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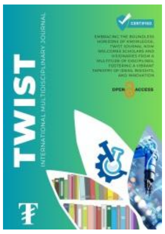

Audit Quality and Shareholders' Earnings of Listed Non-Financial Companies in Nigeria

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Abstract
The study investigates the effect of audit quality on shareholders' earnings of listed non-financial companies in Nigeria. The population of the study consists of the total one hundred and eleven (111) companies listed on the Nigerian Exchange Group as at 31st December, 2022 with a sample of thirty-seven (37) companies. Data was obtained from the audited annual reports and accounts of the selected sampled firms between the period 2018 and 2022. The study employed correlation and ordinary least square regression to analyse the data. The result revealed that Audit size (AS) had positive and significant effect on earnings per share (EPS) while Audit fees (AF) had negative and insignificant effect on earnings per share (EPS). It was recommended that shareholders should retain the engagement of the big-four audit firms by way of extension of audit tenure but reduce audit fees payable in order to significantly increase their earnings per share.

Keywords
Audit, Earning, Quality, Shareholders, Nigeria

INTRODUCTION

Background to the Study

The issue of audit quality with regards to earnings reporting has been on a front burner for many years past and has given great concerns to various stakeholders within and outside many organisations. It has been noted that high quality auditors, relative to low quality auditors, are more disposed and qualified to detecting questionable accounting practices and, when detected, to inhibit their use by the management of the reporting firm. This implied that high-quality audit is effective to deter management intention to perform unethical earnings management and reporting, because when such immoral behaviour is detected, their (management) reputation is likely to be marred, which can in turn reduce the value of the firm. It is highlighted in this study, following Rusmin (2017) that audit quality has the capacity to increase the quality of reported earnings (whose components are accruals and cash flows), and stock estimation. Furthermore, the audit quality may be basically considered in either by size (the big-4) or fees payable to the audit firm.

To enhance the quality of shareholders' earnings reported in the financial statements, the shareholders required the service of the external auditors. The external auditors are independent examiners who examine the financial statement and provide opening on whether the financial statements show true and fair view. Therefore, the quality of audit engagement by the company would be determinants variable to measure the quality of shareholders' earnings. Audit quality is the accurateness of information given by an auditor to an investor to make more accurate estimations of company value. Audit quality is indicated by financial reports that do not present the material misstatement.According to

Yusuf (2020), investors required the external audit to provide external examination that will add to the reliability, objectivity, and soundness of financial reports, increase accountability, lessen any astute conduct of the board, and increase the proficiency and adequacy of internal controls, just as that of internal audit. It is believed by the investors that the external auditors increase the credibility of financial reports through their competency and independent review.

Therefore, Krishnan (2003) indicated that by reporting earnings management, the auditors can improve earnings information value. Ruddock and Taylor (2006) contended that the value of financial reporting as well as earnings reporting is improved by showing credibility and liability when external auditors react to forceful manipulation of earnings. Furthermore, Andersen (2000) suggests the role of auditors could be distinguished into five: objectives, reporting lines, profession, and interactions with others. This is important for the companies to achieve accountability, improve operations, and instill confidence among stakeholders. Therefore, the stakeholders need to gain assurance that the data being reported are properly measured and fairly presented. The auditors must raise their capability and independency level, use appropriate tools, and provide advisory services to fulfill each of their roles (Ahmad et al., 2016).

The level of effectiveness of the audit process, and its ability to restrict earnings manipulation can vary with the quality of the audit firm. Myers and Omer (2016) posit that auditors restrict the self-centred decisions of management to distort the financial statements information when the audit quality is high.

High quality auditors, relative to low quality auditors, are more disposed and qualified to detecting questionable accounting practices and, when detected, to inhibit their use by the management of the reporting firm. This is implied that high-quality audit is effective to deter management intention to perform unethical earnings management, because when such immoral behaviour is detected, their (management) reputation is likely to be marred, which can in turn reduce the value of the firm. It is highlighted in this study, following Rusmin (2017) that audit quality has the capacity to increase the quality of reported earnings (whose components are accruals and cash flows), and stock estimation. Furthermore, the audit quality may be basically considered in either by size (the big-4) or fees payable to the audit firm.

From the foregoing, this study examined the effects of audit quality on shareholders' earnings of listed non-financial companies in Nigeria. The study is motivated because of the significant contribution of non-financial sector in Nigerian economic growth. According to the Central Bank of Nigeria (CBN, 2010), the industry contributes about 90% of Nigeria's foreign exchange earnings. In addition, despite the strategic importance of the sector, the operations of some of these companies have been associated with allegations of scandalous financial practices recently (Orbunde et al., 2021).

Statement of Problem

The problems of corporate failures and scandals in the past decades have been attributed to consistent reduction in audit quality and reporting. As a result, the investors have been having depletion in their invested resources which in turn erodes their confidence in the financial system and by extension the audit report being given by the appointed auditors (Nickolas, 2015; Adeleke, 2016; Amahalu, Abiahu & Obi, 2017; Ajape, Omolehinwa & Adeyemi, 2018). Furthermore, there were concerns by many stakeholders who were worried an d continue to interrogate the credibility of audit report being given by many auditors indicating absence of trouble in the entity but later found that the same entity given clean bill of health were found wanting leading to collapse of the organization notwithstanding the contribution of audit committee (Olaoye, Akinleye, Olaoye & Adebayo, 2020). The audit committee in many of these troubled organizations were regarded as rubber stamped and lame duck since most of the members were being appointed by the management, some without the requisite knowledge of financial issues and were likely bound to whim and caprices of their paymaster and therefore not able to produce and present the actual performance of the entity in real term (Olaoye, Akinleye, Olaoye & Adebayo, 2020). Obviously, frauds are committed at the backdrop of the fact that stakeholders mostly place reliance on audited report given by the appointed auditor and the perpetrators will frantically leverage on this to ensure cover up of their financial misappropriations. Inability of the auditors to uncover to these scandals in auditing process has the possibility of impacting negatively the quality of audit report (Olaoye, Akinleye, Olaoye & Adebayo, 2020). Furthermore, the audit quality could be impaired with dependence occasioned by payment of huge audit remuneration by client resulting in compromise and eroding objectivity that is ethically require of the auditor (Akhidime, 2019). It is worthy of note that provisions of the Nigeria Code of Corporate Governance (NCCG, 2018) gives powers to the audit committee in monitoring the financial reporting process of an enterprise. However, there have been problems in reporting the reality by the committee even at discovery of infractions by the management including window-dressing of the financial report.

The auditors have the crucial duty in ensuring quality and credible report in every audit assignment. Moreover, every stakeholder also have important role to play in ensuring and encouraging high-quality financial reporting. Window dressing of financial report and without the auditors raising red flag has greatly contributed to the collapse of many multinational including ENRON, WorldCom, Global Crossing, Rank Xerox among others (Adeyemi, Okpala, & Dabor, 2012). The collapsed actually impacted negatively on the investors' stake in these companies. In Nigeria, some energycompanies are not left out in corporate accounting fraud as Cosmetic accounting is a serious problem to the Nigerian economy, resulting in huge loss of investment by the investors (Otunsanya & Uadiale, 2014).

It was noticed in review of literature that some studies have been carried out in developed economies regarding audit quality and shareholders earnings (Al-Dalabih, 2017; Piyawiboon2015; Sumiadji et al., 2019). Furthermore, in Nigeria, studies that were carried out include audit quality and earnings management (Emmanuel &Emem, 2020; Awa & Obinabo, 2020; Aliyu, et al., 2015). Most of these studies focused mainly on audit quality and earning management and very few studies conducted were focused on effect of audit quality on shareholders earnings using return on asset as a proxy while this study specifically looked at the effect of audit quality on shareholders earnings using earning per share as a proxy. Therefore the objective of this study is to examine the impact of audit quality on earning per share of listed non financial firms in Nigeria.

Objectives of the Study

The broad objective of the study is to investigate the effect of audit quality on shareholders' earnings of listed non-financial companies in Nigeria. This study specifically examined;

i. the extent to which audit size management affected shareholders' earnings of listed non-financial companies in Nigeria,

ii. the effect of audit fees on shareholders' earnings of listed non-financial companies in Nigeria

Research Hypotheses

Following the specific objectives stated above, this study formulated hypotheses in null form as followed:

H_{01}: The effect of audit size has affected shareholders' earnings of listed non-financial companies in Nigeria is statistically insignificant.

H_{02}: There is no significant relationship between audit fess and shareholders' earnings of listed non-financial companies in Nigeria.

LITERATURE REVIEW

Conceptual Review

Shareholders' Earnings

The concept of shareholders' earnings in the past has been described in various ways by different authors. Arhin (2018) explained that the maximisation of shareholders' earnings is of two types, that is, capital gains and the dividend. The study state that while the capital gains come in the form of share price appreciation which is featured in the stock exchange and it usually achieved by the interaction of forces of demand and supply for the share on the exchange market, the dividend relies on the interaction between the investment decision and the financing decision, implying that the amount of money paid out as dividends will affect the level of retained earnings available for investment. To align with this, Tuoyo (2017) stated that dividend decision is one of the most important decisions affecting efficient performance and the attainment of maximizing shareholders' wealth as a primary goal of the organisation. In addition, Tarver (2015) stated that the goal of finance manager is to figure out the quantum of dividends that will improve the value of a firm. Therefore, from this view, shareholders' wealth can either be in form of the maximisation of the market value of the company's ordinary shares or paying high dividend ratio.

Earnings Per Share

The concept of Earnings per share is considered relevant because it's directly related to profitability variant which measures the performance of the managers as to the utilisation of shareholder's capital investment in a company and businesses are established to maximize the wealth of their owners. Earnings Per Share is a calculation that allocates a company's profits to each of its ordinary shares (Vaidya, 2014) and it serves as anindication of profitability by measuring the entity's performance in relation to share capital that is employed togenerate such returns (Koppeschaar, et al., 2013 cited in Robbetze, et al., 2017). According to DeWet (2013), earnings per share are more related to earnings management and this is supported by the case of Enron where it was documented that the major contributors to the demiseof Enron was that the management was, in their onwards, "laser-focused on earnings per share" in order to meet the expected higher earnings by the shareholders of the business corporation.

Audit Quality

Research in audit quality has been widely conducted but according to Duff (2009), researchers have not been able to arrive at a generally accepted definition of audit quality due to its nature. However, the extent to which an auditor's independence, integrity, and objectivity impact auditors' opinions on the quality of financial statements, according to Baah and Fogarty (2018) is called audit quality. As defined by Sailendra, et al. (2019), the audit quality is the probability of an auditor to find the client's accounting system inconsistent, if this is necessary to guarantee for the financial statements users, certifying that the audit commitment was carried out in a professional and independent manner. Audit quality to Dunakhir (2016), is defined to be the market-assessed joint probability that a given auditor will both (a) discover a breach in the client's accounting system, and (b) report the breach.

AL-Qatamin and Salleh (2020) summarized the definition of audit quality in two aspects. First, definition assumes that the auditor will be professionally well-equipped and he would be technically sound and competent enough to uncover hidden material misstatements within financial statements. However, this definition is the part of an assumption that is generally found in the market relating to the role and performance of auditor.The second element of the definition is related to the reporting process. In this part, it is assumed that the auditor will report all of its findings to the related competent authority. However, this definition does not clearly indicate whether the reported findings would be fully reported, partially reported or inaccurately reported. Whenever an auditor conducts an audit process for satisfying various audit assertions, the auditor is required to determine a sample size and apply relevant audit standards and procedures for obtaining certain results. Upon collecting and compiling the results, the auditor submits the report to the related authority. However, this submission of the report could include unsatisfied audit assertions and uncompleted audit procedures. Under this situation, it is necessary for an auditor to maintain the integrity of their independence and impartiality as well (Gul, 1989).

Audit Size

Audit size is the size of the audit firm which can be grouped into small size and big size. According to Sumiadji, et al. (2019), the big audit size is one audited by the Big 4 which comprises PricewaterhouseCoopers (PwC), Deloitte Touche Tohmatsu (Deloitte), Ernst and Young (EY), and Klynveld Peat Marwick Goerdeler KPMG). But the small audit size is the non-big 4. Sumiadji, et al. (2019) argued that the Big 4 auditors have a better audit quality than small or non-Big 4 auditors because large audit firms have greater resources, knowledge, technical experience, capacity, and reputation compared to small audit firms.

However, the study intends to measure audit quality with audit fees and in the literature we observed that different view existed between researchers on the effect of audit fees or compensation on earnings management. The perception of some researchers is that audit feereflects additional audit effort which will lead to a higher level of audit quality (Carcello, et al., 2002). Francis, et al. (2004) has a contrary opinion that quality may decrease with fee dependence if marginal forces associated with managerial influence overwhelm those associated with the scope of activities involved.

Audit Fees

Audit fees are all reasonable costs incurred by corporations in order to pay audit firms (Yahaya & Onyabe, 2022). The shareholders hire the service of the external auditor to render assurance services on the financial statements prepared by the company’s directors. Therefore, audit fees are based on negotiation between the shareholders and the audit firm during Annual General Meeting (AGM). This means that audit fees vary widely depending on the engagement locus of the audit firm and the variety of services provided. High audit fees are anticipated to attract high quality audit firms and by consequences, there would be improvement audit quality leading to high earnings quality reporting (Lambe, et al., 2021).

Control Variable

Board size

Board size entails the actual number of members that constitute the board. The number however differs from one entity to another. Jeroh (2018), states that the sizes of companies' boards vary across countries depending on culture or legal, political and economic atmosphere among others. Studies for example, Florackis and Ozkan (2004) and Hermalin and Weisbach (2003) have suggested that for boards to be effective, their size should not be more than seven (7) or eight (8) members. However going by the 2011 SEC codes which is applicable to publicly quoted firms in Nigeria, no maximum limit of board size was fixed, but expressly, the code specified that a company's board should have a minimum number of five (5) members and should have a mix of both executive and non-executive directors (Jeroh, 2018).

Theoretical Review

This study is anchored on the theoretical foundation of the agency theory and theory of inspired confidence. In addition, other related theories are also reviewed and they include stakeholder theory, wealth maximization theory, and information asymmetric theory.

Agency Theory

According to Clarke (2004), this theory postulated that the shareholders who are the owners (principals) of the corporation appoint managers or directors (agents) and delegate to them the authority to run the business for the corporation’s shareholders. The theory first put forward by Jensen and Meckling (1976) was viewed as the contract between the owners (principals) and the managers or directors (agents). On the basis of the agency theory, shareholders expect the managers or directors to act and make decisions in the owners’ interests. However, to Padilla (2002), managers or directors may not necessarily always make decisions in the best interests of the shareholders. The separation of ownership and control according to Aguilera, et al. (2008) produces an innate conflict between the shareholders (principals) and the management (agents). This conflict of interest can also be exacerbated by ineffective management monitoring on the part of shareholders as a result of shareholders being dispersed and therefore unable, or lacking the incentive, to carry out necessary monitoring functions.

Theory of Inspired Confidence

Limperg Institute in Netherlands developed theory of inspired confidence in 1985 and the theory states that the auditor, as a confidential agent, derives his broad function in society from the need for expert and independent examination as well as the need for an expert and independent judgment supported by the examinations (Awa &Obinabo, 2020).Theory of inspired confidence explained that the stakeholders expect the auditors to use ability and competency to serve the members of general public with a minimum rate of audit failures. It is expected that the auditors to planand perform their audit with appropriate and sufficient evidence and this will help the auditor avoid risk of undetected material misstatements.

Stakeholder Theory

This is a theory in management detailed by Freeman (1999) and regarded stakeholder as 'any group or individual who can effect or be affected by the achievement of corporation's purpose'. According to Tyokoso and Tsegba (2015), the stakeholders that should be taken into consideration in the governance structure include investors (including banks), managers, employees, customers, business partners (suppliers and subsidiaries), local communities, civil society (including regulators and pressure groups) and the natural environment. The relationship between the company and its internal stakeholders (such as employees, managers and owners) is framed by formal and informal rules that have been developed in the course of the relationship. The stakeholder theory supports the contention according to Kiel and Nicholson (2003) that, 'companies and society are interdependent and therefore the corporation serves a broader social purpose than its responsibilities to shareholders'.

Value Maximisation Theory

This theory was propounded by Jensen in 2001 and according to Jensen (2001), value maximization theory stated that value or wealth maximization of the shareholders formed the prime objective to be met by the company. Abdul-Baki, et al. (2014) and Uzoma, et al. (2016) noted that value maximisation theory assumed that profit should be maximise on short-run, while shareholders' value will be maximise on a long-run, hence, the decision that will enhance the shareholders' value maximisation must be diligently taken by management to enable them make credible decision.

Information Asymmetric Theory

According to Schipper (1989), information asymmetry existed in corporate structures between a privileged management and the investors. Managers may choose to use their privileged position to exploit shareholders by manipulating the financial report for their personal benefit. According to Effiok and Eton (2012), it would be difficult for individual stakeholders to detect such manipulations in the financial reports prepared by management due to their insufficient personal skill and indifference or unwillingness to engage in a detailed financial analysis. The study carried out by Wittenberg-Moerman (2008) suggested that conservative reporting reduce the level of information asymmetry regarding a borrower and increases the efficiency of the secondary trading of debt securities.

Empirical Review

Yusuf (2020) examine the effect of audit quality on earnings management represented by discretionary accruals of listed consumer goods companies in Nigeria for thirteen years from 2006-2018. An ex-post facto research design was adopted for the study. The population of the study comprised of twenty-one (21) listed consumer goods companies out of which a sample of seventeen (17) companies were carefully chosen using a purposive sampling technique. Data were collected from yearly financial statements of the sampled companies. The dataset was analyzed using panel corrected standard error regression technique. The findings revealed that audit fees has a significant negative effect on earnings management, while audit firm size, audit tenure and joint audit all have a significant positive effect on earnings management. Given the results, the study recommended amongst others that Individuals, partnership businesses, shareholders, and government who employ the services of the external auditors in Nigeria should ensure that the auditors have the competence and experience and that they are well remunerated.

Awa and Obinabo (2020) examined the effect of audit quality on shareholders' earnings of listed industrial goods firms in Nigeria. Specifically, the study examined the effect of auditor's independence, audit firm size and auditors' tenure on shareholders' earnings of listed industrial goods firms in Nigeria. The study adopted Ex post-facto research design and panel data regression model with the aid of E-view 9.5 statistical software which was used to analyze data generated from 2012-2018. The study found that auditors' independence and audit firm size have positive and significant effect on shareholder's earnings of listed industrial goods firms in Nigeria while auditors' tenure has a negative and insignificant effect on shareholders' earnings of listed industrial goods firms in Nigeria.

Okolie (2014) examines whether Audit Quality has any impact or relationship with earnings response coefficients of companies in Nigeria. Pursuant to this objective, archival data were extracted from annual reports of 57 companies quoted on the Nigerian Stock Exchange (NSE) between 2006 and 2011. Audit Quality was estimated using Audit Firm Size, Audit Fees, Auditor Tenure and Auditor Client Importance. Earnings Response Coefficients model was applied to measure unexpected earnings (UE) as the actual earnings disclosed minus a measure of investors' prior expectation of earnings scaled by the market price. The result of the test showed that Audit Quality exerts significant impact on the ERC of quoted companies in Nigeria.

Udeh, et al. (2020) investigated the influence of attributes of audit quality on return on assets of selected quoted manufacturing firms in Nigeria from 2006 to 2016. Secondary data from published financial statements of 24 out of the 80 quoted manufacturing firms on the Nigerian Stock Exchange were used and stratified purposive random sampling technique was employed to select the sample size. The study engaged the tool of Ordinary Least Square statistical method to carry out the analysis of data. It was discovered that audit firm size had a positive and significant effect on return on assets of quoted manufacturing firms in Nigeria, among others. It was therefore, concluded that attributes of audit quality influence return on assets of quoted manufacturing firms in Nigeria. The study recommended, in addition to others, that auditors should be given subsequent opportunities for any audit assignment as this will enable them to discover inadvertent errors thereby improving the quality of the audit.

Sumiadjiet al (2019) verify the effect of audit quality on earnings quality by obtaining data of 116 manufacturing companies listed in the Indonesia Stock Exchange within 2011-2014. The analysis techniques for this research involved an confirmatory factor analysis to form the earnings quality and multiple regression analysis to test the effect of the auditor size, audit tenure and audit specialization on earnings quality. The results of the analysis showed that earnings quality is formed by the attributes of persistence and predictability. Furthermore, the results showed that auditor size and audit tenure have effect on earning quality, while audit specialization do not.

The effect of joint and dual audits on earnings management practices was tested by Mandour, et al (2018) and the study examined the effect of non-mandatory adoption of joint audit in decreasing earnings management practices through accrual and real activities contrasted with the adoption of a dual external audit approach. The study follows a quantitative approach to gather and analyze data from the Egyptian Stock Exchange during the period 2010-2014. 104 firm-year observations were tested in the sample. The findings of the investigation showed that there was a negative relationship between joint audit and discretionary accruals

In Jordan, the practice of creative accounting was identified by Al-Dalabih (2017) and study covered a sample of one hundred and fifty (150) selected banks in the northern region of Jordan. The study used primary data which was sourced through a questionnaire survey technique. Result based on a total of one hundred and twenty-one (121) questionnaires which were retrieved, validated and analysed using SPSS statistical software, indicated that there is a statistical significant relationship between the practice of creative accounting and both the profitability and the size of the Jordanian commercial banks.

Piyawiboon (2015) investigated the relationships between the Audit Quality and the Earnings Quality as well as between the Board Audit Committee and the Earning Quality of the listed firms in 4 industrial groups in the Stock Exchange of Thailand (SET). The data were collected and analysed by using panel data with random effects. The results show that the auditor firm size has a negative correlation with the Discretionary Accruals. Also, there is a positive correlation in changing from the smaller audit companies to the larger ones. For the auditors' opinion, it is found that when the auditors gave a remark on the going concern, there was a negative correlation with the Discretionary Accrual and it resulted in the good earnings quality. The opposite result appeared when the auditors did not give an opinion about the financial statements and gave an observation about the going concerns which resulted in the poor Earnings Quality.

METHODOLOGY

Research Design

This study investigated the effect of earnings management and audit quality on shareholders' earnings in Nigerian listed non-financial companies. Based on this, this study adopted longitudinal research design. This design considered appropriate in this study because it aims at measuring the effect of one variable on another in similar industries. In addition, according to Caruana, et al. (2015), longitudinal research design is suitable to be used in absent of cross sectional data analysis but data collected for given individuals within a predefined group (that is, listed non-financial companies in Nigeria).

Population, Size and Technique

The population of the study consists of the total one hundred and eleven (111) companies listed on the Nigerian Exchange Group as at 31st December, 2022. This study used purposive sampling approach to select the thirty-seven (37) non-financial companies that represents the sample size. The selection approach was based on availability of audited financial report for the consecutive period of 2018-2022 of companies listed on the Nigerian Exchange Group.

Sources of Data

This study makes use of secondary source of data collection and historical data type is obtained from the audited annual reports and accounts of the selected sampled firms between the period 2018 and 2022. The justification of this period is that it covered periods after IFRSs adoption in Nigeria on the basis that IFRSs have altered accounting data after adoption.

Model Specification

In line with the study of Appolos, et al. (2020), the model for this study is specified as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 X_{it} + \varepsilon_{it} \quad \text{...(3.1)}$$

where:

Y = Dependent variable: Shareholders' Earnings proxy with Earnings Per Share.

X = Independent variables: Audit Quality.

To achieve specific objective one and two, equation 3.1 further be applied as followed

$$EPS_{it} = \beta_0 + \beta_1 AS_{it} + \beta_2 AF_{it} + \beta_3 BS_{it} + \varepsilon_{it} \quad \text{.. (3.2)}$$

where:

EPS= Earnings Per Share proxy for Shareholders Earnings.

AS= Audit Size
AF= Audit Fees
BS = Board Size.
β_0 = regression intercept which is constant.
β_1………β_3= the coefficient of the explanatory variables.
ε= the error term of the model.
i = cross-sectional variable.
t = time series variable

Measurement of Variables

Table 1 Measurement of Variables

Variable	Proxy	Variable Type	Measurement of Variable	Source
Shareholders' Earnings.	Earnings Per Share (EPS)	Dependent Variable	This is measured as profit available for equity holders divide by equity shares in issues and ranking for dividend.	Theophilus and Ajayi (2019).
Audit Quality.	Audit Size (AS)	Independent Variable	This is measured by dummy variable, equal to 1 if the company is audited by Big-4 auditors, 0 otherwise.	Nwoye, et al (2020).
	Audit Fees (AF)	Independent Variable	This is measured by log of total audit fee.	Emmanuel and Emem, (2020).
Board Size.	BS	Control Variable	This is measured by total number of directors on the board.	Saleem,et al(2019).

***Source*:** Researcher's Compilation (2023)

Data Analysis Techniques

This study analysed data with descriptive and inferential statistics. The study employed correlation and ordinary least square regression approach which includes Pooled OLS estimate, Fixed Effect estimate, and the Random Effect estimate in testing the significant effect of the variables.

Apriori Expectation

The a priori expectation is represented thus: β_1……..β_3> 0.

DATA ANALYSIS AND INTERPRETATION

Data Analysis

In this section, the descriptive statistic, correlation statistic and regression analyses are presented.

Descriptive Statistic

Observations values are presented by the descriptive statistics in Table 2.

Table 2 Descriptive Statistics

	EPS	AS	AF	BS
Mean	-2.8105	0.8108	2.1528	7.7838
Median	0.4500	1.0000	1.6700	7.0000
Maximum	64.3400	1.0000	4.6000	14.0000
Minimum	-581.6800	0.0000	1.0000	4.0000
Std. Dev.	62.4347	0.3927	0.9788	2.4310
Skewness	-8.0089	-1.5872	0.8749	0.6810
Kurtosis	70.4172	3.5190	2.6500	2.7287
Jarque-Bera	37012.7100	79.7473	24.5454	14.8661
Probability	0.0000	0.0000	0.0000	0.0006
Sum	-519.9420	150.0000	398.2770	1440.0000
Sum Sq. Dev.	717249.8000	28.3784	176.2716	1087.3510
Observations	185	185	185	185

Source: Researcher's Compilation (2023)

It is presented in Table 2 that Earnings Per Share (EPS) measured as profit after tax divided by equity shares in issues of the non-financial companies listed on the Nigerian Exchange Group (NXG) has an average value of 2.8105, a standard deviation of 62.4347, maximum and minimum values of 64.3400and -581.6800 respectively. This implies that some of the sampled firms reported either positive or negative EPS under the period studied.

The table showed that audit quality proxy with audit size and audit fees showed that audit size has an average value of 0.8108 with standard deviations of 0.3927. In addition, it has maximum and minimum values of 1 and 0 respectively. Also, audit fees have an average value of 2.1528 with standard deviations of 0.9788. In addition, it has maximum and minimum values of 4.6000 and 1.0000 respectively.

For the control variable, board size has an average value of 7.7838 with standard deviations of 2.4310 and maximum and minimum values of 14 and 4 respectively.

Correlation Matrix

Table 3

	EPS	AS	AF	BS
EPS	1	0.2469	0.0628	0.1900
AS	0.2469	1	0.1228	0.2245
AF	0.0628	0.1228	1	0.2897
BS	0.1900	0.2245	0.2897	1

Source: Researcher's compilation (2023) using E-views 9.0

The correlation between audit quality and shareholders earnings is shown in Table 3 and according to the result, the correlation between audit size (AS) and earnings per share (EPS) is positive with correlation coefficient value of 0.2469. This means that if the size of the audit firm increases with a unit, it would lead to a unit increase in earnings per share of the firm. In similar result, audit fee (AF) has positive correlation with earnings per share (EPS) with correlation coefficient value of 0.0628. This means that if audit fee is increases with a unit, it leads to a unit increase in earnings per share of the firm.

The correlation between the control variable and shareholders earnings is also showed in Table 3 and according to the result, board size (BS) has positive correlation with earnings per share (EPS) and correlation coefficient value of 0.1900. This means that if size of the board of directors' increases with a unit, it would leads to a unit increase in earnings per share of the firm.

Regression Result (effect of audit quality on shareholders earnings)

Table 4 Dependent Variables: EPS

S/N	Series	Pooled OLS		Fixed Effect		Random Effect	
		Coefficient	Prob. Value	Coefficient	Prob. Value	Coefficient	Prob. Value
1	C	-68.8816	0.0006	-32.4137	0.6274	-62.8881	0.0219
2	AS	32.28231	0.0068	-8.6593	0.7744	24.83781	0.0209
3	AF	-0.1141	0.9809	-9.85525	0.3187	-2.5321	0.6771
4	BS	3.302419	0.0977	4.611682	0.4944	4.040296	0.141
5	R-squared	0.085625		0.468242		0.039618	
6	Adjusted R-squared	0.065305		0.320532		0.018276	
7	S.E. of regression	60.36167		51.46488		51.25455	
8	Sum squared resid	655835.6		381403.2			
9	Log likelihood	-1018.54		-968.395			
10	F-statistic	4.213922		3.169999		2.856366	
11	Prob(F-statistic)	0.002761		0.0000		0.0120075	
12	Durbin-Watson stat		1.077082		1.821839		1.484451
				Chi-Sq. Statistic	Prob. Value		
13	Hausman Test			2.531763	0.639		

Source: Researcher's compilation (2023) using E-views 9.0

The result of Random Effect (RE) in Table 4 shows that audit size (AS) has positive and significant effect on earnings per share (EPS) with coefficient value of 24.83781 and probability value of0.0209 (i.e., P-Val. < 5%). This means that if the sampled firmsincreases audit size, it would lead to significant increase in earnings per share (EPS). In similar result, audit fees (AF) has negative and insignificant effect on earnings per share (EPS) with coefficient value of -2.5321 and probability value of 0.6771 (i.e., P-Val. >5%). This means that if the sampled firms increase their audit fees payable to the big-4, it would significant lead to decrease in earnings per share (EPS) and the decrease is not significant. In addition, board size (BS) has positive and insignificant effect on earnings per share (EPS) with coefficient value of 4.040296 and probability value of 0.141 (i.e., P-V-al. > 5%). This means that if the sampled firms' board of directors increases, it would not lead to significant increase in earnings per share (EPS).

The outcome of the Hausman Test in Table 4 suggested that the result of Random Effect (RE) is appropriate in interpreting this study. This is because the result of Hausman Test indicated a chi-square of 2.531763 withinsignificant probability value of 0.639 (i.e., P-Val. >5%).

It was also observed that R-square for the Random Effect is 0.039618suggesting that 97% of the systematic variation in dependent variable (i.e., EPS) cannot be explained by other variables on the assumption that the study did not considered heterogeneity effect across the sampled firms. The F-statistics value for the Random Effect is 2.856366 with a probability value of 0.0120075 suggesting that a significant linear relationship exist between the explanatory variables and dependent variable. This result suggested that the specified model in this study is appropriate. Furthermore, Durbin-Watson statistic showed 1.077082, 1.821839 and1.474682 respectively which are very close to 2.00 suggesting absence of problem of multicollinearity in the regression model.

Test of Hypotheses

Hypothesis One (H_{01}) Restated: The effect of audit size on shareholders' earnings of listed non-financial companies in Nigeria is statistically insignificant.

In Table 4, Random Effect showed that audit size (AS) has positive and significant effect on earnings per share (EPS) with coefficient value of 24.83781 and probability value of 0.0209 (i.e., P-Val. < 5%). This means that if the sampled firms'increases audit size, it would lead to significant increase in earnings per share (EPS). Therefore, this study rejects the null hypothesis (H_{01}) which states no significant relationship between audit size and shareholders' earnings and in line with the a priori expectation that predicted positive effect of audit size on earnings per share (EPS).

Hypothesis Two (H_{02}) Restated: There is no significant relationship between the audit fees and shareholders' earnings of listed non-financial companies in Nigeria

In Table 3, Random Effect showed that audit fees (AF) has negative and insignificant effect on earnings per share (EPS) with coefficient value of 2.5321 and probability value of 0.6771 (i.e., P-Val.>5%). This means that if the sampled firms increase their audit fees payable to the external auditors, it would lead to decrease in earnings per share (EPS) and this decrease is not significant.

Therefore, this study accepts the null hypothesis (H_{02}) which states that there isno significant relationship between audit fees and shareholders' earnings of listed non-financial companies in Nigeria. On the contrary, the result disagreed with the a priori expectation prediction of positive impact of audit fee shareholders earnings.

Discussion of Findings

Audit Size and Shareholders Earnings

Third, this study examined the effect of audit size on shareholders earnings. Based on the result obtained in this hypothesis, it was revealed that audit size (AS) has positive and significant effect on earnings per share (EPS), thus meaning that if the sampled firmsincreases audit size, it would lead to significant increase in earnings per share (EPS).This result agreed with theory of inspired confidence which stated thatreasonable quality assurance are expected by the stakeholders form the external auditors and along with financial reporting, corporate governance and regulations, support confidence in the capital markets which in turn can positively enhance shareholders earnings by reducing earnings management practice of the company. This result agreed with finding indicated by Udeh, et al (2020) who found that audit firm size had a positive and significant effect on return on assets of quoted manufacturing firms in Nigeria, among others. Furthermore, this result agreed with the findings obtained by Awa and Obinabo (2020) who found that audit firm size have positive and significant effect on shareholder's earnings of listed industrial goods firms in Nigeria.

Audit Fees and Shareholders Earnings

Fort, this study examined the effect of audit fees on shareholders earnings. Based on the result obtained in this hypothesis, it was revealed that audit fees (AF) had negative and insignificant effect on earnings per share (EPS). This means that if the sampled firms increase their audit fees payable to the big-4, it would lead to decrease in earnings per share (EPS).This result disagreed with theory of inspired confidence which stated thatreasonable quality assurance are expected by the stakeholders form the external auditors and along with financial reporting, corporate governance and regulations, support confidence in the capital markets which in turn can positively enhance shareholders earnings by reducing earnings management practice of the company. Similarly, this result disagreed with the findings obtained by Yusuf (2020) who found that audit fees has a significant negative effect on earnings management which in turn increase shareholders earnings.

SUMMARY AND RECOMMENDATIONS

The study examines the effect of audit quality on shareholders earnings of listed non-financial companies in Nigeria. This study proxy audit quality with audit size and audit fee and shareholders' value was proxy with earnings per share. This study adopted ex-post facto research design and data were collated from the annual reports and accounts of the listed non-financial companies between 2018 and 2022. The data were analysed with the use of Ordinary Least Square (OLS) regression techniques. The result revealed that Audit size (AS) had positive and significant effect on earnings per share (EPS) while Audit fees (AF) had negative and insignificant effect on earnings per share (EPS). It was concluded that increases in audit size would lead to significant increase in earnings per share (EPS). Furthermore, an increase in audit fees payable to the external auditors would significantly lead to decrease in earnings per share (EPS). Based on the findings, it is recommended that shareholders should retain the engagement of the big-four audit firms by way of extension of audit tenure reduce audit fees payable to the auditors by negotiation in order to significantly increase their earnings per share.

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