

PRICING OF AUDIT SERVICES AMONG QUOTED FINANCIAL FIRMS IN NIGERIA

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The focus of this study is to examine the factors influencing the pricing of audit services among quoted financial firms in Nigeria. Secondary data sourced from transparency and annual reports of selected financial firms in Nigeria for a period of 2006 to 2016 was analysed using Ordinary Least Square (OLS) multiple regression. Pearson correlation matrix was used to check for multi co-linearity presence in the model and to explore the relationship between the explanatory variables and the dependent variable. The findings of the study revealed that audit risk has positive and statistical significant influence on audit fee which means that the higher the audit risk involved, the higher the audit fee charged. In addition, audit profitability (APROF) was found to have a positive effect on audit fee charged by auditing firms and this was statistically significant at 1%. This invariably means that on the basis of auditing firm charging of audit fee to their clients, profitability of their client impact audit fee significantly. Meaning that most audit firms in Nigeria charged higher audit fee to companies that are profitable than those that are not. The study further revealed that auditor characteristic has a negative influence on audit fee which is not statistically significant thereby meaning that popular auditors in Nigeria charge higher audit fees than those with less characteristics. Therefore, It is recommended that firms should be careful in incurring, operational and financial risks in the course of their transactions in order to reduce risk to its barest minimum.

KEYWORDS: Audit market, audit fees, firms' complexity, audit risk and audit size.

1.0: INTRODUCTION

Companies are statutorily required to have their accounts audited and want the fees they pay to be reasonable. Auditors provide such audit services and want to ensure that the fees they charge are sufficient to enable a satisfactory service delivery. In addition to companies and auditors, the public in general and shareholders in particular are concerned that the audit fee is neither too high nor too low to undermine the confidence in the audit opinion. Without prejudice to the relevance of audit report, what is worrisome is the rate of astronomical corporate scandals that greeted the world largest corporations in the last decade. Companies which were adjudged to be healthy via the issuance of a clean bill of health by external auditors went under few months after such vote of confidence. This development brought the integrity of the audit profession to question, as reliability on audit reports for decision-making was damaged. One of the reasons adduced for audit failure is the absence of auditor's independence; and by extension, the magnitude of audit fees charged by the auditor. Recommended basis for determining audit fees has been issued by ISA as a guideline on the charging of audit fees but the amount of fees paid depends largely on the audit skills, knowledge and time required in performing audit works (Paino and Tahir, 2012). The regulation of auditing and accounting practices for the public disclosure of audit fees has put a greater pricing pressure on audit services which has a significant impact on the audit market (Swanson, 2008). According to Sundgren and Svanstrom (2013), the level of audit fees are usually in line with the audit quality. However, the amount of fees charged is often in the contrary with the audit fees perceived by the client. Hence, it is important to know how audit fees are priced differently and whether the fees are charged reasonably within the auditing industry (Kwong: 2011).

1.2: STATEMENT OF PROBLEM

Audit pricing services have been an important issue that concern many researchers to have carried out researches by

examining the types of determinants that affect the audit fees (Al-Harshani, 2008). A preponderance of research has been devoted to unraveling the pricing of audit services in developed economies. As a matter of fact, the US and the UK are the earliest countries to control the issue of audit remuneration. The empirical findings of audit fee determinants in different countries show that audit fee structure is complex. Moreover, the voyage into finding explanations for the auditor performance, the level of auditor independence and the audit quality has seen evolving as a critical factor as contained in several literature on audit fee. Most prior studies which presented empirical evidence of the determinants of audit fee in firms, focused mainly on developed countries. For example, studies done in UK includes Taylor and Baker, (1981); Ezzamel, Gwillien & Holland, (2002); Simon and Taylor, (2002); Studies done in Australia includes: Francis, (1994); Francis and Stoke, (1986). Studies in Canada: Chung & Lindsay, (1988) etc. Nevertheless, limited number of studies related to emerging economy like Jordan includes: Naser & Nuseibeu, (2007); Studies in Bahrain includes: Joshi and Al-Bastiki, (2000). Studies in Qatar include: Kutob and Al-Khater, (2004); In Bangladesh: Waresulkarim and Miozer, (1986). There are several reasons prompting this study. Apart from a joint study undertaken by (Kenny Adedapo & Johnson Kolawale, Olowookere, Akinpelu, Omoajala, Ogunseye and Bada (2013) on the determinants of audit fee with evidence from the banking sector of Nigeria, no other empirical study on the factors that determine audit fee with evidence from financial firms in Nigeria has been carried out. To the best of our knowledge, there have not been many studies conducted to find out the audit pricing services in Nigeria and the few studies available do not test some determinants such as audit risk and characteristics. Again, apart from the studies undertaken by previous researchers, we found that there are limited studies conducted after the convergence of International Financial Reporting Standards (IFRS). Finally, evidence from the few studies revealed the presence of mixed findings in the literature which suggests that the issues involved in the pricing of audit services were empirically unsettled. This therefore suggests that there is the need for more researches in this area to examine the factors responsible for audit pricing services determination, hence the need and timeliness of this study to fill this vacuum. Against this background, the following research objectives were raised.

- *To examine the effect of audit size on audit fee among quoted financial firms in Nigeria.
- *To investigate the effect of audit complexities on audit fee among quoted financial firms in Nigerian
- *To examine the effect of audit risk on firm audit fee among quoted financial firms in Nigerian
- *To examine the effect of firm's profitability on audit fee among quoted financial firms in Nigeria.
- *To determine the effect of auditor characteristics on firm audit fee among quoted financial firms in Nigerian.

2.0: REVIEW OF RELATED LITERATURE AND HYPOTHESIS DEVELOPMENT

2.1: AUDIT SIZE AND AUDIT FEE

Audit size is considered an important factor in determining the audit fees (Hay et al., 2006). The number of hours needed to complete the audit work mainly determines the amount of external audit fee. In other words, large client will have more transactions, therefore, requires the auditor to perform more detailed audit processes and procedures, and thus the auditors have to be more attentive and diligent to audit and review their clients business, which results in higher audit fees (Simunic, 1980; Taylor & Simon, 1999; Meshari, 2008). The size of total assets was the factor most often used in previous studies to represent company size (Hay, Knechel & Wong, 2006; Waresul et al., 2012). Simunic, (1980); Low et al., (1990); Chan et al., (1993); Carson et al., (2004), found a positive relationship between audit fees and audit size. According to Taylor and Baker (1981); Francis, (1984); Firth, (1985); Simon et al., (1986); Simon et al., (1992); Chan et al., (1993); Anderson and Zeghal, (1994); Johnson et al., (1995); Collier and Gregory, (1996); Firth, (1997); Mike et al., (1997); Naser and Nuseibeh, (2008); Ellis and Booker, (2011), in their previous empirical research, they showed size of audit to be the main factor that influences external auditor's fees. Since the pioneering publication of Simunic (1980) on this subject as well as in other international studies, audit size appears to be the central explanatory feature when studying audit fees. A recent study of Wahab and Zain (2013) investigated firm size as the determinant of audit fees during initial engagement in Malaysia. Data were obtained from annual reports of 3,003 listed firms in Bursa Malaysia for the period from year 1996 to 2006. Panel regression analysis was employed in this study. The results showed that firm size and audit fees are significantly and positively related. Another study conducted by Yaacob (2013) used corporate size as a control variable of determinant of audit fees to investigate the association between the adoption of IFRS 139 and audit fees in Malaysia. The results concluded that size is significantly and positively associated with audit fees. Naser, Al-Mutairi, and Nuseibeh (2013) identified the association between audit fees and internal corporate governance effectiveness whereby firm size is used as a control variable of the study. Data were obtained from annual reports of 32 listed non-financial companies in Abu Dhabi Securities Exchange for the year 2012.

Regression analysis was conducted in the study and the result showed that there is a significant and positive association between audit fees and corporate size. However, for this current study, the researcher believes that the audit fee increases as the audit size appreciates. We therefore hypothesised thus: **There is no significant relationship between firm size and audit fee of quoted financial firms.**

2.1.2 AUDIT COMPLEXITY AND AUDIT FEE

Reports from many studies suggest that complexity in terms of scope of operation or in respect of position statement composition has a significant impact on the level of the audit fee. However, Firth (1985) reported in his study that number of subsidiaries and the scope of operations were statistically insignificant to variation in audit fees charged by the auditors.

Kim, Liu and Zheng (2012) analyzed the effect of IFRS adoption on audit fees in European Union countries on their study conducted in 2012. The samples comprised of 3,693 firms from 11 European Union countries and 11,903 firms from 3 non- European Union countries over the year 2004 to year 2008. This study using the pooled cross-sectional regressions of audit fees on their test variables. The result concluded that adoption of IFRS increase the audit fees. A study was conducted by De Deorge, Ferguson and Spear (2013), to examine the relationship between IFRS adoption and audit fees in Australia. This study focused on cross-sectional variation analysis model and the findings showed that the amount of audit fees will be increased particularly for those firms with IFRS implementation during the year of adoption. A Malaysian study of Yaacob and Che-Ahmad (2012) investigated the relationship between the complexity of new and amended IFRS and the audit fees in Malaysia. The result concluded that adoption of IFRS increase the audit fees. Moreover, Redmayne and Laswad (2013) have studied the effect of IFRS adoption on public sector audit fees in New Zealand. The results reported that the IFRS adoption positively affected the audit fees and audit effort. A significant proportion of previous studies have also observed a positive effect between audit complexity and audit fees (Simunic, 1980; Brinn et al., 1994; Cameran, 2005; Joshi and Bastaki, 2000; Clatworthy and Peel, 2006; Thinggaard and Kiertzner, 2008; Vermeer et al., 2009; Ellis and Booker, 2011; Verbruggen et al., 2011). Consistent with previous research on the significant effect of audit complexity on audit fees, this researcher also affirms that the more complex an audit is the more the audit fee. We therefore hypothesized thus: **Audit complexity has no significant effect on audit fee of quoted financial firms.**

2.1.3: AUDIT RISK AND AUDIT FEE

The degree of the risk involved in the audit work could be a consideration when determining the audit fee, as it could affect the auditor's responsibility. This responsibility is closely related to the risk involved. Therefore, the more risk involved in the audit work the greater the responsibility which will relatively deserves a higher fee to compensate the external auditor for taking such risk. A study by Sun and Liu (2011) pointed out that the audit with high level of risk will force the auditors to perform audit procedures effectively, therefore, financial risk must be incorporated in audit program to determine "red flags" signals which points out to opportunities of fraudulent activities. According to Simunic (1980), a risky company is expected to run the risk of audit failure; this would require an intensive audit testing which result in increase in audit fees. Furthermore, Hay and Knechel (2004) pointed out that the demand for auditing is a function of the set of risks faced by stakeholders in an organization (creditors, management, shareholders, etc.) and set of control mechanisms available for mitigating those risks. In addition, Firth (1993) discovered that higher level of client risk will increase the auditor effort which results in higher audit fees; therefore, the accounting firm will have to undertake detailed work to resolve or moderate the risk. Auditors need to do more work to reduce any potential litigation against the audit, the more the work and time needed to finish the auditing process the greater the audit fee is. Therefore, Audit fees are positively affected and associated with the audit risk (Francis and Simon, 1987; Craswell and Francis, 1999). Auditors need to make more efforts with a client with poor financial condition to avoid lawsuits against audit firms in the future, and thus, auditors will charge higher audit fees. Previous literature on the determinants of audit fees reported significant association with audit risk (Simunic, 1980; Francis and Stokes, 1986; Joshi and Bastaki, 2000; Gonthier-Besacier and Schatt, 2007). However, several studies reported insignificant relationship between the two variables (Vermeer et al., 2009; Ellis and Booker, 2011). However for this study, the researcher affirms with prior researchers on the significant effect of audit risk on the audit and proposed as follows: **Audit risk has no significant effect on audit fee of quoted financial firms.**

2.1.4: AUDIT PROFITABILITY AND AUDIT FEE

Audit profitability is an important variable in determining audit fees and is regarded as a significant sign of management performance and its effectiveness in allocating available resources. Realizing the income or loss figure presented through the income statement can help to identify the audit profitability. Profitable firms pay more audit fees to their external auditors in view of the fact that higher profits may require accurate audit testing of the authority for the

identification of revenue and expenses which require more audit time (Joshi and Al-Bastaki, 2000). Empirical evidence has not been decisive in this respect. For instance, no association was identified between profitability and audit fees in the UK, even though studies conducted by Simunic (1980) Francis and Simon (1987) and (Hay et al., 2008) concluded that the profitability was significantly associated with audit fees. Only few researchers (Simon and Francis, 1988; Joshi and Al-Bastaki, 2000; Whisenant et al., 2003) have used profitability in their studies. Firth, (1985); Simon et al., (1986); Chung and Lindsay, (1988); Low et al., (1990); Dugar, Ramanan and Simon, (1995); and Waresul and Moizer, (1996) in their studies stated that, audit firm profitability is considered as an important indicator of management performance and its efficiency in allocating available resources. The audit profitability can be known by finding the income or loss figure shown in the income statement. 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 and Al Bastaki; 2000). Most of the prior researches done indicate that the amount of audit fees is significantly influenced by the profitability ratio (Sandra and Patrick; 2006). According to Watts and Zimmerman (1986), companies that reported high levels of profit would disclose more information to highlight their achievements and reduce agency costs. Disclosing more information will be used by management of a profitable company to signal information about their performance to strengthen their position and justify their compensation. These companies will be subject to rigorous audit testing to their revenues and expenses (Joshi and Al-Bastaki; 2000). Hence, profitable companies would pay high audit fees. We therefore hypothesised that there is no significant relationship between firm's profitability and audit fee of quoted financial firms.

2.1.5: AUDITOR CHARACTERISTICS AND AUDIT FEE

In addition the Reputation of the audit office is the perception that some audit firms can provide higher quality auditing than others, which is one of the most important factors affecting the audit service pricing (e.g., Larcker & Richardson, 2004; Gonthier & Schatt, 2007). Firms which have invested in reputation capital (e.g., employee training programs and advertising) suggests a much higher success rate of the audit firm (Che-Ahmad & Houghton, 1996), and therefore it may be able to obtain a return on its investment through placing higher audit fees for their services. So this means that, the better the reputation of the audit firm the more is the demand on its audit services and the higher audit fees are. The audit firms are local, regional and big international. Previous researchers identified large audit firm as being one of the Big Four international audit firms, while other firms are viewed as being small (DeAngelo, 1981; Haniffa and Cooke, 2002; Glaum and Street, 2003). As large companies are usually more visible and accountable (Cormier & Gordon, 2001) by the public and subject to political pressure more than small ones, they attempt to avoid such pressure, reduce monitoring costs and justify their existence in society by improving the quality of their reporting and recruiting big international audit firms. In return, big international audit firms are more likely to provide assurance to stockholders and reduce agency costs. Consequently, the reputation and status of audit firm can have a great effect on audit fees (Huang et al., 2007; Vermeer et al., 2009; Choi et al., 2010; Verbruggen et al., 2011; Wang et al., 2011; El-Gammal, 2012). In this respect, Hay et al., (2006) argued that higher audit fees are expected when an auditor is recognized to be of superior quality to other firms. According to Larcker and Richardson, (2004) and Gonthier and Schatt, (2007), reputation of the audit office is the perception that some audit firms can provide higher quality auditing than others, which is one of the most important factors affecting the audit service pricing. Firms which have invested in reputation capital (e.g., employee training programs and advertising) suggests a much higher success rate of the audit firm (Che-Ahmad and Houghton; 1996), and therefore it may be able to obtain a return on its investment through placing higher audit fees for their services. So this means that, the better the reputation of the audit firm the more is the demand on its audit services and the higher the audit fees are. Thus, audit characteristics have no significant effect on audit fee of the quoted financial firms.

3.0: METHODOLOGY

3.1: Sample

The sample size for this study is two (2) out of the big four (4) audit companies and their clients, two (2) Nigerian based banks listed in the Nigerian stock exchange (NSE) which include the following; PricewaterhouseCoopers Nigeria, KPMG Professional services Nigeria, Zenith bank Nigeria plc. and Guarantee trust bank Nigeria plc. We employed bank specific data which was extracted from various annual reports of these banks while the fee charged by these two big auditing firms in Nigeria were sourced from their transparency report covering the period of ten years from 2006 to 2016.

3.1.2: Model Specification

This study used a cross-sectional and ex-post facto research design. Ordinary least squares (OLS) were used to find the relationship between the dependent variable and the independent variables using the following model equation below.

$$Y_{it} = \beta_0 + \beta + \mu \dots (1)$$

$$AFEE_{it} = \beta_0 + \beta_1 ASIZE_{it} + \beta_2 ACOMP_{it} + \beta_3 ARISK_{it} + \beta_4 APROF_{it} + \beta_5 ACHAR + \mu \dots (1)$$

Where;

Afee =Audit Fee, Asize =Audit Size, Acomp =Audit Complexity, Aprof =Audit Profitability

Arisk =Audit Risk, Achar =Auditor Characteristics.

4.0: RESULTS AND DISCUSSION/FINDINGS

Table 4.1 Descriptive analysis

Variables	Mean	Max	Min	Std. Dev	JB (p-value)
AFEE	2.54	3.0	1.98	31189900	0.79
ASIZE	5014532	7179083	3355195	1331562	0.64
ACOM	1.50	2.00	1.00	0.522233	0.37
ARISK	4196799	6113738	2783601	1152368	0.63
APROF	1.84	1.98	1.73	9713933	0.57
ACHAR	0.58	1.00	0.00	0.51	0.37

Source: researcher's computation (2016); note: *1%, **5%, ***10% levels of significance.

Table 4.1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation, and Jarque-Bera (JB) statistics (normality test). The result in table 4.1 provided some insight into the nature of the selected Nigerian quoted financial firms that were used in this study.

Firstly we observe that on the average over the ten (10) years period (2006-2016). The sampled quoted financial firms in Nigeria were characterized by positive average Audit fee (2.54). We also observed that the average Audit size (ASIZE) over the period was 5014532. The maximum amount of our sampled firm was 71799083 while the minimum value stood at 3355195. This shows a wide variation in Audit size (ASIZE) variable and this wide variation means that most auditing firms in Nigeria are of different sizes. These wide variations of the sampled audited firms therefore justify the need for this study, as we expect large auditing firms perform better than small audited firms.

The table also shows that on average, Audit complexity (ACOM) of our sampled companies stood at 1.50, while the maximum value was 2.00, and the minimum value amounted to 1.00. This shows that the companies used for this study were well specified, not dominated either by highly complex firms or less complex firms. A large difference between the maximum and minimum values of audit profitability variable (APROF) shows that the sampled quoted companies in this study are not dominated by either highly profitable firms or less profitable firms and this further justifies the need for this study, as we expect more profitable companies to pay higher audit fee than the less profitable firms. Lastly, in table 4.1, the Jarque-Bera (JB) which test for the normality of the existence of outliers or extreme values among variables, shows that all the variables are all normally distributed at 1% level of significance.

4.2 CORRELATION ANALYSIS

In examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are present in table 4.2

Table 4.2 Pearson correlation matrix

*	AFEE	ASIZE	ACOM	ARISK	APROF	ACHAR
AFEE	1.00					
ASIZE	0.29	1.00				
ACOM	0.13	0.31	1.00			
ARISK	0.27	1.00	0.30	1.00		
APROF	0.16	0.79	0.55	0.78	1.00	
ACHAR	0.30	0.42	0.17	0.43	0.02	1.00

Source: researcher's computation (2016).

The use of correlation matrix in most regression analysis is to check for multicollinearity and to explore the association between each of the explanatory variables and the dependent variable. Table 4.2 focused on the correlation between firm audit fees (AFEE) and the independent variables (ASIZE, ACOM, ARISK, APROF, and ACHAR).

The findings from the correlation matrix table shows that all our independent variable with the values of ASIZE= 0.29; ACOM= 0.13; ARISK=0.27; APROF= 0.16; and ACHAR= 0.30, were found to be positively and weakly associated with audit fee (AFEE).

In checking for multi-co linearity, we noticed that no two explanatory variables were perfectly correlated. This means that there is an absence of multi-co linearity problem in our model.

4.3 TESTING THE HYPOTHESIS FORMULATED

In order to examine the impact between the dependent variable (AFEE) and our independent variables (ASIZE, ACOM, ARISK, APROF, ACHAR) and to test our formulated hypothesis, we used a pooled multiple regression analysis since the data had both time series and cross sectional properties covering the period of ten years.

Table 4.3 Pooled multiple regression result

Variables	T-statistics	Probability
C	-2.96	0.03*
ASIZE	-4.82	0.00*
ACOM	1.24	0.26
ARISK	4.49	0.00*
APROF	5.33	0.00*
ACHAR	-0.10	0.92
R-Squared	0.89	
Adjusted R-Squared	0.80	
F-Statistics	9.81	
Prob (F-Statistics)	0.01	

Source: Researcher's computation (2016) using E-views 8.0 software.

In table 4.3, the R-squared and adjusted R-squared values were (0.89) and (0.80) respectively. This indicates that all the independent variables jointly explain about 89% of the systematic variation in Audit fee (AFEE) charged by auditing firms in Nigeria, over the ten(10) years period (2006-2016). The F-statistic (9.81) and its p-value of (0.01) shows that the AFEE regression model is generally significant and well specified. The F-Statistic also shows that the overall AFEE regression model is significant at 1% level. In addition to the above, the specific findings from each explanatory variable from the regression model are provided as follows.

Audit size and Audit fee charged. (ASIZE), based on the T-Statistics value of -4.82 and P-value of 0.00, was found to have a negative influence on Audit fee (AFEE) and was statistically significant at 1% level since its p-value was less than 0.05. This result, therefore suggests that we should reject our null hypothesis one (H_{01}) which states that Audit size has no effect on audit fee. In auditing firms in Nigeria, companies with higher audit size (ASIZE) are charged with higher audit fee than smaller audited companies since Audit size negatively impacts on Audit fee significantly.

Audit complexity and Audit fee charged. (ACOM), based on the coefficient value of 1.24 and p-value of 0.26 was found to have a positive influence on audit fee (AFEE). However, this influence was not statistically significant since its p-value was more than 10%. This result therefore suggests that we should accept our null hypothesis two (H_{02}) which states that Audit complexity has no significant effect on Audit fee, to reject the alternative hypothesis. This means that on the basis of audit complexity in charging audit fee, those firms that are more complex are charged more audit fee than the firms with less complexity. However, this effect is not statistically significant.

Audit Risk and Audit fee charged. (ARISK), based on the T-Statistics of 4.49 and P-value of 0.00 was found to have a positive effect on audit fee charged by most auditing firm in Nigeria. And this effect was statistically significant at 1% level, since its P-value was less than 0.05. This result, therefore suggests that we should reject our null hypothesis four (H_{04}) which states that Audit risk has no significant effect on audit fee to accept the alternate hypothesis. This means that on the basis of considering the level of risk involved in any job before charging the fee, jobs with higher audit risk will attract higher audit fee and this is statistically significant. This also means that most auditing firms charge audit fee based on the level of risk involved in such audit job.

Audit profitability and Audit fee. (APROF), based on the T-statistics value of 5.33 ad P-value of 0.00, was found to have a positive effect on audit fee charged by auditing firms and this was statistically significant at 1% since its P-value was less than 0.05. This result therefore suggests that we should reject our null hypothesis three (H_{03}) which states that audit profitability has no significant effect on Audit fee to accept our alternate hypothesis. This invariably means that on the basis of auditing firm charging of audit fee to their clients, profitability of their client impact audit fee significantly. Meaning that most audit firms in Nigeria charged higher audit fee to companies that are profitable than those that are not. This result affirms our priory expectation. Auditor characteristics and Audit fee. (ACHAR), based on the T-statistic value of -0.10 and P-value of 0.92, was found to have a negative influence on Audit fee and this influence was not statistically significant since its p-value was more than 10% level. This result therefore suggests that we should accept our null hypothesis five (H_{05}) which states that auditor characteristics have no significant effect on audit fee, to reject our alternate hypothesis. This means that on the basis of considering the characteristics of the auditor in charging audit fee by auditing firms in Nigeria, auditing firms with high characteristics (ACHAR) charge higher fees than those with less auditor characteristics. But this result was not statistically significant.

5.0: CONCLUSION AND RECOMENDATIONS

5.1: Conclusion

In conclusion, we have examined the effect of Audit size (ASIZE), Audit Complexity (ACOM), Audit Risk (ARISK), Audit Profitability (APROF), Auditor Characteristics (ACHAR) on Audit Fee. The result of our investigation revealed that the five independent variables employed contributed to about 80% in variation of audit fees. The findings for this research were stated as follows for the explanatory variables and their effect on Audit fee (AFEE). With respect to the explanatory variable Audit Size (ASIZE) we found in this study that, (ASIZE) has a statistical significance at 1% level. In auditing firms in Nigeria, companies with higher audit size (ASIZE) are charged with lesser audit fee than smaller audited companies since Audit size negatively impacts on Audit fee significantly. These findings were in disagreement with prior research of Hassan Yahia Kikhia (2014), Simunic, (1980); Taylor & Simon, (1999); Meshari, (2008), whom in their findings stated that audit size, has a positive influence on audit fee paid. Audit complexity (ACOM) was found to have a positive influence on audit fee (AFEE). However, this influence was not statistically significant, firms with high audit complexity are charged higher audit fee than firms with lesser complexity, and this finding was in line with prior studies of Simunic, (1980); Francis and Simon, (1987); Joshi and Bastaki, (2000); Carson et al., (2004); Gonthier-Besacier and Schatt, (2007); Thinggaard and Kiertzner, (2008), whom in their studies found that audit complexity has a positive influence on audit fee, but was not statistically significant. Audit risk (ARISK) was found to have a positive effect on audit fee charged by most auditing firms in Nigeria. And this effect was statistically significant at 1% level, this also means that most auditing firms charge audit fee based on the level of risk involved in such audit job. This finding was partially in disagreement with prior studies of Hassan Yahia Kikhia (2014), who indicated that the audit risk measured by financial risk is negatively associated with audit fee at 5% significance level, but was in line with the studies of Francis and Simon, (1987), Craswell and Francis, (1999), which states that Audit fees are positively associated with the audit risk. Audit profitability (APROF) was found to have a positive effect on audit fee charged by auditing firms and this was statistically significant at 1%. This invariably means that on the basis of auditing firm charging of audit fee to their clients, profitability of their client impact audit fee significantly. Meaning that most audit firms in Nigeria charged higher audit fee to companies that are profitable than those that are not. This finding is in line with the studies of Joshi and Al Bastaki, (2000). Most of the prior research done indicate that the amount of audit fees is significantly influenced by audit profitability (Sandra and Patrick; 1996, Firth, 1985; Simon et al.; 1986, Chung and Lindsay; 1988, Low et al.; 1990, Dugar, Ramanan and Simon; 1995, and Waresul & Moizer; 1996).

5.2 Recommendations

In attaining deeper insight into the determining factors of audit pricing and their effects on audit price, the study makes some propositions to that effect. It is recommended that companies with high complexity should increase their internal control by running statutory audits thereby reducing the complexity of their audits for external auditors, since it has been found in this study that high complexity implies high audit fee in Nigerian firms.

It is also recommended that government should observe the taxable income of high profitable firms through the level of audit fee they pay to their external auditors, since it has been found in this study that higher profitability implies higher audit fee in Nigerian firms.

It is recommended that firms should be careful in incurring, operational and financial risks in cause of their of their transactions thereby bringing risk to its minimal level, since it has been found in this study that audit risk is statistically significant which implies that high audit risk will lead to high audit fee.

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