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EFFECT OF EXTERNAL AUDITORS' FEES ON SHAREHOLDERS VALUE OF QUOTED NON-FINANCIAL FIRMS IN NIGERIA.

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Abstract

The failure of quoted non- financial companies in Nigeria to submit their audited financial report on time to the Nigerian Stock Exchange and other regulatory institutions might come with extra financial burden that could erode the shareholders wealth. This paper examined the effect of auditors' fees on shareholders' value of quoted non-financial firms in Nigeria for the period 2011-2020 using ex-post facto research design to gather secondary data for the study. Meanwhile, One hundred and six (106) quoted non-financial companies drawn across all the sectors were the population for the study and from these, a census sampling strategy of 73 companies that met the specified criteria and depended mostly on the availability of data were used for the study as those that did not meet the criteria were eliminated. Both descriptive and inferential statistics of dynamic panel analysis which comprised the GMM and panel effects test were used. The result of the GMM and Panel fixed tests revealed that external auditors' fees had significant positive effect on shareholders' value. The author concluded that external auditors' fees boosted shareholders' value given that audited financial report was submitted timely to the NSE.

Introduction

A key qualitative characteristic of financial statements is timeliness and promptness, which calls for the availability of financial data to consumers of financial reports as quickly as feasible. Timeliness, is a crucial qualitative quality of financial records, according to Carslaw and Kaplan (1991). This presumption leads to the conclusion that timely preparation, timely finalization, and timely rendition of financial reports to the Securities and Exchange Commission (SEC), Nigerian Stock Exchange (NSE), Corporate Affairs Commission (CAC), Financial Reporting Council of Nigeria (FRCN), and other regulatory institutions, as well as adherence to the pertinent

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laws on timely submission of Nigerian financial reports is a regulatory requirement that must be met and fulfilled by any business after it has been created by the Corporate Affairs Commission and traded on the Nigerian Stock Exchange. This is as a result of the statutory deadlines imposed by regulatory organisations for listed companies to deliver to stakeholders, audited financial accounts. The regulating bodies must receive these reports. The goal of this is to let investors and other users of financial statements of organizations make decisions quickly so that their decision-making process is not impacted by an audit delay which may have negative consequence on the shareholders' value (Lestari & Nuryatno, 2018).

The Chartered Institute of Management Accountants (CIMA) explains shareholders' value as a total shareholder return that includes dividends and stock price increases in its official terminology from 2005. The wealth of a shareholder is maximized, in accordance with Ajibola, Wisdom, and Qudus (2018), when the company experiences growth and stability in dividend payment or monetary gain resulting from a growth in the firm's market share's wealth. Because of their particularity and relevance to the general public, explanatory variables like the type of auditors, their independence, their competence, and their fee - which were previously unconsidered in relation to reporting lag—were used in this study as attributes of auditors, the independent variable. This is done to clarify the dynamics and structure of shareholder value. Dependent variable is shareholders' value, and the reporting lag is the moderating variable.

One of the key components of the post-listing requirements set forth by the NSE and SEC is the regular and timely submission of financial reports. An issuer is expected to release finance records for the entire financial year as soon as data is available, but in no case later than ninety (90) days after the relevant financial period. Sanctions and fines are applied if this is not rigorously followed (NSE, 2018). The Nigerian Stock Exchange guidelines also specify that if a firm doesn't file its accounts after the first 90 days have passed, the NSE will issue that company a "second filling deficiency notification" within two business days of the conclusion of the first 90 days. Additionally, it would halt trading in the company's shares and, within 24 hours of the suspension, notify the market and the SEC (NSE, 2018). This may also increase the external audit fees, thus, having a negative consequence on the shareholders' value. With an increase in the external audit fees due to the failure of quoted companies to call for auditing of its financial statements in time, the shareholders' wealth may decrease.

The relevance of external auditors' fees on shareholders' value cannot be underestimated because increasing external auditors' fee may affect shareholders values of a company. On this note, Akinteju (2022) opined that the intention of a company to prolong the submission of its financial reporting due to late auditing can exert a considerable influence on the external auditors fees, thus, affecting how much a company is paid as dividend to the shareholders. Furthermore, Ojo (2021) argued the consequence of high external auditor fees may be as a result of late audit of financial reporting. This if not carefully addressed may leave the shareholders with nothing. In this situation, external auditor fees may erode the shareholders, thus, affecting negatively the returns on the shareholders wealth. In this regard, Ogunmodede (2021) opined that external auditor fees has a negative effect on shareholders values if the scenario of lag in financial reporting is considered since this causes unnecessary pressure on the external auditors, hence, the need for higher auditor fees is imperative. This study intends to examine the effect of external auditors' fees on shareholders values of the quoted non-financial institutions in Nigeria

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Statement of the Problem

External auditors' fees is one of the vital components of auditors' attributes that mat make or mar shareholders values depending on the time lag of the audited financial statement. With increasing pressure on the external auditors together with the desired of a company to be able to meet up with the submission of the financial report in time, external auditor may be forced to demand more fees in order to enhance the quality and quantum of audit work to be done (Akinteju, 2022). The major concern of external auditor is to be able to produce audit report that the shareholders may be proud of. In doing this, external auditors are disposed as a rule to demand for audit fees that commensurate with the quality and quantum of work to be carried out, but, the problem is that this fee may affect the capacity of a company to be able to make return for its shareholders. This is because higher external auditors' fees may aggravate the challenge of no return on the shareholders wealth.

On this note, Akinlo (2021) argued that company must endeavour to carry out its auditing of financial statement on time in order to be able to meet the deadline stipulated by Nigerian Stock Exchange for the submission of the audited financial reporting. This helps the company to avoid penalty payments that further reduce shareholders wealth apart from the effect of high external auditor fees that must be deducted before profit is declared. Therefore, failure of a company to carry out its audit of financial report on time may put pressure on the external auditors as well as causing the payment of abnormal audit fees that could affect the reduction of shareholders wealth. The implication of this was, company desiring to improve shareholders must avoid delay in the auditing and submission of its audited financial report to appropriate quarter.

Thus, with pressure on the external auditors to complete the audited statement on time in order for the company not to be delayed longer than expected, the quality of the audited financial statement may also decrease. Therefore, there is still a need to fill the gap about how much the external auditor fees affect shareholders' value of non-financial institutions particularly in a developing economy like Nigeria. On this basis, the study intends to evaluate the effect of external auditor fees on shareholders values proxy as EPS and share price of quoted non- financial institutions. Therefore, this paper is divided into five parts, namely, introduction, literature review, methodology, empirical results and conclusion and recommendations.

Literature Review

This review of literature are conceptual, theoretical and empirical review.

Conceptual Review

Auditors' Attributes

According to Owusu-Ansah (2000), an auditor's qualities are those that are most likely to help them complete their audit assignment and provide their audit report on time. These are the characteristics that an external auditor (including the engagement partner, his team, and the audit business) is supposed to have. They center on the personal traits, professional ideals, and other attributes such as integrity, independence and competence that an auditor should have to guarantee timely, successful, and efficient conclusion of an audit exercise.

Varied people have varied perspectives on external auditors' qualities, and occasionally they only pay attention to one or a few of the many qualities that they possess. The public expects a professional to have a certain set of qualities, including integrity, objectivity, independence, and

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technical and professional ability, according to ICAN (2009). The factors indicated by Ariyani and Budiartha (2014), Aditya and Nisykurlillah (2014), Haryani and Wiratmaja (2014), Aryaningsih & Budiartha (2014), and Saemargani and Mustikawati (2015) are based on a number of earlier studies on audit delay.

The auditors' fee which is one of the attributes of auditors is conceptually discussed in this study to increase the overall quality of the research in relation to shareholders' value.

Meaning and definition of Audit fees

Audit fees were defined by Choi, Kim, Lin, and Simunic (2009) as payments made to auditing firms that take into account the expense of their work and the possibility of legal action. An audit fee is a sum of money that the auditor charges for the completion of an audit procedure for a company's financial statements. The fee paid to financial auditors for certifying financial statements is referred to as the audit fee in International Standards on Auditing's (2011) definition. The auditors complete the audit procedures within the anticipated time range in return for the fees before providing a summary of the financial position as reported by management .Companies are legally compelled to have an outside auditor audit their financial statements, thus it stands to reason that they would wish to pay reasonable rates without sacrificing the audit's quality. Audit rates vary depending on the audit's complexity, the engagement's risk, the audit company, the level of professionalism required, and other professional criteria, claim Onaolapo, Ajulo, and Onifade (2017). According to Okolie (2014), increased audit fees reflect higher costs brought on by improved audit quality. Greater audit fees, according to Gandia and Hughet (2019), could be a result of the auditor's more effective monitoring, as well as the length of the audit (more labour hours) and the auditor's level of expertise (higher hourly charges). According to Abbaszadeh (2017), audit expenses consist of allocable overhead, direct labour hours' fees, and other direct costs (such as additional costs for off-center missions and transportation). He did, however, note a substantial negative relationship between audit expenses and reporting delays. Hossain and Taylor (1998), however, concluded that this link was not significant. According to other studies, audit report latency and audit fees are positively correlated. According to Lobo and Zhao (2013), increased audit fees result from the requirement for a more thorough audit effort, which tends to slow down the audit process and extend the time it takes to produce an audit report. As a result, the amount paid to the auditors in absolute terms (i.e., the sum paid by the reporting company to the auditing firm in natural log form) as reported in the sampled companies' annual reports that were released are used in this study.

Shareholder Value

According to CIMA's Official Terminology (2005), shareholder value is a total return to the shareholders that includes dividends and share price growth. It is the value provided to stockholders in a corporation based on the capacity of the company to maximize the value of its owners' equity while maintaining and growing earnings over time. Shareholder value is the economic benefit produced for shareholders by the businesses in which they have investments.

One of the most accurate measures of the creation or destruction of value for shareholders, according to Cupi and Todorovic (2011), is variance in share price. One of the main goals of management is to maximize shareholder value, hence management must be dedicated to consistently influencing, either directly or indirectly, those factors that influence shareholder

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wealth. Value creation is understood to be a growth in company profit or stock price that increases the wealth of shareholders. The firm value of the shares that shareholders own on the stock market determines the market value, while the OECD (1999) posited that businesses should be run, first and foremost, in the interests of shareholders.

According to Aloboa (2017), organizations' primary goals have changed from maximizing returns for shareholders to generating value and obtaining satisfactory returns through increased profitability and shareholder wealth. According to Rappaport (1986), wealth maximization requires boosting long-term returns to shareholders; and the return must keep pace with changes in the company's market value. This is determined by the correlation between net income after taxes as well as the total number of active ordinary shareholders. The basic objective of the corporation is to enhance shareholder wealth. In order to maintain shareholder value, one must work to increase shareholder returns regardless of environmental effects. It is a useful and extensively used profitability indicator that measures the shareholders' wealth maximization for a company with positive earnings. The worth of a shareholder is the estimated present value of all potential future earnings streams from their investment. It might be defined as the value produced by the business for its investors. The market value or stock price of the company is the most objective metric to use when evaluating a company. It is reasonable to suppose that the market-based value is made up of a variety of components given our understanding of fundamental finance.

Determinants of Shareholders' Value Creation or Maximization

Despite the fact that businesses exist to pursue a variety of objectives, maximizing shareholder value is thought to be the most crucial one, according to Berk and DeMarzo (2011). It suffices to say that a company that generates wealth for shareholders will ultimately satisfy all other interest groups because equity holders are the final group to get payment.

Many measurement techniques for the production of shareholder value have their roots in the financial and social sciences. The Strategic Profit Model (SPM) and the MV/BV ratio, for instance, were employed in finance. EVA and MV/BV were used in conjunction with cross-sectional firms' panel data by Caby (1996), Ben-Naceur and Goaied (1999), and they were used to evaluate the relationship between the factors of value creation and the measure of shareholders' value.

Market/Book Value

According to Heineken's equity value creation, the companies' book value can be understood in terms of their net deferred tax assets and liabilities. In terms of net interest payable is another way to look at it. According to Heineken's equity, the market price is the ratio of a company's non-operating assets, such as surplus cash, financial non-current assets, and non-consolidated investments, to the value of its business operations.

Muhammad and Isah (2017), opined that value generation process for Heineken consists of four components: financial assets, the sale of an investment, non-consolidated investments of equity holdings in the firms (associated and joint venture), and surplus cash. Value can also be seen as a dimension of measurement in a market economy, demonstrating that people make investments in the hope that, upon selling the goods or products, the value of their investment will increase above the cost price, compensating them for the risk they took (Muhammed & Isah, 2017).

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Value is helpful to investors when they wish to gauge the worth of a long-term or short-term investment. Strong arguments have been made over how businesses should quantify the value provided by stakeholders. For instance, Osagwu (2007), and Suvi and Kaj (2008), argued that, from the standpoint of the shareholders, gauging short-term company performance only accounts for the value that shareholders currently experience. On the other hand, when value is assessed over the long term, it results in better treatment of both current and former employees, increased customer satisfaction, and more employment.

According to Osagwu (2007), individual enterprises are where value is created. As firms invest capital obtained from investors, value is created through ensuing cash flows from the investments. This occurs when a company's return on investment surpasses its cost of capital, which is the price investors must pay to use their money. Faster businesses can boost their income and invest more money, which raises rates of return and adds value. Conservatism is the pursuit of value through the mix of growth and return on invested capital compared to its cost.

Pay-out

According to Muhammed and Isah (2017), the main objective of every company should be to maximize shareholder wealth. Every sensible investor anticipates a return on their investment, and earnings per share is a good indicator of a company's performance. As competition has intensified, businesses are increasingly focused on maximizing shareholder value. Ross (1977), referenced in Asogwa (2012), claimed that Miller and Modigliani's Theory of Dividend Hypothesis is an assumption and that the firm's value is dependent on investors' assessments of total cash flow. According to Gordons (1962), who was cited by Asogwa (2012), the present value of all future dividends that will be paid to owners constitutes the share's market price. The pay-out ratio, retention ratio, dividend policy, anticipated earnings, profitability, and equity cost of capital are all variables that could alter. The association between dividend policy and a firm's worth was established by Copeland, Weston, and Shastri (1988) using listed firms. Research revealed a strong favourable correlation between the two variables. Similar to Rappaport (1986), who claimed that profitability is crucial when assessing the value created for shareholders and that an increase in profitability would boost both accounting and economic profitability, the latter of which is determined by the cost of equity.. The ROE is a common evidence of accounting profitability.

Debt

When businesses replace equity with debt or issue debt to buy back shares, ownership claims to the cash flows automatically shift, even though the total cash flows stay unchanged. This suggests that value is retained rather than produced. It was noted that an excessive reliance on debt financing was a contributing factor in the majority of the financial crises that took place between 2007 and 2009. Since businesses, banks, and investors frequently use short-term debt to purchase long-lived, illiquid assets, which typically causes a financial crisis, aggressive leverage utilization is frequently linked to most significant financial crises. When short-term debt is due, lenders are generally unwilling to refinance it. Meanwhile, borrowers frequently lack the funds to make these payments, which usually necessitates the sale of their assets. The debt cannot be paid off with the sale's proceeds since the assets are not liquid. The borrower's assets and liabilities are therefore out of balance (Muhammed & Isah, 2017). According to Modigliani and Miller (1963), debt has a sizable positive link with a company's shareholder value.

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According to Berger (1995), the equity financing volatility exposed by the previous six global financial crises makes debt's impact on value creation significantly smaller than that of deposits. A mismatch between maturities of current liabilities and non-current liabilities lending accounts for a sizeable portion of the net interest income during the time. The value that is created for the shareholders should take into account how leverage and business risk affect the cost of equity. An improvement in return on equity is predicted to occur when a company reduces its equity capital ratio. Without taxes, the inherent value of stock would decrease since the cost of equity would also rise, endangering cash flow. The companies' mix of assets and liabilities would follow the same logic (Berger, 1995).

Growth

Ramezani, Soenen, and Jung (2002) investigated how growth and profitability relate to the production of value for shareholders. The study demonstrated that profitability is significantly impacted by growth. However, occasionally, it could have a negative impact on the value that was produced for the shareholders. According to Pandey (2005), who used the market-to-book price to look into the effects of growth on shareholders' value, the researches of the study showed a substantial inverse link between growth and shareholders' value.

The results of Cyrus's 2003 investigation into the connection between real-option corporate success and share value creation showed that real option corporate performance had a sizable impact on shareholders' value creation. The relationship between strong growth and book value was also examined in the study using economic value added, and the results indicate a significant association. Similar research was done on acquisition and value generation using the Thailand Stock Exchange by Allen and Soonswang (2007). The performance of the target and bidding firms was used over a twelve-month period, and the results demonstrated that the takeover effect generates wealth for both the offeree and the offeror.

Firm Size

Ben-Naceur and Goaied (2012) investigated how firm size affected the development of value for shareholders. According to the study, controlling the varied sizes of the firm by employing firm size has a big impact on how much value is created for shareholders. The rate of business growth has prompted management, and managers have profited by using their discretion to pay for specific expenses.

Profitability

It has been noted that profitability is a key value driver that may be enhanced by reaching the necessary economies of scale. The best predictor of shareholder returns, however, is profitability itself, which is a function of performance (Rappaport, 1986), a prerequisite for the development of value. As a result, businesses will be able to dramatically raise their market value when they combine growth with profitability. The pertinent profitability and efficiency ratios should be taken into account so as to explain the impacts of profitability on the generation of shareholder value. It is significant to note that over time, these ratios have been employed to assess the profitability and effectiveness of businesses.

Financial Policy

Pandey (2005), who emphasized that the primary goal of using financial leverage is to increase the shareholder's return under favourable economic conditions, established the beneficial impact of fiscal policy on value creation. He came to the additional conclusion that both the risk and reward to shareholders are increased by financial leverage.

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Accounting Measurement of Shareholder Value

Earnings per Share

Earnings Per Share represents the internal view perception of the business concerned as it is generated from its financial result. The ordinary stockholders do not have direct access to the earnings because it is internally derived. However, investors can compare EPS which is internally derived with the share price of the stock to determine the value of earnings and how they feel about growth in future.

Earnings per share (EPS) can be thought of as an investor's reward for his or her investment. EPS is a keenly embraced indication that is regularly employed as a measure of assessing the profitability of a company's per unit of shareholder, according to Islam, Khan, Choudhury, and Adnan (2014). After taxes and preferred stock dividends, it is the proportion of a company's earnings assigned for each share of common stock. The easiest approach to calculate EPS is to split the net income for a specific reporting period (usually quarterly or yearly) divided by the total number of shares available for the same time period.

To calculate EPS, any preferred dividends are subtracted from a company's net income before it is divided by the number of outstanding shares. Net income less preferred dividends is what constitutes profit for a given period, which is the remaining funds after deducting all cash and non-monetary expenses. This is because the preferred shares holders are guaranteed preferential dividends which must be subtracted from dividend payments.

Share Price

The market share price of a business concern is arrived at from the external view perception. This is because the determination of market share price is a function of the capital market reaction which is arrived at through macro-economic factors, micro-economic factors on the companies, director's role and company related factors and other factors. The worth of a company's share price can be seen due to the company's investment, financial, and dividend decisions, which serves as the wealth of its shareholders, according to Horne and Wachowics, 2001, as referenced by Chenchehene and Mensah (2015). A limited liability company's ownership is divided up into shares. It is the worth of a share at a specific time (i.e., the closing share price on December 31 for the years under study).

Relationship between External Auditors fees and Shareholders Value

The consequence of late audit of financial statement of a company on shareholders' value is better imagined. This is because an extended audited financial statement may increase the external auditors fees due to the desired of a company to meet the deadline stipulated for submission of the audited financial statement to the Nigerian Stock Exchange and other regulatory institutions. Akinteju (2021) opined that due to late submission of the audited financial statement, pressures are on the external auditors to ensure that the prepared financial statement is fully audited and ready for submission to the Nigerian Stock Exchange market ,and other regulatory institutions. As a result of this, the external auditors may be persuaded to increase their audit fees, thus, affecting the resources available to enhance the shareholders wealth. Ogunmakinwa (2021) further supported the notion by arguing that external auditors' fees may decrease shareholders value. This may be traced to the fact that the decision of a company to ensure that it submits the audited financial statement on time to the NSE as required by law for all quoted registered companies may

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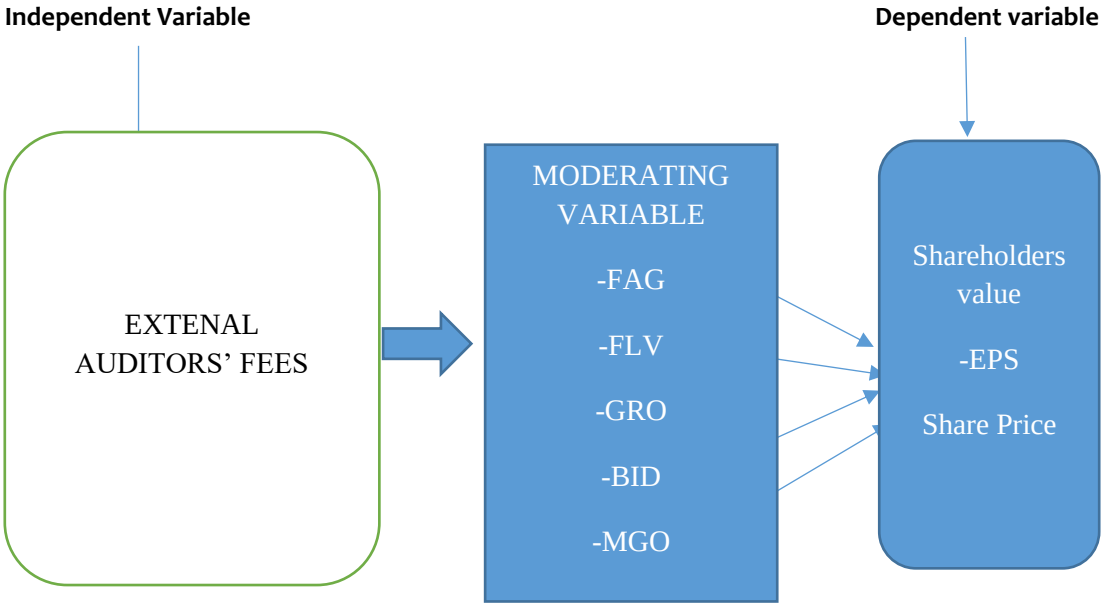
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increase external auditors works and resultantly lead to auditors increase their fees. Ojo and Folorunsho (2020) opined that external auditors fees may increase in a situation of audit urgency, thus, eroding the shareholders' value negatively. Ashiru (2021) argued that external auditors' fees may mar shareholders value in case of late auditing and submission of financial statement. On this basis, the hypothesis, the investigator desires to test is stated as;

H_0: There is no significant relationship between external auditors' fees and shareholders value (proxy by Earnings Per Share and Share Price) of quoted non-financial firms in Nigeria.

Conceptual Framework

The conceptual framework that guides the testing of the hypothesis identified above is illustrated in figure 1



Source: Author's Adopted, 2023

Empirical Review

Ezat (2015) used industry specialty of the auditing company, audit tenure, audit fees, and joint audit as proxies for delayed release of the audit report when examining the effect for the Egyptian-listed non-financial firms audit report lag, of audit-related elements businesses throughout the period of 2011 to 2013. The findings show that, on average, 77 days pass at the conclusion of the statement of financial standing and the day the audit report for the evaluated companies is signed. The results also show that while joint audit, audit fees, managerial ownership, audit firm industry specialization, and government ownership are associated negatively with a reporting lag, A qualified auditor report, corporate size, and to leverage all positively correlated with a reporting lag.

Ibadin and Afensimi (2015) looked at the elements that affected the audit delay in Nigeria context. Audit fees, business size, leverage, audit firm type, return on equity, subsidiaries, and year-end were among the variables used. The data generated was examined using panel data estimation

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techniques. The results showed that while financial performance had a considerable influence on audit time, company size doesn't significantly reduce audit delay.

Apandi and Sofia (2017) looked into the audit's effect within the audit fee superiority in Indonesia as well as the potential for Multiple Large Shareholder to mitigate this impact. Descriptive quantitative methodology was employed. The analysis was conducted on all non-financial industrial companies listed on the ISE between 2014 and 2015. The results of the study were successful in showing that audit fee had an impact on audit quality and that multiple large shareholders did in fact lessen that effect.

Egbunike and Asuzu (2020) researched audit fees and audit report lag in Nigeria. According to them, investors and other users of accounting information rely on independent persons, the auditors, to certify the accuracy and fairness of financial accounts. The auditors receive payment in the form of audit fees in exchange for their services. The purpose of the study was to find out if the audit fees affect how long it takes to prepare the audit report (Audit Report Lag). The study employed a regression model as stated below:

Where: AF= Audit fees;
ARL= Reporting delay for audits (days between year end and year-end signed audit the report;
= constant; =co - efficient;= error term.

The industrial sector's thirteen manufacturing businesses were picked for the study. The data were analyzed using the Hausman test, panel regression, and descriptive statistics. The conclusions showed that audit fees had a detrimental although minor delaying the audit report. To guarantee they stay inside budget without reducing audit quality, it was advised that firms obtain audit fees at an ideal level.

Asuzu, Ogbodo, Egbunike, and Nzeribe (2021) investigated the effects of audit fee and managerial stock ownership on the audit report lag of listed manufacturing enterprises in Nigeria for the period 2011 to 2019 fiscal years. Ex-post investigation approach was used for the study. 39 publicly traded conglomerates, consumer goods, and industrial products sectors manufacturers provided the study's panel data, Audit report latency was the dependent variable, with ownership of management stock, audit fees, and audit quality acting as independent variables. Risk (Altman's Z-score), moral pitfalls (ratios of PPE and operational income to sales), and company characteristics (firm size, profitability, and leverage) were all taken into account in the study. Descriptive and inferential statistics made up data analysis. Multiple panel regression and Pearson correlation were the inferential statistics used. The study comes to the conclusion that ownership by managers, audit fees paid to the auditors, and delay of audit report interact significantly. It was suggested, among other things, that the process of negotiation between the client and the auditor should result in the best audit fees possible, preserving the auditors' professionalism and ensuring timeliness for the firm and its stakeholders.

Methodology

The design of ex post facto research was employed in these studies. Design for ex post facto research was justified as a result of availability of data needed that were derived from events that had happened in the past. The study used secondary data and the choice for this was based on

historical data which the researcher had no control over. Annual Reports of registered non-financial enterprises and the NSE fact book were used as data sources. This study covered a period of 10 years (i.e 2011-2020). The year 2011 was chosen as the base year subsequently the issuance the Code of Corporate Governance for public companies in Nigeria by SEC. All Nigerian non-financial enterprises that were publicly traded prior to December 31, 2020 make up population of the study. Quoted non-financial companies are all companies duly trading on the Nigerian Exchange Group.(formerly NSE), and are therefore expected to file their annual returns as stipulated by the regulatory institutions. In line with information obtained from Nigerian Exchange Group (www.ngxgroup.com), a total of 106 firms are listed and they constitute the population of this study. These firms are diverse in nature and are grouped into 10 sectors. a census sampling strategy was used for the investigation. The criteria followed in arriving at the firms that make up the size of the study's sample are that the firms were listed as at January 01/01/2011 to 31/12/ 2020, that the firms did not experience interrupted operation from 2011 to 2020, and that the firms published their annual financial reports consistently for the period. The census sampling is applicable when all the available data are used for the analysis of a study. For this study, a total of seventy-three (73) quoted non-financial firms which represents 68.87% of the total quoted non-financial firms satisfy these criteria and thus make up the research sample. The data used in this study came from secondary sources. The data was gathered from the companies' audited annual financial statements and Nigerian Exchange Group fact book, 2020. . This study used dynamic panel estimation technique since a number of the explanatory variables were likely to be endogenous. In such situation, it is argued that GMM is a superior approach than GLS or OLS. The selection of system GMM was based on the fact that it ensures consistency and effectiveness when dealing with heteroskedasticity and serial correlation. Additionally, it addressed any potential bias brought on by the inclusion of the dependant variable in the regression. The validity of the instruments and the overall model were checked using post-estimation diagnostic tests, such as the Sargan and Hansen test of over-identifying limitations and the Arrelano and Bond autocorrelation tests. The use of system GMM equally requires that number of observation (N) be greater than the time (T). i.e (N>T)). This study satisfied the condition as the number of firms which is seventy-three (73) is greater than the number of time which is ten (10) years.

Model Specification

In achieving objective of the study, dynamic panel model technique is considered. This study adapts the model of Puspitasari, Baridwan and Rahman (2019). The control variables used for this model ranges from the firm age, financial leverage, growth opportunity, board independence and managerial ownership.

The general implicit representation of the model to be used for achieving objective two is stated as follows:

$$\mathbf{SHV} = f(EAF, FAG, FLV, GRO, BID, MGO) \quad (3.1)$$

The dynamic panel specification in explicit form of the above equation is given as

$$\mathbf{SHV_{it}} = \beta_0 + \beta_1 SHV_{it-1} + \beta_2 EAF_{it} + \beta_3 FAG_{it} + \beta_4 FLVit + \beta_5 GRO_{it} + \beta_6 BID_{it} + \beta_6 MGO_{it} + \varepsilon_{it} \quad (3.2)$$

Where:

$\mathbf{SHV_{it}}$ = Shareholders Value of quoted non-financial firms I at time t

$\mathbf{SHV_{it-1}}$ = Shareholders Value of quoted non-financial firms i at the previous period

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EAF_{it}= External auditors' fee of quoted non-financial firms i at time t;
FAG_{it} = The age of quoted non-financial firms i at time t;
FLV_{it} = Financial leverage of quoted non-financial firms i at time t;
GRO_{it} = Growth opportunity of quoted non-financial firms i at time t;
BID_{it} = Board independence of quoted non-financial firms i at time t;
MGO_{it} = Managerial ownership of quoted non-financial firms i at time t;
ε_{it} = White noise error term
β_0 = intercept term for model 2
β_1 *to* β_8= Slope coefficient of model 2

A-Priori Expectation of the Results
This shows the expected values of parameters used in the empirical and theoretical assertions. It is used to assume that certain basic principles are true.

Table 1: Variables Description, Measurement and Sources

Variable	Acronym	Definition	Source
Shareholders Value	**SHV** **SP**	The first measure is the amount of earnings shareholders equity usually proxy as EPS (earnings per share) $$EPS = \frac{NPAT - Pref.Div}{Weighted\ Average\ No.\ of\ Shares}$$ The second measure to be employed is the closing share price of the listed firms	**Annual Report**
External Auditor Fees	**EAF**	The amount of money paid by the reporting company to the auditing firm in natural log form.	**Annual report**
Control variable			
Firm Age	**FAG**	The number of years since a firm is listed on the stock Exchange	**Annual Report**
Financial Leverage	**FLV**	The proportion of overall debt to equity	**Same as above**
Growth opportunity	**GRO**	% Change in revenue of the firm from one period to the other.	**Annual Report**
Board Independence	**BID**	% of board of directors who are outsiders	**Annual Report**
Managerial ownership	**MGO**	% of firm's total share held by the directors	**Annual Report**

Source: Author's computation, 2023

Results and Discussion
Table 2: Descriptive Statistics
Table 2 presented the result of the descriptive statistics computed for the parameters of the study.
Estimation of Descriptive Statistics

Descriptive Statistics	SHV1	SHV2	EAF	FAG	FLV	GRO	BID	MGO
Mean	1.790685	36.92481	4.082090	27.10274	-2.663877	12.17447	66.28529	116.0736
Median	0.300000	4.265000	4.096900	30.00000	1.293600	5.170600	66.66670	5.862850
Maximm	57.63000	1555.990	5.842000	56.00000	202.9019	1354.255	94.44440	70913.84
Minimm	-9.860000	0.200000	2.301000	2.000000	-3123.057	-90.70160	0.000000	0.000000
Std. Dev.	5.855183	141.0354	0.569985	13.52543	117.1812	74.93077	17.03239	2624.086

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Skewness	5.183838	8.173817	0.114397	-0.250572	-25.95664	11.15546	-1.199501	26.95836
Kurtosis	38.37063	77.74860	3.390123	1.715149	690.8157	169.4538	5.567114	727.8360
Jarque-Bera	41323.18	178077.4	6.221503	57.85212	14471806	857891.3	375.5025	16068950
Probability	0.000000	0.000000	0.044567	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	1307.200	26955.11	2979.926	19785.00	-1944.630	8887.363	48388.26	84733.70
Sum Sq. Dev.	24992.43	14500537	236.8396	133361.3	10010223	4093059.	211484.6	5.02E+09
Observations	730	730	730	730	730	730	730	730

Source: Author's Computation, 2023

Table 2 presented the result of the descriptive statistics computed for the variables of the study. Looking critically at the result in the table, it might be stated that the independent variables of the study could exert significant influence on the dependent variables measured as share price and earnings per share which were proxy for the shareholders' value. This assertion was premised on the fact that the p-value of the Jarque-Bera statistics for the parameters of the independent and variables were less than the critical value of 5%.

Test of Hypothesis

H_0: There is no significant relationship between external auditors' fees and shareholders value (proxy by Earnings Per Share and Share Price) of quoted non-financial institutions in Nigeria

Panel Regression Results Analysis for External Auditors' Fees and Shareholders Value

Table 3: Estimated System GMM Panel Regression Results

	SHV1 (Earnings per Share)			SHV2 (Market Share Price)		
VARIABLES	Coefficient	Tstat	Pval	Coefficient	Tstat	pval
L.SHV1	0.640***	14.39	0	0.961***	259.3	0
EAF	0.846***	2.612	0.00899	0.658	0.588	0.556
FAG	-0.00300	-0.278	0.781	-0.0266	-0.721	0.471
FLV	0.000116	1.638	0.101	-0.000104	-0.266	0.790
GRO	0.000468	0.527	0.598	-0.00238	-0.453	0.650
BID	-0.0100	-1.417	0.156	-0.00413	-0.0556	0.956
MGO	1.04e-05***	6.714	0	-1.76e-05***	-4.318	1.57e-05
Constant	-2.318**	-2.478	0.0132	-1.013	-0.225	0.822
Observations	657			657		
Number of PID	73			73		
Sargan Statistic	5.602			147.4		
Sargan p value	0.231			0		
Hansen J statistic	4.179			4.418		
p value of Hansen	0.382			0.352		

Standard errors in parentheses
*** p.<0.01, ** p<0.05, * p<0.1
Source: Author's Computation
2023

Table 4: Estimated Static Panel Regression Results for effect of external auditor fees on shareholders' value

	SHV1 (Earnings per Share)			SHV2 (Market Share Price)		
VARIABLES	FE	RE	FGLS	FE	RE	FGLS
EAF	0.543	1.368**	2.947***	7.289	14.04	49.74***
	(0.762)	(0.619)	(0.368)	(12.78)	(11.65)	(9.034)

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FAG	0.0219	0.0285	0.0401**	0.577	0.735	1.309***
	(0.0402)	(0.0299)	(0.0156)	(0.675)	(0.588)	(0.383)
FLV	7. 17e-05	0.000129	0.000339	0.00102	0.00162	0.00327
	(0.00102)	(0.00102)	(0.00175)	(0.0172)	(0.0171)	(0.0431)
GRO	0.00139	0.00132	0.00131	0.00199	0.00160	0.0149
	(0.00165)	(0.00164)	(0.00275)	(0.0276)	(0.0275)	(0.0674)
BID	-0.000319	-0.00166	-0.0209*	-0.201	-0.213	-0.612**
	(0.00838)	(0.00828)	(0.0121)	(0.141)	(0.140)	(0.298)
MGO	-9.69e-07	-4.69e-06	-2.23e-05	-5.43e-05	-8.82e-05	-0.000270
	(4.56e-05)	(4.55e-05)	(7.83e-05)	(0.000766)	(0.000764)	(0.00192)
Constant	-1.016	-4.472*	-9.951***	4.877	-26.19	-161.2***
	(3.001)	(2.553)	(1.663)	(50.37)	(48.85)	(40.81)
Observations	730	730	730	730	730	730
R-squared	0.003			0.005		
Number of PID	73	73	73	73	73	73
	0.3613			0.6702		

Standard errors in parentheses

*** p.<0.01, ** p.<0.05, * p<0.1

Source: Author's Computation, 2023

The results obtained in respect of the objective of the results of the investigation are compiled in Tables 3 and 4 respectively. While the dynamic panel regression results obtained are in Table 3 that of the static panel regression are contained in Table 4. The results presented in each of the table contain those obtained when EPS and market share price are used as proxies for shareholders value.

From the results in Table 3 obtained using system GMM panel regression, it was found that external auditors' fees with estimated coefficient and p value of 0.846 and 0.00899 respectively have positive influence which is significant at 1% (0.00899<0.01) on the EPS of the Nigerian non-financial listed companies. The findings indicate that paying higher audit fees increases the earnings per share of the listed Nigerian non-financial organizations that were sampled. On the other hand, Table 3 estimated coefficient and corresponding p value of 0.658 and 0.556, respectively, show that the market share price of Nigerian listed non-financial enterprises is positively influenced by external auditors' fees, albeit this effect is not statistically significant (0.556>0.1). Therefore, the proxy of shareholder value employed will determine the positive and significant impact of external auditor fees on the shareholder value using dynamic panel regression.

Table 4 also includes the findings from the static panel regression in relation to the study aim. Though the Hausman test with p value of 0.361 and 0.670 for the EPS and market share price models suggests that random effect panel regression is better than fixed effect, the existence of cross sectional dependence observed from the Pesaran test indicates that the appropriate static panel regression is panel feasible generalized least square regression (FGLS).

For the EPS variant of the objective, the estimated coefficient and p value of 2.947 and 0.00.. indicates that external auditors' fees exerts positive influence which is significant at 1 percent ( ) on the EPS of sampled non-financial listed companies in Nigeria. A similar outcome is attained. when shareholders' value is proxy with market share price as the respective estimated coefficient and p value of 49.74 and 0.00 revealed that external auditors' fees exerts positive influence which is significant at 1% (0.01) on the price of a market share of Nigerian listed non-financial

organizations. The implication of the results is that firms that pay higher audit fees attract higher shareholders' value in terms of EPS and market share price.

Conclusion and Recommendations

Conclusion

This study adopted dynamic panel analysis in both GMM and effects estimation. From the result obtained, it might be concluded that external auditors' fees had significant positive effects on the shareholders' value when earnings per share was used as proxy for shareholders value. More so, the study concluded that external auditors' fees had a positive effect on shareholders' value when share price was used but not significant. In addition, looking at the result of the effects test, it was discovered that external auditor fees boosted shareholders' value when random and fully modified generalized method of moment was considered with earnings per share as proxy for shareholders but external auditor fees was positive and significant only on shareholders' value proxy as share price when the Fully Modified Generalized Method of Moment was used. Above all, the study concluded that external auditor fees influenced shareholders' value positively in the selected quoted non-financial companies in Nigeria.

Recommendations

The following recommendations are made.

(i)There is the need for firms to incentivise external auditors through higher audit fees in order to encourage higher audit effort and quality audit that is capable of bridging the information gap between the firms and shareholders.

(ii) The selected companies must continue to ensure that they submit their audited financial report in time. This is because failure to do so may create unnecessary burden and stress on the external auditors, thus, forcing the external to increase his fees. This may greatly impact on the expected dividends the shareholders are entitled to.

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