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DETERMINANTS OF AUDIT FEES AMONG INSURANCE FIRMS IN NIGERIA

Keywords: audit fees, client firm size, complexity, profitability, audit firm size.

J E L Classification: G22, M41, M42.

Abstract: This study examined the determinants of audit fees of listed insurance companies in Nigeria, representing developing African countries with emerging capital markets. Panel data set was constructed from the annual reports of ten listed insurance firms from 2017 to 2021, which was analyzed using the Swamy Arora panel re-

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gression technique. The results suggest that audit firm size is a significant determinant of audit fees, as client firm size, complexity, and profitability did not significantly impact audit fees. As part of its contribution to the literature, the study establishes that audit firm size is directly associated with audit fees, as larger audit firms charge more as audit fees than smaller audit firms. This evidence can be used in a standard-setting process to promote high audit quality and limit corporate collapses. In addition, the study adds to the limited literature on audit fee determinants in the insurance industry, which has long been neglected as most studies are focused on manufacturing companies. The evidence will guide management in the insurance industry in negotiating a fair audit fee.

Introduction

Audit quality continues to be a significant concern in the business world and has captured the interest of researchers, regulatory bodies, and users of financial statements (Widmann, Follert & Wolz, 2021). The basis for this much attention is that auditing lends a voice to the credibility of firms' financial statements, and the auditors' opinions determine how much trust users of financial information put in the financial statements of any firm. DeFond and Zhang (2014) note that audit quality assures investors and other financial report users that they can make critical economic decisions based on the information in firms' financial statements and other disclosures in corporate reports. While audit quality benchmarks the validation of financial reporting quality, the continuing incidences of earnings management and corporate misconduct occasioned by unethical accounting practices have raised more questions than answers on the characterization and determinants of audit quality (Widmann et al., 2021).

Previously, research has shown that audit quality is predicated upon audit fees, which resonates with the general notion that better quality products and services are more expensive (Ibrahim & Ali, 2018). Moreover, the audit fees and quality nexus may be scaled on the resources employed and the calibre of personnel for an audit engagement (DeFond & Zhang, 2014; Karsemeijer, 2012). Accordingly, the extent to which an audit is adjudged qualitatively may depend on the cost of the audit. Although a plethora of empirical research has documented a positive association between audit fees and audit quality (Widmann et al., 2021), some researchers have expressed scepticism, arguing that a higher audit fee could compromise audit quality (Ridzky & Fitriany, 2022). The divergence of views on the impact of audit fees on audit quality may be due to the lack of a standardized model for determining audit fees. While discourses on audit

fees and quality remain controversial, scholars must agree on what constitutes fair audit fees to achieve the expected quality that enhances the confidence of financial information users in making critical economic decisions. It is, therefore, imperative to examine the criteria used to determine audit fees since they significantly influence audit quality.

Reflecting on the limitations of previous literature and the need for an improved model of audit fee determination, this study investigates the determinants of audit fees in Nigeria, representing developing African countries with emerging capital markets reputed for unethical accounting and audit practices, and corporate misconduct (Oboh, 2019, 2023; Otusanya, Lauwo & Ahmad-Khair, 2017). Identifying the determinants of audit fees will help in a standard-setting process and model design to promote high audit quality and limit corporate collapses. The study extends previous literature by adding to the list of audit fee determinants, which is crucial to improving our understanding of audit quality. This will guide management in negotiating a fair audit fee and serve as a yardstick for measuring audit quality.

Moreover, this study is focused on the insurance industry, which is highly specialized and regulated. Although the industry contributes significantly to a country's economy, studies on audit fee determination in the industry are limited (Lawal & Ibrahim, 2022). It is rare to find empirical studies on audit fees focusing on insurance firms, as most studies are around manufacturing firms. Therefore, given the scarcity of audit literature and the significant position insurance firms occupy in a nation's economic development, this study provides a rare insight into how audit fees are determined in the industry.

Theoretical Framework

In keeping with previous studies, we employed agency theory (Jensen & Meckling, 1976) and policeman theory (Olaoye, Aguguom, Safiriyu & Abiola, 2019) to examine audit fee determinants. The key argument of the agency theory is the separation of ownership and management in modern businesses. It argues that an agency relationship is a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some services on their behalf, which involves delegating some decision-making authority to the agent (Jensen & Meckling, 1976). It emphasizes the costs and benefits of an agent-principal relationship, where agents are expected to act in the principal's best interests.

The agency problems arise when the agents, who are privy to certain information, misuse their position to the detriment of the principals due to self-interest (Evana, Farichah, Mirfazli, Idris & Tudor, 2019). As a result, external auditors are engaged as a third party. They are paid a fee to verify and evaluate the activities of the agents in the interest of the principals. They bring some relief and assurance to the principals on the credibility of the financial information provided by the agents, upon which the principals make economic decisions (Jensen & Meckling, 1976). Besides, auditors are also seen as policemen through the theoretical lens of the policeman theory, who focus on the arithmetical accuracy of the firm's accounts to prevent fraud (Olaoye et al., 2019). They are expected to detect fraud, even though for many years, their primary focus has been to offer reasonable assurance on the correctness and fairness of management's stated financial information (Mironiuc & Robu, 2012).

In keeping with these theories, this study expects that for the principals to achieve quality financial information from the agents, they must incur commensurate costs for a third-party assurance, determined by an appropriate model considering a firm's size, peculiarities, and profitability. The principals and agents must negotiate a commensurate fee with the auditors to perform a quality audit that provides the highest confidence possible in the accuracy of the financial information provided by the agents. Although audit fees may be determined by factors such as the audit risk, complexity of the audit, and auditor experience, the agency and policeman theories provide the basis for expecting an association between a firm's size, complexity, profitability, and audit fee determination.

Empirical review and hypotheses

Several factors have been investigated as possible audit fee determinants based on auditor and auditee characteristics. While an auditor's remuneration for his expert services qualifies as an audit fee, the fees paid to the auditor must be commensurate with the volume of work involved in auditing a firm's financial statements, including planning, fieldwork, documentation, and reporting (Urhoghide & Izedonmi, 2015). Previously, there have been varied studies on what determines the fees a firm pays its auditor to audit its financial statements. For example, Joshi and Al-Bastaki (2000) found that audit fees are primarily determined by the size, risk, complexity, and profitability of the firms. Liu (2017) noted that beyond general client and audit firm characteristics, in-

dividual characteristics of auditors are key determinants of audit fees. Kimeli (2016) found that big four firms, typically more significant in human resources and geographic coverage, with a strong reputation established through years of expertise and specialization, charge high audit fees, suggesting that audit firm size is a significant determinant of audit fees. Evana et al. (2019) reported that firms in Indonesia are guided by the Indonesian Public Accountant Institute (IAPI) in determining audit fees, which must consider factors such as corporate needs, the auditor's duties and responsibility as prescribed by the law, their expertise, independence, and the time and complexity of the audit. While there are varied opinions on what firms should and should not consider in determining an audit fee, this study focuses on a few factors that have generated controversies or have been of significant interest in the mainstream literature on audit fee determination.

Client Firm Size and Audit Fee

Previous literature has established how complex it could be to determine the audit fees to charge a firm or the firm should pay its auditors, especially as there is yet to be a standardized model for audit fee determination. However, researchers have a unified position on the influence of the size of a firm on its audit fee. Simunic's (1980) model has been widely accepted and applied by researchers, establishing a positive relationship between the total assets of a firm and audit fees. In keeping with Simunic's model, Soyemi and Olowookere (2013) found a firm's size to be a significant determinant of what auditors charged banks in Nigeria as audit fees. Similarly, Urhoghide and Izedonmi (2015) found a strong association between firm size and audit fee, arguing that in comparison to auditing small firms, the auditing of large firms requires more time and effort, making their fees more expensive. Musah (2017) argued that larger firms engage in more business activities and are typically more visible to the public, revealing more information than smaller firms, which auditors inevitably consider when negotiating audit fees. More recently, Van, Thanh, Thanh, Ngoc and Hai (2022) reported a positive association between firm size and audit fees. Arguably, based on the consistency in previous literature and the theoretical discussion, this study adds to the literature, arguing that the audit of large firms requires more time and effort than that of smaller firms, making firm size an important factor in determining audit fees. Accordingly, the study hypothesizes that:

H1: The size of a firm and its audit fee are positively associated

Complexity and Audit Fee

After investigating a sample of 153 listed firms in Nigeria from 11 sectors, using ordinary least squares, Urhoghide and Izedonmi (2015) found that a client firm's complexity significantly impacted audit fees. In 2016, Safiuddin and Moshin reported that firms in Bangladesh with complicated operations, such as those that are highly diversified or have a large number of subsidiaries, require thorough audits, suggesting that complexity may significantly influence firm's audit fee. Kimeli (2016) also found a positive association between complexity and audit fees from a dataset obtained from 41 firms listed on the Nairobi Stock Exchange. However, while Kimeli (2016) argued that complexity inevitably increases the difficulty and volume of audit works, which naturally will cause auditors to demand a higher fee, some researchers, such as Evana et al. (2019), assert that the client firm's complexity does not significantly impact audit fee. Although complexity does not necessarily translate into an increase in the volume of audit work, there are possibilities that more competent auditors may be required to audit firms with complex business operations, which we expect to influence what they negotiate as audit fees. Accordingly, to add to the literature on audit fee determination based on business complexity, this study hypothesizes that:

H2: A firm's complexity and its audit fee are positively associated

Profitability and Audit Fee

In many ways, profitability measures a firm's financial performance (Hossain & Sobhan, 2019). However, its relationship with audit fees has been controversial and inconclusive. For example, Joshi and Al-Bastaki (2000), Musah (2017), and Evana et al. (2019) indicate that the profitability-audit fees nexus is positive, while Saffiuddin and Moshin (2019) and Urhoghide and Izedonmi (2015) reported a negative relationship between profitability and audit fee. In contrast, Ling, Yee, Liang, Yee and San (2014), Kimeli (2016), and Hossain and Sobhan (2019) reported that profitability has no significant relationship with audit fees. Given the varied results on the profitability-audit fees nexus, we assume, based on the agency theory and the importance of profitability to the principals in making economic decisions, that the association between profitability and audit fees will be positive. Moreover, the susceptibility of prof-

it to manipulation makes auditors engage more time and extensive work to validate and assure the principals of the accuracy of the profit reported by the agents. The extra time and extensive work auditors commit to validating the profit reported by the agents would attract a higher audit fee (Joshi & Al-Bastaki, 2000). Also, in times of low profitability, firms are forced to reduce or renegotiate their audit fees as part of a cost-reduction strategy. Based on this theoretical premise and the need for more empirical research to address the controversies in previous studies on the profitability-audit fees nexus, this study hypothesizes that:

H3: A firm's profitability and its audit fee are positively associated

Audit Firm Size and Audit Fee

Generally, large audit firms are believed to produce better audit quality, which influences the fees they charge (El-Gammal, 2012). For example, Big-Four audit firms are global firms with a retinue of partners and specialists and a large market share, which impacts the audit fee they charge (Musah, 2017). Evana et al. (2019) found that Big-Four audit firms charged higher fees than non-Big-Four firms because of their perceived reputation and expertise, a view earlier shared by Urhoghide and Izedonmi (2015). However, while Kimeli (2016) argued that audit firm size negatively correlated with audit fees, there is a considerable premise to believe that audit firm size has a positive association with audit fees (Kikhia, 2015; Musah, 2017). Accordingly, to address the controversies in previous studies on the association between audit firm size and audit fee, this study hypothesizes that:

H4: The size of an audit firm has a significant impact on audit fee

Research Methods

This study adopted a longitudinal ex-post facto research design to investigate the determinants of audit fee using data gathered from the annual reports of ten listed insurance firms in Nigeria for a five-year period (2017–2021). Twenty-two insurance firms listed on the Nigerian Exchange Group were considered for this study. However, in line with Okpala and Iredele (2018), only ten met the selection criteria. To be selected, a firm must have complete audited annual reports for the period, which must have all the variables of interest.

Measurement of Variables

The study's variables are operationally defined as dependent and independent variables, details of which are contained in table 1.

Table 1. Measurement of Variables

Variable	Measurement	Source
Dependent variable		
Audit Fee	Exact fees paid to the auditors for each year	Extracts from the firms' annual reports
Independent variables		
Client firm size	Total Assets	Evana et al. (2019)
Complexity	Number of subsidiaries of the client firm	Kimeli (2016)
Profitability	Return on Equity calculated as: $\frac{Net\ profit}{Shareholder's\ Equity}$	Kimeli (2016)
Audit firm size	Big 4 status of the firm	Evana et al. (2019)

S o u r c e : author's compilation.

Model Specification and Data Analysis

This study employed descriptive statistics, Pearson correlation, and Swamy Arora panel regression estimation technique of component variances to analyze the panel data collected. The Pearson correlation was used to check for multicollinearity disturbances among the independent variables. The Swamy Arora panel regression was used to test the study's hypotheses. Oyewumi, Ogunmeru and Oboh (2018) and Hsiao (2003) note that panel data give researchers many data points, increasing the degrees of freedom and reducing the collinearity among explanatory variables. Accordingly, the study conducted a panel data analysis to estimate the following model, estimated with random-effects and fixed-effects models:

$$Audit\ Fee_{it} = \beta_0 + \beta_1 Client\ Firm\ Size_{it} + \beta_2 Complexity_{it} + \beta_3 Profitability_{it} + \beta_4 Audit\ Firm\ Size_{it} + e_{it}$$

Where $Audit\ Fee_{it}$ is the dependent variable for firm *i* at period *t*, $Client\ Firm\ Size_{it}$, $Complexity_{it}$, $Profitability_{it}$, and $Audit\ Firm\ Size_{it}$ are the independent variables for firm *i* at period *t*. β_0 is the intercept, and β_1–β_4 are the coefficients for the independent variables, while ε is the error term. The study performed the Hausman specification test to decide whether to adopt a random or fixed-effects model in deciding on its hypotheses. Theoretically, the fixed-effects model is the primary technique for analyzing panel data. It is used to control for omitted variables that differ between cases but are constant over time. Random-effects model, on the other hand, is used when there are reasons to believe that some omitted variables may be constant over time but vary between cases, and others may be fixed between cases but vary over time (Oyewumi et al., 2018). The decision on the model to adopt depends on the results of the Hausman test. If the p-value is larger than .05, then it is safe to use random effects, but if the p-value is less than .05, then the fixed-effects model should be adopted. Based on the Hausman test results, displayed in table 2, fixed-effects model is preferred for the panel analysis to test our hypotheses, as it gives a more robust estimation of the model than the random-effects model.

Table 2. Hausman Test

Test cross-section random effects				
Summary		Chi-Sq. Stat.	Chi-Sq. d.f.	Prob.
Cross-section random		10.52	4	0.03
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
Client Firm Size	903.74	7,334.53	6,874,532.29	0.01
Complexity	2,976.41	2,145.26	2,731,729.45	0.62
Profitability	0.00	0.00	0.00	0.72
Audit Firm Size	8,832.38	9,875.61	2,701,280.22	0.53

S o u r c e : author's computation.

Results

Descriptive Statistics

Table 3 shows a summary of the descriptive statistics of the study variables. The mean for audit fees indicates that the audit fees paid by client firms varied significantly. The maximum audit fee was paid by AIICO Insurance in 2018 to KPMG, the auditor. The minimum audit fee paid in the period was by Guinea Insurance in 2020 and 2021 to BDO. The size was measured by computing the natural logarithm of the total assets of the insurance firms. The mean for client firm size is 17.07, which varies from a minimum of 15.06 to a maximum of 19.31, with a median score of 16.96 and a standard deviation of 1.08. The client complexity, measured by the number of insurance firms' subsidiaries and associates, showed a mean of 2.24. The maximum number of subsidiaries reported is six by Mutual Benefits Insurance over the period under observation. Four of the ten insurance firms did not have any subsidiary or associate, reporting the minimum value for the client firm complexity as 0, making the median score 3. The standard deviation reported is 2.08. The mean of the profit of the firms is 1,275,130. The maximum profit of 5,910,338 was reported by AIICO Insurance in 2019. Some firms reported losses in some of the years under observation. They are Cornerstone Insurance in 2017, Guinea Insurance from 2018–2021, Linkage Insurance in 2018 and 2021, and Mutual Benefits in 2021. The minimum value for profitability representing the highest loss reported is -5,424,710 by Mutual Benefits Insurance in 2021. The median score for profitability is 683,820.5. The audit firm size, as measured by the Big-Four status of the audit firm, reported a mean of 0.58. Out of the 50 observations used, the annual reports for 29 were audited by Big Four firms, while 21 were reported by non-Big-Four firms.

Table 3. Descriptive Statistics

	Audit Fee	Client Firm Size	Complexity	Profitability	Audit Firm Size
Mean	25,650.22	17.07	2.24	1,275,130	0.58
Median	21,125	16.96	3.00	683,821	1.00

Table 3. Descriptive...

	Audit Fee	Client Firm Size	Complexity	Profitability	Audit Firm Size
Maximum	79,000	19.31	6.00	5,910,338	1.00
Minimum	5,000	15.06	0.00	-5,424,710	0.00
Std. Dev.	17,655.75	1.08	2.08	2,203,538	0.50
Skewness	0.91	0.07	0.24	-0.36	-0.32
Kurtosis	3.17	2.37	1.81	4.16	1.11

S o u r c e : author's computation.

Correlation Matrix

Table 4 reports the correlation matrix for the variables, showing that the correlation between the independent and dependent variables is positive, significant at .01. Client firm size shows a strong positive correlation with audit fees. Complexity shows a moderate positive correlation between client complexity and audit fees. Profitability shows a positive correlation with audit fees. The auditor size, represented by the Big 4 status of the audit firm, reported a positive correlation with the audit fee. Apart from client firm size, which correlates positively with the other independent variables, significantly at .01 and .05, there is no correlation between the other variables. None of the correlation coefficients between the independent variables is up to .80, suggesting that multicollinearity among the independent variables is not a concern (Oboh & Sproat, 2024).

Table 4. Correlation Matrix

	Audit Fee	Client Firm Size	Complexity	Profitability	Audit Firm Size
Audit Fee	1				
Client Firm Size	0.87**	1			
Complexity	0.43**	0.45**	1		
Profitability	0.52**	0.55**	0.21	1	
Audit Firm Size	0.40**	0.36*	0.00	0.07	1

S o u r c e : author's computation.

Regression Analysis

The results for the fixed-effect model, presented in table 5, indicate that client firm size, complexity, profitability, and audit firm size explain 94% (R^2) and 93% (Adj. R^2) variation in audit fee ($F = 50.04$, $p < .01$). Among the variables, only audit firm size ($\beta = 8832.38$, $p < .01$) influenced audit fee positively. Client firm size, complexity, and profitability did not significantly influence audit fee ($p > .05$). The t-tests in the model indicate that audit firm size ($t = 2.78$, $p < .01$) made a more significant contribution to the model in predicting audit fee than the other variables. The correlation matrix and Durbin-Watson tests (2.75) certify that the model is free from multicollinearity, with little concern with autocorrelation (Field, 2017). Accordingly, based on the panel regression results, the fixed-effects model, displayed in table 5, hypothesis 4 is supported, while hypotheses 1, 2, and 3 are not supported.

Table 5. Panel Least Squares (Fixed-effects model)

Dependent Variable: Audit Fee
Sample: 2017–2021
Periods: 5
Cross-sections: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Client Firm Size	903.74	3,368.58	0.27	0.79
Complexity	2,976.40	1,996.31	1.49	0.14
Profitability	0.0002	0.0004	0.59	0.56
Audit Firm Size	8,832.38	3,174.92	2.78	0.01
C	-1,866.06	57,861.19	-0.03	0.97
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.95	Mean dependent var		25,650.22
Adj. R-squared	0.93	S.D. dependent var		17,655.75
S.E. of regression	4,717.06	Akaike info criterion		19.99
Sum squared resid	80,102,245	Schwarz criterion		20.52
Log likelihood	-485.68	Hannan-Quinn criter.		20.19
F-statistic	50.04	Durbin-Watson stat.		2.75
Prob(F-statistic)	0.0000			

S o u r c e : author's computation.

Discussion

This study investigated the determinants of the audit fees insurance firms pay to their auditors. The study found that audit fees paid by the firms varied significantly. A few insurance firms are considered large, having subsidiaries firms. Also, during the period under investigation, the firms reported a positive but low profitability, with more than half of them audited by Big-Four audit firms. Analogously, Afenya, Arthur, Kwarteng, and Opoku's (2021) study of listed Ghanaian firms found that highly regulated firms, such as banks and insurance firms, incur less audit fees than non-financial firms. This is attributed to strategic measures by the firms to strengthen internal checks to reduce control risks and minimize regulatory breaches and loss of credibility in the event of fraudulent financial reporting.

As to the determinants of audit fees, we found no significant statistical support for our first hypothesis that the size of a firm and its audit fee are positively associated. By implication, this finding suggests that audit fees are not significantly determined by client firm size. While the finding resonates with the positive association between client firm size and audit fee in previous studies, the nonsignificant outcome sits at odds with Evana et al. (2019) and Van et al. (2022), who reported a significant positive association between client firm size and audit fee. One possible implication for the nonsignificant association between client firm size and audit fee found in this study could be that auditors negotiate audit fees not necessarily based on the client's size but on the audit quality and the calibre of audit personnel to conduct the audit. This resonates with Davidson (2015), who established a significant positive relationship between client size, measured by total assets, and audit fees among South African firms.

As to the second hypothesis, we found no significant statistical support that a firm's complexity and audit fee are positively associated. Contrary to the expectations, this finding suggests that audit fees are not significantly determined by the complexity of the client's operations. Although this finding contradicts Urhoghide and Izedonmi (2015), Davidson (2015), Safiuddin and Moshin (2016), and Kimeli (2016), who found that a client firm's complexity significantly and positively impacted audit fees. The findings corroborate Evana et al. (2019) who assert that the client firm's complexity does not significantly impact audit fee, concluding that complexity may not influence auditors' decisions on the amount to charge as an audit fee. Although we expected the com-

plexity of the client firm to impact audit fees, one possible reason for the non-significant association between complexity and audit fees is that complexity may not necessarily translate into an increase in the volume of audit work.

Regarding the third hypothesis, we found no significant statistical support that a firm's profitability and audit fee are positively associated. This finding suggests that a firm's profitability does not significantly determine the audit fees it pays its auditors. While this finding disagrees with Joshi and Al-Bastaki (2000), Musah (2017), and Evana et al. (2019), who found a significant positive association between profitability and audit fees, it agrees with Ling et al. (2014), Kimeli (2016), and Hossain and Sobhan (2019) that a firm's profitability does not significantly determine its audit fee. One reason that may be advanced for the nonsignificant association between profitability and audit fees could be that whether a firm makes a profit or a loss, it must still incur audit costs to validate its financial statements. Accordingly, since a firm will still incur audit charges even if it made a loss, then whether it made more profit, the negotiated audit fee may be unaffected by the amount of profit made or loss incurred.

Concerning our fourth hypothesis, we found significant statistical evidence that indicates audit firm size is positively associated with audit fees. This finding suggests that the audit firm's size significantly influences the audit fee. This finding is consistent with El-Gammal (2012), Urhoghide and Izedonmi (2015), Musah (2017), and Evana et al. (2019), who found that Big-Four audit firms charged higher fees than non-Big-Four firms because of their perceived reputation and expertise. This agrees with El-Gammal (2012) who ranked audit firm size as the most important determinant of audit fees in Lebanon. However, Davidson (2015) found an insignificant relationship between audit firm size and audit fees, arguing that listed firms in South Africa are less willing to pay higher fees, even for higher quality audit service, focusing on cost reduction strategy. In contrast, Kimeli (2016) found a negative association between audit firm size and audit. The finding in this study supports the notion that large audit firms produce a better audit quality, which influences the fee they charge, which is premised on their reputation, a retinue of partners and specialists and a significant market share.

Conclusion and implication

This study examined the determinants of audit fees of listed insurance firms in Nigeria, representing developing African countries with emerging capital markets. Given its findings, the study concludes that audit firm size is a significant determinant of audit fees. That is, larger audit firms tend to charge more as audit fees than smaller audit firms. The study also concluded that client firm size, complexity, and profitability of an insurance firm do not significantly influence the fees charged by audit firms as audit fees. As part of its contribution to the literature, this study has established that audit firm size is directly associated with audit fees. This evidence can be used in a standard-setting process and model design to promote high audit quality and limit corporate collapses occasioned by unethical accounting and audit practices. Also, the study adds to the limited literature on audit fee determinants in the insurance industry, which has long been neglected as most studies are focused on manufacturing firms. The evidence will guide management in the insurance industry in negotiating a fair audit fee.

Limitations and suggestion for future studies

This study acknowledges its limitations despite contributing to the audit fee determination literature. It acknowledges that a larger sample and an extended period may produce results other than the ones reported in this study. Thus, a larger sample and a period of more than ten years should be considered in future research for a more robust outcome. In addition, the findings in this study are limited to data from Nigeria, a developing African country with emerging capital markets. Future research should consider a comparative investigation between emerging and advanced economies, which will build on the current study.

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