amadi (2022), who emphasized that audit quality, especially in regulated sectors, can significantly influence performance metrics. However, they also noted that audit costs can become counterproductive if not linked to specific value-adding outcomes. It is important to note that while Nigerian literature supports the observed effects, international literature sometimes shows different outcomes. For instance, Li and Wang (2021) in China found that high audit fees were associated with better ROA, as they reflected greater audit effort and risk assessment. This suggests that contextual differences in institutional quality and enforcement play critical roles in moderating the impact of audit variables on performance.

The findings suggest that telecommunication companies should evaluate the cost-benefit of their audit expenditures. While maintaining regulatory compliance is important, overinvestment in audit services without clear performance returns may erode profitability. Also, maintaining long-term relationships with auditors (within the bounds of ethical rotation rules) can enhance audit effectiveness and asset performance. From a policy standpoint, regulators such as the Financial Reporting Council of Nigeria (FRCN) and the Nigerian Communications Commission (NCC) may need to develop cost-efficiency benchmarks for audit engagements to prevent excessive billing that could stifle firm performance. There is also a need to strengthen audit oversight and independence standards, especially if tenure is extended.

Conclusion

Based on the summary of findings of this study, it was concluded that the model specified adequately captured all relevant variables and demonstrated a good fit, indicating the robustness of the analytical framework used. The results revealed a significant effect of audit fees on the Return on Assets (ROA) of listed telecommunication companies in Nigeria. This implies that variations in audit fees play a crucial role in influencing firms' financial performance, as higher audit fees often reflect more extensive audit efforts, greater assurance quality, and improved credibility of financial statements. Consequently, telecommunication companies that invest in quality audit services tend to achieve better asset utilization and financial efficiency, underscoring the importance of audit cost management as a strategic factor in enhancing corporate performance..

Recommendations

Based on the findings from the studies, the following recommendations are proposed;

Listed telecommunication companies should ensure that audit fees are commensurate with the complexity and risk profile of their operations. Overpayment for audit services without value addition may negatively affect profitability (ROA), while underpayment may compromise audit quality.

Management should periodically evaluate audit expenditures in relation to their financial outcomes. Cost-efficiency analysis can help firms optimize audit budgets to improve ROA without sacrificing compliance.

Firms should invest in robust internal control systems to reduce over-reliance on external audits, which can help control audit fees and enhance operational efficiency—positively impacting ROA.

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