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DETERMINANTS OF AUDIT FEES OF LISTED INSURANCE COMPANIES IN NIGERIA

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Abstract

Controversies had risen 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 had been charged to add trustworthiness to the financial reports prepared by the management and also to protect the interest of the shareholders. A lot of problems occurred on what are such factors that determine (increases or decreases) the audit fees charged by external auditors. This study is aimed at examining the factors that determined audit fees of listed insurance companies in Nigeria using a correlational research design. The study's population comprised of twenty-six (26) listed insurance companies in Nigeria. Panel data were generated from the annual report and accounts of the sampled insurance companies for the periods 2011-2020 arrived at using a judgmental sampling technique. The study used random effect Generalized Least Square (GLS) regression for data analysis. The study revealed that client size and audit firm size are the important factors determining audit fees of listed insurance companies in Nigeria. While client profitability, client complexity, client underwriting risk, and client liquidity risk are found to have an insignificant and negative effect on audit fees of listed insurance companies in Nigeria. The study, therefore, recommended that auditors of Nigerian insurance companies should inspire their clients in increasing their total assets including their investments which increases the size of their businesses. This increases the companies' financial performances, as well as, the professional fees collected by auditors of insurance companies in Nigeria.

Keywords: *Audit Fees, Insurance Industry, GLS, Nigeria.*

1. Introduction

The primary role of accounting has been to measure and communicate all the economic transactions of an entity, with a view of satisfying the informational needs of several corporate stakeholders. Moreover, the corporate stakeholders are faced with agency conflict resulting from the separation of ownership and control. In which, the agents (managers) who are natural wealth maximizers control the affairs of a firm as management and who serve as the representatives of the principals (the owners), pursue their self-interest at the expense of the absentee owners (Carney, Gedajlovic & Sur, 2011). In addition to this, several factors such as performance-based compensation induce managers to exercise self-interest behavior, 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 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) stated that audit is an aspect of monitoring managers' financial statements which reduces information asymmetry and protects the interest of the owners and other stakeholders by providing reasonable assurance that financial reports are prepared by the managers are free from substantial misstatements. Therefore, external audits play a vital role in decreasing agency conflict between the managers and other stakeholders. Consequently, corporate stakeholders do not trust reported financial information without assurances from an independent external auditor. However, while external audit services are critical to corporate stakeholders and capital markets, there is an increasing concern among researchers about the auditor's compensation. Moreover, audit fees paid by clients are of interest to both the clients and the auditors.

According to Izma (2011), charging low audit fees can confine audit firms in limiting rewards given to audit staff because most audit firms viewed and saw audit assignments as an entire compliance exercise. Therefore, audit fees are influenced by both audit firm attributes and the client's company characteristics. The audit fees charged by the auditors are influenced by auditor-related factors such as auditor size, auditor reputation, auditor experience, audit market competition, and auditor industry specialization. However, Bedard and Johnstone (2010) stated that audit fees are also influenced by the client's size, the client's complexity of operations, the client's risk, and the client's profitability. Big four audit firms charged high audit fees due to their large number of staff, geographical coverage, high reputation, as well as, industry specialization. Intense competition amongst audit firms lower audit fees charged (Simon & Taylor, 2002).

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 other financial institutions such as banks and discounts houses that provide intermediation services to both the business units and the private households. For the stability of the economy, the availability of insurance services is important and can make businesses accept high levels of risks (Adeyemi, 2005). However, the growth of the insurance industry in Nigeria is not something to write home about, particularly between 1921 and 1949 due to the unfavorable effect of World War II on trading activities of nations including Nigeria. Thus, after the war, business activities steadily picked up again, and the insurance industry in Nigeria started recording outstanding development in growth (Jegade, 2005).

Auditing of insurance companies is considered to be extremely specialized and technical in terms of reporting. A dedicated standard was established in 2005 to guide the reporting of insurance matters (International Financial Reporting Standards - IFRS 4) on the insurance contract. Accordingly, audit firms were also anticipated to be technically experienced to comprehend IFRS 4, which was also replaced by IFRS 17 in 2021. However, there are no specific International Standards on Auditing - ISA for insurance companies notwithstanding the concerns and inadequate industry-specific auditing standards that had led to many approaches and made it challenging to comprehend how audit fees had been determined. Despite the role played by the insurance sector in the growth and development of the Nigerian economy, it receives little attention from researchers. This study, therefore, aimed at examining the factors influencing audit fees of listed insurance companies in Nigeria.

Controversies had risen 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 had been charged to add trustworthiness to the financial reports prepared by the management and also to protect the interest of the shareholders. A lot of problems occurred on what are such factors that determine (increases or decreases) the audit fees charged by external auditors. Kimeli (2016); Hassan and Naser (2013) and El-Gammal (2012) stated that variables such as profitability, complexity, audit firm's risk, and company size as factors influencing audit fees. Several studies on audit fees determinants have been undertaken in many countries. The majority of these studies were conducted outside Nigeria, like the studies of Khasharmeh (2018); Musah (2017); Castro, Peleias and Silva (2015); Suryanto (2014); Amba and Al-Hajeri (2013); Hallal and Silva (2012) and Li and Zhu (2011). And the few studies conducted in Nigeria on audit fees determinants are the studies of Ohidoa and Okun (2018); Ilaboya, Izevbekhai, and Ohiokha (2017); Urhoghide and Izedonmi (2015); Monsuru (2014); Soyemi (2014); Urhoghide & Emeni (2014) and Akinpelu, Omojola, Ogunseye and Bada (2013).

While Ohidoa and Okun (2018); Ilaboya *et al.* (2017); Kimeli (2016); Urhoghide and Emeni (2014); Hassan and Naser (2013); Naser, Al-Mutairi, and Nuseibeh (2013) found a positive relationship between client size, client complexity, audit firm size, and audit fees, but (Musah (2017); VulHaq and Leghari (2015) and Ellis and Booker (2011) recorded negative relationship. One apparent conclusion is that there is no common agreement on audit fees determinants in Nigeria. Hence, the results are inconclusive and require more empirical work, especially in the Nigerian insurance industry. Consequently, empirical studies in Nigeria are scanty to the best of the researchers' knowledge. Also, most of the studies considered other industries and no study in the Nigerian context considered the insurance sector of the Nigeria Stock Exchange for which this study is aimed at. Thus, the main objective of this study is to examine the factors that influence audit fees of listed insurance companies in Nigeria. This study is presented in to five sections: section one is the introduction, section two considers the literature review, section three concentrates on the methodology, section four deals with results and discussions, while section five concludes the study.

2. Literature Review

Audit fees according to Shammari, Yaqout and Hussaini (2008), are the amount received for their professional services by the auditors considering factors such as the risk of carrying out the assignment, the complex nature of the services provided, the expertise required to conduct the audit work, the cost configuration of the firm concerned and other professional negotiations. Audit fees are the fees paid to the auditors that replicate the cost of the effort piloted by the public editors and litigation risks (Choi, Kim & Zang, 2010). Furthermore, DeAngelo (1981) as in Ibrahim and Ali (2015), elaborates further that, an audit fee is a reward for services performed by external auditors and the services are associated with the time used to complete the task and the value of services delivered to the client or the firm. Auditor fees are the reward to auditors for the services provided to a client which include both statutory and non-statutory audit services. Consequently, higher fees could be collected either to cover the extra audit effort required to bring down the risks to manageable levels or as a premium to cover the auditor's anticipated losses (Sengupta & Shen, 2007).

There is no universal and acceptable definition of audit quality. It means the quality of the audit report provided by an auditor. The audit itself is an independent inspection of and

expression of judgment on the financial reports of an enterprise by an employed auditor, in the undertaking of that appointment and acquiescence with any pertinent statutory duty (Onaolapo, Ajulo & Onifade, 2017). Consequently, audit work is expected to increase the value of the information presented in the financial reports as such audit quality has to do with a show of professionalism, due diligence, and care by the auditor in carrying out the audit work which should lead to a true and fair view of financial statement (Arrunada, 2000). Furthermore, Ibrahim and Ali (2015) observed that the concept of audit quality points down to the reliability of the audit assertion on the assurance given on audited financial statements.

2. Review of Empirical Studies

Some studies were conducted on the determinants of audit fees both in Nigeria and outside. For example, AL-Mutairi, Naser and Al-Enazi (2017) examines the perception of a sample of Kuwaiti external auditors about the importance of various factors that may affect external audit fees. A questionnaire was distributed to 100 external auditors who work for different audit firms in Kuwait. They were asked to specify the level of importance they assign to factors expected to impact external audit fees. Descriptive statistics and Mann-Whitney U test were used for data analysis. The study reveals that audit fees in Kuwait are most importantly determined by the size of the audited company, type of professional services provided by the audit firm, safety of the audited company's internal control system, and affiliation of the audit firm to big four international audit firms. While, factors such as the location of the audit firm and the location of the audited company, complexity of the audited company and type of reports required to be submitted by the audit firm were the least important factors. Moreover, Musah (2017) examines the determinants of audit fees of companies listed on Ghana Stock Exchange for the period 2010-2014. Six independent variables which included the client size, profitability measured by ROA, LOSS, client risk measured by debt ratio, YEAR (season) and multinational corporation (MNC) were used as determinants of audit fees. Descriptive statistics, correlation analysis and regression analysis were used for data analysis and the study reveals that client's size of business, international recognition, affiliation of audit firms (Big four firms) and profitability are significant determinants of audit fee in Ghana.

In another study, Apadore and Letchumanan (2016) examine the determinants of audit fees among listed manufacturing companies in Malaysia for the period 2009-2015. Five independent variables which are profitability, corporate size, complexity, status of audit firm and audit client's risk were used as determinants of audit fees. Multiple regression analysis was employed and the results show that all the independent variables are significantly influencing audit fees in Malaysia. In addition, Kimeli (2016) investigates the determinants of audit fees of 62 firms listed on the Nairobi Stock Exchange, Kenya for the period 2008-2014. Linear regression model was used to test the hypothesis and the findings of the study show that auditor experience, auditor reputation, Big 4 status; client size; client complexity; and the reporting time lag are the important factors determining audit fees for Kenyan listed firms. In contrast, there is a negative relationship between audit fees and auditor size while reporting season, client profitability, and client risk were found to have no relationship with audit fees.

Similarly, Kikhia (2015) examines the factors influencing external auditors' fees of 117 non-financial companies listed on the Amman Stock Exchange Jordan for the period 2010-2012. The independent variables used were auditee size, complexity of client, profitability, client risk, auditor size and auditor tenure. Ordinary least squares (OLS) regression model was used as the method of data analysis and the results show that auditee size and profitability of the audit client are positively related to audit fees. However, financial risk is found to be significantly and negatively associated with audit fees, while audit tenure has no significant

relationship with audit fees. Furthermore, VulHaq and Leghari (2015) investigate the determinants of audit fees in Pakistan and reported that that client's size of business, complexity of business and international recognition and affiliation of audit firms (Big four firms) are significant determinants of audit fees in Pakistan.

Urhoghide and Emeni (2014) examine the impacts of client size, profitability, complexity, fiscal year end and industry on audit fees in Nigeria. The population of the study covered all quoted companies on the Nigerian Stock Exchange (NSE) from 2007-2011. Secondary data obtained from the published annual accounts and reports of one hundred and fifty-three (153) companies from eleven sectors were used. The simple random sampling technique was used in the selection of companies from the population. Descriptive statistics, correlation analysis and fixed effects regression analysis were conducted and the results showed that client size, profitability, complexity, fiscal year end and industry significantly affect audit fees in Nigeria. In the same vein, El-Gammal (2012) assesses the views of external auditors and client's representatives (accountants, financial controllers and internal auditors) about the factors affecting audit fees in Lebanon. A self-administered copies of questionnaire were given to a sample of 80 respondents, while descriptive statistics, means, standard deviation and Mann-Whitney U test were used as techniques for data analysis. The study found that the most important factor determining audit fees in Lebanon is whether the audit firm is one of the big four or not and the least important factor is the size of the audit firm based on the number of its employees.

It is evidenced from the review of literature that most of the studies on the determinants of audit fees are conducted outside Nigeria and the need to carry out such study in Nigeria. Furthermore, the most important determinants of audit fees from the review of empirical studies were the size of the audited company, profitability, international recognition, client complexity, affiliation of the audit firm to big four international audit firms, audit client's risk, auditor experience, auditor reputation, and the reporting time lag.

3. Methodology and Model Specification

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 31 December, 2020. The sample size of this study is arrived at by applying the following three (3) point filters. For an insurance company to be selected, (1) it must have been listed on the floor of the Nigerian Stock Exchange throughout the periods of study without being delisted; (2) it must have complete annual reports and accounts covering such study periods; and (3) it must engage in the insurance business and not assurance business. After applying the filter, twelve (12) listed insurance companies in Nigeria qualified as presented in Table 2. This study uses secondary sources of data which was extracted from the annual reports and accounts of the sampled companies for the periods 2011-2020. Descriptive statistics and GLS Random Effect regression were employed as techniques for data analysis.

3.1 Variables of the Study and their Measurements

This study uses two sets of variables. These are the dependent and explanatory variables. The dependent variable is audit fees and is measured by the natural logarithm of 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 Soyemi (2014). 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. Client size is measured by the natural logarithm

of total assets of the audited company as used by Urhoghide and Emeni (2014) and Shammari *et al.* (2008). Client profitability proxied by Return on Assets (ROA) is measured as net profit before tax divided by total assets as used by Kimeli (2016) and Shammari *et al.* (2008). Client complexity is measured by the number of subsidiaries of the client company locally and internationally as used by Urhoghide and Emeni (2014) and Shammari *et al.* (2008). Client underwriting risk is measured by the growth or change in net premium written as used by Akotey and Abor (2013). Client liquidity risk is measured by the premium ratio which is the ratio of the premium received to total assets as used by Monsuru (2014). Audit firm size is measured by using a dummy variable. A value of 1 is assigned if an audit firm is a big four firm and a value of 0 is assigned to a non-big four audit firm as used by Kimeli (2016) and Soyemi (2014). The big four audit firms in Nigeria are; KPMG Professional Services, Akintola Williams Delloite, Price Waterhouse Coopers, and Ernst and Young.

To examine the determinants of audit fees of listed insurance companies in Nigeria, the study adopted with little modification the models used by Kimeli (2016); Urhoghide and Emeni (2014), and Hassan and Naser (2013).

$$ADFE_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 PROF_{it} + \beta_3 COM_{it} + \beta_4 UNDRIS_{it} + \beta_5 LIQRIS_{it} + \beta_6 BIG4_{it} + \varepsilon \quad \text{I}$$

Where:

- ADFE = Audit fees;
- SIZE = Client size;
- PROF = Client profitability;
- COM = Client complexity;
- UNDRIS = Client underwriting risk;
- LIQRIS = Client liquidity risk;
- BIG4 = Audit firm size;
- i = number of audited companies/clients;
- 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.

4. Results and Discussion

4.1 Descriptive Statistics

Table 4 provides the summary statistics of the data. These include measures of central tendency and measures of dispersion of the variables of the study. Thus, table 4 provides the mean, 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 1: Descriptive Statistics

Summary of the Variables					
Variables	Obs	Mean	Std. Dev.	Min	Max
ADFE	120	9.441	0.646	8.006	11.277
SIZE	120	16.281	0.688	15.020	18.366
PROF	120	0.008	0.121	-0.783	0.223
COM	120	1.108	0.933	\tilde{n}	\tilde{n}
UNDRIS	120	0.140	0.477	-0.891	4.462
LIQRIS	120	0.185	0.117	0.006	0.532
BIG4	120	0.358	0.482	0	1

Source: STATA 15.0 Output, 2022.

From Table 4, it can be seen that a total of 120 observations were recorded. The result shows that audit fees have an average value of 9.441, with minimum and maximum values of 8.006 and 11.277 respectively. This signifies that there is a low dispersion in audit fees paid by the sampled insurance companies as portrayed by the standard deviation of 0.646 which is lower than the mean value. Also, the client size of the sampled insurance 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 low dispersion in the firm size of the sampled companies. This implies that some of the sampled companies are bigger in terms of assets than others under the period of the study. Concerning profitability of the sampled insurance companies, it has a mean of 0.8%, with minimum and maximum values of -78% and 22% respectively. This shows a high variation in profitability of the sampled insurance 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 insurance companies incurred losses during the period under study.

Moreover, 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 client among the sampled insurance companies in Nigeria. In addition, the sampled insurance 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 insurance 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 policyholders in one particular year or the other.

Furthermore, the sampled insurance 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 sampled insurance companies for the period under the study. This means that the sampled insurance companies are within the same range in terms of liquidity risk. More so, on average, 36% of the sampled insurance companies are audited by 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 insurance companies. This means that 36% of the sampled insurance companies are being audited by the big4 audit firms and the remaining 64% are audited by non-big4.

Correlation Matrix

The correlation matrix measures the strength and direction of the association between dependent and explanatory variables. Thus, Table 5 depicts the degree of relationship between audit fees and their determinants.

Table 2: Correlation Matrix

	ADFE	SIZE	PROF	COMP	UNDRIS	LIQRIS	BIG4
ADFE	1.000						
SIZE	0.678	1.000					
PROF	0.020	0.034	1.000				
COM	0.514	0.641	0.252	1.000			
UNDRIS	-0.061	-0.072	0.121	-0.010	1.000		
LIQRIS	-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: STATA 15.0 Output, 2022

It is clear from Table 5 that the association between client complexity and audit firm size with audit fees of the sampled insurance 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 insurance companies, with correlation coefficient value of 0.68. 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 a correlation coefficient value of 0.02.

Table 3: Multicollinearity Test

Variables	VIF	1/VIF
COM	1.97	0.507
SIZE	1.80	0.556
BIG4	1.14	0.874
PROF	1.12	0.896
LIQRIS	1.09	0.920
UNDRIS	1.03	0.971
Mean VIF	1.36	

Source: STATA 15.0 Output, 2022

Table 3 shows the VIF of 1.97, 1.80, 1.14, 1.12, 1.09, and 1.03 respectively for each explanatory variable. This is less than the rule of thumb which is 10 which indicates the absence of multicollinearity. That is to say the variables are not highly correlated. Hence, the predictive ability of the independent variables is not adversely affected by the relationship (Ibrahim & Ali, 2018).

4.2 Discussion of Regression Results

This section presents and interprets the regression result of audit fees and its determinants of the sampled insurance companies in Nigeria. Table 4 presents the GLS random effect result of the variables of the study.

Table 4: GLS (RE Robust) Regression Results

Ad Fees	Coef.	Std. Error	Z	P> Z
SIZE	0.556	0.168	3.32	0.001***
PROF	-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
LIQRISK	-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 Chi²	35.01			
Rho	0.5600			
P-value	0.0000			

Source: STATA 15.0 Output, ***, ** and * indicate 1%, 5%, and 10% significance levels respectively.

Table 4 presents the GLS random effect (robust) regression result 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 coefficient of determination is 0.61. This means that 61% of the variations in audit fees are caused by explanatory variables of the study, while 39% of the variations are explained by other factors not covered by the study. Also, the probability of a P-value of 0.0000 implied that the model is fit and significant at 5%, and the variables are appropriately selected.

The random effect (robust) regression result as shown in Table 4, indicates that client size has a significant and positive effect on 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 that of Musah (2017), Kimeli (2016), VulHaq and Leghari (2015), and Urhoghide and Emeni (2014) who found that client size has a significant and positive effect on audit fees. Table 6 also shows that client profitability has an insignificant and negative effect on 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 an increase in audit fees. This result is in line with the findings of Hong and My (2017), Kimeli (2016), and Rusmanto and Waworuntu (2015) who document an insignificant and negative effect of client profitability on audit fees.

In addition, client complexity has an insignificant and negative effect on 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 a decrease in audit fees. This is in support of the findings of Musah (2017), VulHaq and Leghari (2015), and Soyemi (2014) who reported that complexity has an insignificant and negative effect on audit fees. Similarly, client underwriting risk has an insignificant and negative effect on 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 a decrease in audit fees. This finding is in line with the finding of Akotey and Abor (2013) which established an insignificant and negative effect of underwriting risk on audit fees.

Moreover, client liquidity risk has an insignificant and negative effect on 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 a decrease in audit fees. This finding conforms to the finding of Akinpelu *et al.* (2013) who established an insignificant and negative effect of liquidity risk on audit fees. On the other hand, audit firm size has a significant and positive effect on 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 extraordinary audit fees on the listed insurance companies in Nigeria than non- big4. This finding is consistent with that of Ohidoa and Okun (2018), Apadore and Letchumanan (2016), VulHaq and Leghari (2015), and Kikhia (2015) who reported a significant and positive effect on audit fees.

5. Conclusion and Recommendations

Based on the reviewed literature, study findings, and objectives of the study, it is concluded that; Client size and audit firm size are important determinants of audit fees of the sampled insurance companies. Most of the Nigerian insurance companies have grown in asset size which in return influences auditors in charging substantial fees as reward/ compensation for the professional services rendered to such companies. Also, 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: and it is evident that average insurance companies in Nigeria contracted the services of big four audit firms in preparing their financial reports.

In contrast, client profitability, client complexity, client underwriting risk, and client liquidity risk have an insignificant and negative effect on audit fees of the sampled insurance companies. Client profitability was 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. The negative and insignificant link between client complexity and audit fees could be since some of the sampled insurance companies are less complex in the period of the study as they have few subsidiaries or no subsidiaries at all. In addition, the negative and insignificant association between client underwriting risk and audit fees could be attributed to the reluctance of some policyholders to pay their premiums in some years under the study while others are drawing their funds from the insurance business. Also, the insignificant and negative effect of client liquidity risk on audit fees 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.

Based on the findings and conclusion, the study recommends that auditors of Nigerian insurance companies should inspire their clients in increasing their total assets including their investments which increases the size of their businesses. This increases the companies' financial performances, as well as, the professional fees collected by auditors of insurance companies in Nigeria. In addition, the shareholders, as well as, managers of Nigerian insurance companies should make sure that cash and other liquid assets are sufficiently preserved at their disposal to eliminate their liquidity problems. This would help them meet up with their financial obligations as and when due particularly of auditor's payment and other claims of the insured persons. Finally, the National Insurance Commission (NAICOM) which is the regulatory body of insurance businesses in Nigeria should specify a law in which a certain portion of the audit work is bestowed to non-big four audit firms. This reduces the cartel power of the big four audit firms and joint audits should also be heartened between big

four and non-big four audit firms in the Nigerian insurance industry to enhance the abilities of the local audit firms in the Nigerian insurance industry.

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