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# THE NEXUS BETWEEN BOARD CHARACTERISTICS AND AUDITOR SELECTION DECISIONS AMONG LISTED CONSUMER GOODS FIRMS IN NIGERIA

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**Abstract**

*This study examined how board characteristics affect the selection of auditors by listed consumer goods firms in Nigeria. The population of the study covers all twenty (20) consumer goods companies listed on the floor of the Nigerian Stock Exchange. Secondary data utilized for the study are collected from the annual reports of companies from 2016 to 2022. Pearson's correlational analysis was used to determine the extent of the relationship between the variables. Binary regression logistics was used to reject or fail to reject the formulated hypothesis. Estimations of the coefficient of the model was carried out using the result of the regression analysis. The study concluded that board gender is an important factor in the selection of high quality auditors by consumer goods firms. It was recommended that more female directors should be allowed to take an active part in the day-to-day activities of the firm to boost their operational efficiency.*

**Keywords:** Board Characteristics, Auditor Selection, Decision

## 1. Introduction

In today business world, commercial activities is not devoid of risk and uncertainty which negatively affect the forecast and control of perceptible and imperceptible elements that inhibit efficient firms' performance. It important to note that increased demand for customers' satisfaction necessitates redirection of the attention managerial expertise and quality service delivery by Nigeria firms. In order for the firms to response to external pressures, they began to adopt different strategies in order to sustain competitive advantage in the market. Giving the complex changes of business environment, the structure of the board becomes very significant in carrying out effective operations because they are expected to perform diverse tasks to that will reduce agency costs. Board characteristics have to initiate organizational revolution that eases processes which would support the organizational mission. The impact of board characteristics on the success of organization is increasingly recognized globally especially as corporate governance practices are now embraced various different countries. This attraction is in response to several corporate collapses that continue to take place all over the world. According to the World Bank Reports (2016), good corporate governance practice reduces borrowing costs, adds values to firm, and improves risk management, which eventually lead to sustainable growth and improved firm's performance.

More importantly, the globalization of the economy and rapid advances in information and communication technology has presented great challenges for boards. The big three audit firms in Nigeria are, Price Waterhouse Coopers, Akintola Williams Delloite [now known as Delloite & Touche] and Ernst & young Professional Services. These audit firms have requisite incentives to provide high quality audit services compared to their counterparts in the market. More importantly, the globalizations of economy and rapid advances in information and communication technology have presented great challenges for boards.

The board of directors make decision about selection choice of auditor with the intention to reduce agency problem which arose as a result of separation of ownership and control. Consistently, Ojo (2009) opines that the involvement of external auditors can enhance the quality of financial reporting and address the expressed agency problem. The selection of high-quality auditors by large companies with extensive financial needs is consistent with evidences in prior studies (Knechel et al., 2008; Olowookere & Inneh, 2016). Smaller companies may be more sensitive to the benefits they obtain from auditors in the areas of improving internal operations and gaining access to expert advice. With respect to these divergent results, the study seeks to examine the relationship between board characteristics and auditor selection of quoted Nigerian consumer goods firms.

The aim of this study is to examine the effect of board characteristics on auditor selection decision among listed consumer goods firm in Nigeria using board size, board composition and board gender as the explanatory variables on auditors' selection by consumer goods firm in Nigeria. Therefore, the study hypothesise that there is no significant of effect of board characteristics on auditor selection decision among listed consumer goods firm in Nigeria. The study covers a period of 7years (2017-2023). The outcome of this study serves as a motivation to explore how certain board characteristics affect the choice of auditors by consumer goods firm in Nigeria. The outcomes also motivate the demand for users' credibility of financial statements coupled with increased competition in the audit market has led to the desire to understand the role of the board in the selection of bank's auditor.

## 2. Literature Review and Hypotheses Development

### Board size and Audit firm selection

The overall responsibility of supervision, control, monitoring and directing the daily affairs of corporate entities lies with the directors and this is well spelt out in the corporate governance guidelines. The directors are the officers who are appointed based on their experience to serve on the board in the actualization of corporate objectives and how value created are distributed among the different stakeholders in line with their contribution. For the board of directors to therefore be effective and efficient while acting in the interest of the stakeholders specifically the shareholders, it must be adequate as to its size. Board size depicts the totality of all directors on the board. According to Jensen and Meckling, (1976), agency cost as a result of poor management may be lower in larger board size compared to their smaller counterparts and enhanced financial reporting quality may be achieved. Jensen (1993) however opines a maximum number of directors of seven to eight for board effectiveness and better coordination. In corporate governance literature, the nexus between board size and audit firm choice has led to argument; consequently, two schools of thought exist. According to Cheng and Jaggi (2007), larger size are associated with highly experienced and knowledgeable directors than their smaller counterparts, and as such, they are better able to be more committed to financial reporting quality which in turn reduces agency crises. Going by this argument, the nexus between corporate governance and external audit may be substitutive in nature in which case, effective corporate governance practices is meant to substitute for high external audit quality. On the other hand, the second school of thought opined that larger board size is associated with high problem of coordination and communication as it takes time before a compromise can be reached among the directors (Khudhair, Al-Zubaidi & Raji, 2018). Therefore, the study hypothesize that: $H_{01}$: Board Size has no significant impact on the auditor selection by listed consumer goods firms in Nigeria.

### Gender diversity and audit firm selection

In recent years, there has been growing interest in the relationship between auditor selection and board gender diversity. Empirical studies have sought to examine whether having a higher proportion of women on boards affects the selection of auditors and the quality of financial reporting.

Research has shown that gender-diverse boards are more likely to prioritize accountability and transparency in financial reporting, which can impact the selection of auditors (Brown et al., 2016). Studies have also found that gender-diverse boards are positively associated with higher-quality financial reporting (Adams & Ferreira, 2009; Carter et al., 2010).

However, research on the relationship between board gender and auditor selection has yielded mixed findings. Some studies have found that gender-diverse boards are more likely to select auditors with higher levels of expertise and independence, which can lead to better financial reporting quality (Brown et al., 2016).

One potential explanation for these mixed findings is that the relationship between board gender diversity and auditor selection may be influenced by other factors, such as the size and complexity of the organization, the nature of the industry, and the cultural context in which the organization operates.

While there is some evidence to suggest that gender-diverse boards are associated with higher quality financial reporting, the relationship between board gender diversity and auditor selection is less clear. Further research is needed to better understand the complex relationships between these factors and the broader social, cultural, and institutional factors that impact organizational outcomes. Therefore, the study hypothesize that: Board Gender has no significant impact on the auditor selection by listed consumer goods firms in Nigeria.

**Board Composition and Auditors Selection**

The selection of auditors and the composition of boards are two key factors that can impact the quality of financial reporting and overall accountability in organizations. Empirical studies have sought to understand the relationship between these factors and the performance of audit committees in ensuring effective financial reporting.

Research has shown that the selection of auditors can be influenced by various factors, including the size and complexity of an organization, the nature of the industry, and the reputation of the auditor (Abraham & Cox, 2015). This has led to calls for greater transparency and accountability in the process of selecting auditors, with some recommending the use of objective criteria and a competitive bidding process to ensure that the most qualified auditors are selected.

In addition, the composition of audit committees is also an important consideration. Research has shown that boards with a larger proportion of independent directors are more effective in overseeing the work of auditors and ensuring that financial reporting is accurate and reliable (Abraham & Cox, 2015). Furthermore, the presence of financial experts on audit committees has been found to positively impact audit quality (Gul et al., 2018).

However, the effectiveness of audit committees may also be influenced by other factors beyond the selection of auditors and composition of boards, such as the level of engagement and communication between auditors and the board, and the cultural and institutional context in which the organization operates. Therefore, the study hypothesize that: $H_{01}$: Board Composition has no significant impact on the auditor selection by listed consumer goods firms in Nigeria.

**2.1 Empirical Review**

Alfraih (2017) investigated the association between board composition and external auditor selection choice in Kuwait. The sample comprised companies listed on the Kuwait Stock Exchange (KSE) in 2013. The proxies for board composition were independence, diversity, interlocks, size and duality. The hypothesis was tested using a logistic regression model. The results show that after controlling for firm-specific characteristics, independence, diversity and size were positive and statistically significant; while, role duality was statistically significant but decreased the likelihood of choosing a Big 4 audit firm.

Eniola1 and Ajayi (2018) examines Determinants of Auditor Choice in Manufacturing Firms in Nigeria using the longitudinal research design for a sample 35 manufacturing companies for 2010-2016 financial years. The binary regression technique was used in estimating the models. The results reveal that corporate governance mechanism and firm complexity have significant effect on the likelihood that a firm chooses a type of auditor.

Huang and Kang (2018) investigated the effect of corporate reputation on auditor selection choice using a sample of Fortune 1000 companies. Corporate reputation was measured using the reputation scores from Fortune's 'America's Most Admired Companies' list. The data was analyzed using multiple regression, Heckman procedures and instrumental-variable two stage least square regressions. The results demonstrate that corporate reputation is positively related to auditor selection choice, i.e., firms with higher reputations were more likely to hire industryspecialist auditors than their counterparts.

Kenny (2020) assess internal corporate governance practices and choice of external auditor in Nigeria using a logistic regression analysis for a sample of 27 purposely selected quoted nonfinancial firms spread across 10 sectors on the Nigerian Stock Exchange (NSE) for the period of 2011 to 2017. Moreover, descriptive analysis and test of mean difference were conducted, while the panel logistic regression was adopted as the estimation method. The test of mean difference reveals that many firms with larger board size, board independence, and considerably higher institutional investors engage Big4 auditors. Meanwhile, firms with higher leverage employ nonBig4 auditors. The results from the multivariate analysis show that key determinants of the choice of external auditors are board independence and firm size.

Ejimadu, Egbunike, and Egbunike (2021) examine directors' reputation capital and auditor selection choice of quoted manufacturing firms in Nigeria anchoring on two theories: 'agency theory' and 'resource dependency theory'. The study adopted the ex-post facto research design for a population of all manufacturing firms quoted on the Nigerian Stock Exchange (NSE) as of 31st December 2019. The study relied on secondary sources of data which was obtained from the Nigerian Stock Exchange (NSE) as of 31st December 2019. The study employs binary logistic regression to test the hypotheses. The study revealed a non-significant negative effect of directorship industry reputation on the choice of selecting a Big-4 or non-Big-4 audit firm. The study also found a significant positive effect of directorship experience reputation on the choice of selecting a Big-4 or non-Big-4 audit firm.

Obiora, Onuora and Onuigwe (2022) investigated the effect of Directors reputation capital on auditor selection choice of selected consumer goods firms in Nigeria from (2010-2019). Ex-post facto research design was employed in the study. The population of the study included all manufacturing firms quoted on the Nigerian Stock Exchange (NSE) as at 30th June 2020 with a sample size of Sixteen (16) manufacturing companies purposively selected from the consumer goods subsectors. The study relied on secondary sources of data which was obtained from Annual reports of sampled companies as provided by individual companies and Nigerian Stock Exchange (NSE) website. The logit regression analysis was employed in validating the hypotheses. The study found that there is a significant positive effect of directorship human capital reputation on the choice of selecting a Big-3 or non-Big-3 audit firm. Also, that there is a significant positive effect of directorship experience reputation on the choice of selecting a Big-4 or non-Big-4 audit firm.

## 2.2 Theoretical Framework

Most studies on auditing are based on agency theory owing to its relative importance in explaining the development of audit. This study is hinged on agency theory because it addresses the alignment of interest among shareholders, directors and auditors. Agency theory was developed by Jensen and Meckling (1976) and is usually the starting point for any debate on corporate governance. The separation between owners and managers leads to opportunistic managerial actions and increase agency problems in companies (Fama & Jensen, 1983). According to De Angelo (1981), organization must deal with a changing amount of agency cost which vary overtime and place thus creating incentive for management to reduce these agency costs by hiring a high-quality auditor who provides adequate services for the company's needed level of audit quality.

Auditors are engaged as agents under contracts but they are expected to be independent of the managers who manage the operation of the business. An important assumption within the agency theory is that the auditor is independent and he provides independent opinion which enhances financial reporting. Auditor independence from board of directors is of great importance to shareholders and is seen as a key factor in helping to deliver high quality audit. However, an audit necessitates a close working relationship with the board of directors. Fostering this close relationship will make the shareholders to question the perceived and actual independence of auditors and demand tougher controls and standards over independence to protect them.

## 3. Methodology

### 3.1 Research Design

The research design adopted for the current study was the multi-method quantitative research design. The study population consists of all the 20 fast moving consumer goods firm [FMCG] listed in the Nigerian stock Exchange as at 31st December, 2023. In taking into account the nature of the population, the study used two filter criteria to arrive at the final sample for the study. Listed consumer goods firms that do not meet or conform to the filter criteria below are eliminated. Listed consumer good firm must make available their annual report of 7 years under study i.e., 2017-2023and the consumer goods firm must be listed in the Nigerian Stock Exchange before 2009 and not been delisted before 2023. In line with this, the final sample size is eighteen (18) listed consumer goods firms.

### 3.2 Data and Sources

Data for the study were collected through the annual report and account of the firms under observation for the various years. This was made possible through their documented annual report with Nigeria stock exchange and various website of the firms. The study employed both descriptive and inferential statistics using Generalized Binary Linear Model Regression was used to test our hypotheses because it permits non-normal stochastic and nonlinear systematic components (Hardin & Hilbe, 2007). The analysis was done using Stata.

### 3.3 Model Specification

The test of association between the explanatory variables and auditor selection is estimated using the following econometric model:

AUDS= $f$ (BDS, BDG, BDC) (1)

In econometric form: $AUDSDA\text{-}it = \beta_0 + \beta_1 BDS_{it} + \beta_2 BDG_{it} + \beta_3 BDC_{it} + \varepsilon_{it}$ (2)

Where:

AUDSDA-it = Auditor Selection as measure firm

$\beta_0$ = Intercept (Constant terms);

$\beta_1 - \beta_5$ = Estimated Parameter;

BDS = Board Size;

BDG = Board Gender;

BDC = Board Composition

$\varepsilon$it = Error term or unexplained variable for bank i in period t.

A priori expectations in line with extant literature to be β1, β2, β3,> 0

### 3.4 Variables, Type and Measurement

**Table 1: Variables and Measurement**

| VARIABLE | TYPES | MEASUREMENT |
|---|---|---|
| Auditor Selection | Dependent | Measured by the size of the audit firm. Using binary no. '1' if big '3' and binary no. '0' if not big '3' |
| Board Size | Independent | Measured as the total number of directors sitting on the board of a particular Firm |

| | | |
|---|---|---|
| Board Gender | Independent | Percentage no. of female in the Board |
| Board Composition | Independent | Measured by the number of non-executive directors on the board |

Source: Authors compilation, 2024

## 4. Results and Discussion

### 4.1 Descriptive Analysis

This section describes and summarizes the characteristics of the data gathered in the study. It presents the minimum, maximum, mean and standard deviation of the variables.

**Table 2: Descriptive Statistics**

| Variable | Obs | Mean | Std. dev. | Min | Max |
|---|---|---|---|---|---|
| Auds | 126 | .5 | .501996 | 0 | 1 |
| Bods | 126 | 9.761905 | 2.602856 | 4 | 15 |
| Bodg | 126 | 1.769841 | 1.167306 | 0 | 5 |
| Bodc | 126 | 5.224 | 2.761673 | 1 | 11 |

Source: Authors compilation, 2024

Table 2 shows the descriptive statistics for the explained and explanatory variables respectively. The table explains the nature of data collected and their distribution. The data set contains a total of twenty (20) observations from which eighteen (18) listed consumer goods firm on the Nigerian Stock Exchange was used over a period of seven years from 2016 – 2022 which sum up to 126 observations as shown in the table below.

The table revealed that an average for the period included in the sample generated, AUDS account for about 0.5 and a standard deviation of 0.501. The maximum and minimum values of AUDS are 1 and 0 respectively. The standard deviation of .501 indicates that the data deviates by .501 for both sides of the mean amount. This means that there is a moderate variation among the audit selection across listed consumer goods firm in Nigeria for the period observation.

Board Size (BODS) has a mean of 9.76 indicating the average amount of Board Size in the selected period, with standard deviation of 2.602, minimum value of 4 and 15 as the maximum value. The standard deviation of 2.602 implies that the data deviate from both side of the mean value by 2.602 and as such the firms under examination are of various sizes. The results also indicate that the Board Gender (BODG) of the sampled period is averagely 1.76 with standard deviation 1.167; the minimum and maximum value of 0 and 5 respectively. The standard deviation of 1.67 implies that there is no substantial dispersion of the mean.

Finally, the result indicates that the average of Board composition (BODC) of the sampled period is 5.224 with standard deviation 2.761; the minimum and maximum value of 1 and 11 respectively. The standard deviation of 2.761 implies that there is relatively substantial dispersion of the mean.

### 4.2 Correlation Analysis

The correlation coefficient shows if a linear relationship exists between the dependent and independent variables and equally among the independent variables. The correlation matrix indicates whether or not there is a relationship between the predicted and predictor variables and also quantifies the degree to which these variables are related.

**Table 3: Correlations matrices table**

Correlate AUDS BODS BODG BODC (Obs=125)

| Variables | AUDS | BODS | BODG | BODC |
|---|---|---|---|---|
| AUDS | 1.0000 | | | |
| BODS | 0.0285 | 1.0000 | | |
| BODG | 0.5480 | 0.1927 | 1.0000 | |
| BODC | -0.0123 | 0.7241 | 0.1586 | 1.0000 |

Source: Authors compilation, 2024

Table 3 shows the correlation between the dependent variable which is Audit selection (AUDS) and the independent variables which are board size (BODS), Board Gender (BODG) and Board composition (BODC). The results show the degree of association between auds and all pairs of explanatory variables individually and between themselves and cumulatively with the dependent variable (AUDS) of the study under the selected period (2016 - 2022).

There is a positive association between AUDS of the selected period and BODS, from the correlation coefficient of 0.0285 which is significant at 5% level of significance. This relationship implies that as the amount of BODG increases, the AUDS will also increase. Table 3 shows also that there is positive association between BODG of the selected period and AUDS, from the correlation coefficient of 0.5480 which is significant at 5% level of significant. This relationship implies that as the amount of BC increases, the AUDS will also increase in a significant manner.

Finally, the table presents a negative relationship between AUDS and BODC from the correlation coefficient of -0.0123 which is significant at 5% level of significance. This relationship implies that as BODC increases the AUDS decreases for the selected period in a significant manner.

### 4.3 Regression Analysis

This section deals with the regression result of the dependent variable proxied by AUDS and the independent variables proxied by BODS, BODG and BODC. The results are shown in the table below:

**Table 4: Regression analysis table**

| | | | |
|---|---|---|---|
| Logistic regression | Number of Obs | = | 125 |
| | LR chi2(3) | = | 46.16 |
| | Prob> chi 2 | = | 0.0000 |
| Log likelihood =63.557252 | pseudo R2 | = | 0.2664 |

| Model | Coefficient (B) | Z-test | Sign. |
|---|---|---|---|
| Constant | -1.6717 | -1.89 | 0.058 |
| BODS | -0.039 | -0.34 | 0.735 |
| BODG | 1.427 | 5.21 | 0.000 |
| BODC | -1.076 | -0.69 | 0.491 |

a. Dependent Variable: AUDS

Source: Authors compilation, 2024

Regression is used to show the degree to which an independent variable will affect the explained variable. Table 4 above is the regression result for the estimation of the model specified earlier in the previous section. The binary regression (Logit&Probit) is used in this study due to the nature of the dependent variable. Binary regression is suitable for cases in which the data for the endogenous variable is a dummy indicator variable that has two possible outcomes "0" and "1". In the case of this study, the dependent variable of auditor selection is a dummy indicator that assumes a value of "1" if a firm chooses a big 3 audit firm and 0 if otherwise. Logit and Probit are part of the family of binary regression though based on different distributional assumptions. Regressing the independent variables on AUDS using the Logit regression, the pseudo R2 for model is 0.2664 which implies that the model explains about 26.64% of the systematic variations in the dependent variable. The LR-chi 2 is 46.16(p-value = 0.00) is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model.

Hence, the result of R2 value of 26.64% implies that the total variation in AUDS is caused by BODS, BODG and BODC of quoted consumer goods firms in Nigeria within the selected period, while the remaining 73.36% was caused by other factors other than the variables captured in the model such as board expertise, board independent as well as other macro-economic variables which are captured in this study.

The table 4 above also shows that the functional relationship between the dependent variable and the independent variables is:

$AUDS_{it} = \beta_0 + \beta_1 BODS_{it} + \beta_2 BODG_{it} + \beta_3 BODC_{it} + e_{it}$ (3)

$AUDS_{it} = -1.6717 - .039BS_{it} + 1.427BG_{it} - .076BC_{it}$ (4)

This implies that BG and BC have a positive impact on AUDS while BS has a negative impact on AUDS.

The result further shows that BODS, BODG and BODCof the selected firms within the selected period will be able to explain the AUDS to a tone of -.039, 1.427 and -.076 respectively.

BODS has a negative significant relationship at 5% level of significance with AUDS as shown by the coefficient value, t-value and p-value of -.039, -0.34 and 0.735 respectively.

More so, the above table displays the result of the regression equation model used to test all the stated hypotheses for this study. The regression result shows that BODG has a positive significant relationship at 5% level of significance with AUDS as shown by the coefficient value, t-value and p-value of 1.427, 5.21and 0.000 respectively. This implies that a proportionate increase in BODG to a tune of 1.427 will likely lead to an increase in the AUDS.

Finally, the regression result shows that, there is an insignificant relationship at 5% level of significance between BODC and AUDS for the sampled firms in Nigeria within the selected period. This is evident in the coefficient value of -.076, t-value of -0.69 and p-value of 0.491

### 4.4 Test of Hypotheses

This section presents the result generated from the regression analysis in order to test the hypothesis of the study stated in chapter one. The regression result used to test the hypothesis of the study is shown in the table below:

**Table 5:Regression Result used to Test the Hypothesis**

| Variables | Coefficient | p-values | Decision |
|---|---|---|---|
| BODS | -.039 | .735 | Supported |
| BODG | 1.427 | .000 | NOT Supported |
| BODC | -.076 | .491 | Supported |

Source: Authors compilation, 2024

**$H_{01}$: Board size has no significant effect on the auditor selection of listed consumer goods firm in Nigeria.**

The basic assumption to accept any hypothesis is when the P-Value is greater than Level of significance otherwise you reject the null hypotheses and accept that there is a significant difference.

From the result of the regression model, the p-value is estimated to be 0.735 indicating that a statistically significant relationship cannot be inferred from the interaction amongst the variable considered. It therefore means that the null hypothesis stands in this study and is hereby considered valid, as the p-value is greater than the alpha level of 0.05. Therefore, Board Size has no significant influence on the audit selection of the listed consumer goods firm in Nigeria.

**$H_{02}$: Board gender has no significant effect on the auditor selection of listed consumer goods firm in Nigeria.**

It can be deduced from the regression result that there is significant relationship between board gender and the audit selection of consumer goods firms listed in Nigeria since its p-value of 0.000 is less than the alpha level of 0.05. It otherwise means that the study succeeds in rejecting the null hypothesis. Board gender therefore, has significant influence on the auditor selection of listed consumer goods firm in Nigeria. This implies that the decision of the female member of the board of director significantly influence the audit firm selections

**$H_{03}$: Board Composition has no significant effect on auditor selection of listed consumer goods firm in Nigeria.**

It can be deduced from the regression result that there is statistically insignificant relationship between board composition and auditor selection. This is evident by a p-value of 0.491 and therefore we succeed in accepting the null hypothesis. Again, we can conclude that board composition does not have significant effect on the auditor selection among listed consumer goods firm in Nigeria.

### 4.5 Discussion of findings

From the data presented and analyzed below and sequel to the hypotheses tested, the following findings were revealed. First, the hypothesis one shows that board size is not significant in audit selection of listed consumer goods. This finding was consistent to the study of Lipton and Lorsch (1992) but contrary to the findings of Cleng (2008) who admitted that large board size has influence on audit selection.

Secondly, the study failed to reject the hypothesis that link board gender and auditors' selection. This was similar to the findings of Rynan and Haslam (2005) who argued that in slump situation women must be placed in authoritative place. Also, Brown et al (2016) found gender diverse board are positively associated with high quality financial reporting.

The study could not find evidence of significance between board composition and auditors' selection. This is inconsistent with the Abraham and Cox (2015) who equally submitted similar findings in their study. Finally, the overall result shows that all the explanatory variables are significant at p-value of 0.0000 showing that cumulatively, they are all important in auditors' selection of listed consumer goods in Nigeria.

## 5. Conclusion and Recommendations

Auditor choice or selection is a key issue in most companies today. It is a decision that is critical for both the management and shareholders of the company. This is because of the very key role that auditors play in minimizing information asymmetry, monitoring and ensuring that financial information is credible and also serving as an instrument of addressing agency conflict issues.

Hence the choice of the type of audit firm hired is one decision that a firm pays close attention to. Several factors exert varying degree of influence on this auditor choice decision ranging from factors related to the audit firms that are in the audit market or factors relating to the audit client. This study focuses on effect of board characteristics on auditor selection among listed consumer goods firm.Focusingon auditor selection as the dependent variable and a mixture of board size, board gender and board composition as the independent variable. Using the binary regression technique,the study found that the audit selection and board gender has significant influence over the likelihood that a firm selects a particular type of auditor.

Board gender play a very significant role in influencing over the likelihood that a firm selects a particular type of auditor. Audit gender [females] should be given reference to, when selecting auditors. Regulatory authorities should look into the ratio of male to female in the boardroom. The inequality of the boardroom could affect financial reporting quality in the long run. board gender of all audit firms whether big 3 or non-big 3 should be of the highest quality possible

Base on the finding of this study, board size is not significant. However, in auditor selection procedure the firms under consideration are advice not to discard the role of board size in the selection process.

The firms under consideration should look into board composition when constituting the board membership. This will take care of inappropriate composition that may affect the auditor selection process.

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