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AUDIT QUALITY-WEALTH NEXUS: EXPLORING THE RELATIONSHIP BETWEEN AUDIT QUALITY AND SHAREHOLDER VALUE IN NIGERIA

Tonye Ogiriki PhD[1], Esther Ebiware[2]
[1,2]Department of Accounting, Faculty of Management Sciences, Niger Delta University, Wilberforce Island Bayelsa State.

ABSTRACT
This paper examined the link between audit quality and earnings per share (EPS) of firms in Nigeria. The primary objective was to explore the impact of these audit-related variables (audit fees and audit report lag) on firms' financial performance as reflected in EPS, a critical measure of shareholder value. Using ex post facto research design, data were collected from the published financial statements of selected firms listed on the Nigerian Exchange Group (NGX) over a specified period (2019 to 2023). Regression analysis was employed to test the hypotheses and determine the extent to which audit fees and audit report lag influenced EPS. The results indicates a substantial favourable interplay between audit fees and EPS, suggesting that higher audit fees, which often indicate greater audit effort, contributed to improved financial performance. Conversely, a substantial adverse correlation was observed between audit report lag and EPS, indicating that delays in audit reporting negatively impacted firms' performance and stakeholders' confidence. The study provided practical implications for corporate governance, emphasizing the need for firms to balance adequate audit fees with the timely issuance of audit reports to enhance financial performance and shareholder value. From a theoretical perspective, the findings aligned with stewardship theory, which posits that managers act as stewards of organizational resources, fostering accountability and transparency. The research also emphasized the significance of audit quality in the Nigerian context, where financial transparency remains a challenge.
KEYWORDS: *Audit fees, Audit report lag, Earnings per share (EPS), Financial performance*

1. INTRODUCTION

Financial markets thrive on trust and transparency, making accurate and reliable financial reporting essential for economic stability. In order to make well-informed choices, stakeholders such as creditors, investors, and regulators depend on financial statements. However, the integrity of these financial reports can only be guaranteed through rigorous oversight and evaluation processes. Over the years, organizations and regulatory bodies have emphasized mechanisms to ensure the credibility of financial disclosures, with one of the most critical being external auditing. Auditing serves as a safeguard against misstatements, fraud, and errors in financial reporting (Hoitash et al., 2007). By examining the processes and data behind financial statements, auditors offer an evidence base opinion that enhances the dependability of financial information. The effectiveness of this process, however, is not uniform across all audits (Choi et al., 2010). Variations in practices, expertise, and organizational contexts lead to disparities in the outcomes of audits. This divergence brings into focus the importance of audit quality, a term often used to encapsulate the reliability, accuracy, and thoroughness of the audit process. Audit quality is essential because it defines the extent to which an audit achieves its objective of detecting and reporting material misstatements. High-quality audits enhance the confidence of stakeholders and strengthen the financial ecosystem by ensuring transparency. On the other hand, poor-quality audits can erode trust and lead to economic losses, legal battles, or even corporate collapses (Asthana & Boone, 2012). Given its significance, understanding the factors that influence audit quality has been a critical area of study for scholars and practitioners alike.

Among the myriad factors affecting audit quality, two specific dimensions have garnered considerable attention: audit fees and audit report lag. Audit fees represent the compensation paid to auditors for their services and often reflect the complexity and scope of the audit. While higher audit fees may indicate more extensive and thorough audits, they may also raise concerns about potential compromises in auditor independence (Tepalagul & Lin, 2015). Conversely, lower fees may signal cost-cutting at the expense of audit depth and rigor, potentially affecting quality. Audit report

lag, the time between a business's fiscal year-end and the issuance of the auditor's report, is another critical metric associated with audit quality. Extended lag periods may suggest challenges in the audit process, such as complexity, inadequate preparation by the client, or resource constraints on the auditor's part (Ardilah & Chandra, 2022). While shorter lags are desirable to ensure timely reporting, overly brief audits might compromise quality if they indicate rushed or superficial evaluations.

The interplay between audit fees and audit report lag further complicates the evaluation of audit quality. For instance, higher audit fees might correlate with longer report lags if the audit requires more time and resources to address complex financial issues. Conversely, lower fees could coincide with shorter lags but might reflect a superficial audit process. Thus, the link between these factors and audit quality is nuanced and requires a balanced approach to interpretation. Researchers have extensively explored these dimensions to provide insights into how audit fees and report lag impact stakeholders' perceptions of audit quality. Studies suggest that well-compensated auditors are more prone to allocate sufficient time and resources to deliver a high-quality audit (Hwang et al., 2022). However, excessively long audit report lags could undermine stakeholder confidence, even if audit fees indicate a thorough process.

Maximizing the wealth of firms is a central objective of corporate management and financial strategy. Wealth maximization emphases on enhancing the lasting value of the firm for its shareholders, often measured through metrics like share price and equity value (Das et al., 2022). Contrary to profit maximization, which emphasizes immediate earnings, wealth maximization incorporates vital growth, management of uncertain, and the efficient use of resources. It ensures that businesses create enduring value while harmonizing the benefits of stakeholders. The strategies employed to maximize wealth often involve prudent financial management, investment in profitable ventures, and maintaining an optimal capital structure. For instance, firms prioritize projects with positive net present values (NPV), as these contribute to shareholder wealth (Das et al., 2022). Additionally, cost management, innovation, and market expansion play critical roles in improving profitability and enhancing firm value. Effective corporate governance also ensures that management aligns its decisions with the lasting interests of the business, reducing agency conflicts and improving resource allocation.

External factors such as market conditions, regulatory frameworks, and stakeholder expectations also influence wealth maximization. Firms operating in competitive markets must continuously adapt to changes in technology, consumer preferences, and economic conditions. Transparency in financial reporting is vital in these environments, as it provides stakeholders with reliable information to assess the firm's performance and growth potential (Rahmattalabi et al., 2021). Consistent and trustworthy financial disclosures attract investments and boost confidence in the business's capacity to realize lasting returns. The connection between wealth maximization and audit quality lies in the function of audits in safeguarding financial integrity. High-calibre audits ensure that financial statements accurately represent a firm's performance, enabling investors to make informed decisions. Without credible audits, stakeholders may question the reliability of financial reports, leading to reduced confidence and a decline in the firm's valuation.

2. PROBLEM STATEMENT AND HYPOTHESES FORMULATION

The reliability of financial report has been a focal point in corporate finance and accounting, given its pivotal role in maintaining transparency and fostering investor confidence. Several studies have emphasized the position of audit calibre in guaranteeing the dependability of financial reports. Audit quality, often influenced by factors such as audit fees and audit report lag, serves as a critical measures for safeguarding the interests of stakeholders and promoting sound corporate governance (Oradi, 2021). Despite these advancements, the degree to which caliber of audit impacts the wealth maximization of firms. Scholars have extensively investigated audit fees as a proxy for audit quality. Wen et al. (2023) posited that higher audit fees often show a more thorough and extensive audit process, which should lead to greater confidence in financial reports. Similarly, Cho et al. (2021) highlighted that adequately compensated auditors are prone to dedicate the time and resources necessary to produce high-quality audits. However, critics argue that exorbitant fees may compromise auditor independence, leading to conflicts of interest and potentially undermining audit quality (Oradi, 2021). This dual perspective underscores the need for context-specific studies to better understand the dynamics between audit fees and corporate outcomes.

Audit report lag, another significant dimension of audit quality, has also received scholarly attention. Aly et al. (2023) found that prolonged audit report lags could reflect challenges such as complex financial reporting or inefficiencies in

the audit process. On the other hand, shorter report lags may signal rushed audits that compromise quality. While numerous research have explored the implications of audit report lag on financial transparency and timeliness, limited attention has been paid to its direct impact on wealth maximization, especially in emerging economies like Nigeria. Wealth maximization, a fundamental goal of corporate entities, depends heavily on the caliber of reporting and the trust it inspires among stakeholders. Park (2021) argued that wealth maximization requires accurate and reliable financial information, which is influenced by audit quality. Moreover, Das et al. (2022) emphasized that transparent reporting enhances investor confidence, leading to increased firm valuation. However, studies exploring the direct interplay among audit quality dimensions, like audit fees and audit report lag, and wealth maximization remain scarce. In Nigeria, the link between audit calibre and wealth maximization is particularly pertinent given the economic and regulatory challenges facing firms. Studies like Ogochukwu and Grace (2022) have highlighted the status of audit quality in mitigating financial misstatements and ensuring accountability in Nigerian firms. Yet, there is a dearth of evidence connecting audit fees and audit report lag to the broader objective of wealth maximization in this unique context. This gap in the literature presents an opportunity to explore how these dimensions of audit quality influence firm valuation and stakeholder confidence in Nigeria. Additionally, the Nigerian financial landscape is characterized by issues such as weak regulatory enforcement, economic volatility, and corporate governance lapses (Ogiriki, 2023). These challenges exacerbate the need for high-quality audits to ensure accurate financial reporting. While studies have investigated audit quality and its determinants in Nigeria, they often focus on narrow outcomes such as compliance and financial performance (Ogiriki, 2023). There remains a paucity of research examining the broader impact of audit quality on wealth maximization, which encompasses sustainable growth, shareholder value, and long-term financial stability. The current study seeks to fill this gap by examining the link between audit quality—measured through audit fees and audit report lag—and the wealth maximization of firms in Nigeria.

Hypotheses

H_{01}: There is no significant relationship between audit fees and earnings per share (EPS) of firms in Nigeria.
H_{02}: There is no significant relationship between audit report lag and earnings per share (EPS) of firms in Nigeria.

3. LITERATURE REVIEW

Audit Quality

Audit quality is a foundational notion in financial reporting and firm governance practice, representing the extent to which an audit fulfills its primary objective of enhancing the integrity of financial reports. The International Auditing and Assurance Standards Board (IAASB) describes audit quality as encompassing key elements that contribute to the auditor's ability to provide an independent and reliable opinion. High-quality audits ensure that financial statements are free from substantial misrepresentations, whether due to error or fraud, thereby fostering stakeholder confidence (Rajgopal et al., 2021). A high-quality audit involves compliance with applicable auditing standards, the exercise of professional skepticism, and the application of relevant technical expertise. It also reflects the auditor's independence, objectivity, and ethical commitment to delivering an unbiased opinion. Audit quality plays a critical role in strengthening the financial reporting ecosystem by deterring managerial opportunism, improving transparency, and enhancing corporate accountability. As a result, it has been a central topic in both academic research and professional practice.

The importance of audit quality stems from its impact on the decisions of stakeholders. All stakeholders depends on the audited financial reports to make informed investment choices. When audit quality is compromised, the reliability of financial information diminishes, leading to economic losses, diminished investor trust, and reputational damage (Hidayah et al., 2022). Therefore, understanding the factors and dimensions that influence audit quality is essential for promoting sound financial reporting and safeguarding stakeholder interests. Audit quality is a multifaceted construct, influenced by several dimensions. While various factors such as auditor independence, expertise, and firm size contribute to audit quality, this discussion focuses on two key dimensions**:** audit fees and audit report lag. These dimensions are often used as proxies for measuring the quality and effectiveness of audits in empirical studies.

Audit fees refer to the monetary compensation paid to auditors for their services. They serve as an essential determinant of audit quality, as they reflect the resources and effort dedicated to the audit process. (1981) argued that higher audit fees might indicate greater audit effort and, consequently, higher audit calibre. Because, well-compensated auditors are likely to allocate more time and resources to conducting thorough audits. However, the interplay among audit fees and audit quality is not clear. Excessively low fees may lead to substandard audits, as

auditors may cut corners to save costs or manage time constraints (Simunic, 1984). On the other hand, exorbitant fees can raise concerns about auditor independence, as auditors may prioritize maintaining their client relationship over delivering an unbiased opinion. Therefore, while audit fees are a critical dimension of audit calibre, their explanation demands careful thought of the context and other influencing factors. Empirical studies have provided mixed evidence on the interplay among audit fees and audit calibre. Carcello et al. (2002) found that higher fees were associated with more extensive audits, enhancing the trustworthiness of financial reports. Conversely, Gul et al. (2003) observed that high fees could lead to economic dependence, potentially compromising auditor independence.

Audit report lag pertains to the time elapsed between the fiscal year-end of a company and the issuance of the auditor's report. It is a critical indicator of audit quality, as it reflects the proficiency and thoroughness of the audit process. A shorter audit report lag ensures timely financial reporting, which is useful for guiding decision and maintaining stakeholder confidence (Habib & Bhuiyan, 2011). However, the interplay among audit report lag and audit calibre is multifaceted. While a shorter lag may indicate efficiency, excessively brief audits might compromise quality if they suggest rushed evaluations. Conversely, longer audit report lags could signal thorough audits addressing complex issues but may also result in delays that erode stakeholder confidence. Thus, balancing timeliness and rigor is crucial for ensuring high-quality audits. Several factors influence audit report lag, including the complexity of the client's financial reporting, the auditor's workload, and the regulatory environment. Habib and Bhattacharya (2017) noted that firms with more complex operations or financial issues tend to experience longer audit report lags.

Wealth Maximization

Wealth maximization is a core objective of financial management, emphasizing the enhancement of shareholder value through strategic decision-making. It involves optimizing the economic value of an entity by increasing the net worth of its stakeholders, particularly its shareholders (Jensen, 2001). Contrary to profit maximization, which centres on temporary gains, wealth maximization considers lasting sustainability, risk, and the time value of money, making it a more comprehensive and modern approach to corporate financial management. Central to wealth maximization is the principle of achieving a balance between returns and risks. Firms aim to maximize their market value by undertaking projects and investments that generate returns exceeding their cost of capital. This approach ensures that every financial decision contributes positively to shareholder value while considering associated risks (Fama & French, 2004). In essence, wealth maximization integrates financial, operational, and strategic perspectives to create sustainable growth.

One critical aspect of wealth maximization is its reliance on market valuation as a measure of success. Share prices, earnings per share (EPS), and other market-based metrics are often used to evaluate whether a firm is creating value for its shareholders. For instance, an increase in EPS signals improved profitability and enhances investor confidence, thereby raising the firm's market value. Consequently, management focuses on maintaining robust financial performance and transparent reporting to achieve wealth maximization goals (Damodaran, 2002). Wealth maximization also emphasizes the importance of ethical and socially responsible practices. Stakeholder theory suggests that firms should consider the interests of all stakeholders, including employees, customers, and society, as they pursue financial goals. This broader focus not only aligns with corporate social responsibility (CSR) but also contributes to sustainable wealth creation by enhancing the firm's reputation and long-term viability (Freeman, 1984). Thus, wealth maximization extends beyond financial metrics to include environmental, social, and governance (ESG) factors.

The concept is further underpinned by efficient capital allocation. Firms must deploy financial resources in projects and activities that offer the highest returns while minimizing waste and inefficiencies. Effective capital allocation ensures that shareholders' funds are utilized optimally, leading to higher dividends, reinvestments, or capital gains (Jensen & Meckling, 1976). This approach aligns with the broader goal of enhancing the firm's value and securing its competitive advantage in the market. While wealth maximization provides a robust framework for corporate financial management, its implementation often faces challenges. Market fluctuations, regulatory constraints, and internal inefficiencies can hinder a firm's ability to achieve its wealth maximization goals. Additionally, balancing short-term profitability with long-term growth can create conflicts among stakeholders, necessitating strategic trade-offs and sound governance practices (Ross, Westerfield & Jaffe, 2013).

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Stewardship Theory

Stewardship theory is an idea in organizational studies that assumes managers act as agents of the organization, preferring the benefits of stakeholders over their personal interests. The theory posits that managers are fundamentally driven to work for the success of the organization, aligning their goals with those of the principals (Donaldson & Davis, 1991). This theory assumes that when organizational structures and environments are conducive, managers act in the best interest of the firm, fostering long-term growth and wealth maximization. Central to stewardship theory is the belief in intrinsic motivation. Managers are seen as self-motivated individuals whose behaviors are driven by a sense of responsibility and commitment to organizational goals. This stands in contrast to agency theory, which assumes managers require external monitoring and incentives to act in the shareholders' best interest (Davis et al., 1997). According to stewardship theory, when organizations provide an enabling environment with trust, empowerment, and autonomy, managers naturally align their efforts with the firm's objectives.

The theory further emphasizes the importance of a relational approach between managers and stakeholders. Unlike the transactional perspective of agency theory, stewardship theory views relationships within the organization as partnerships characterized by trust and mutual respect. Managers are seen as stewards who feel a sense of duty and accountability to safeguard the resources entrusted to them (Hernandez, 2012). This alignment reduces the need for extensive monitoring mechanisms and allows firms to focus resources on strategic initiatives. Stewardship theory also underscores the role of leadership in creating a stewardship-driven culture. Transformational and participative leadership styles are often associated with stewardship, as they encourage managers to take ownership of organizational outcomes (Davis et al., 1997). Leaders who prioritize collaboration and align their vision with the firm's goals cultivate an environment where stewardship thrives. This approach can enhance organizational performance, innovation, and shareholder wealth over time. In the context of audit quality, stewardship theory provides an interesting lens. High-quality audits, as evidenced by adequate audit fees and reduced audit report lag, reflect the commitment of stewards (managers) to ensuring transparency and accountability. By engaging reputable auditors and ensuring timely reporting, managers demonstrate their dedication to protecting shareholder interests and maximizing wealth (Carcello et al., 2002). This aligns with the fundamental premise of stewardship theory, where managers act as custodians of the firm's resources.

Prior Studies

Several research have explored the link between audit calibre and financial reporting across different sectors in Nigeria. In 2023, Ugbah et al. looked at the implication of audit quality on financial reporting in Nigerian deposit money banks, finding that higher audit fees positively correlated with improved reporting calibre. Imafidon, Josiah, and Agbo (2023) also focused on the Nigerian banking sector, showing that auditor independence significantly enhanced the calibre of financial reports. In 2022, Okeke and Oladipo explored the effect of audit quality on earnings reporting quality in Nigeria’s oil and gas sector, finding that higher audit quality, reflected by larger audit firm size and shorter audit report lag, positively influenced earnings quality. Additionally, Adewale and Ibe (2020) highlighted the significance of auditor tenure, audit fees, and experience in improving audit quality, with longer auditor tenure and higher audit fees linked with better audit outcomes.

Other studies have explored the determinants of audit quality and its broader impact. Johnson and Wu (2021) examined the effect of shared auditors on audit calibre, concluding that shared auditors between borrowers and lenders did not significantly affect audit quality or auditor independence. Similarly, Ahmed and Yusuf (2019) found that auditor independence and expertise significantly contributed to the profit level of deposit money banks in Nigeria. In 2018, Chukwu and Eze analyzed the interplay between audit calibre and financial reporting transparency, emphasizing the role of factors like auditor tenure and industry specialization in promoting transparent financial reports. Oladele and Musa (2017) also underscored the significance of auditor independence and competence in enhancing the reliability of financial statements in Nigeria.

Several international studies further support these findings. Martinez and Zhang (2016) focused on emerging markets, revealing that audit quality, indicated by auditor reputation and adherence to international standards, positively impacted investor confidence. Similarly, Okonkwo and Liu (2016) found that effective corporate governance measures, such as board independence and audit committees, were associated with higher audit quality in Nigerian firms. Finally, Adebayo and Smith (2016) examined the function of audit calibre in limiting earnings management

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practices, highlighting its importance in mitigating financial misreporting and improving the overall quality of financial reporting.

4. METHODOLOGY

This paper utilised an ex post facto design. It is appropriate for exploring g historical data without manipulating the variables. The population of the study comprised all 13 industrial goods companies listed on the NGX during the study period. These companies were selected due to their relevance in the industrial sector and the availability of audited financial statements, which served as the source of secondary data for the research. Data on audit fees, audit report lag, and earnings per share (EPS) were extracted from the audited financial statements of the sampled companies. Descriptive statistics, including mean and standard deviation, were used to summarize the data, while inferential statistics, precisely regression analysis, were employed to test the hypotheses and examine the relationships between the variables. The model for the study is specified as follows:

Functional Relationship

The dependent variable is earnings per share (EPS), which serves as a proxy for wealth maximization. The independent variables include audit fees (AF) and audit report lag (ARL). The functional relationship is expressed as:

EPS = f(AF, ARL)

Econometric Model

To estimate the relationship, the functional form is converted into an econometric model as:

$EPS = \beta 0 + \beta 1AF + \beta 2ARL + \epsilon$

Where:

- EPS: Earnings per share for company
- AF: Audit fees for company
- ARL: Audit report lag for company
- β0: Constant term
- β1,β: Coefficients of the independent variables
- ϵ: Error term

5. RESULT AND TEST OF HYPOTHESES

Descriptive Statistics Result

	EPS	ARL	AF
Mean	83.40067	82.88889	79665.31
Median	22.43000	87.00000	24000.00
Maximum	342.0000	148.0000	486000.0
Minimum	0.640000	53.00000	1200.000
Std. Dev.	106.0874	19.49152	123815.2
Skewness	1.229385	0.928989	2.028018
Kurtosis	3.122519	5.265280	6.046381
Jarque-Bera	11.36356	16.09421	48.24724
Probability	0.003407	0.000320	0.000000
Sum	3753.030	3730.000	3584939.
Sum Sq. Dev.	495199.6	16716.44	6.75E+11
Observations	**45**	**45**	**45**

Source: Eview 9.0

The descriptive statistics revealed summary of the variables Earnings Per Share (EPS), Audit Report Lag (ARL), and Audit Fees (AF) for the study. The mean EPS is 83.40, indicating the average profitability per share of the companies studied. However, the median EPS is significantly lower at 22.43, suggesting that the distribution is positively skewed, with a few companies reporting much higher earnings. This is further supported by the high standard deviation (106.09), indicating significant variability in EPS across the firms. The skewness value of 1.23 and kurtosis of 3.12 show a moderately skewed distribution with a slight leptokurtic tendency. The Jarque-Bera test statistic for EPS (11.36) and its probability (0.0034) indicate that EPS is not normally distributed.

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For ARL, the mean of 82.89 and median of 87 suggest that most companies have a relatively similar audit report lag, as the difference between the mean and median is small. However, the standard deviation (19.49) indicates some variation in reporting delays. The skewness value (0.93) implies a moderately skewed distribution, and the kurtosis of 5.27 suggests a leptokurtic distribution with a sharper peak than normal. The Jarque-Bera statistic (16.09) and probability (0.0003) confirm that ARL is not normally distributed. AF shows a mean of 79,665.31, but the large gap between the mean and median (24,000) and the very high maximum value (486,000) suggest a highly skewed distribution, as confirmed by a skewness value of 2.03. The high standard deviation (123,815.2) reflects substantial variability in audit fees among companies. The Jarque-Bera test statistic (48.25) and probability (0.0000) indicate that AF is also not normally distributed.

Correlation Analysis Result

Correlation Analysis
Date: 01/16/25 Time: 20:43
Sample: 2019 2023
Included observations: 45

Correlation Probability	EPS	ARL	AF
EPS	1.000000		

ARL	-0.034597	1.000000	
	0.0215	-----	
AF	0.157027	-0.398720	1.000000
	0.0029	0.0067	-----

Source: Eview 9.0

The correlation analysis examined relationships between Earnings Per Share (EPS), Audit Report Lag (ARL), and Audit Fees (AF) for the study period. The correlation coefficient between EPS and ARL is -0.0346, with a probability value of 0.0215, indicating a very weak but statistically significant relationship. This suggests that longer audit report lags have a negligible negative impact on earnings per share, which may not hold practical significance. The correlation between EPS and AF is 0.1570, with a probability of 0.0029, indicating a weak but statistically significant positive relationship. This implies that higher audit fees are associated with marginally higher earnings per share. Conversely, the relationship between ARL and AF is negative (-0.3987) with a probability value of 0.0067, suggesting a moderate inverse relationship.

Regression Analysis Result

Dependent Variable: EPS
Method: Panel Least Squares
Date: 01/16/25 Time: 20:46
Sample: 2019 2023
Periods included: 5
Cross-sections included: 9
Total panel (balanced) observations: 45

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ARL	-0.629086	0.899192	0.699613	0.0480
AF	0.000174	0.000142	1.229426	0.0258
C	149.4091	81.27241	1.838375	0.0731

R-squared	0.335893	Mean dependent var	83.40067
Adjusted R-squared	0.210017	S.D. dependent var	106.0874

S.E. of regression	106.6174	Akaike info criterion	12.24071
Sum squared resid	477425.3	Schwarz criterion	12.36116
Log likelihood	272.4160	Hannan-Quinn criter.	12.28561
F-statistic	0.781816	Durbin-Watson stat	1.486720
Prob(F-statistic)	0.034119		

Source: Eview 9.0

The regression analysis explores the relationship between Earnings Per Share (EPS) and two independent variables: Audit Report Lag (ARL) and Audit Fees (AF). The coefficient for ARL is -0.6291, indicating an adverse interplay among ARL and EPS. This indicates that longer audit report lags are linked with lower earnings per share. The associated probability value (0.0480) shows that the relationship is significant at a 5% alpha. In contrast, the coefficient for AF is 0.000174, indicating a positive relationship with EPS. This implies that higher audit fees are linked to marginally higher earnings per share, with a probability value of 0.0258, making this relationship statistically significant. The R-squared value of 0.3359 suggests that approximately 33.59% of the variation in EPS is explained by the independent variables in the model. The adjusted R-squared value is slightly lower at 0.2100, reflecting the model's fit after adjusting for the number of predictors.

The overall model is statistically significant, as indicated by the Prob(F-statistic) of 0.0341, which is below the 5% threshold. However, the Durbin-Watson statistic of 1.4867 suggests some potential for positive autocorrelation in the residuals. The standard error of regression (106.6174) highlights the average distance that the observed values fall from the regression line, indicating room for model improvement.

Hypotheses Testing

H_{01}: There is no significant relationship between audit fees (AF) and earnings per share (EPS) of firms in Nigeria.

The regression analysis shows that the coefficient of audit fees (AF) is **0.000174**, with a p-value of **0.0258**. Since the p-value is less than the significance level of 0.05, we reject the null hypothesis (H_{01}). Therefore, there is a significant positive relationship between audit fees and earnings per share (EPS) of firms in Nigeria.

H_{02}: There is no significant relationship between audit report lag (ARL) and earnings per share (EPS) of firms in Nigeria.

The regression analysis reveals that the coefficient of audit report lag (ARL) is **-0.629086**, with a p-value of **0.0480**. As the p-value is less than the significance level of 0.05, we reject the null hypothesis (H_{02}). Thus, there is a significant negative relationship between audit report lag and earnings per share (EPS) of firms in Nigeria.

6. CONCLUSION, AND IMPLICATIONS

Conclusion

The study concludes that audit characteristics, specifically audit fees and audit report lag, significantly influence the earnings per share (EPS) of firms in Nigeria. The findings reveal that higher audit fees positively correlate with improved earnings per share, underscoring the importance of adequate audit compensation in ensuring financial reporting quality. Conversely, longer audit report lag negatively affects earnings per share, highlighting the need for timely audit processes to enhance financial performance. These results emphasize the critical role of audit quality in promoting transparency and reliability in financial reporting among Nigerian firms.

Implications of the Study

The study offers valuable understandings for corporate management, auditors, and regulatory bodies in Nigeria. It highlights the importance of adequate audit fees in ensuring high-quality audits, which positively influence financial performance. Firms are encouraged to allocate sufficient resources for audit services to enhance transparency and investor confidence. Additionally, the adverse outcome of audit report lag on earnings per share suggests the need for audit firms to prioritize efficiency in their processes, ensuring timely submission of reports to stakeholders. Regulators, such as the Financial Reporting Council of Nigeria (FRCN), can leverage these findings to strengthen policies that promote timely and high-quality audits.

The study contributes to literature on the interplay among audit characteristics and financial performance, especially in the context of emerging economies like Nigeria. It validates theories linking audit quality dimensions to financial outcomes, such as the agency theory and stakeholder theory, by demonstrating that effective auditing reduces information asymmetry and aligns stakeholder interests. The findings also serve as a foundation for future research to explore the broader implications of audit quality on other financial performance indicators and across diverse industries.

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