DETERMINANTS OF AUDIT FEES OF LISTED INSURANCE COMPANIES IN NIGERIA

BY

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BEING A DISSERTATION SUBMITTED TO THE DEPARTMENT OF ACCOUNTING, BAYERO UNIVERSITY, KANO, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc.) DEGREE IN ACCOUNTING

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DECLARATION

I, Yunusa Salisu Muhammad, hereby declare that this work is the product of my research efforts undertaken under the supervision of Professor Hannatu Sabo Ahmad and has not been presented anywhere for the award of a degree or certificate. All the sources have been duly acknowledged.

……

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CERTIFICATION

This is to certify that the research work for this dissertation and the subsequent write-up by Yunusa Salisu Muhammad (SPS/15/MAC/00051) were carried out under my supervision.

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APPROVAL

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ABSTRACT

This study examined the determinants of audit fees of listed insurance companies in Nigeria using experimental-correlational research design. The population of the study was made up of twenty six listed insurance companies. Panel data were generated from secondary source through the annual reports and accounts of the sampled insurance companies covering the period of ten years (2009 to 2018). The study employed a judgemental sampling technique in selecting the sample size. Random effect Generalized Least Square (GLS) regression was used in analyzing the data. The findings of the study revealed that client size and audit firm size are the important factors determining audit fees of listed insurance companies in Nigeria. Additionally, client profitability, client complexity, client underwriting risk and client liquidity risk were found to have an insignificant and negative impact on the audit fees of listed insurance companies. The study recommends that the auditors of Nigerian insurance companies should encourage their clients to increase their total assets, including their investments, which leads to the increase in the size of their businesses. This will boost the companies' financial performances and also rise the professional fees charged by the auditors of such insurance companies.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The primary role of accounting has been to measure and communicate all the economic transactions of an entity, with a view to satisfying the informational needs of several corporate stakeholders. Moreover, they are faced with the agency problem, as a result of the separation of ownership from control. In that, the agents (managers), who are natural wealth maximizers control the affairs of a firm as management and serve as the representatives of the principals (the owners), pursue their self-interest at the expense of absentee owners. In addition to this, several factors, such as performance-based compensation, induce managers to exercise self-interest behaviour, using the available firm's resources. This called for assurances from third parties (auditors) to ensure that the performances and the financial position of an entity are true and fair and, hence, reflect the true transactions of the entity.

Accordingly, external auditors provide a monitoring role, which is critical in promoting the quality of the financial statements prepared by management. Audit services connote an independent verification of financial statements, with a view of adding credibility to accounting information. For instance, Otusanya and Lauwo (2010) describe audit as an aspect of monitoring managers and financial statements. It minimizes information asymmetry and protects the interests of the principals and other stakeholders through the provision of reasonable assurance that financial statements prepared by management are free from material misstatements. Therefore, external audit plays a role in reducing agency costs between managers and external parties. And as such, corporate stakeholders do not trust reported financial information without the assurances from independent external auditors.

However, while external audit services are critical to corporate stakeholders and capital markets, there is an increasing concern among researchers about the auditors' compensation. Moreover, audit fees paid by companies to their auditors are obviously of interest to both companies and auditors. While companies are statutorily required to have their financial statements audited, fees paid to auditors need to be reasonable to ensure that the fees they charge are sufficient to enable a satisfactory service to be provided (Gist, 1992). In addition to that, the level of audit fees and how they are determined are significant matters to both national and international professional accounting bodies to indicate the basis on which audit fees should be determined, the costs which should be covered by the audit fees and the factors which should be taken into account when determining the audit fees. The scale of professional fees is, therefore, designed to restrict auditors from charging their fees on a basis, which might be incompatible with the ethical values associated with the audit profession.

Audit fees comprise fees from statutory and non-statutory audit services provided by an auditor to a client. As such, it is the compensation to the auditor for the services rendered to a client. Accountants have to be cautious when entering into negotiations for professional work to avoid any issue that can ruin their independent professional judgments (Oremade, 1988). According to Izma (2011), low audit fees can restrain audit firms in limiting compensation to audit staff. This can be attributed to the fact that many audit firms only view and see an audit as a purely compliance exercise.

Therefore, audit fee determination is affected by audit firm attributes or by the client's company characteristics. The audit fee charged is influenced by auditor related factors like auditor size, the reputation of the auditor, auditor experience, competition in the audit market and the industry specialization of the auditor. Audit fees are also determined by the audited

company factors, such as company size, complexity of operations of the company, company risk and the profitability of the client (Bedard & Johnstone, 2010). High audit fees will be charged by big four audit firms, which are normally big in terms of staffing and geographical coverage, with high reputation gained from several years' experience and industry specialization. Competition amongst audit firms is however expected to lower the audit fees charged (Simon & Taylor, 2002). Big companies with risky operations and likely high profitability are charged relatively higher audit fees compared to smaller companies (Francis & Simon, 1987; Craswell & Francis, 1999).

Consequently, auditing services are the integral part of the array of services offered by a large proportion of professional accounting firms. Companies that need to engage an accounting firm to provide professional auditing services are faced with the problem of deciding whether to re-appoint an incumbent auditor or appoint a new auditor. Auditing has an important role in the corporate governance process and is essential in ensuring confidence in the reliability of financial information (Abidin, 2006). Auditors are entrusted by law with conducting statutory audits and fulfill an important role in offering professional opinion on whether the financial statements are stated truly and fairly (Quick, 2012). Section 357 (1) of Companies and Allied Matters' Act (CAMA 2004) stipulates that every company shall at each annual general meeting appoint auditors to audit its financial statements and hold office from the conclusion of that meeting until the conclusion of the next annual general meeting**.**

In Nigeria, over 2,000 audit firms provide audit services to domestic listed and unlisted companies (World Bank, 2011). Despite the availability of the large number of audit suppliers, the audit market is dominated by only a small number of large audit firms called the 'Big four'. The Big four audit firms in the country are: KPMG Professional Services, Ernst

and Young, Akintola Williams Deloitte and Price Waterhouse Coopers (World Bank, 2011). Auditors as watchdogs are expected to be independent both in mind and in appearance, because of the role they play in enhancing transparency and accountability in organizations.

One of the most important sectors of the Nigerian economy is the insurance industry, which absorbs the risk incurred by individuals and businesses within the economy. Insurance companies are similar to banks and capital markets as they serve the need of business units and private households in intermediation. The availability of insurance services is essential for the stability of the economy and can make business participants accept aggravated risks (Adeyemi, 2005). Therefore, insurance can be seen as a systematic statutory agreement of the transfer of risk between the insurance company and the insured party guided by the specified rules for the purpose of protection against economic loses through the stipulated payment of a consideration called premium. The payment is normally made by the policy holder to the insurance company. It is clearly shown that an insurance contract is one under which one party accepts significantly insurance risk from another party (policy holder) by agreeing to compensate the policy holder if a specified uncertain future event adversely affects the policy holder (Hakeem & Tajudeen, 2010). There was an initial slow pace of the growth of the insurance industry in Nigeria, particularly between 1921 and 1949. This has been traced to the adverse effect of World War II on trading activities both in the United Kingdom and Nigeria. As soon as the war ended, business activities gradually picked up again and the insurance industry in Nigeria began to record remarkable improvement in growth (Jegede, 2005).

Insurance company auditing is generally considered to be highly specialized and technical. In terms of financial accounting and reporting, a dedicated International Financial Reporting Standard (IFRS 4) on insurance contract was developed in 2005 to guide the preparers of

financial statements on insurance matters. Consequently, audit firms were also expected to be technically competent to understand IFRS 4, which itself will be replaced by IFRS 17 in 2021. However, there is no dedicated ISA for insurance companies despite concerns that lack of industry-specific auditing standards had led to a myriad of approaches and made it difficult to understand how audit fees had been determined. Despite the importance of the insurance sector to the economy, it receives little attention by researchers. This study, therefore, is aimed at examining the determining factors influencing the audit fees of listed insurance companies in Nigeria.

1.2 Statement of Research Problem

Controversies had been rising among investors and other stakeholders of corporations why external auditors receive a substantial amount as remuneration of the audit and non-audit services rendered to their clients. These fees are charged in order to add credibility to the financial statements prepared by the management and also protect the interests of shareholders. A lot of problems occurred on the factors that actually determine (increases or decreases) the audit fees charged by external auditors. Kimeli (2016), Hassan & Naser (2013), El-Gammal (2012) and Al-Matarneh (2012) identified the variables, such as profitability, complexity, risk, status of audit firm and corporate size as determinants/factors that influence audit fees.

Several studies on audit fee determinants have been undertaken in a number of countries. Most of these studies were conducted outside Nigeria, like those of Khasharmeh (2018); Otete (2018); Hong & My (2017); Musah (2017); Alanezi & Alfraih (2016); Apadore & Letchumanan (2016); Haq & Leghari (2015); Kikhia (2015); Rusmanto & Waworuntu (2015); Suryanto (2014). And the few studies conducted in Nigeria on audit fess determinants are the

studies of Ohidoa & Okun (2018); Ilaboya, Izevbekhai & Ohiokha (2017) and Urhoghide & Izedonmi (2015).

While Ohidoa & Okun (2018); Ilaboya, Izevbekhai & Ohiokha (2017) and Kimeli, (2016) found a positive association between client size, client complexity, audit firm size and audit fees, but Musah (2017) and Haq & Leghari (2015) recorded a negative association. One apparent conclusion is that there is no common agreement on audit fee determinants. Consequently, the review of empirical studies in Nigeria, to the best of researcher's knowledge, are scanty. More so, no study in the Nigerian context has isolated the insurance sector of the Nigeria Stock Exchange for a study of this nature. This study is the most recent covering data up to 2018 to bring the empirical debate on the determinants of audit fees to currency. These gaps are therefore filled by this study.

In light of the above, this study raises and provides answers to the under listed questions:

i. Does client size have an impact on audit fees of listed insurance companies in Nigeria?

ii. Does client profitability have an impact on audit fees of listed insurance companies in Nigeria?

iii. Does client complexity have an impact on audit fees of listed insurance companies in Nigeria?

iv. Does client underwriting risk have an impact on audit fees of listed insurance companies in Nigeria?

v. Does client liquidity risk have an impact on audit fees of listed insurance companies in Nigeria?

vi. Does audit firm size have an impact on audit fees of listed insurance companies in Nigeria?

1.3 Objectives of the Study

The main objective of the study is to investigate the factors that influence the audit fees of listed insurance companies in Nigeria. The specific objectives are to examine the impact of:

i. Client size on the audit fees of listed insurance companies in Nigeria.

ii. Client profitability on the audit fees of listed insurance companies in Nigeria.

iii. Client complexity on the audit fees of listed insurance companies in Nigeria.

iv. Client underwriting risk on the audit fees of listed insurance companies in Nigeria.

v. Client liquidity risk on the audit fees of listed insurance companies in Nigeria.

vi. Audit firm size on the audit fees of listed insurance companies in Nigeria.

1.4 Hypotheses of the Study

Based on the statement of the research problem and objectives of the study, the following hypotheses are formulated to guide the study.

$H0_1$: Client size has no significant impact on the audit fees of listed insurance companies in Nigeria.

$H0_2$: Client profitability has no significant impact on the audit fees of listed insurance companies in Nigeria.

$H0_3$: Client complexity has no significant impact on the audit fees of listed insurance companies in Nigeria.

$H0_4$: Client underwriting risk has no significant impact on the audit fees of listed insurance companies in Nigeria.

$H0_5$: Client liquidity risk has no significant impact on the audit fees of listed insurance companies in Nigeria.

$H0_6$: Audit firm size has no significant impact on the audit fees of listed insurance companies in Nigeria.

1.5 Significance of the Study

This study is significant because to the researcher's knowledge there is hardly any research conducted before now that examines the determinants of audit fees in the listed insurance companies in Nigeria. Although there are few studies on the audit fee determinants of companies listed in the Nigerian stock Exchange (e.g. Ohidoa & Okun (2018); Ilaboya, Izevbekhai & Ohiokha (2017); Urhoghide & Izedonmi (2015); Monsuru (2014); Soyemi (2014); Urhoghide & Emeni (2014) and Akinpelu, Omojola, Ogunseye & Bada (2013)), they have not specifically examined the factors influencing the audit fees of listed insurance companies in Nigeria in isolation. Thus, the study contributes to the empirical evidence in the area.

This study will allow stakeholders, particularly prospective and existing investors, to make informed decisions that will maximize firm value, which will subsequently lead to the development of the Nigerian capital market. Specifically, the study will help managers, policy makers, shareholders of insurance companies and financial analysts to understand the impact of independent variables on the dependent variable. For instance, it will help insurance managers to pay much attention to some variables relating to their operations that influence auditor remuneration which is a substantial item that lessens net profit in their financial statements. Moreover, policy makers will benefit from the outcome of the study, which will enable them to examine the effectiveness of their monitoring instruments as well as review

them as appropriate. It shall also add value to shareholders and other stakeholders in the Nigerian insurance industry to make informed decisions that, if some determining factors are well managed and controlled, the audit charges will be reduced and, hence, the net profit will improve. Financial analysts will also benefit from the findings of this study in sensitizing their clients on which companies to invest in order to meet their expectations.

Professional accountants in public practice will also benefit from the findings of this study in guiding them to the factors that are considered before charging audit fees, especially in the insurance sector, so as to minimize audit risk. The study also supports the Securities and Exchange Commission's rule requiring public companies to disclose audit fees. Students and researchers who will want to conduct further research in the same area will, therefore, benefit greatly, as it will serve as library and reference material.

1.6 Scope of the Study

This study covers all the listed insurance companies in Nigeria. It covers a period of ten years (2009 to 2018), which is considered appropriate and sufficient to generate the needed data for the study to examine the determinants of audit fees of listed insurance companies in Nigeria. This period is in line with Monsuru (2014), Urhoghide & Emeni (2014), De George, Ferguson & Spear (2013) and Kim, Liu & Zheng (2012).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant literature on the determinants of audit fees of listed insurance companies in Nigeria. It reviews the conceptual, empirical and theoretical literature on the determining factors influencing the audit fess in Nigeria and other countries as well as the findings of related studies. These reviewed works form the basis of the study's analysis and findings upon which conclusions are made.

2.2 Conceptual Framework

2.2.1 The Concept of Auditing

Gray and Manson (2008) define auditing as an investigation or search for evidence to enable an opinion to be formed on the truth and fairness of financial and other information by a person or persons independent of the preparer and the persons likely to gain directly from the use of the information and then issue of a report on that information with the intention of increasing its credibility and usefulness. Audit involves testing transactions, interviewing and observing the client and evaluating the internal controls and systems used within the corporation. The development of modern auditing profession is stimulated by the development of the economy and related industries, specifically the Industrial Revolution in the 18th century and the separation between ownership and management created demand for the practice of modern auditing. Additionally, globalization and the development of stock markets are also motivations for the further strengthening of the audit profession (Hayes, Dassen, Schilder & Wallage, 2005).

Similarly, the American Accounting Association (AAA, 1973) defines auditing as a systematic process of objectively obtaining and evaluating evidence in respect of certain assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and reporting the results to interested parties. Auditing may be narrowly defined as a written report on the examination of financial statements for a particular period of time. AAA (1973) further clarifies that audit fee determination refers to the determination of auditor remuneration. Audit remuneration has in extant the literature been divided into two categories, audit fees and non-audit fees. While audit fees refer directly to payments made to the auditor that relates directly to the audit function, the non-audit fee is concerned with payments for other non-audit services rendered by the auditor. Generally, the audit fee should cover audit costs and provide a reasonable profit. Therefore, the audit fee can be seen as a combination of two items, audit cost and profit or auditor's reward.

Additionally, Power (2003) describes audit practice as a self-regulating system whose components are an interacting and semi-institutionalized structure that is constantly moving and subject to economic, regulatory and political pressures for change. Economic, regulatory and political pressures can be challenging for an auditor, as the auditor tries to find a balance between the core professional values of the auditing profession, i.e. objectivity and independence. This might suggest that in order to maintain objectivity and independence, an auditor has to be separated from commercial pressures. The auditor also has to devote an optimal amount of time for the audit assignment with a selected qualified staff in order to achieve a high audit quality (Sundgren & Svanstrom, 2013).

Oremade (1988) describes an auditor/ audit firm as a person(s) with the final responsibility for the audit. He perceives the external auditor as independent auditor who is not subject to management controls and links him to independent audit, which refers to providing the reasonable assurance that published audited financial statements are free from material misstatement and are in accordance with legislation and relevant accounting standards. In a similar effort, Porter, Simon and Hartherley (2005) describe auditors as intermediaries between the management of an entity and external parties having interests in the entity. They further state that auditors have a duty to form and express an opinion as to whether or not the financial statements prepared by the management show a true and fair view of the entity's financial position and performance. However, this study considers audit as an assurance engagement that involves the objective process of obtaining and evaluating evidence in respect of financial statements in order to form an opinion that published financial statements are free from material misstatements and intentional errors and are in accordance with relevant legislation. While an auditor is the person with the final responsibility for the audit, who serves as an intermediary between the managers of an entity and the external parties having interests in the entity.

2.2.2 The Concept of Auditor Remuneration (Audit Fees)

Audit fees, according to Shammari, Yaqout and Hussaini (2008), are the amounts received by auditors for their professional services based on such factors as the risk of the assignment, the complexity of the services provided, the level of expertise required to carry out the services of proficiency level, the cost structure of the firm concerned and other professional considerations. DeAngelo (1981) elaborates further that audit fee is the amount of compensation for services performed by external auditors. The compensation is related to the

amount of time used to complete the work and the value of the services provided to the client or the firm. Audit fees comprise fees from the statutory audit services and non-statutory audit services provided by an auditor to a client. Audit fees are the compensation to the auditor for the services rendered to a client. Such audit services include statutory audit and non-statutory services also known as management consultancy services. According to Simunic (1980), audit fees are the collection of costs of the resource the auditor utilizes for conducting the audit (audit effort) and the expected present value of possible future losses to the client's stakeholders that may result from this period audit of financial statements. He stresses that these loses that arise from litigation and the loss of reputation and, therefore, the higher the expected losses from being involved with the audit, the higher should be the fees. Consequently, higher fees could be charged either to cover the additional audit effort required to reduce the risks to acceptable levels or as a premium to cover the auditor's expected losses (Sengupta & Shen, 2007).

There are two schools of thought in respect of non-audit services in relation to auditor independence. On one hand, the provision of non-audit services can strengthen the auditor's economic bond with the client, thereby increasing the auditor's incentives to acquiesce to client pressure, including pressure to allow earnings management (Simunic, 1980). This is the perception of regulators, the general public and this study as well, that is, the public perception of independence may be put in jeopardy if the fees from one client or group of connected clients exceed 15 percent of gross practice income or 10 percent in the case of listed or other public interest companies (Adewunmi, 2002). In Nigeria, the rate according to ICAN is 25 percent. On the other hand, the provision of non-audit services can also increase

the auditor's investment in reputational capital, which the auditor is not likely to jeopardize, to satisfy the demand of any one client.

2.2.3 The Concept of Audit Quality

The term 'audit quality' does not have a universally accepted definition. It connotes the quality of the audit report from an auditor. Audit itself is an independent examination and expression of opinion on the financial statement of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation (Onaolapo, Ajulo & Onifade, 2017). To this end, audit is expected to improve the value of the information presented in financial statements and, as a result of this, audit quality has to do with a display of professionalism, diligence and care by auditor in the audit process, which should lead to a true and fair view of financial statement (Arrunada, 2000). DeAngelo (1981) fundamentally defines audit quality as the market-assessed joint probability that an auditor will discover material misstatement or error in the client's account and report the error to third parties. She also suggests that the probability that a given auditor will discover a breach depends on the auditor's technological capabilities, the audit procedures employed on a given audit, the extent of sampling, etc. Further, the conditional probability of reporting a discovered breach is a measure of an auditor's independence from a given client. Several researchers investigate the factors which affect audit quality. Size and independence related issues (i.e. the proportion of the audit fees received from a particular client, auditor tenure, the provision of non-audit services and other audit client relationships) are given emphases as the determinants of audit quality.

In the words of Arens, Elder, Beasley, Best, Shailer and Fielder (2011), audit quality means how well an audit detects and reports material misstatements in financial statements. The

detection aspects are a reflection of auditor competence, while reporting is a reflection of ethics or auditor integrity, particularly independence. It can equally be referred to as the joint probability in which an auditor finds and reports errors contained in the audited financial statements to comply with general auditing standards in performing their duties so that credibility is maintained (Rahmina & Agoes, 2014). These definitions suggest that audit quality has to do with detecting misstatements and correcting them, so that what is reported in the financial statement becomes the true position of the firm so audited. This is why Onaolapo, Ajulo and Onifade (2017) averred that the existence of audit quality is validated when a financial statement is free from information asymmetry. This implies that audit quality will bring actual quality and perceived quality to be the same in context and value. The definition of Jackson, Moldrich and Roebuck (2008) views the quality of audits from actual and perceived quality. According to the definitions, actual quality shows levels of the risk of material errors in financial statements that can be reduced by the auditor. Perceived quality indicates the level of the confidence of users of financial statements and the auditor's effectiveness in reducing material misstatement in the financial statements prepared by management. Therefore, the concept of audit quality implies that the necessary actions that will ensure the report of the true financial position of a firm have been put in place.

Additionally, Zerni (2009) explains audit service as unique among other professional services for two major reasons. First, auditors are hired and paid by the client, but their product is really used by third-parties (e.g., investors) to whom they owe a standard of care. Second, the quality of an audit cannot be directly observed prior to contracting and, in general, not even after the audit is conducted. The only observable outcome of the audit process is the issued audit report, which at least in its standard form does not contain much information about audit

quality. Audit quality describes how well an auditor detects and reports the material misstatements of financial statements, reduces information asymmetry between management and stockholders and, therefore, helps to protect the interests of stakeholders. High audit quality should be associated with the high information quality of financial statements because those statements audited by high quality auditors should be less likely to contain material misstatements (Watts & Zimmerman, 1986).

Palmrose (1988) defines audit quality in terms of levels of assurance. Since the purpose of an audit is to provide assurance on financial statements, audit quality is the probability that financial statements contain no material misstatements. In fact, this definition uses the results of the audit, that is, the reliability of audited financial statements to reflect audit quality. Ahmad, Shafie and Mohamad (2006) suggest that positive and negative abnormal fees create different incentive effects. For clients with positive abnormal fees, auditors are more likely to accept client pressure as abnormal audit fees increase, whereas for clients with negative abnormal fees, auditors are unlikely to compromise audit quality. Regarding the relationship between audit fees and non-audit fees, Simunic (1984, cited in Ahmed *et, al.* 2006) argues that the negative relationship among audit fees and non-audit fees is due to the knowledge spill over from the provision of non-audit services to the audit client. In other words, the knowledge gained through the provision of non-audit services can be utilized in the audit engagements. The client would benefit from the knowledge spillover in the form of lower audit fees.

2.2.4 The Concept of Insurance Business

The insurance industry is generally seen as the backbone of any country‘s risk management system especially in countries like Nigeria, since it ensures financial security, serves as an

important component in the financial intermediation chain and offers a ready source of long term capital for infrastructural projects. Badejo (1998) argues that the insurance industry mitigates the impacts of risks and positively correlates to growth as entrepreneurs cover their exposures, otherwise risk- taking abilities are hampered. Insurance also promotes the growth of small and large firms as it provides economic stability. Insurance company practice would affect economic growth through the channels of the marginal productivity of capital, protection and technological innovations and savings rate. Insurance companies indemnify the ones who suffer a loss and stabilize the financial position of individuals and firms with the possibility of the transfer of different kinds of risks (Richard & Victor, 2013).

The term 'insurance' can been seen as a risk transfer mechanism, where by policy holder called the insured contributes into a common pool out of which the unfortunate is made fortunate or the insured pays a consideration called premium in view of the risk insured, so that if loss occurs, the insurer will put the insured in the same position he/she was prior to the loss (Shehu, 2010). Insurance is also described as an agreement between two parties, the insured and the insurer, whereby the insured pays a small consideration called premium in view of the risk insured (Anaesoronye, 2012).

Furthermore, Babalola (2009) posits that insurance is a profession where people are trained to insure the risk of individuals, corporate bodies, government and the general public and also team the risk management measures in the environment. According to Babington (2008), insurance is a device for the reduction of the uncertainty of one party, called the insured, through the transfer of a particular risk to another party, called the insurer, who offers a restoration of the economic losses suffered by the insured. Akiwi (2010) also defines insurance as a systematic plan for protection against economic losses in which a large number

of people agrees to make regular payments to an insurance organization in exchange for an assurance that they will be reimbursed for losses they may suffer from such hazards as fire, accident and death. More so, Oba (2003) describes insurance as one of the best of all risk management measures, which shifts the risk and the financial blow that exist when the risk or loss occurs to an insurance company. However, Scott (1994) establishes that every individual faces an assortment of financial risks that ranges from the possibility of receiving a parking ticket to a potential reduction of income caused by a long-term illness. Insurance, he continued, is one of several options for dealing with certain types of risks.

2.2.5 Classification of Insurance Business

In practice, according to Shehu (2010), the insurance business is categorized into seven major classes of policies, which are motor vehicle insurance, fire and special perils insurance, electronic equipment insurance, burglary insurance, group personal accident insurance, marine insurance and goods-in-transit insurance. He further clarifies that the typical motor vehicle insurance policy covers accidental damage to vehicles and constitutes of the third party insurance cover, fire insurance cover, theft insurance cover and comprehensive insurance cover. A fire and special perils insurance policy covers damage or loss as a result of fire, riot, strike, bust, pipe, bush fire, earthquake, etc. all happening within the insurance period. An electronic equipment insurance policy covers fragile electronic equipment, such as computers, electronic typewriters, photocopiers, fax machines, mobile phones, etc. against loss or damage as a result of fire, theft, short circuiting, smoke soot, corrosive gasses, water, humidity and malicious damage on the part of employees or third parties, fault generation, etc. A burglary insurance policy provides covers for loss or damage to premises and property

contained therein as a result of forceful or violent entry into and exit out of the insured premises.

A group personal accident insurance policy is designed to provide compensation to employee for death, permanent disability or medical expenses arising from an accident happening out of and in the course of employment 24 hours a day. A marine insurance policy deals with the potential loss emanating from the importation of goods through ships and other means of water transportation. In the course of the business, it may from time to time have to import from overseas and is susceptible to loss or damage while at sea or being carried to a point of destination. For a damage or loss happening within the insurance period, peril will be made good by the insurance company. A goods-in-transit insurance policy is an insurance cover granted to the carriers of goods by inland transit, road or rail anywhere in Nigeria. The policy covers losses or damage to the goods as a result of accident to the conveying vehicle by fire, accident collision, impact or overturning.

2.3 Empirical Studies on the Determinants of Audit Fees

The literature on the determinants of audit fees is quite rich. A number of studies have been conducted in this regard in different countries and across different sectors of the economy.

2.3.1 Client Size and Audit Fees

Client size was found to be the most important factor that influences audit fees and is usually measured by the total assets of the client (Simunic, 1980). The size of the client has a direct impact on auditors' work and the time spent in the auditing process. Larger clients require more audit services than smaller clients. Therefore, more audit time is needed. Hence, it would be expected that these large clients pay higher fees relative to smaller clients in the industry (Simon & Taylor, 2002). Therefore, the client size of business has always been a

significant determinant of audit fees and exhibits a positive relationship with the fees. Causholli, Martinis, Hay and Knechel (2011), in their study regarding the overview of empirical research related to audit fees, found out that client size is the most significant determinant of audit fees among all other determinants. The reason for a positive and significant relationship of audit fees with the size of client's business is that the labour usage and effort of the auditor get high as the size of company's business gets high. Other studies of Wahab & Zain (2013); Yaacob (2013) and Naser, Al-Mutairi & Nuseibeh (2013) found a positive significant relationship between firm size and audit fees.

In Jordan, Kikhia (2015) examined the factors influencing the level of external audit fees paid by firms to their auditors. Specific attention was focused on the investigation of the potential influence of auditor size, the complexity of the client, profitability, client risk, auditor size and auditor tenure on audit fees by using the sample, which contained 117 non-financial Jordanian companies listed on Amman Stock Exchange, thereby meeting the selection standards, and had the applicable and appropriate financial data from 2010 until 2012. The results of the study showed that client size seemed to have been the key determinant of external audit fees. This is in line with the findings of Rusmanto & Waworuntu (2015), Wahab & Zain (2013) and Yaacob (2013). Additionally, Rusmanto and Waworuntu (2015) examined the factors influencing audit fees in Indonesian publicly listed companies, which applied Good Corporate Governance. This study used a sample of data from companies listed on the Indonesia Stock Exchange LQ 45 during the year 2011 and 2012. Data were analyzed using multiple linear regression. The research found that assets (company size) significantly affected/determined the audit fee paid by clients to audit firms. This is consistent with the findings of Kikhia (2015), Fleischer (2012) and Hong & My (2017).

A prior study by Fleischer (2012) provided empirical evidence from the German market regarding the relation between client size and audit fees by using a different proxy other than that actually used for client size. The study used a number of employees as proxy for client size. The results of study showed that client size had the highest explanatory power and showed a significant positive relationship with audit fees. Also, Hong and My (2017) analyzed the determinants of audit fees for public companies in Vietnam because audit fees are some of the important factors influencing audit quality and audit tasks. The study found that auditee size influenced audit fees significantly. This result is compared to the previous research on audit fees. It confirms the findings of Naser, Al-Mutairi, & Nuseibeh (2013), Vu (2012) and Vermeer, Raghunandan & Forgione (2009).

In another study from Stockholm, Vu (2012) determined the factors which influence audit fees using data from 2010 annual reports of the Swedish listed non-financial firms in NASDAQ OMX Stockholm. Spearman correlation and multiple linear regression were used to analyze audit fee structure. The study found that auditee size and other fees had positive correlations with audit fees. This supports the works of Vermeer, Raghunandan & Forgione (2009), Fleischer (2012) and Hong & My (2017). In the United States, Vermeer, Raghunandan and Forgione (2009) proposed to provide empirical evidence about how firm size is associated with audit fees. 125 samples were selected from large non-profit organizations and data was obtained from each company's chief financial officer through a questionnaire regarding audit and non-audit fees information as well as audit committees and internal auditing information in year 2001 and 2002. Regression analysis was conducted and the results showed that firm size was associated with audit fees. The study should have also used secondary data to have more robust results.

2.3.2 Client Profitability and Audit Fees

Client profitability is considered as an important indicator of management performance and its efficiency in allocating available resources. Client profitability can be known by finding the income or loss figure shown in the income statement (Simon, *et al.,* 1986; Low, *et al.,* 1990 and WaresulKarim & Moizer, 1996). Profitability ratios can be used as a measure of client profitability. These include: return on assets (ROA), return on equity (ROE), return on capital employed (ROCE) and return on investment (ROI). Companies reporting high levels of profits will be subject to precise audit testing of their revenues and expenses and this will result in higher audit fees (Joshi & Al-Bastaki, 2000).

In Nigeria, Ohidoa and Okun (2018) examined firm characteristics and audit fees. The study employed a time series and cross-session data (panel data) of the firms listed on the Nigeria Stock Exchange and the data used was gathered from the annual financial statements of the firms from 2013-2017. A sample size of eighty-nine (89) firms was used and the statistical tool used in the study was Panel Least Square Regression with the aid of SPSS 20. The study found that firm profitability had no effect on audit fees. This is in line with Khasharmeh (2018), who also established an insignificant relationship between profitability and audit fees.

Also in Bahrain, Khasharmeh (2018) investigated the factors influencing the pricing of audit services in Bahraini listed companies. A questionnaire was used in the study. Also, in addition to descriptive statistics, non-parametric tests, such as chi-square test, were used. The results of descriptive analysis showed that all of the questions (1-33) in all groups proved to be important factors that affected pricing audit services. The study concluded that corporate year-end and the time lag between year-end and audit report, the size of public auditing firms and international link and corporate size were the important factors affecting pricing audit services

in listed companies in Bahrain. Corporate complexity, seasonability and corporate risk came second in importance. Corporate profitability appeared to have no impact upon pricing audit services. The study recommended that future research was needed to investigate this issue in other developing countries in general and Gulf Cooperation Council (GCC) countries in particular. The study also suggested that other respondent groups, such as external auditors, shareholders, regulators and members of audit committees, might be included in future research. This supports the findings of Ohidoa & Okun (2018), but contradicts the works of Apadore & Letchumanan (2016) and Urhoghide & Emeni (2014), who recorded significant relationships.

Contrary to other studies, Apadore and Letchumanan (2016) examined the determinants of audit fees among the listed manufacturing companies in Malaysia. A theoretical framework was constructed to test the relationship between audit fee determinants and audit fees with the adoption of five independent variables, which are profitability, corporate size, complexity, status of audit firm and audit client's risk. The analysis was based on a sample of public listed manufacturing companies covering a time period of 2009-2015. A secondary data collection method was employed in this study and analyzed using multiple regression analysis. The study found a significant relationship between profitability and audit fees. This is consistent with Urhoghide & Emeni (2014).

Also, Ling, Yee, Liang, Yee and San (2014) studied the determinants of audit fees among the listed manufacturing companies in Malaysia. A theoretical framework was constructed for testing the relationship between audit fees determinants and audit fees with the adoption of five independent variables, which are profitability, corporate size, complexity, status of audit firm and audit client risk. The analysis was based on a sample of 185 listed manufacturing

companies covering a time period of 2009-2013. A secondary data collection method was employed in this study to obtain data from annual reports published on Bursa Malaysia. Multiple regression analysis was used and the study found insignificant relationship between the profitability and audit fees. This confirms the findings of Ohidoa & Okun (2018) and Khasharmeh (2018).

Urhoghide and Emeni (2014) analyzed the effect of client characteristics on audit fees in Nigeria. The study examined whether client size, profitability, complexity, fiscal year end and industry exerted a significant effect on audit fees in Nigeria. The population of the study covered all the quoted companies on the Nigerian Stock Exchange (NSE) from 2007-2011. The study used secondary data obtained from the published annual accounts and reports of one hundred and fifty three (153) companies quoted on the Exchange from 2007-2011. The simple random sampling technique was used in the selection of companies. The variables were analyzed using descriptive and correlation analysis. Thereafter, fixed effect regression analysis was conducted. The results showed that profitability exerted a significant effect on audit fees. This contradicts the results of Ohidoa & Okun (2018).

However, a prior study of Hassan and Naser (2013) investigated whether the audit fees charged by non-financial companies would be influenced by company profitability. Based on the annual reports and governance reports from 30 Emirati nonfinancial companies on the Abu Dhabi Securities Exchange (ADX) during 2011, the study showed a positive non-significant association between the audit fees and profitability. This finding is consistent with that of Moradi, Valipour, and Pahlavan (2012), who examined the relationship between firm profitability and the audit fees charged in different firms. Their results also showed an insignificant association between audit fees and profitability. This is in line with Ohidoa &

Okun (2018). Finally, the research of Ebrahim (2010) on the analysis of the effects of the Sarbanes Oxley (SOX) Act on audit fee premium and auditor change in the US audit market showed that audit fees were significantly and negatively related to client's profitability.

2.3.3 Client Complexity and Audit Fees

Complexity is a measure of audit difficulty (Boon, Crowe, McKinnon & Ross 2005). A complex business is difficult to audit and hence high fees are charged by auditors for complex businesses. This fact is however, not always true. There are mixed evidences regarding the complexity of business and high audit fees. It is argued that the more complex the client firm is, the greater the number and the more diversified the subsidiaries and operations are. This necessitates more audit work and, therefore, audit firms charge higher audit fees (Sandra & Patrick, 1996). In Nigeria, Monsuru (2014) examined the determinants of audit pricing in the banking industry. Panel data analysis was carried out to find out the determinants of audit fees with variables such as bank complexity, risk and operating performances as the explanatory variables and audit fees as the explained variable. Fourteen (14) commercial banks were selected out of twenty two, which made up the population. Data were sourced from the annual reports and accounts of the selected banks from 2008 to 2012. The fixed effect firm model estimations revealed a positive association between complexity and audit fees. This is in line with Amba & Al-Hajeri (2013).

However, Soyemi and Olowookere (2013) provided an empirical examination of client attributes, which significantly explained variations in the amount of external audit fees charged by bank auditors in Nigeria. A standard audit fee model was used to investigate the specific effect of bank size, risks and complexities on audit fees for top ten (10) publicly quoted commercial banks. Multiple OLS regression was adopted as the estimation technique

on the panel data gathered through content analysis of annual reports and accounts of these banks over a 4-year post-consolidation period (2009-2012). The findings from this study revealed that the number of branches used to operationalize complexities associated with bank audit displayed a negative and significant influence with audit fees. The results could have changed if the authors had used the number of subsidiaries in the client companies as the proxy of client complexity.

A study conducted by Cohen (2013) of the Greek market, for instance, presents evidence that auditors charge high fees for a complex business. The study covered the public sector of Greece. The author asserted that auditing an inventory was time consuming and, therefore, auditors did extra effort in verifying physical quantities of inventory and, thus, charged high fees, which increased the cost of audit. Moreover, fixed assets also required extra effort and time for verification, as auditors conducted tests in finding estimates of depreciation or impairment. In Bahrain, Amba and Al-Hajeri (2013) examined the determinants of audit fees of the companies listed on Bahrain market. The study focused on the significance of the five factors in determining audit fees, such as number of transactions, the sum of account receivable and inventory, complexity of information technology, number of subsidiaries and regulations using data collected from 20 auditing firms and 30 non-audit firms through a survey questionnaire. The study found that the volume of transactions that originated across subsidiaries with the international presence of the complexity of sophisticated Information Technology systems significantly contributed to higher audit fees. This supports the findings of Monsuru (2014).

Nevertheless, conflicting evidence regarding client complexity relationship and audit fees was established by Cantoni, D'silva and Isaacs (2010) in their study of the UK charity sector,

which found a non-significant relationship of complexity with audit fees. Complexity is measured in the study by the presence and number of subsidiaries or branches, area of activity and total number of funds in the balance sheet. The results showed that complexity had a non-significant relationship with audit fees. This is in contrast with findings of Monsuru (2014).

Client complexity shows a significant relationship with audit fees in emerging countries, as indicated by the study of Naser and Nuseibeh (2007) of the Jordan market. The study measured complexity by using a balance sheet measure (sum of inventory and receivables) and a number of business segments in which a company operates was used as a proxy for client complexity. The study found a significant positive relationship of client complexity with audit fees. This supports the assertion that the complexity of business increases the auditors' effort and hence they compensate themselves by charging high fees. Therefore, the study indicated that the complexity of business had got conflicting evidence and there was a room for improvement in this regard.

Ahmed and Goyal (2005) conducted a one year cross-sectional study on three markets, i.e. India, Pakistan and Bangladesh, with a sample size of 566 companies listed on the stock exchanges of those three countries. In their study, they found out that client complexity had a non-significant relationship with the audit fees for any of the country included in the study. It is concluded that a non-significant relationship of client complexity with audit fees might be an indication that the auditors in these countries determine their audit fees based on variables, such as client size or auditor size and did not consider the complexity of business as a determinant of audit fees. This finding also contradicts that of Monsuru (2014).

2.3.4 Client Underwriting Risk and Audit Fees

Insurance underwriting risk is measured as a percentage change in the net premiums written from the prior year represents an increase/ growth in the company's underwriting exposure. Insurance companies experiencing greater growth in premiums written should exhibit a higher level of underwriting risk to the extent that a higher level of underwriting risk translates into a higher level of systematic risk and/or total risk. The growth in premiums should be positively related to audit fees among insurance companies (Vaughan, 1992). A Ghanaian study by Musah (2017) examined the determinants of audit fees with empirical evidence from the Ghana stock exchange. Specifically, the study examined audit fee determinants, which included client size, profitability and client risk measured by debt ratio, YEAR (season) and MNC. Using the Simunic (1980) model, the results indicated that the ignorance of the risk factor by auditors may pose a serious threat to the recognition and reputation of audit firm along with an indication of the feeble legal regime in Ghana.

Additionally, Haq and Leghari (2015) examined the determinants of audit fees in Pakistan, which had been less explored in this regard with only two studies being conducted focusing on its market. The study used single-year data for analyses conducted in a less regulated environment than presently prevalent in Pakistan. With the use of the Simunic (1980) model, the results from the study indicated that ignorance of risk factor by the auditors may pose a serious threat to the fame and reputation of the audit firm along with an indication of the feeble legal regime in Pakistan. This is consistent with the findings of Musah (2017). Akotey and Abor (2013) examined the risk management practices of Ghanaian life and non-life insurance firms. The results of the survey were also analyzed and compared to the principles of good practices in financial risk management. The findings of the study revealed some

differences and similarities in the risk management practices of life and non-life insurance firms.

Calderon, Wang and Klenotic (2012) advocated that auditors can never disclose all the misstatements in financial statements as the time for conducting audit is limited and auditors rely on sampling techniques. Auditors therefore invariably charge extra fees in order to mitigate the risk arising from the limited time available to them for conducting audit and such extra fee or premiums compensate them for the potential loss associated in conducting an audit. This confirms the findings of Borde, Chambles & Madura (1994).

An empirical study by Koh and Tong (2012) investigated the impacts of clients' involvement in controversial corporate activities with audit pricing in the United States. The result concluded that the clients involved in controversial activities would be charged higher audit fees. However, Stanley's (2011) research showed a significant negative relationship between audit fees and the client firms' business risk. Charles, Glover and Sharp (2010) pointed out that auditors usually assess the risk of client before conducting its audit. They posited that when auditors feel that the risk of a client is high then they increase the amount of evidence in doing audit work, so the effort and cost of the audit increase and is compensated by high fees. This supports the work of Borde, Chambles & Madura (1994).

Borde, Chambles and Madura (1994) examined the firm-specific factors affecting the risk of insurance companies in the United States. The study uses a secondary data for the period (1988 to 1991) and the sample consisted of 43 insurance companies. Ordinary-least-squares (OLS) regression analysis was employed in analyzing the data. The result revealed that insurance company risk is positively linked to underwriting risk, as measured by growth in the premium written. This is in line with Koh & Tong (2012) and Stanley (2011).

2.3.5 Client Liquidity Risk and Audit Fees

The liquidity risk indicator is the ratio of cash and short-term securities investments to total assets. This balance sheet derived ratio measures a firm's ability to meet current obligations. A low ratio value may be an early warning indicator of an insurance company's financial difficulties to the extent that adverse changes in liquidity are associated with operational difficulties. However, high liquidity levels can lead to more aggressive investment and, therefore, to higher risk (Vaughan, 1992). In Brazil, Castro, Peleias and Silva (2015) investigated the determinants of audit fees in the Brazilian audit market using companies listed on the BM & FBOVESPA. Using data of sampled companies for 2012, they found a positive relationship between fees and the variables size, client complexity and big4 auditors. The risk perceived by the auditor demonstrated to affect the values of fees differently in larger and smaller clients. The study concluded that the risk of the client demonstrated negative association with audit fees. This is in line with the findings of Akinpelu, Omojola, Ogunseye & Bada (2013) and contradicts those of Suryanto (2014).

In Indonesia, Suryanto (2014) examined the effects of client attributes, auditor attributes and engagement attributes to audit fees and the effects of audit fees to control risks and fraud prevention. Survey research design with a sample of 104 respondents (auditors working in public accounting firms) in Bandar Lampung, Palembang and Jambiwas was used. Partial Least Square analysis was employed to test the hypotheses. The results showed that audit fees have an effect on risk control and fraud prevention. Although the result revealed a positive association between liquidity risk and audit fees, the author should have also use secondary data for more robust results.

Akinpelu, Omojola, Ogunseye and Bada (2013) investigated the determinants of audit fees in commercial banks in Nigeria. Data were collected from a sample of banks mostly quoted on the Nigerian Stock Exchange. Consistent with previous studies, the results showed that the non-performing loan was positively related to audit fees but was statistically non-significant. While the risk weighted capital adequacy ratio was negatively related and statistically insignificant to audit fees. This supports the findings of Akinpelu, Omojola, Ogunseye & Bada (2013) and contradicts those of Suryanto (2014).

In the United States, Ellis and Booker (2011) investigated the determinants of audit fees in the Community Action Agency (anti-poverty fighting non-federal organizations) segment of the NPO sector of the audit market. An external audit fee model was developed using a national sample of 274 Community Action Agencies. Ordinary least square regression was used to test the model. The findings indicated that the model was highly significant and explained the majority of the cross-sectional variance in audit fees. This finding is contrary to that of Akinpelu, Omojola, Ogunseye & Bada (2013), who reported a weak association between the liquidity risk and audit fees. Also, Xu (2011) investigated the factors which determine the audit fees in China, using data collected from 2010 annual report of 191 sample listed companies. The study employed multiple linear regression models of audit fees and relevant influence factor to test the hypotheses. It is found that the total assets of listed companies, the number of subsidiaries and auditor firm size were the main affecting factors of audit fees. But the indicators which reflected audit risk had no significant impact on audit fees. This is in line with Akinpelu, Omojola, Ogunseye & Bada (2013).

Akhtar, Ali and Hailey (2011) examined liquidity risk management (LRM) through a comparative analysis between the conventional and Islamic banks of Pakistan. The study used

bank size, net working capital, return on equity, capital adequacy and return on assets (ROA) as independent variables. The study was based on secondary data that covered the period (2006-2009) and used a sample of 12 banks. Descriptive, correlation and regression analysis were used. The study found a positive but insignificant relationship of bank size and net-working capital to net assets with liquidity risk in both models. In addition, capital adequacy ratio in conventional banks and return on assets in Islamic banks were positive and significant. Furthermore, Huang, Lee and Rose (2010) investigated the association between audit fees and subsequent client litigation in the United States. The study used univariate and regression analyses on a sample of 8,782 firms for the period 2000 to 2003. The sample included 223 litigation and 8,559 non-litigation firms. The result of the study showed a significantly positive association between audit fees and subsequent client litigation.

2.3.6 Audit Firm Size and Audit Fees

Audit firm size is an important aspect that determines the audit fee. Audit firm size is frequently measured based on audit firm assets, market share and/ or whether an audit firm is the big four or not. The big four are the biggest audit firms in the world and due to their financial strength and the international affiliation and expertise they have, they are therefore able to provide higher quality audit than other non-big four audit firms. This factor is expected to have a positive relationship on audit fees (Butterworth & Houghton, 1995). Researches have shown mixed results regarding the assertion that audit firm size significantly determines auditors' remuneration or not.

Otete (2018) analyzed the determinants of external auditors' remuneration with evidence from the Ugandan insurance sector using a population of 100 listed companies in the insurance

sector. A sample of 74 insurance players was used for this longitudinal study based on selected data extracted from audited financial statements for the years 2014-2017. The study revealed that the client's annual income and total assets had a statistically significant influence on the auditor's remuneration. Auditor size (Big4 and small and medium audit firms) also had a statistically significant influence on the auditor's remuneration. The study recommended that, for accountancy practice, especially small and medium audit firms in Uganda, the gap of auditor's remuneration can only be reduced through the acquisition of medium and larger insurance players, who would then be able to afford higher auditor's remuneration.

In Nigeria, Ilaboya, Izevbekhai and Ohiokha (2017) investigated the determinants of abnormal audit fees in quoted companies, with specific emphasis on how firm size, the big4, profitability, joint audit, and leverage impact on abnormal audit fee. The study involved about eighty four (84) manufacturing companies quoted on the Nigerian Stock Exchange as at 31st December, 2014. A sample of 56 companies was selected for the study. Panel regression estimation technique was used in the analysis of the variables. The study found a positive and statistically significant relationship between the interaction of big4 audit firms and the dependent variable of abnormal audit fees, which implies that large firms using big4 audit firms tend to pay abnormal audit fees. This affirms the findings of Kimeli (2016).

Also, Alanezi and Alfraih (2016) analyzed the factors that influence audit fees in the Kuwait audit market. A questionnaire was distributed to a number of audit firms operating in the Kuwaiti market and companies listed on the Kuwait Stock Exchange (KSE). The results indicated that among the 25 factors included in this study, audit firm brand name, time spent completing a given job and auditor experience were the most important factors influencing

audit fees determinants in the Kuwait audit market from the audit firm and companies perspective. This implies that audit firm size significantly influences audit fees. This is in line with Ilaboya, Izevbekhai & Ohiokha (2017).

A divergent view emanated in the study of Davidson (2015), which examined the statistically significant determinants for audit fees in the South African market by regressing audit fees against a selected set of determinant variables. In contrast to prior local research, results showed that a large audit firm fee premium did not exist. A Kenyan scholar, Kimeli (2016), investigated the determinants of audit pricing on the companies listed on the Nairobi security and exchange. Deductive approach was used in the study and data collected from the listed firms' annual reports cover the period 2008 to 2014. Out of the 62 listed firms targeted by the study, 41 were selected. Linear regression model was used to test the hypothesis. The findings supported a link between audit pricing and the big4 status of audit firm. This supports the findings of El-Gammal (2012).

In Nigeria, Soyemi (2014) studied client/ auditor attributes and external audit fees among the listed non-financial companies. The specific characteristics that were investigated for significant influences on external audit fees were size, complexity, risk and auditor size. The study used secondary data gathered through content analysis of the sampled companies' annual reports and accounts from 2009-2012. The panel data obtained was analyzed using descriptive statistics to depict patterns. OLS multiple regression technique was used to estimate the panel econometric model. The findings from the study revealed that the premium value for the big4 was not only positive but significantly higher, suggesting the near dominance of the audit market by the big accounting firms. This is in line with Ilaboya, Izevbekhai & Ohiokha (2017). The study of Siddiqui, Zaman and Khan (2013) investigated

whether big four affiliates earned audit fee premiums in Bangladesh. The study examines 122 companies listed on the Dhaka Stock Exchange in 2005. The results of the study revealed that the big four affiliate firms were not positively related with audit fees. In contrast, a Brazilian study by Hallak and Silvar (2012) investigated the factors affecting auditing and consulting fees in Brazilian public companies. The results indicated that audit fees were positively related with the big four auditors.

El-Gammal (2012) also conducted a research on the determinants of audit fees with evidence from Lebanon. The paper studied the views of external auditors and client representatives about the factors that affected audit fees and provided evidence whether these factors were related to audit firm or client firm characteristics. A sample of 80 respondents provided the empirical data for the research by answering a self-administered questionnaire. Descriptive statistics and Mann-Whitney U test were used as the tool for data analysis. The results showed that both external auditors and client representatives groups agreed that the most important factor affecting/ determining amount of audit fees was whether the audit firm was one of the big four or not. This is consistent with the findings of Soyemi (2014).

A prior study carried out by Li and Zhu (2011) investigated the correlating factors of the audit fees in China whereby the prestige of auditing firms was one of the determinants. This study focused on the companies listed on Shanghai and Shenzhen Securities Markets and obtained 1426 pieces of financial information from China Stock Market Accounting Research (CSMAR) during the year 2009. This study presented a correlation matrix for the regression models. The results showed that the prestige of the auditing firms was significantly associated with the audit fees. The study should have employed a panel data instead of cross sectional data to see what happened in some other years not covered by the study.

Moreover, Shammari, Yaqout and Hussaini (2008) investigated the audit market in Kuwait. They developed a model for the determinants of audit fees that took into account client size, risk, complexity, profitability and industry and auditor size. The findings showed similarities in the determining factors for audit fees in Kuwait and other countries previously studied. Contrary to the findings of most of the other studies, there was no fee premium in Kuwait for the big four auditing firms. Besacier and Schatt (2006) examined the factors influencing audit fees in France. The French case is specific because the law requires a joint auditing process involving two separate auditors for firms that publish consolidated financial statements. The study found that audit fees depended on the presence of two of the big four firms. When they audited company accounts, the fees charged were significantly lower in comparison with those paid in the other cases.

2.4 Theoretical Framework

A number of researchers have advanced theories with different implications in the areas of audit fees. This study is explained by two theories, namely: the lending credibility theory and the theory of inspired confidence.

2.4.1 The Lending Credibility Theory

The lending credibility theory suggests that the primary function of the audit is to add credibility to financial statements. In this view, the service that the auditors sell to their clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management (in the financial statement). The users are perceived to gain benefits from increased credibility. These

benefits are typically considered to be: that the quality of investment decisions improve when they are based on reliable information (Hayes, Dassen, Schilder & Wallage, 2005).

This theory suggests that reputation capital is a primary factor that motivates auditors to provide high-quality auditing. There is limited evidence on whether or how reputation risk affects auditor-client contracting or auditor decision-making. While auditors risk losing reputation capital when audit market participants perceive that they have allowed misreporting, prior research argues that accounting conservatism acts as a governance mechanism that reduces managements tendency to misreport, thereby reducing the chances that auditors will fail to prevent misreporting (Watts & Zimmerman, 1986). This suggests that conservative clients are likely to impose lower reputation risk on their auditors. If so, this lower reputation risk is expected to be reflected in audit fees negotiations, the audit opinion formulation process and auditors' client retention decisions. Furthermore, adopting the theory will aid the study in determining the factors influencing audit fees. The result of the current study clearly indicates that the higher the audit fees paid to the accounting firms the better the quality of the financial statements audited by such accounting firms.

2.4.2 The Theory of Inspired Confidence

The theory of inspired confidence addresses both demand and supply for audit services. The demand for audit services is the direct consequence of the participation of third parties (the interested parties of a company) in the company. These parties demand accountability from the management in return for their investments in the company. Accountability is realized through the issuance of periodic financial reports. However, since this information provided by the management may be biased and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. With regard to the supply of audit

assurance, the theory suggests that the auditor should always strive to meet public expectations (Hayes et al., 2005).

The importance of the theory of inspired confidence is that the duties of the auditors derive from the confidence bestowed by the public on the success of the audit process and the assurance the opinion of the accountant conveys. Since this confidence determines the existence of the process, a betrayal of the confidence logically means a termination of the process or function. Many companies seek tenders for audit services with a focus on audit quality. They correctly focus on matters, such as expertise and the experience of the engagement team, industry knowledge and the availability of specialist skills, to deal with complex issues and auditor independence. However, some tenders focus on reducing fees and saving costs, inappropriately assuming that audit quality is only an issue for the audit firm. While there may be some instances where an effective but more efficient audit is obtained, there could be pressures in some audit firms to limit the impacts on margins. Both the audit clients and the audit firm are expected to act rationally whilst trying to maximize their own utility, which might not always be perfectly aligned between the two parties (Ross, 1973). The question that arises wherefrom is: how can the audit firm ensure that they act in the best interests of stakeholders and commensurate with the huge amounts their clients pay for audit services in order not to compromise the confidence bestowed in them?

In summary, this theory is underpinned by a simple principle which states that for the statutory audit function to be considered successful, it must fulfil its objectives, which revolve around its ability to maintain the confidence of society and, if society's confidence is lost, the statutory audit function also loses the purpose of its existence.

Considering the above discussions and bearing in mind the objectives of the study, it can be noticed that the theory of inspired confidence underpins the findings of this study. This is because it affirms stakeholders to place a reliance on auditors' professional opinion as regarding the truthfulness and fairness of financial statements. The confidence placed by the stakeholders of insurance business will not allow auditors to compromise their professional judgments. This will in turn allow them to produce a qualitative audit report, which is associated with higher audit fees.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research design, the population of the study, sample size and the sampling techniques. It also discusses the processes employed in collecting data and the techniques used in analyzing them. The variables of the study and their measurements are also explained in this chapter.

3.2 Research Design

This study employs experimental-correlational research design. This design is believed to be adequate and appropriate for examining the relationship between explanatory variables and

observe their impact on the dependent variable. Hence, this design is suitable to actualize the research objectives, which aim at examining the determinants of audit fees in the listed insurance companies in Nigeria.

3.3 Population of the Study

The population of the study covers all the twenty six (26) insurance and assurance companies listed on the floor of the Nigerian Stock Exchange as at 30th September, 2019. Table 3.1 contained the list of insurance companies that fall within the scope of this study:

Table 3.1: Listed Insurance Companies in Nigeria

S/N	Name of Insurance Companies	Year of Listing
1	AIICO Insurance, Plc	1990
2	Consolidated Hallmark Insurance, Plc	2008
3	Continental Reinsurance, Plc	2007
4	Cornerstone Insurance Company, Plc	1997
5	Equity Assurance, Plc	2007
6	Goldlink Insurance, Plc	2008
7	Great Nigeria Insurance, Plc	2005
8	Guinea Insurance, Plc	1991
9	Investment and Allied Assurance, Plc	2008
10	Intercontinental Insurance, Plc	1990
11	International Energy Insurance Company, Plc	2007
12	LASACO Assurance, Plc	1991
13	Law Union and Rock Insurance, Plc	1990
14	Linkage Assurance, Plc	2003
15	Mansard Insurance, Plc	2009
16	Mutual Benefits Assurance, Plc	2002
17	N.E.M Insurance Company (Nig), Plc	1990
18	Niger Insurance Company, Plc	1993
19	Prestige Assurance Company, Plc	1990
20	Regency Alliance Insurance Company, Plc	2008
21	Sovereign Trust Insurance, Plc	2006

22	Standard Alliance Insurance, Plc.	2003
23	Standard Trust (STACO) Assurance, Plc	2007
24	Unity Kapital Assurance, Plc	2009
25	Universal Insurance Company, Plc	2008
26	WAPIC Insurance, Plc	1978

Source: Generated by the Researcher from NSE website (www.nse.com.ng) as at 30th September, 2019.

3.4 Sampling Technique

The study employs judgemental sampling technique in arriving at the sample size. However, it also uses a three-point filter to arrive at the working population. These filters are: **1)** a company must be listed for the entire period of study; **2)** a company must have the required data for the study; and **3)** a company must be engaged in insurance businesses and not assurance businesses. Thus, no company is removed by the fist filter, as they are all quoted before 31st December, 2009. Goldlink Insurance, Plc, Intercontinental Insurance, Plc, Mansard Insurance, Plc, Regency Alliance Insurance Company, Plc and Law Union and Rock Insurance, Plc were excluded by the second filter, because they did not have the required data for the study. Lastly, Continental Reinsurance, Plc, Equity Assurance, Plc, Investment and Allied Assurance, Plc, LASACO Assurance Plc, Linkage Assurance Plc, Mutual Benefits Assurance Plc, Prestige Assurance Company, Plc, Standard Trust (STACO) Assurance, Plc and Unity Kapital Assurance Plc were disqualified by the third filter, as they were engaged in assurance or reinsurance businesses.

3.5 Sample Size of the Study

The sample size of the study comprises twelve (12) listed insurance companies in Nigeria. Table 3.2 represents the sampled insurance companies used in the study:

Table 3.2: Sampled Firms of the Study

S/N	Name of Insurance Companies	Year of Listing
1	AIICO Insurance, Plc	1990
2	Consolidated Hallmark Insurance, Plc	2008
3	Cornerstone Insurance Company, Plc	1997
4	Great Nigeria Insurance, Plc	2005
5	Guinea Insurance, Plc	1991

6	International Energy Insurance Company, Plc	2007
7	N.E.M Insurance Company (Nig), Plc	1990
8	Niger Insurance Company, Plc	1993
9	Sovereign Trust Insurance, Plc	2006
10	Standard Alliance Insurance, Plc	2003
11	Universal Insurance Company, Plc	2008
12	WAPIC Insurance, Plc	1978

Source: Generated by the Researcher from Table 3.1

3.6 Sources and Methods of Data Collection

This study used secondary sources of data extracted from the annual reports and accounts of companies in the insurance industry listed on the floor of the Nigerian Stock Exchange as at 30th September, 2019 covering 2009 through 2018. The data were subjected to empirical test and statistical analysis.

3.7 Variables of the Study and their Measurements

This study used two sets of variables. These are the dependent and explanatory variables.

3.7.1 The Dependent Variable

The dependent variable was proxied as audit fees and measured by the natural logarithm of the audit fees paid for auditing the annual accounts of parent companies and consolidated accounts. The audit fees do not include fees for auditing annual reports of branches and subsidiaries**.** This is consistent with the works of Kimeli (2016); Soyemi (2014) and Urhoghide & Emeni (2014).

3.7.2 The Independent Variables

The independent variables for this study are client size, client profitability, client complexity, client operating risk, client underwriting risk, client liquidity risk and audit firm size.

i. Client Size: This was proxied as client size and measured by the natural logarithm of total assets of the audited company**.** This proxy was also used by Kimeli (2016); Urhoghide &

Emeni (2014); Shammari, Yaqout & Hussaini (2008); Butterworth & Houghton (1995) and Simon & Francis (1988).

ii. Client Profitability: This was proxied as profitability of the client and measured by the Return on Assets (ROA). This is consistent with the works of Musah (2017); Kimeli (2016); Kikhia (2015) and Shammari, Yaqout & Hussaini (2008)**.** Return on assets is the ratio of profit after tax to total assets.

iii. Client Complexity: This was proxied as complexity of the client and measured by the number of subsidiaries of the client company locally and internationally. This is in line with the works of Urhoghide & Emeni (2014); Cantoni, D'silva & Isaacs (2010); Shammari, Yaqout & Hussaini (2008) and Naser & Nuseibeh (2007).

iv. Client Underwriting Risk: This was proxied as client underwriting risk and in this context measured by the growth or change in net premium written**.** This is measurement is in line with that of Borde, Chambles & Madura (1994) and Akotey & Abor (2013).

v. Client Liquidity Risk: This was proxied as client risk and in this context measured by the ratio of cash and investment in short term securities to total assets**.** This is consistent with the works of Monsuru (2014), who measured bank risk as deposit to total assets ratio.

vi. Audit Firm Size: This was proxied as big4 and measured by using a dummy variable. A value of 1 was assigned if an audit firm was a big four firm and a value of 0 assigned to a non-big four audit firm. The big four audit firms in Nigeria are KPMG Professional Services, Akintola Williams Delloite, Price Waterhouse Cooper and Ernst and Young. This is in line with the works of Kimeli (2016); Soyemi (2014); Siddiqui, Zaman & Khan (2013) and Van-Caneghem (2010).

3.8 Techniques of Data Analysis and Model Specification

The objective of this study is to examine the determinants of audit fees of listed insurance companies in Nigeria. To achieve this, a statistical software was used to analyze the data into descriptive statistics, correlation and generalized least square regression analysis.

3.8.1 Descriptive Statistics

The study used descriptive statistics in computing the summary statistics, which describe the central tendency as well as how the data spread around these values. This statistical tool was used to describe the dependent and independent variables of the study by computing mean, standard deviation, minimum and the maximum of the variables.

3.8.2 Regression Analysis

In order to determine the variations in dependent variable due variation in any of the explanatory variables, Ordinary Least Square (OLS) regression model was employed to test the hypotheses of the study. To ensure the efficiency and consistency of the OLS results, a post-estimation test, such as multicollinearity, heteroskedasticity and normality tests of error was conducted. However, to robust the result of OLS due to panel nature of the data, hausman specification was employed to choose between the result of random effect (RE) and fixed effect (FE).

3.8.3 Model Specification

In order to evaluate the determining the factors influencing the audit fees of listed insurance companies in Nigeria, the study adopted with little modification the models used by Kimeli (2016); Urhoghide & Emeni (2014) and Hassan & Naser (2013).

$$Adfees_{it} = \beta_{0it} + \beta_1 Size_{it} + \beta_2 Profit_{it} + \beta_3 Comp_{it} + \beta_4 Undrisk_{it} + \beta_5 Liqrisk_{it} + \beta_6 Big4_{it} + \varepsilon_{it}$$

Where:

Adfees = Audit fees;

Size = Client size;

Profit = Client profitability;

Comp = Client complexity;

Undrisk = Client underwriting risk;

Liqrisk = Client liquidity risk;

Big4 = Audit firm size;

i = number of audited companies/ clients;

t = number of years;

β_0 = constant (i.e. fixed audit fees component);

$\beta_1 - \beta_6$ = correlation coefficients of the explanatory variables;

ε = error term representing other explanatory variables that were not captured in the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents, analyzes, interprets and discusses the results obtained from the data generated for the study. Thus, the generated data in relation to each statistical hypothesis of the study are presented and analyzed using descriptive statistics, correlation and multivariate regression analysis, which is used in categorizing the chapter into four sub-sections. In view of this, the other sub-sections of this chapter are robustness tests and analysis of data, which explains descriptive statistics, correlation and regression results.

4.2 Robustness Tests

In this study, to ensure that all the generated statistical data are valid for a reliable conclusion, robustness tests for the explanatory and the dependent variables were conducted. The various tests conducted include multicollinearity, heteroskedasticity, hausman specification, normality of residuals and lagrangian multiplier tests for random effect.

4.2.1 Multicollinearity Test

The multicollinearity test conducted was as a result of the implied linear function that one independent variable has on another. There is an assumption that for the multiple regression models, the independent variables are not perfectly correlated. Multicollinearity exists when there is a perfect correlation between two or more independent variables and where there is a perfect correlation among the independent variables, errors may be inflated and the estimates for a regression model cannot be uniquely computed. This study employs the Variance Inflation Factor (VIF) to check whether the explanatory variables suffer from multicollinearity. The VIF in excess of 10 indicates the presence of multicollinearity. Therefore, a multicollinearity test was carried out to check if there was a correlation between independent variables which would mislead the result of the study.

Table 4.1: Multicollinearity Test

Variables	VIF	1/VIF
Comp	1.97	0.507
Size	1.80	0.556
Big4	1.14	0.874
Profit	1.12	0.896
Liqrisk	1.09	0.920
Undrisk	1.03	0.971
Mean VIF	1.36	

Source: Generated by the Researcher from Annual Reports of the sampled Insurance Companies (2009-2018) Using STATA 15.0 Output.

The result of aTble 4.1 shows the VIF of 1.97, 1.80, 1.14, 1.12, 1.09 and 1.03 respectively for each explanatory variables. This is less than the rule of thumb, which is 10, and indicates the absence of multicollinearity.

4.2.2 Heteroskedasticity Test

The heteroskedasticity test is used to check whether the variability in error terms is constant or not. The presence of heteroskedasticity signifies that variations of the residuals or error terms are not constant and will affect the statistical results. In this study, the Breusch-pagan test for heteroskedasticity was conducted to check whether the variability in error terms was constant or not. The result as evidenced by the significant prob >chi^2 of 0.0450 reveals that errors have no constant variance (heteroskedastic) and implies the presence of heteroskedasticity and the absence of homoskedastacity in the model. Random effect (robust standard error) was conducted as remedial action (See Appendix I).

4.2.3 Normality Test of Residuals

The normality test of residuals conducted by this study was to determine if the data set for the multiple regressions were well-modelled by a normal distribution and check how likely the computed data set for a random variable were normally distributed. The essence of the test was to arrive at the optimum result, which assumes that under these multiple regression models that errors (residuals) behave normal and its impact on the validity of the entire test carried-out. The residuals are the differences between the observed and predicted values.

This study used a numerical (Shapiro-wilk test for normality) and graphical (normality plot) to check whether error terms were normally distributed. The result of the test shows prob >chi^2 of 0.00004, which indicates that errors were not normally distributed. Random effect (robust standard error) also served as a recourse to the error terms (see Appendix I).

4.2.4 Hausman Specification Test

In view of the trade-off between the efficiency of the random effect (RE) approach and the reliability of the fixed effect (FE) approach, a hausman specification test was carried out by

this study to choose between GLS fixed and random effects. The decision criteria is that where the prob >chi^2 is less than or equals 0.05, the fixed effect result should be selected, but where the prob >chi^2 is greater than 0.05, then the random effect result is to be selected. The result of the model shows that the prob >chi^2 is 0.1238 (See Appendix I), which indicates that the random effect is better than the fixed effect. Thus, Breusch-pagan lagrangian multiplier tests for random effect were conducted in order to choose between OLS and random effect. The results revealed prob >chi^2 of 0.0000 (See Appendix I), indicating that random effect was more reliable and better aligned than OLS.

4.3 Analysis of Data

This section presents the results of the analysis conducted on the data collected for the study. It presents the descriptive statistics, correlation and the regression results of the study.

4.3.1 Descriptive Statistics

This sub-section provides a summary statistics of the data gathered on the dependent and explanatory variables of the study. These include measures of central tendency and dispersion of the variables of the study. Thus, Table 4.2 provides the mean and standard deviation as well as minimum and maximum values for the dependent variable (audit fees) and the explanatory variables (client size, client profitability, client complexity, client underwriting risk, client liquidity risk and audit firm size) of the study.

Table 4.2: Descriptive Statistics of the Variables of the Study

Summary of the Variables					
Variables	**Obs**	**Mean**	**Std. Dev.**	**Min**	**Max**
AdFees (value)	120	₦15.7m	₦12.3m	₦3m	₦79m
Size	120	16.281	0.688	15.020	18.366
Profit	120	0.008	0.121	-0.783	0.223
Comp	120	1.108	0.933	0	3

Undrisk	120	0.140	0.477	-0.891	4.462
Liqrisk	120	0.185	0.117	0.006	0.532
Big4	120	0.358	0.482	0	1

Source: Generated by the Researcher from Annual Reports of the sampled Insurance Companies (2009-2018) Using STATA 15.0 Output.

From Table 4.2, it can be seen that a total of 120 observations were recorded. The result shows that the audit fees of the sampled companies have an average value of ₦15.7 million, with minimum and maximum values of ₦3 million and ₦79 million, respectively. This signifies that there is a not much variation in the audit fee payment by the sampled companies, as portrayed by the standard deviation of ₦12.3 million. This means that the sampled insurance companies in Nigeria are within the same range in terms of audit fee payment. That indicates that the sampled companies pay almost the same amount of audit fees in a particular year.

The client size (measured as the natural logarithm of total assets) of the sampled companies has a mean of 16.281, with minimum and maximum values of 15.020 and 18.366, respectively. The standard deviation of 0.688 shows that there is wide dispersion in the firm size of the sampled companies. This implies that some of them are bigger in terms of assets than others under the period of the study. With respect to the profitability of the sampled companies, it has a mean of 8%, with minimum and maximum values of -78% and 22%, respectively. This shows a high variation in profitability of the sampled companies as portrayed by the standard deviation of 12%, which is much higher than the mean value. The negative minimum value indicates that some sampled companies incurred loss at a particular period.

The complexity of the sampled companies, however, maintains an average value of 1.108, with minimum and maximum values of 0 and 3, respectively. The standard deviation of 0.933 indicates that there is not much variation in the complexity of the clients among the sampled

companies. The sampled companies have an average client underwriting risk of 0.140, with minimum and maximum values of -0.891 and 4.462, respectively. The standard deviation of 0.477, which is much greater than the mean value, shows that there is high variation in the client underwriting risk of the sampled companies for the period of the study. The negative minimum value indicates that there is lag/ delay in the payment of premiums by some of the insured persons in one particular year or the other.

The sampled companies have an average client liquidity risk of 0.185, with minimum and maximum values of 0.006 and 0.532, respectively. The standard deviation of 0.117 shows that there is no significant variation in the client liquidity risk of the sampled companies for the period of the study. This means that they are within the same range in terms of liquidity risk. On average, 36% of the sampled companies are audited by the big4. The minimum and maximum values are 0% and 1% respectively (0 = non big4 and 1 = big4). The standard deviation of 48%, which is much higher than the mean value indicates a wide dispersion in the auditor size among the sampled companies. This means that 36% of the companies are being audited by the big4 audit firms and the remaining 64% by the non-big4.

4.3.2 Correlation Matrix

The correlation matrix measures the strength and direction of the association between dependent and explanatory variables and also among explanatory variables themselves. Thus, Table 4.3 depicts the degree of the relationship between the audit fee and its determinants and also among the determinants themselves.

Table 4.3: Correlation Matrix of the Variables of the Study

	AdFees	Size	Profit	Comp	Undrisk	Liqrisk	Big4
AdFees	1.000						
Size	0.678	1.000					
Profit	0.020	0.034	1.000				
Comp	0.514	0.641	0.252	1.000			

Undrisk	-0.061	-0.072	0.121	-0.010	1.000		
Liqrisk	-0.080	-0.155	-0.020	-0.071	0.029	1.000	
Big4	0.513	0.102	0.072	0.250	0.091	0.217	1.000

Source: Generated by the Researcher from Annual Reports of the sampled Insurance Companies (2009-2018) Using STATA 15.0 Output.

Table 4.2 presents the correlation coefficient of the dependent variable (audit fees) and independent variables (client size, client profitability client complexity, client underwriting risk, client liquidity risk and audit firm size) ranges from -0.155 to 0.678. The sign of the correlation coefficient indicates the direction of association (positive or negative), while the absolute value of the correlation coefficient indicates its strength. This strength ranges from perfect to strong to moderate to weak and very weak or no association at all. The correlation coefficients on the main diagonal are 1.0, because each variable has a perfect positive linear association with itself.

It is clear from Table 4.3 that the association between client complexity, audit firm size and audit fees of the sampled companies is moderate and positive, with correlation coefficient values of 0.51 and 0.51 respectively, whereas client size shows a strong and positive relationship with audit fees of the sampled companies, with correlation coefficient value of 0.68. This is supported by the previous findings of Ohidoa & Okun (2018), Ilaboya, Izevbekhai & Ohiokha (2017) and Hong & My (2017). Furthermore, client underwriting and client liquidity risk show a weak and negative association with audit fees, with correlation coefficient values of -0.06 and -0.08, respectively. Whereas client profitability shows a weak but positive association with audit fees, with correlation coefficient value of 0.02. This is in consistent with the works of Musah (2017) and Haq & Leghari (2015).

The association between client underwriting risk, liquidity risk and client size is weak and negative, with correlation coefficient values of -0.07 and -0.16, respectively. In contrast, a weak but positive association is found between profitability, audit firm size and client size,

with correlation coefficient values of 0.03 and 0.10, respectively. While client complexity shows a strong and positive association with client size, with a correlation coefficient value of 0.64.

The association between client complexity, client underwriting risk, audit firm size and client profitability is weak and positive, with correlation coefficient values of 0.25, 0.12 and 0.07, respectively. Client liquidity risk and client profitability have a weak and negative association, with a correlation coefficient value of -0.02. Meanwhile, the association between audit firm size and complexity is weak and positive, with a correlation coefficient value of 0.25. The association between client underwriting risk, client liquidity risk and client complexity is weak and negative, with correlation coefficient values of -0.01 and -0.07, respectively.

Liquidity risk and audit firm size show a weak and positive association with client underwriting risk, with correlation coefficient values of 0.03 and 0.09, respectively. Finally, the association between audit firm size and client liquidity risk is weak and positive, with a correlation coefficient value of 0. 22.

4.3.3 Regression Results

This section presents and interprets the regression results of the audit fee and its determinants of the sampled insurance companies in Nigeria. Table 4.4 presents the GLS random effect result of the variables of the study.

Table 4.4: GLS Regression (RE Robust) Result of the Variables of the Study

AdFees	Coef.	Std. Error	Z	P> /Z/
Size	0.556	0.168	3.32	0.001***

Profit	-0.185	0.169	-1.09	0.274
Comp	-0.037	0.078	-0.48	0.635
Undrisk	-0.061	0.047	-1.30	0.193
Liqisk	-0.625	0.511	-1.22	0.221
Big4	0.301	0.148	2.03	0.042**
Constant	0.453	2.685	0.17	0.866
R Squared:				
Within	0.3994			
Between	0.6977			
Overall	0.6098			
Wald Chi^2	35.01			
Rho	0.5600			
P-value	0.0000			

Source: Generated by the Researcher from Annual Reports of the sampled Insurance Companies (2009-2018) Using STATA 15.0 Output, ***, ** and * indicate 1%, 5% and 10% significant levels respectively.

Table 4.4 presents GLS random effect (robust) regression results of the dependent variable (audit fees) and independent variables (client size, client profitability client complexity, client underwriting risk, client liquidity risk and audit firm size). The result shows that the overall R^2 coefficient of determination is 0.61. This means that 61% of the variations in audit fees are caused by the explanatory variables of the study, while 39% of the variations are explained by other factors not covered by the study. Also, the probability of P-value of 0.0000 implies that the model is fit and significant at 5% level of acceptance and the variables are appropriately selected.

From the random effect (robust) regression result as shown by Table 4.4 above, it is seen that client size has a significant and positive impact on the audit fees of listed insurance companies in Nigeria, with a coefficient value of 0.556 and a p-value of 0.001. This implies that the higher the size of the sampled insurance companies in terms of assets value, the higher the audit fees. This result is consistent with the works of Musah (2017), Kimeli (2016), Haq & Leghari (2015) and Urhoghide & Emeni (2014) and contradicts the works of Soyemi (2014) and El-Gammal (2012), who found an insignificant but a positive impact.

The result shows that client profitability has an insignificant and a negative impact on the audit fees of listed insurance companies in Nigeria, with a coefficient value of -0.185 and a p-value of 0.274. This implies that an increase in profitability does not lead to the increase in audit fees. This finding goes alongside with that of Hong & My (2017), Kimeli (2016) and Rusmanto & Waworuntu (2015), but contrary to the results of Apadore & Letchumanan (2016), Haq & Leghari (2015) and Urhoghide & Emeni (2014) who documented significant and positive impacts.

Client complexity has an insignificant and a negative impact on the audit fees of listed insurance companies in Nigeria, with a coefficient value of -0.037 and a p-value of 0.635. This implies that an increase in the complexity of the client leads to the decrease in audit fees. This is in support of the findings of Musah (2017), Haq & Leghari (2015) and Soyemi (2014), who also reported that complexity has an insignificant and negative influence on audit fees. The finding is, however, inconsistent with those of Ohidoa & Okun (2018), Hong & My (2017) and Kimeli (2016) which were significant and positive.

Client underwriting risk has an insignificant and a negative impact on the audit fees of listed insurance companies in Nigeria, with a coefficient value of -0.061 and a p-value of 0.193. This implies that an increase in client underwriting risk leads to the decrease in audit fees. This finding is in line with the findings of Borde, Chambles & Madura (1994) and Akotey & Abor (2013), who also established insignificant and negative impacts.

Client liquidity risk has an insignificant and a negative impact on the audit fees of listed insurance companies in Nigeria, with a coefficient value of -0.625 and a p-value of 0.221. This implies that an increase in client liquidity risk leads to the decrease in audit fees. This

finding is in line with the findings of Borde, Chambles & Madura (1994) and Akinpelu, Omojola, Ogunseye & Bada (2013), who also established insignificant and negative impacts.

Audit firm size, on the other hand, has a significant and positive impact on the audit fees of listed insurance companies in Nigeria, with a coefficient value of 0.301 and a p-value of 0.042. This means that the bigger the audit firm size, the higher the audit fees and also implies that big4 firms charge extra-ordinary audit fees than the non-big4. These findings are consistent with those of Ohidoa & Okun (2018), Apadore & Letchumanan (2016), Haq & Leghari (2015) and Kikhia (2015), but different from those of Rusmanto & Waworuntu (2015), who reported insignificant and negative impacts.

Table 4.5: Summary of the Robustness Tests for the Study

Test	Method	Result	Meaning
Multicollinearity	VIF	1.36	Absence of multicollinearity
Heteroskedasticity	Breusch-Pagan/ Cook-Weisberg	0.0450	Presence of hetroskedasticity which was corrected through the GLS (RE robust test)
Hausman Specification	Hausman (FE/ RE)	0.1238	RE model is more robust
Breusch and Pegan Lagrangian Multiplier	Lagrangian Multiplier (OLS/ RE)	0.0000	RE model is more robust

Source: Generated by the Researcher from the Contents of the Study.

4.4 Implication of the Findings

The findings of this study have several practical and theoretical implications. These implications are expected to benefit the existing body of knowledge on the determinants of audit fees and extend the frontier of research in the area. The practical implication can be seen from the results of the study, which show that client size has a significant impact on the audit fees of listed insurance companies in Nigeria. This implies that the bigger the size of an insurance company the higher the audit fees. The insignificant result of profitability implies

that, the sampled companies with high profitability pay the least amount of audit fees when compared with their returns. Also, the insignificant result of complexity, as proxied by the number of subsidiaries, indicates that the higher the complexity of the sampled companies the lower the audit fees. Moreover, client underwriting risk is found to have an insignificant and a negative impact on the audit fees of the sampled companies. This means that the higher the underwriting risk, the lower the audit fees. Additionally, client liquidity risk is also found to have an insignificant and negative impact on audit fees of the sampled companies. This means that the higher the liquidity risk, the lower the audit fees. Lastly, the significant result of audit firm size implies that bigger audit firms known as the big four charge higher audit fees than the non-big four.

The theoretical implication can be seen from the perspective of the lending credibility theory, which says that the main purpose of audit is to add value to the financial statements prepared by managers. Therefore, if shareholders would abide by the ethical corporate practices of paying appropriate financial compensation to their auditors, that could yield higher and better financial reports, thereby protecting the wealth of policy holders, who are the customers of insurance companies in Nigeria. Hence, the policy holders' money is at risk if financial reports are not properly examined by the auditors of Nigerian insurance companies.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study examined the determining factors influencing the audit fees of listed insurance companies in Nigeria. It provided the general overview of the work, which introduced the audit fee and its determinants. The statement of the research problem identifies the research gap that emanates from previous similar researches and raises research questions. The objectives of the study clearly outlined the main objective and sub-objectives of the research while the research hypotheses were formulated in order to assist in achieving the research objectives. Significance of the study deals with the motivation, importance and beneficiaries of the study. The scope of the study covered a period of ten years (2009 through 2018) and was limited to the listed insurance companies in Nigeria.

To identify and reveal the gap filled by this study, various researches on audit fees determinants were reviewed and include the concept of auditing and auditors' remuneration, the concept of audit quality and the concept of insurance business. Empirical review on the study variables were also discussed and the theoretical framework reviewed the lending credibility theory and the theory of inspired confidence.

The methodology covered and used in conducting this work includes experimental-correlational research design and the data for the study was collected from the annual reports and accounts of twelve (12) sampled insurance companies for the period of the study. The population of the study consisted of all the twenty six (26) insurance companies listed on the floor of Nigerian Stock Exchange as at 30th September, 2019. The random effect GLS regression model was used in analyzing the data of the study using the Stata software version 15.0.

The presentation, analysis and interpretion of results were discussed. Also, robustness tests, such as multicollinearity, heteroskadasticity, hausman specification and normality test of residuals were conducted to examine the validity of the statistical techniques adopted in the study, so that the likely problems, such as collinearity, variability of error term and endogeneity, could be overcome.

Consequently, based on the results of the analysis conducted, the following are the findings of the study:

1. Client size has a significant positive impact on the audit fees of listed insurance companies in Nigeria.
2. Client profitability has an insignificant negative impact on the audit fees of listed insurance companies in Nigeria.
3. Client complexity has an insignificant negative impact on the audit fees of listed insurance companies in Nigeria.
4. Client underwriting risk has an insignificant negative impact on the audit fees of listed insurance companies in Nigeria.
5. Client liquidity risk has an insignificant negative impact on the audit fees of listed insurance companies in Nigeria.
6. Audit firm size has a significant positive impact on the audit fees of listed insurance companies in Nigeria.

5.2 Conclusions

The following conclusions were drawn based on the findings of the study:

1. Client size is an important determinant of the audit fees of the sampled companies. This means that the more the client expands in size (i.e. total assets), the higher its audit fees would be. This is consistent with most of the findings of prior studies. It is apparent that most Nigerian insurance companies have grown in asset size, which, in turn, influence auditors charging substantial fees as reward/ compensation for the professional services rendered to such companies.
2. Client profitability has an insignificant negative impact on the audit fees of the sampled companies and were expected to be significant for the reason that the higher the profitability, the higher the audit fees. The negative result could be attributed to the losses incurred by the sampled companies in one financial year or the other.
3. Client complexity (measured as the number of subsidiaries) has an insignificant negative impact on audit fees of the sampled companies and was expected to be significant on the basis of the assertion that complex businesses are difficult to audit and require extra time and efforts. This result could be linked to the fact that some of the sampled companies were less complex in the period of the study, as they had few or no subsidiaries at all.
4. Similarly, the client underwriting risk (measured as the growth in the premium written) has an insignificant negative impact on the audit fees in the listed insurance companies in Nigeria. This result could be attributed to the reluctance of some policy holders to pay their premiums in some years under the study while others draw their funds from the insurance business.
5. Also, the client liquidity risk has an insignificant negative impact on the audit fees of the sampled companies. This could be as a result that the sampled companies do not

normally retain liquid assets at their disposal for the fact the cash outflows (claims) of insurance companies are not usually payable until some distant future time that is uncertain.

6. Audit firm size significantly influence the audit fees of the sampled companies. This conclusion is based on the fact that big four audit firms render qualitative audit reports compared to non-big four audit firms, as they are efficient enough in terms of employee skills, information technology, international affiliation and recognition. As such, big four audit firms charge higher audit fees as compared to their counterparts. It is evident that average insurance companies in Nigeria contracted the services of big four audit firms in preparing their financial reports.

5.3 Recommendations

The following recommendations are made based on the findings and conclusions of the study:

1. Auditors of Nigerian insurance companies should encourage their client companies to increase their total assets, including their investments, which leads to the increase in the size of their businesses. This will boost the companies' financial performances and also rise the professional fees charged by auditors of such insurance companies.
2. The management of the Nigerian insurance companies should look forward to decreasing their costs so as to increase their profits, which may in turn do away with the losses suffered by them at different financial periods of the study.
3. Auditors of Nigerian insurance companies should consider charging higher fees regarding the complex insurance businesses, as the complexity of a client leads to additional work. This could give them sufficient resources to conduct a thorough

audit, capable of overcoming materials misstatements in financial statements, hence, higher quality reports.

4. Auditors should ensure that Nigerian insurance companies review their risk management processes, particularly underwriting claims, which could lead to perfect monitoring and also ensure that premiums written by the policy holders are received as at when due and eventually boost the audit fees paid by the sampled companies.
5. The shareholders as well as the management of Nigerian insurance companies should ensure that cash and other liquid assets are adequately maintained at their disposal, so as to do away with their liquidity problems. This would assist them to meet up with their financial obligations as and when due, especially pertaining to auditor compensation and other claims of insured persons.
6. The National Insurance Commission (NAICOM), which serves as the major regulatory agency of insurance businesses in Nigeria, should devise a policy to ensure that a certain portion of insurance audit is awarded to non-big four firms. This will reduce the monopoly power of the big four audit firms. Joint audit should also be encouraged between big four and non-big four audit firms to boost the skills of the local audit firms.

5.4 Frontiers for Further Research

This research examines the factors affecting the audit fees of listed insurance companies in Nigeria. The study considers variables like client size, client profitability, client complexity, client underwriting risk, client liquidity risk and audit firm size as the variables of the study. There is the need for further research in the area to incorporate other variables, such as audit committee independence, audit tenure and segment/ sector of the economy. Additionally, the

study limits its scope to the audit fees of the insurance sector only. Other sectors of the economy, such as the entire financial, the oil and gas and the conglomerate sectors require research efforts, especially as they are not covered in this work. The study was conducted for a period of ten years (2009-2018). Future research may be conducted to cover a wider period, so as to have a more robust analysis and hence a better result.

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APPENDIX I

DATA OF THE STUDY MODEL

Coy	Yrs	Adfees	Size	Profit	Comp	Undrisk	Liqrisk	Big4
1	2009	9.680344	17.02745	0.042077	2	0.177268	0.525137	1
1	2010	9.546813	17.1902	0.038254	2	0.699274	0.265751	0
1	2011	9.546813	17.19575	0.045356	2	0.233574	0.281022	0
1	2012	9.772809	17.37099	0.035651	3	0.153345	0.277725	0
1	2013	9.940302	17.55558	-0.02209	3	0.109505	0.202887	0
1	2014	10.4631	17.88177	0.038275	3	0.42562	0.136349	0
1	2015	10.89674	18.19911	0.014922	3	-0.02168	0.105481	1
1	2016	10.90596	18.16582	0.132105	3	-0.17785	0.096658	1
1	2017	10.98529	18.34178	0.013886	3	0.185976	0.056262	1
1	2018	11.2772	18.36641	0.033273	3	0.173465	0.056217	1
2	2009	8.160518	15.42327	0.048616	1	0.166784	0.226481	0
2	2010	8.160518	15.51581	0.03864	1	0.011434	0.275488	0
2	2011	8.612503	15.5523	0.04784	1	0.340489	0.30452	0
2	2012	8.922658	15.71228	0.059302	1	0.010605	0.28504	0
2	2013	8.987197	15.63559	-0.03202	1	0.129788	0.28965	0
2	2014	9.159047	15.63011	0.031453	1	-0.01776	0.255033	0
2	2015	9.332558	15.76475	0.077714	1	0.313855	0.22536	0
2	2016	8.922658	15.82271	0.049464	2	-0.05604	0.245332	0
2	2017	8.922658	16.06577	0.042803	3	-0.00173	0.147641	0
2	2018	9.047821	16.19706	0.037583	3	0.206268	0.017984	0
3	2009	9.769956	16.05516	0.004896	2	0.055788	0.179538	1
3	2010	9.798127	16.16691	0.038042	2	0.067928	0.216374	1
3	2011	9.863447	16.21182	0.015161	2	0.061802	0.144288	1
3	2012	9.881089	16.31504	0.041916	2	0.081844	0.22562	1
3	2013	9.998798	16.46526	0.060801	2	0.111097	0.251491	1
3	2014	10.09411	16.51651	0.063545	2	0.01534	0.20662	1
3	2015	10.09411	16.85855	0.077771	2	0.406692	0.300343	1
3	2016	10.41031	16.8806	-0.08095	2	0.253559	0.144291	1
3	2017	10.48849	16.99728	-0.13957	2	0.001131	0.149869	1
3	2018	10.51867	17.17283	0.105097	2	0.257489	0.147222	1
4	2009	9.546813	15.71742	0.021047	0	0.285951	0.146091	0
4	2010	9.680344	15.74965	-0.02942	0	-0.89124	0.137645	0
4	2011	9.830917	15.79382	0.01655	0	0.294783	0.161652	0

4	2012	9.893437	15.94759	0.107099	0	1.023145	0.140279	0
4	2013	9.903488	16.12377	0.001262	1	0.096807	0.213962	0
4	2014	9.92818	16.13987	-0.00934	1	-0.07818	0.235948	0
4	2015	9.998798	16.18602	0.049196	1	0.107598	0.269584	1
4	2016	10.1849	16.11827	-0.04751	1	-0.29105	0.299667	1
4	2017	9.933338	16.13005	0.039792	1	0.349379	0.37704	1
4	2018	9.903488	16.12156	0.043303	1	0.055399	0.372538	1
5	2009	8.922658	15.25573	-0.00317	0	0.026326	0.038301	0
5	2010	9.047821	15.22424	-0.02591	0	-0.1344	0.129723	0
5	2011	9.047821	15.21804	-0.0969	0	0.092103	0.171741	1
5	2012	8.987197	15.13425	0.013398	0	0.029706	0.344572	1
5	2013	9.047821	15.25391	0.009453	0	-0.04426	0.311384	1
5	2014	9.10498	15.24228	-0.01503	0	-0.8536	0.251789	1
5	2015	9.10498	15.23042	-0.00176	0	4.461927	0.215488	1
5	2016	9.305651	15.19733	0.000633	0	0.041831	0.221532	1
5	2017	9.350102	15.29778	0.057015	0	0.066673	0.201911	1
5	2018	9.10498	15.30205	-0.04301	0	0.283385	0.16875	1
6	2009	9.581904	16.53599	0.003275	0	0.040665	0.121684	0
6	2010	9.629051	16.59478	-0.01583	0	0.059294	0.113027	0
6	2011	9.835316	16.27689	-0.39808	0	-0.01231	0.06715	0
6	2012	9.572828	16.2258	-0.03627	1	0.429657	0.098434	0
6	2013	9.592196	16.13222	0.001338	1	-0.23434	0.142027	0
6	2014	9.433484	15.98294	-0.2478	0	-0.16349	0.164894	0
6	2015	9.265586	15.90388	-0.08796	0	-0.20348	0.086471	0
6	2016	9.21034	16.00798	-0.40923	1	-0.48673	0.0618	1
6	2017	8.517193	15.33447	0.160864	1	1.254214	0.078277	1
6	2018	8.779557	15.40317	0.159216	1	0.052265	0.100635	1
7	2009	8.59471	15.53155	0.151756	1	0.041015	0.3187	0
7	2010	8.767173	15.76593	0.118586	1	0.300324	0.29981	0
7	2011	9.051345	15.93503	0.161385	1	0.312376	0.291544	0
7	2012	8.914895	15.8708	0.058305	1	0.151692	0.40026	0
7	2013	9.206031	16.12267	0.039326	1	-0.07451	0.384831	0
7	2014	9.152393	16.23135	0.1362	1	0.10111	0.307792	0
7	2015	9.142597	16.33998	0.057168	1	0.107671	0.271355	0
7	2016	9.159047	16.48914	0.125431	1	-0.01267	0.239564	0
7	2017	9.10498	16.68137	0.158008	1	0.247135	0.189523	0
7	2018	8.34284	16.68137	0.116694	1	0.121732	0.381798	0
8	2009	9.517825	16.82613	-0.00419	1	0.390062	0.1308	0
8	2010	9.536618	16.87649	-0.00579	1	-0.02129	0.088054	0
8	2011	9.513404	16.80929	0.115002	1	0.108813	0.099897	0
8	2012	9.554993	16.91961	0.034828	1	0.322744	0.090071	0
8	2013	9.778491	17.02443	0.025348	1	0.010913	0.148757	0
8	2014	9.826607	16.94196	0.030315	1	0.059524	0.070921	0

8	2015	9.692767	16.85956	0.028628	1	-0.05134	0.040818	0
8	2016	9.680344	16.92952	0.001872	1	-0.43197	0.010508	0
8	2017	9.680344	16.94369	-0.04287	1	0.439961	0.011839	0
8	2018	9.740969	17.00097	0.001611	1	0.028978	0.014302	0
9	2009	8.006368	15.47729	0.000797	0	0.164899	0.01236	0
9	2010	8.517193	15.54804	0.054601	0	0.072286	0.160402	0
9	2011	8.517193	15.80481	0.096317	0	0.345799	0.277823	0
9	2012	8.517193	15.77747	0.20755	0	0.208354	0.163891	0
9	2013	8.922658	15.97299	0.040111	0	0.120227	0.223474	0
9	2014	8.922658	15.95473	0.034728	0	-0.15993	0.26329	0
9	2015	8.922658	16.04174	0.06284	0	-0.02117	0.278765	0
9	2016	9.047821	16.06802	0.00248	0	-0.10268	0.317021	1
9	2017	9.21034	16.19669	0.014594	0	0.330265	0.314327	1
9	2018	9.259131	16.23895	0.014138	0	0.042335	0.308325	1
10	2009	8.779557	16.7463	-0.30427	0	0.032323	0.531768	0
10	2010	8.922658	16.1897	-0.78323	0	0.191821	0.460347	0
10	2011	8.922658	16.20815	0.029161	0	0.227143	0.06326	0
10	2012	9.10498	16.02709	-0.20002	0	0.129279	0.089922	0
10	2013	9.10498	15.989	-0.10023	0	-0.29763	0.026214	0
10	2014	8.853665	15.8595	-0.26946	0	0.14791	0.090817	0
10	2015	8.935904	16.28254	0.075291	1	0.053959	0.062297	0
10	2016	9.472705	16.382	-0.09329	1	-0.04256	0.037251	0
10	2016	9.472705	16.38723	0.005009	1	0.106598	0.07864	0
10	2016	9.4572	16.39185	0.010606	1	0.00613	0.075291	0
11	2009	9.10498	15.95512	0.006647	0	0.160082	0.01293	0
11	2010	9.305651	16.01174	-0.0215	0	0.06027	0.014218	0
11	2011	8.14613	16.1539	-0.06386	2	0.378258	0.249721	0
11	2012	8.699515	16.33406	0.012634	2	0.190952	0.005938	0
11	2013	8.935904	15.02005	0.07956	2	0.491527	0.100191	0
11	2014	9.169518	16.41886	0.032295	2	0.16442	0.076639	0
11	2015	9.082507	16.42694	-0.01372	2	0.00894	0.070523	0
11	2016	9.082507	16.44157	-0.00214	2	-0.25519	0.04208	0
11	2017	9.082507	16.44129	0.046031	2	0.387556	0.021633	0
11	2018	8.881836	16.46429	0.046512	2	0.024521	0.034867	0
12	2009	10.19242	16.09754	0.047719	2	0.109248	0.126868	1
12	2010	10.27505	16.20294	0.060041	2	0.087372	0.264374	1
12	2011	10.43667	16.29579	0.028946	2	0.043755	0.326144	1
12	2012	10.55007	16.35544	0.030211	2	-0.16988	0.320892	1
12	2013	10.63542	16.79511	-0.01058	2	-0.09999	0.297411	1
12	2014	10.64542	16.80196	-0.00026	2	0.383842	0.261075	1
12	2015	10.07987	16.8194	0.030956	2	0.364483	0.34982	1
12	2016	10.20943	16.93986	0.222782	2	0.133352	0.097621	1
12	2017	9.937019	17.16908	0.053516	2	0.2187	0.061016	1

12 2018 10.21064 17.22875 0.011566 2 0.4165 0.095242 1

APPENDIX II

MODEL RESULT

```
  ___  ____  ____  ____  ____ (R)
 /__    /   ____/   /   ____/
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Notes:
      1.  Unicode is supported; see help unicode_advice.

. *(9 variables, 120 observations pasted into data editor)

. summarize adfees size profit comp undrisk liqrisk big4 advalue

    Variable |        Obs        Mean    Std. Dev.       Min        Max
-------------+---------------------------------------------------------
      adfees |        120    9.440813     .646019     8.0064    11.2772
        size |        120    16.28113    .6880828    15.0201    18.3664
      profit |        120     .008155    .1205557     -.7832      .2228
        comp |        120    1.108333    .9330157          0          3
     undrisk |        120    .1403283    .4773758     -.8912     4.4619
-------------+---------------------------------------------------------
     liqrisk |        120    .1845108    .1174046      .0059      .5318
        big4 |        120    .3583333    .4815213          0          1
     advalue |        120    15717.93    12255.96       3000      79000


. summarize adfees size profit comp undrisk liqrisk big4, detail

                          Adfees
-------------------------------------------------------------
      Percentiles      Smallest
 1%       8.1461         8.0064
 5%       8.5172         8.1461
10%      8.73335         8.1605       Obs                 120
25%       8.9872         8.1605       Sum of Wgt.         120
```

50%	9.34135		Mean	9.440813
		Largest	Std. Dev.	.646019
75%	9.87225	10.8967		
90%	10.3427	10.906	Variance	.4173405
95%	10.59275	10.9853	Skewness	.368166
99%	10.9853	11.2772	Kurtosis	2.948275

Size

	Percentiles	Smallest		
1%	15.1342	15.0201		
5%	15.23635	15.1342		
10%	15.36885	15.1973	Obs	120
25%	15.8411	15.218	Sum of Wgt.	120
50%	16.1969		Mean	16.28113
		Largest	Std. Dev.	.6880828
75%	16.7707	18.1658		
90%	17.0983	18.1991	Variance	.473458
95%	17.4633	18.3418	Skewness	.7118805
99%	18.3418	18.3664	Kurtosis	3.764734

Profit

	Percentiles	Smallest		
1%	-.4092	-.7832		
5%	-.2239	-.4092		
10%	-.08445	-.3981	Obs	120
25%	-.0037	-.3043	Sum of Wgt.	120
50%	.02905		Mean	.008155
		Largest	Std. Dev.	.1205557
75%	.0515	.1609		
90%	.11585	.1614	Variance	.0145337
95%	.1549	.2076	Skewness	-3.236524
99%	.2076	.2228	Kurtosis	19.26695

Comp

	Percentiles	Smallest		
1%	0	0		
5%	0	0		
10%	0	0	Obs	120
25%	0	0	Sum of Wgt.	120
50%	1		Mean	1.108333
		Largest	Std. Dev.	.9330157
75%	2	3		
90%	2	3	Variance	.8705182
95%	3	3	Skewness	.344732
99%	3	3	Kurtosis	2.139297

```
                          Undrisk
-------------------------------------------------------------
      Percentiles      Smallest
 1%       -.8536         -.8912
 5%      -.27315         -.8536
10%       -.1617         -.4867       Obs                 120
25%        .0036          -.432       Sum of Wgt.         120

50%       .09445                      Mean           .1403283
                        Largest       Std. Dev.      .4773758
75%       .23035          .6993
90%        .3857         1.0231       Variance       .2278877
95%       .43485         1.2542       Skewness       6.216755
99%       1.2542         4.4619       Kurtosis       57.71058

                          Liqrisk
-------------------------------------------------------------
      Percentiles      Smallest
 1%        .0105          .0059
 5%       .01425          .0105
10%        .0378          .0118       Obs                 120
25%         .089          .0124       Sum of Wgt.         120

50%        .1644                      Mean           .1845108
                        Largest       Std. Dev.      .1174046
75%        .2766          .4003
90%        .3198          .4603       Variance       .0137838
95%        .3794          .5251       Skewness       .4823539
99%        .5251          .5318       Kurtosis       2.746968

                            Big4
-------------------------------------------------------------
      Percentiles      Smallest
 1%            0              0
 5%            0              0
10%            0              0       Obs                 120
25%            0              0       Sum of Wgt.         120

50%            0                      Mean           .3583333
                        Largest       Std. Dev.      .4815213
75%            1              1
90%            1              1       Variance       .2318627
95%            1              1       Skewness         .59088
99%            1              1       Kurtosis       1.349139

. sktest adfees size profit comp undrisk liqrisk big4

                    Skewness/Kurtosis tests for Normality
                                                      ------ joint ------
```

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
adfees	120	0.0909	0.8637	2.95	0.2286
size	120	0.0021	0.0901	10.58	0.0050
profit	120	0.0000	0.0000	.	0.0000
comp	120	0.1122	0.0019	10.47	0.0053
undrisk	120	0.0000	0.0000	.	0.0000
liqrisk	120	0.0295	0.7030	4.89	0.0866
big4	120	0.0089	.	.	.

```
. swilk adfees size profit comp undrisk liqrisk big4

                  Shapiro-Wilk W test for normal data
```

Variable	Obs	W	V	z	Prob>z
adfees	120	0.98220	1.713	1.205	0.11401
size	120	0.95770	4.071	3.145	0.00083
profit	120	0.70297	28.583	7.512	0.00000
comp	120	0.98274	1.661	1.136	0.12791
undrisk	120	0.50797	47.347	8.642	0.00000
liqrisk	120	0.95813	4.029	3.122	0.00090
big4	120	0.98975	0.986	-0.031	0.51252

```
. pwcorr adfees size profit comp undrisk liqrisk big4
```

	adfees	size	profit	comp	undrisk	liqrisk	big4
adfees	1.0000						
size	0.6781	1.0000					
profit	0.0201	0.0341	1.0000				
comp	0.5144	0.6413	0.2519	1.0000			
undrisk	-0.0606	-0.0719	0.1208	-0.0100	1.0000		
liqrisk	-0.0804	-0.1554	-0.0202	-0.0708	0.0294	1.0000	
big4	0.5127	0.1024	0.0721	0.2496	0.0911	0.2167	1.0000

```
. pwcorr adfees size profit comp undrisk liqrisk big4, sig star(5)
```

	adfees	size	profit	comp	undrisk	liqrisk	big4
adfees	1.0000						
size	0.6781*	1.0000					
	0.0000						
profit	0.0201	0.0341	1.0000				
	0.8277	0.7117					
comp	0.5144*	0.6413*	0.2519*	1.0000			
	0.0000	0.0000	0.0055				
undrisk	-0.0606	-0.0719	0.1208	-0.0100	1.0000		
	0.5110	0.4349	0.1889	0.9141			
liqrisk	-0.0804	-0.1554	-0.0202	-0.0708	0.0294	1.0000	
	0.3827	0.0901	0.8268	0.4423	0.7497		

```
             |
        big4 |   0.5127*  0.1024   0.0721   0.2496*  0.0911   0.2167*  1.0000
             |   0.0000   0.2655   0.4341   0.0060   0.3224   0.0174
             |
```

```
. regress adfees size profit comp undrisk liqrisk big4

      Source |       SS           df       MS      Number of obs   =       120
-------------+----------------------------------   F(6, 113)       =     38.12
       Model |  33.2398308         6  5.53997181   Prob > F        =    0.0000
    Residual |  16.4236872       113  .145342365   R-squared       =    0.6693
-------------+----------------------------------   Adj R-squared   =    0.6517
       Total |   49.663518       119  .417340488   Root MSE        =    .38124

------------------------------------------------------------------------------
      adfees |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        size |   .5714962   .0680983     8.39   0.000     .4365811    .7064113
      profit |  -.1710096   .3062399    -0.56   0.578    -.7777261     .435707
        comp |   .0047894   .0526071     0.09   0.928    -.0994347    .1090136
     undrisk |  -.0724611    .074283    -0.98   0.331    -.2196291    .0747068
     liqrisk |  -.4801616   .3103349    -1.55   0.125    -1.094991    .1346678
        big4 |   .6368482    .077647     8.20   0.000     .4830155     .790681
       _cons |   .0028546   1.083811     0.00   0.998     -2.14437    2.150079
------------------------------------------------------------------------------
```

```
. vif

    Variable |       VIF       1/VIF
-------------+----------------------
        comp |      1.97    0.506966
        size |      1.80    0.556277
        big4 |      1.14    0.873705
      profit |      1.12    0.896078
     liqrisk |      1.09    0.920056
     undrisk |      1.03    0.971284
-------------+----------------------
    Mean VIF |      1.36
```

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of adfees

         chi2(1)      =     4.02
         Prob > chi2  =   0.0450
```

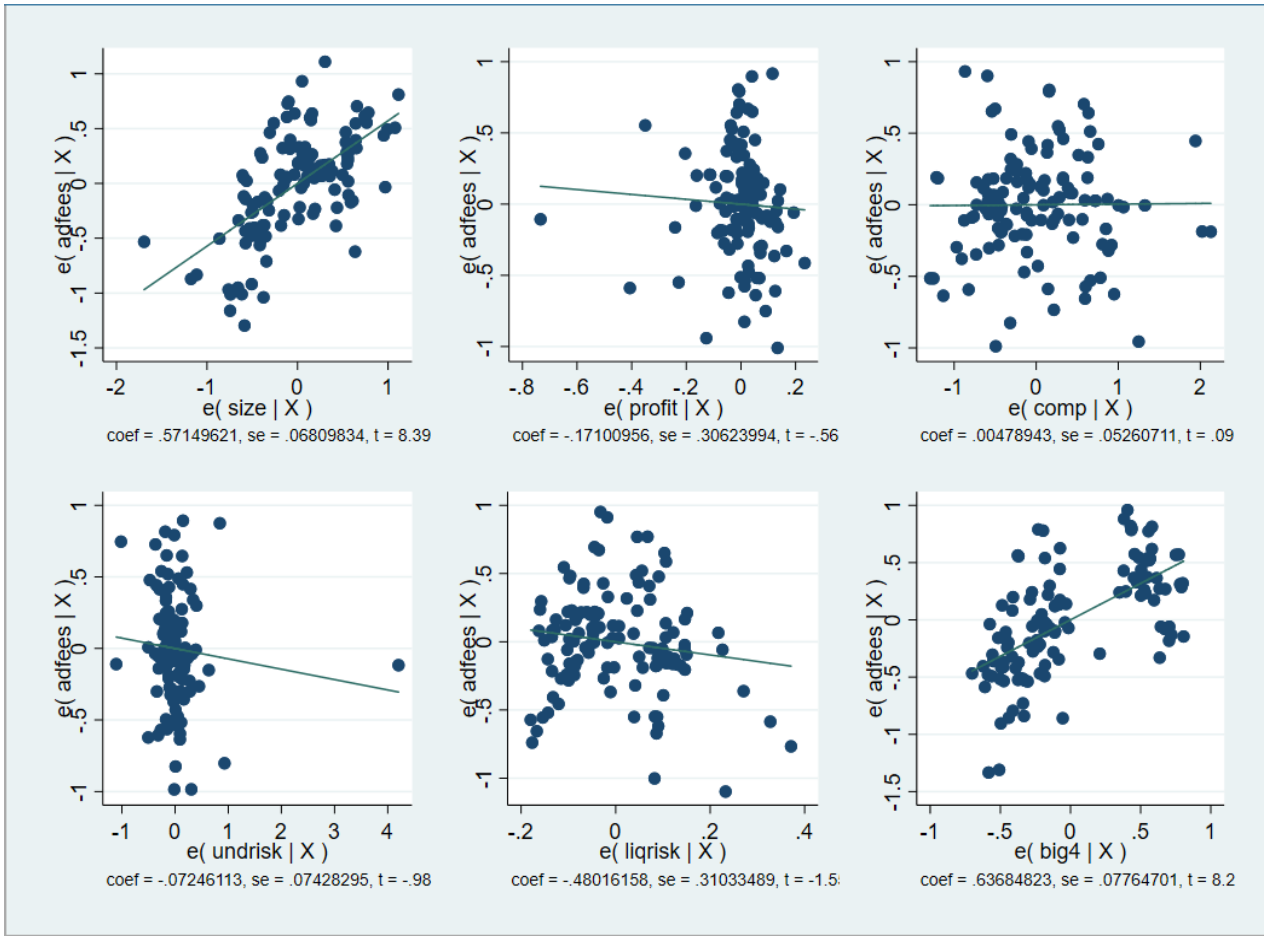
```
. predict e
(option xb assumed; fitted values)
```

```
. swilk e

                    Shapiro-Wilk W test for normal data

    Variable |        Obs       W           V         z       Prob>z
-------------+--------------------------------------------------------
           e |        120    0.94008      5.766     3.925    0.00004


. xtset coy year, yearly
       panel variable:  coy (strongly balanced)
        time variable:  year, 2009 to 2018
                delta:  1 year


. xtreg adfees size profit comp undrisk liqrisk big4, fe

Fixed-effects (within) regression               Number of obs     =       120
Group variable: coy                             Number of groups  =        12

R-sq:                                           Obs per group:
     within  = 0.4035                                         min =        10
     between = 0.6470                                         avg =      10.0
     overall = 0.5746                                         max =        10

                                                F(6,102)          =     11.50
corr(u_i, Xb)  = 0.2980                         Prob > F          =    0.0000

------------------------------------------------------------------------------
      adfees |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        size |   .5413657   .0836731     6.47   0.000     .3754005    .7073309
      profit |  -.1976934   .2730417    -0.72   0.471    -.7392704    .3438836
        comp |  -.0585642   .0629918    -0.93   0.355    -.1835082    .0663798
     undrisk |  -.0616137   .0535243    -1.15   0.252    -.1677788    .0445515
     liqrisk |    -.66754   .2957254    -2.26   0.026     -1.25411     -.08097
        big4 |   .2390943   .0885481     2.70   0.008     .0634596    .4147289
       _cons |   .7394269   1.357088     0.54   0.587     -1.95235    3.431204
-------------+----------------------------------------------------------------
     sigma_u |  .36885306
     sigma_e |  .27096139
         rho |  .64950042   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0: F(11, 102) = 11.06                     Prob > F = 0.0000

. estimates store fe
```

```
. xtreg adfees size profit comp undrisk liqrisk big4, re

Random-effects GLS regression                   Number of obs     =       120
Group variable: coy                             Number of groups  =        12

R-sq:                                           Obs per group:
     within  = 0.3994                                         min =        10
     between = 0.6977                                         avg =      10.0
     overall = 0.6098                                         max =        10

                                                Wald chi2(6)      =     89.98
corr(u_i, X)   = 0 (assumed)                    Prob > chi2       =    0.0000

------------------------------------------------------------------------------
      adfees |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        size |   .5556171   .0774645     7.17   0.000     .4037894    .7074448
      profit |  -.1845873   .2692862    -0.69   0.493    -.7123786     .343204
        comp |  -.0368683   .0586126    -0.63   0.529    -.1517469    .0780104
     undrisk |  -.0612557   .0540878    -1.13   0.257    -.1672658    .0447544
     liqrisk |  -.6248979   .2879279    -2.17   0.030    -1.189226   -.0605696
        big4 |   .3012125   .0845242     3.56   0.000      .135548    .4668769
       _cons |   .4530686   1.252286     0.36   0.718    -2.001366    2.907503
-------------+----------------------------------------------------------------
     sigma_u |  .30567722
     sigma_e |  .27096139
         rho |  .55998636   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. estimates store re


. hausman fe

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |       fe           re         Difference          S.E.
-------------+----------------------------------------------------------------
        size |    .5413657     .5556171       -.0142513        .0316296
      profit |   -.1976934    -.1845873        -.013106        .0451301
        comp |   -.0585642    -.0368683       -.0216959        .0230766
     undrisk |   -.0616137    -.0612557        -.000358              .
     liqrisk |     -.66754    -.6248979       -.0426422        .0674617
        big4 |    .2390943     .3012125       -.0621182        .0263897
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic
```

```
                  chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =       10.02
                Prob>chi2 =      0.1238
                (V_b-V_B is not positive definite)



. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        adfees[coy,t] = Xb + u[coy] + e[coy,t]

        Estimated results:
                         |       Var     sd = sqrt(Var)
                ---------+-----------------------------
                  adfees |   .4173405        .646019
                       e |   .0734201       .2709614
                       u |   .0934386       .3056772

        Test:   Var(u) = 0
                             chibar2(01) =    65.90
                          Prob > chibar2 =   0.0000


. xtreg adfees size profit comp undrisk liqrisk big4, re vce(robust)

Random-effects GLS regression                   Number of obs     =        120
Group variable: coy                             Number of groups  =         12

R-sq:                                           Obs per group:
     within  = 0.3994                                         min =         10
     between = 0.6977                                         avg =       10.0
     overall = 0.6098                                         max =         10

                                                Wald chi2(6)      =      35.01
corr(u_i, X)   = 0 (assumed)                    Prob > chi2       =     0.0000

                                    (Std. Err. adjusted for 12 clusters in coy)
------------------------------------------------------------------------------
             |               Robust
      adfees |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        size |   .5556171    .167533     3.32   0.001     .2272584    .8839758
      profit |  -.1845873   .1689068    -1.09   0.274    -.5156386    .1464639
        comp |  -.0368683   .0775935    -0.48   0.635    -.1889487    .1152122
     undrisk |  -.0612557   .0470281    -1.30   0.193     -.153429    .0309176
     liqrisk |  -.6248979   .5105396    -1.22   0.221    -1.625537    .3757414
        big4 |   .3012125   .1481936     2.03   0.042     .0107584    .5916665
       _cons |   .4530686    2.68461     0.17   0.866     -4.80867    5.714808
-------------+----------------------------------------------------------------
     sigma_u |  .30567722
     sigma_e |  .27096139
         rho |  .55998636   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

```
. avplots
.
```


e(adfees | X)
e(size | X)
coef = .57149621, se = .06809834, t = 8.39
e(profit | X)
coef = -.17100956, se = .30623994, t = -.56
e(comp | X)
coef = .00478943, se = .05260711, t = .09
e(undrisk | X)
coef = -.07246113, se = .07428295, t = -.98
e(liqrisk | X)
coef = -.48016158, se = .31033489, t = -1.5
e(big4 | X)
coef = .63684823, se = .07764701, t = 8.2

APPENDIX III

Literature Mapping

S/N	Author (Year)	Country	Objective	Methodology	Variables	Remarks	Findings
1.	Khasharmeh (2018)	Bahrain	To investigate the factors influencing the pricing of audit services in Bahraini listed companies	**Population:** 152 Respondents **Sample Size:** 114 Respondents **Sampling Technique:** **Research Design:** Survey Instrument **Technique of Analysis:** chi-square **Time Scope:** 2017	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Corporate Size 2. Corporate Complexity 3. Corporate Risk 4. Size of Audit Firm 5. Corporate Profitability 6. Seasonability 7. Time Lag	+ sig + sig + sig + sig + sig + sig + sig	The study concluded that corporate year-end and the time lag between year-end and audit report, Size of public auditing firm and international link and corporate size are the important factors affecting pricing of audit services in listed companies in Bahrain.
2.	Otete (2018)	Uganda	To analyze the determinants of external auditors' remuneration: evidence from the Ugandan insurance sector	**Population:** 100 Listed Insurance Companies **Sample Size:** 74 Listed Insurance Companies **Sampling Technique:** **Research Design:** Longitudinal Design **Technique of Analysis:** Multiple Regression **Time Scope:** 2014-2017	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Client Size (Annual Revenue) 2. Client Size (Total Assets) 3. Auditor Size	+ sig + sig + sig	The study revealed that the client's annual income and total assets have a statistically significant influence on the auditor's remuneration. The auditor's size (Big4 and small and medium audit firms) also had statistically significant influence on the auditor's remuneration.
3.	Ohidoa & Okun (2018)	Nigeria	To examine the factors influencing firms characteristics and audit fees in Nigeria	**Population:** 209 quoted firms **Sample Size:** 89 quoted firms **Sampling Technique:**	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Audit Firm Size 2. Client Firm Size	+ sig + sig	The study found that auditor type, client's firm size, client's complexity, client's firm risk and audit committee

				Research Design: Ordinary Least Square **Technique of Analysis:** **Time Scope:** 2013-2017	3. Client Profitability 4. Client Risk 5. Client Complexity 6. Audit Committee Independence	+ in-sig + sig + sig + sig	independence have significant effect on audit fees, while firm's profitability has no effect on audit fees.
4.	Ilaboya, Izevbekhai & Ohiokha (2017)	Nigeria	To investigate the determinants of abnormal audit fees in Nigerian quoted companies	**Population:** All 84 manufacturing companies **Sample Size:** 56 manufacturing companies **Sampling Technique:** Purposive Sampling **Research Design:** **Technique of Analysis:** Ordinary Least Square **Time Scope:** 2014	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Firm Size 2. Big4 3. Profitability 4. Joint Audit 5. Leverage	+ sig - sig + in-sig - in-sig + in-sig	The study found a positive and statistically significant relationship between the interaction of Big 4 audit firms and firm size and the dependent variable of abnormal audit fees which implies that large firms using Big 4 audit firms tend to pay abnormal audit fees.
5.	Musah (2017)	Ghana	To examine the determinants of audit fees with empirical evidence from the Ghana stock exchange.	**Population:** All quoted firms **Sample Size:** **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** Simunic (1980) Regression Model **Time Scope:** 2010-2014	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Client Size 2. Profitability 3. Client Risk 4. YEAR (season) 5. Auditor Size (Big 4) 6. Complexity 7. Multinational Corporation	+ sig - sig + in-sig no r/ship + sig - in-sig no r/ship	The result of the study revealed that client's size of business, profitability and auditor size are significant determinant of audit fees.
6.	Hong & My (2017)	Vietnam	To analyze the determinants of audit fees for public companies	**Population:** All public companies **Sample Size:** 71 public companies	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Auditee Size	+ sig	The study found that auditee size, auditee complexity and reputation of audit

			in Vietnam	**Sampling Technique:** Non-random technique **Research Design:** **Technique of Analysis:** Ordinary Least Square Model **Time Scope:** 2013	2. Auditee Complexity 3. Reputation of Audit Companies (Big 4) 4. Inherent Risk 5. Business Risk 6. Audit Opinion 7. Loss 8. Business Sectors 9. Profitability 10. Audit Report Lag	+ sig + sig + in-sig + in-sig + in-sig - in-sig - in-sig - in-sig + in-sig	companies are significantly determinants of audit fees in public companies in Vietnam.
7.	Alanezi & Alfraih (2016)	Kuwait	To analyze the factors that influence audit fees in the Kuwait audit market.	**Population:** 250 Respondents from audit firms and companies listed on the Kuwait Stock Exchange **Sample Size:** 120 Respondents **Sampling Technique:** Simple Random **Research Design:** Survey Approach **Technique of Analysis:** Descriptive Statistics **Time Scope:** 2014	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Audit Firm Brand Name, 2. Time Spent 3. Auditors Experience 4. Company Age 5. Client Company Location 6. Audit Firm Location	+ sig + sig + sig + in-sig + in-sig + in-sig	The results indicated that the audit firm brand name, time spent completing a given job and auditors experience were the most important factors influencing audit fees determinants in the Kuwait. In contrast, company age, client company location and audit firm location were the least important factors influencing the determinants of audit fee in Kuwait from audit firm and companies perspectives.
8.	Kimeli (2016)	Kenya	To examine determinants of audit pricing on the companies listed in Nairobi security and exchange	**Population:** All 62 listed firms **Sample Size:** 41 firms **Sampling Technique:** Filter **Research Design:** Deductive Approach	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Auditor Experience 2. Auditor Reputation 3. Big 4 status 4. Client size 5. Client Complexity	+ sig + sig + sig + sig + sig	The findings of the study support a link between Audit pricing and Auditor Experience, Auditor Reputation, Big 4 status, Client size, Client complexity, and

				Technique of Analysis: Linear Regression Model **Time Scope:** 200-2014	6. Reporting Time Lag 7. Auditor Size 8. Reporting Season 9. Client Profitability 10. Client risk.	+ sig - sig + in-sig - in-sig + in-sig	the reporting time lag are the important factors determining audit fees for Kenyan listed firms.
9.	Apadore & Letchumanan (2016)	Malaysia	To examine the determinants of audit fees among listed manufacturing companies in Malaysia	**Population:** All listed companies **Sample Size:** Listed manufacturing companies **Sampling Technique:** **Research Design:** **Technique of Analysis:** Multiple Regression Analysis. **Time Scope:** 2009-2015	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Profitability 2. Corporate Size 3. Complexity 4. Status of Audit Firm 5. Audit Client's Risk	+ sig + sig + sig + sig + sig	The study found a significant relationship between audit fee and profitability, corporate size, complexity, status of audit firm and audit client's risk.
10.	Haq & Leghari (2015)	Pakistan	To examine the determinants of audit fees in Pakistan	**Population:** All quoted firms **Sample Size:** 150 companies from non-financial firms **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** Simunic (1980) Regression Model. **Time Scope:** 2007-2011	**Dependent Variable:** Audit Fee **Independent Variables:** 1. Client's size 2. Complexity 3. Inherent Risk 4. Client's Risk 5. Auditor Size (Big 4) 6. Multination Corporation 7. Busy Season (YEAR) 8. Segment of the Company 9. Profitability	+ sig - in-sig + sig - in-sig + sig + in-sig - in-sig + sig + sig	They found that client's size of business, inherent risk, auditor size, profitability, international recognition, segment of the business and affiliation of audit firms are significant determinants of audit fees in Pakistan.
11.	Davidson (2015)	South Africa	To examine determinants for	**Population:** All quoted firms	**Dependent Variable:** Audit Fees		The findings of the study indicated that

			audit fees in the South African market	**Sample Size:** All non-financial firms **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** Multiple Linear Regression Model **Time Scope:** 2009-2013	**Independent Variables:** 1. Assets Size 2. Risk 3. Complexity 4. Auditor Size	+ sig + sig + sig + in-sig	asset size, business risk and complexity of the business are major determinants of audit fees in South African no non-financial institutions.
12.	Castro, Peleias & Silva (2015)	Brazil	To analyze the determinants of audit fees paid by companies listed on Brazilian market	**Population:** All listed companies **Sample Size:** All listed companies **Sampling Technique:** **Research Design:** **Technique of Analysis:** Multiple Regression Model **Time Scope:** 2012	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Client's Size 2. Client's Complexity 3. Big 4 Auditors 4. Corporate Governance Level 5. Client's Risk 6. First Year of Audit 7. Sector	 + sig + sig + sig + sig + in-sig no r/ship no r/ship	The study concludes that audit fees are positively related to size, client complexity, corporate governance level, and the fact that the auditor works in a large firm.
13.	Kikhia (2015)	Jordan	To examine the factors influencing the level of external audit fees paid by firms to auditors in Jordan.	**Population:** All 130 non-financial companies **Sample Size:** 126 non-financial companies **Sampling Technique:** Filter **Research Design:** Deductive Approach **Technique of Analysis:** Multiple Regression	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Auditee Size 2. Complexity of Client 3. Profitability 4. Client Risk 5. Auditor Size 6. Auditor Tenure 7. Type of Industry	 + sig + sig + in-sig - sig + sig no r/ship + in-sig	The results of the study showed that auditee size seems to have been the key determinant of external audit fees. Furthermore, financial risk is found to be negatively and significantly associated with the level of external audit fees. On other side,

				Analysis **Time Scope:** 2010-2012			results also found that the audit tenure has no significant relationship with audit fees.
14.	Rusmanto & Waworuntu (2015)	Indonesia	To examine the factors influencing audit fee in companies which have applied Good Corporate Governance	**Population:** All quoted companies **Sample Size:** 45 quoted companies **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** Multiple Regression Analysis **Time Scope:** 2011-2012	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Company Size 2. Receivable 3. Inventory 4. Segment 5.Complexity 6. Big4 7. Profitability	 + sig + in-sig + in-sig - in-sig + in-sig - in-sig - in-sig	The result showed that company size significantly determine audit fees paid by clients to audit firms. Whereas other factors such as profitability, business complexity and number of subsidiary are not significant in determining audit fee.
15.	Urhoghide & Izedonmi (2015)	Nigeria	To examine the effect of audit client characteristics, audit firm characteristics, corporate governance variables on audit fees in Nigeria	**Population:** All quoted companies **Sample Size:** 153 quoted companies **Sampling Technique:** Simple Random **Research Design:** Panel Data Design **Technique of Analysis:** Pooled Ordinary Least Square **Time Scope:** 2007-2012	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Client Size 2. Profitability 3.Complexity 4. Industry 5.Fiscal Year 6. Board Size 7.Board Independence 8. Board Expertise 9. Board Diligence 10. Audit Committee 11. Audit Size 12. Audit Tenure 13. International Linkage	 + sig - in-sig + sig - sig - sig + sig + sig + sig + sig + sig + sig - in-sig + sig	The results for audit client characteristics revealed that audit client size and complexity have a positive and significant impact on audit fee while profitability, fiscal year end and industry have a negative and significant influence on audit fee.
16.	Ling, Yee, Liang, Yee & San (2014)	Malaysia	To examine the determinants of audit fees among listed manufacturing	**Population:** All 185 listed manufacturing companies	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Profitability 2. Corporate Size	 no r/ship + sig	The study found that there was no significant relationship between the profitability and audit

			companies in Malaysia	**Sample Size:** 169 listed manufacturing companies **Sampling Technique:** Filter **Research Design:** Deductive Approach **Technique of Analysis:** Multiple Regression Analysis **Time Scope:** 2009-2013	3. Complexity 4. Status of Audit Firm 5. Client Risk	+ in-sig + in-sig + sig	fees whereby significant relationship was found between other independent variables (corporate size, complexity, status of audit firm and audit client risk) and audit fees.
17.	Monsuru (2014)	Nigeria	To examine the audit pricing in Nigerian commercial banking industry	**Population:** All 22 listed banks **Sample Size:** 14 commercial banks **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** Ordinary Least Square Model. **Time Scope:** 2008-2012	**Dependent Variable:** DV: Audit Fees **Independent Variables:** 1. Banks' Complexity 2. Banks' Risk 3. Operating Performances	+ sig + sig - sig	The result revealed that there is a positive association between complexity, risk, but negative association between operating performances and audit fees.
18.	Soyemi (2014)	Nigeria	To examine the Clients/ Auditors attributes and external audit fees among listed non-financial companies in Nigeria	**Population:** All listed non-financial companies **Sample Size:** 20 listed non-financial companies **Sampling Technique:** Filter **Research Design:** **Technique of**	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Size 2. Complexity 3. Risk 4. Auditor Type	+ in-sig - in-sig + in-sig + sig	The findings from the study revealed that the premium value for the Big4 was not only positive but significantly higher, suggesting the near dominance of the audit market by the big accounting firms in the Nigerian non-financial

				Analysis: Ordinary Least Square Model. **Time Scope:** 2009-2012			institutions.
19.	Suryanto (2014)	Indonesia	To examine the effect of client attribute, auditor attribute, and engagement attribute to audit fees and the effect of audit fees to control risks and fraud prevention	**Population:** All public accounting firms **Sample Size:** 104 respondents in public accounting firms **Sampling Technique:** Census Sampling technique **Research Design:** **Technique of Analysis:** Partial Least Square Analysis. **Time Scope:** 2012-2013	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Auditor Attributes 2.Client Attributes 3. Engagement Attributes 4. Control of Risk 5. Fraud Prevention	+ sig + sig + sig + in-sig + in-sig	The results of this research indicate that client attributes, auditor attributes, and engagement attributes are the dominant factors affecting audit fees.
20.	Urhoghide & Emeni (2014)	Nigeria	To analyze the effect of client characteristics on audit fees in Nigeria.	**Population:** All quoted firms on NSE **Sample Size:** 153 companies **Sampling Technique:** Simple random sampling **Research Design:** Cross sectional and time series design **Technique of Analysis:** Ordinary Least Square Model. **Time Scope:** 2007-2011	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Client Size 2. Profitability 3. Complexity 4. Fiscal Year End 5. Industry	+ sig + sig + sig + sig + sig	The results showed that client size, profitability, complexity, fiscal year end and industry exert a significant effect on audit fees in Nigeria.

21.	Akinpelu, Omojola, Ogunseye & Bada (2013)	Nigeria	To investigate the determinants of audit fees in commercial banks in Nigeria.	**Population:** All listed banks **Sample Size:** 13 commercial banks **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** Ordinary Least Square **Time Scope:** 2009	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Bank Size 2. Capital Risk 3. Credit Risk 4. Liquidation Risk 5. Bank Complexity	 + sig - in-sig + in-sig + sig + sig	The results showed that bank size, degree of bank complexity, transactions and saving accounts to total deposit ratio are positively related and statistically significant to audit fees charged by the auditors.
22.	Amba & Al-Hajeri (2013)	Bahrain	To examine the determinants of Audit Fees in Bahrain.	**Population:** 20 Audit Firms and 30 Non-audit Firms **Sample Size:** 122 Respondents **Sampling Technique:** **Research Design:** Survey **Technique of Analysis:** Descriptive Statistics **Time Scope:** 2013	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Number of Transactions 2. Subsidiaries 3. Account Receivable and Inventory 4. Complexities of Information Technology 5. Regulations	 + sig + sig + sig + sig + sig	The study found that volume of transactions that originates across subsidiaries with international presence using sophisticated Information Technology systems significantly contributes to higher audit fees.
23.	Hassan & Naser (2013)	United Arabs Emirate	To examine the factors influencing audit fees paid by non-financial companies listed on Abu Dhabi Stock Exchange.	**Population:** All 30 non-financial listed companies **Sample Size:** All 30 non-financial listed companies **Sampling Technique:** **Research Design:** **Technique of Analysis:**	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Corporate Size 2. Business Complexity 3. Audit Report Lag 4. Industry Type 5. Audit Committee Independence 6. Profitability 7. Risk 8. Status of Audit Firm	 + sig + sig + sig - sig - sig + in-sig + in-sig + in-sig	The findings show a direct relationship between audit fees and each of corporate size, business complexity and audit report lag variables.

				Backward Regression Analysis **Time Scope:** 2011			
24.	Soyemi & Olowookere (2013)	Nigeria	To examine the client attributes which significantly explain variations in the amount of external audit fees charged by bank auditors in Nigeria.	**Population:** All quoted commercial banks **Sample Size:** 10 publicly quoted commercial banks **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** generalized Least Square **Time Scope:** 2009-2012	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Bank Size 2. Capital Risks 3. Credit Risk 4. Complexities	+ sig + in-sig - in-sig - sig	The findings from this study revealed that bank size an important factor that is priced by bank auditors having shown a positive and significant influence accounting for 63% variations.
25.	Vu (2012)	Sweden	To determine the factors which influence audit fees of Swedish listed non-financial firms in NASDAQ OMX Stockholm	**Population:** All 22 listed non-financial firms **Sample Size:** 16 listed non-financial firms **Sampling Technique:** Filter **Research Design:** Deductive Approach **Technique of Analysis:** Multiple Linear Regression **Time Scope:** 2010	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Auditee Size 2. Audit Committee 3. Auditee Industry 4. Audit Risk 5. Auditor Branch Name 6. Auditee Complexity 7. Year-end Date 8. Audit Tenure 9. Other fees	+ sig - sig + in-sig - in-sig - in-sig + in-sig + in-sig - in-sig + sig	The study found that auditee size and other fees have positive and significant correlations with audit fees, whereas audit committee has negative but significant association with audit fees.
26.	El-Gammal (2012)	Lebanon	To examine the factors that affect audit fees and	**Population:** Auditors and Client's Representatives (150)	**Dependent Variable:** Audit Fees **Independent Variables:**		The results showed that both external auditors and client

			provide evidence whether these factors are related to audit firm characteristics or the client firm characteristics.	**Sample Size:** 80 Respondents **Sampling Technique:** Judgmental Sampling Technique **Research Design:** Survey **Technique of Analysis:** Mann-Whitney U test **Time Scope:** 2012	1. Complexity 2. Risk 3. Audit Firm Reputation 4. Client Size Based on Total Assets 5. Audit Firm Size Based on Years of Experience 6. Profitability 7. Client Size Based on Number of Employees 8. Competition between Auditor 9. Audit Firm Size Based on Number of Employees	+ sig + sig + sig + in-sig + in-sig + in-sig + in-sig + in-sig + in-sig	representatives groups agree that the most important factor affecting/ determining amount of audit fees are client risk, complexity and whether the audit firm is one of the big four or not.
27.	Hallak & Silva (2012)	Brazil	To investigate the factors affecting auditing and consulting expenditures in Brazilian public companies.	**Population:** All 242 listed public companies **Sample Size:** 219 listed public companies **Sampling Technique:** Filter **Research Design:** **Technique of Analysis:** Filter **Time Scope:** 2009	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Company Size 2. Corporate Governance Quality 3. Big Four Status of Auditor 4. Company Leverage	 + sig + sig + sig + in-sig	The results indicate that audit fees are positively related to company size, corporate governance quality, and the Big Four status of the auditor
28.	Ellis & Booker (2011) USA	United States	To investigate the determinants of audit fees in the Community Action Agency	**Population:** All 1100 Community Action Agencies **Sample Size:** 247 Community Action Agencies **Sampling Technique:** Filter **Research Design:**	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Size 2. Complexity 3. Risk 4. Big4 Audit Firms	 + sig + sig + sig + sig	The findings indicate that the model is highly significant and explains the majority of the cross-sectional variance in audit fees.

				Survey Method **Technique of Analysis:** Ordinary Least Square Model. **Time Scope:** 2012			
29.	Xu (2011)	China	To investigate the factors which determine the audit fees in china	**Population:** All 300 listed firms **Sample Size:** 191 listed firms **Sampling Technique:** Filter **Research Design:** Deductive Approach **Technique of Analysis:** Multiple Linear Regression Models **Time Scope:** 2010	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Business Risk 2. Audit Tenure 3.Complexity 4. Audit Firm Size 5. Auditee Size 6. Audit Opinion 7. Inherent Risk 8. Change	 + in-sig + in-sig + sig + sig + sig + in-sig + in-sig + in-sig	The study found that auditee size, complexity and audit firm size had positively and significantly influenced audit fees in china.
30.	Huang, Lee & Rose (2010)	United States	To investigate the association between audit fees and subsequent client litigation in the United States	**Population:** All listed firms **Sample Size:** 8782 listed firms **Sampling Technique:** **Research Design:** **Technique of Analysis:** Univariate Ordinary Least Square **Time Scope:** 2000-2003	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Firm Size 2. Receivable + Inventory/ total Assets 3. Business Segment 4. Foreign Segment 5. Liquidity Risk 6. Leverage 7. Profitablity 8. Going Concern 9. Auditor Size	 + sig + sig + sig + sig - sig + in-sig - sig + sig + sig	The result of the study showed a significantly positive association between audit fees and subsequent client litigation.
31.	Besacier & Schatt (2006)	France	To examine factors influencing audit fees in France	**Population:** All 250 listed firms **Sample Size:** 127 non-financial firms	**Dependent Variable:** Audit Fees **Independent Variables:** 1. Firm Size	 + sig	The study found that audit fees depend on firm size, firm risk, and the presence of

				Sampling Technique: Filter **Research Design:** **Technique of Analysis:** Linear Regression **Time Scope:** 2002	2. Firm Risk 3. Big Four	+ sig + sig	two of the Big Four firms.