PRIMUS INTERPARES

GSU JOURNAL OF ACCOUNTING AND FINANCE

Vol. 1 ISSUE 1 June/July 2024

PUBLICATION OF:
THE DEPARTMENT OF ACCOUNTING,
GOMBE STATE UUNIVERSITY GOMBE

GSU JOURNAL OF ACCOUNTING & FINANCE (GJAF)

GSU JOURNAL OF ACCOUNTING AND FINANCE

PRIMUS INTERPARES
GSU JOURNAL OF ACCOUNTING AND FINANCE
Vol. 1 ISSUE 1 June/July 2024

Table of Contents

Impact of Audit Quality on Value of Listed Insurance Companies in Nigeria

Adamu D. Ahmed[1] Abubakar Yusuf [2] & Sarina Muhammad Abdullahi[3]

[12&3]Department of Accounting, Faculty of Art and Social Science,
Gombe State University, Gombe – Nigeria. Sarinamuhammad6767@gmail.com

ABSTRACT

This study examines the impact of audit quality on value of listed insurance companies in Nigeria. The study uses all the 22 insurance companies listed on the floor of the Nigerian Exchange Group as at December, 2022. The study utilizes documentary data collected from annual report and accounts of the companies for the period of 2013-2022. Multiple regression technique was employed in analyzing the data. Findings from the study reveal that, audit firm size has a significant positive impact on the value of listed insurance companies in Nigeria while audit fees have a significant negative impact on the value of the firms. On the other hand, audit firm industry specialization and audit firm tenure have an insignificant negative and positive impact on the value of the listed firms respectively. From the findings therefore, the study recommends that the management of listed insurance companies in Nigeria should be engaging the services of big audit firms for an increase firm value. This is due to reputation and expertise of the firms which enhance the credibility of financial statement and build trust. This trust enhances perceived quality of financial reporting and ultimately boosts the value of the firms. The management of listed insurance companies in Nigeria should also put in more effort to implement an efficient financial reporting systems and internal control which will result in paying lower audit fees and hence maximize firm value.

Keywords: Audit Quality, Share price, Firm Value and Insurance Companies

Introduction

One of the major objectives of a profit oriented organization is to maximize the economic welfare of the owners, which is represented by the market value of the firm. Firm value denotes the worth of business entity at a particular period of time. To achieve the objective of maximizing firm value, stakeholders' confidence in a firm must be sustained. One of the ways of sustaining this confidence is through credible financial statements. As such, credible financial statement will go a long way in assisting the users of the information to make informed decision (Brigham, Houston & Joel, 2015; Skinner & Snnivasan, 2012). However, the persistent fraudulent financial practices and the resultant corporate failures around the world such as Enron; World Com; Global Crossing and including Nigeria such as Cadbury Nigeria Plc and African Petroleum; Savannah Bank and African International Bank and among others have raised a great deal of concern among investors, regulators and other stakeholders in the corporate environment. The concern is aggravated by many unethical practices exposed in many reported financial scandals, leading to substantial loss of funds by investors and lack of trust by the investing public in the companies. This development has necessitated the search for mechanisms that would enhance the quality of corporate financial reports and the entire reporting processes (Mbobo & Adebimpe, 2016). To assure users of financial reports, companies and Allied Matters Act (CAMA, 2020) as amended stipulate the need for an independent auditor to attest to the reliability of the report through audit exercise. Accordingly, the objective of increasing firm value can largely be achieved through audit quality because stakeholders place higher value on firms with higher audit quality.

However, the corporate financial scandals that occurred in the early years of 21st century pose a great challenge to the credibility of the financial statements. In Nigeria, for example, corporate scandals include the cases of Cadbury Nigeria Plc and African Petroleum (Okolie & Agboma, 2008); Savannah Bank and African International Bank (Odia, 2007); Wema Bank, Nampak, Finbank and Spring Bank (Adeyemi and Fagbemi, 2010); and more recently Intercontinental Bank Plc., Bank PHB; Oceanic Bank Plc. and AfriBank Plc. In view of this, stakeholders are now concern with the credibility of financial statements. However, the credibility of financial statements depends largely on the audit quality. Therefore, audit quality is an important determinant of the value of a firm.

It is in recognition of the roles played by audit quality on firm value that a good number of researchers invested a lot of effort in conducting studies on the impact of audit quality on firm value using different industries of both developed and developing economies. For example, Afza and Nazir (2014) in Pakistan using non-financial firms; Hua, Hla and Isa (2016) in Malaysia, using construction companies; Alsmairat, Yusoff and MdSalleh (2018) in Jordan, using public listed firms; Ugwunta, Ugwuanyi and Ngwa (2018) in Nigeria, using listed oil and gas companies; Wijaya (2019) in Indonesia, using manufacturing companies; Ishaku, Musa and

Garba (2020) also in Nigeria using listed insurance companies; Ibrahim and Sadah (2020), Isah, Fusua, Ugoh and Ojo (2020) and Eneisik and Akani (2021) in Nigeria using listed Deposit Money Banks; Shubita (2021) in Jordan using manufacturing companies. However, findings from the studies have been mixed and therefore inconclusive. These controversies could be associated to different domain and methodology. However, despite the existence of studies in the area, not many were conducted in Nigeria and there is therefore need for more studies to be conducted. Thus, due to the dearth of Nigerian studies in the area using insurance industry, there is therefore need for more studies to be conducted. Also, most of the previous studies were conducted in the financial services sector, mostly the banking industry. Consequently, other industries need to be explored given their importance to the economic development of any country. Thus, this study focuses on insurance industry. The choice of the industry is motivated due to the protection the industry provides to other industries.

Research Objectives

The main objective of the study is to examine the impact of audit quality on value of listed insurance companies in Nigeria. Specifically, the study sets to examine:

i. The impact of audit firm size on the value of listed insurance companies in Nigeria;
ii. The impact of audit fees on the value of listed insurance companies in Nigeria;
iii. The impact of audit firm industry specialization on the value of listed insurance companies in Nigeria;
iv. The impact of audit firm tenure on the value of listed insurance companies in Nigeria.

Findings from the study are expected to be of significance to various stakeholders in the insurance industry. Such stakeholders include the management of listed insurance firms, government and other regulatory agencies, creditors may find this study useful by making them appreciate how audit quality affect the value of firms in order to take necessary measures in line with the outcomes of the findings for an enhanced quality audit. Finally, the significance of the study will also stem from the contribution it make to existing literature by adding to the frontiers of knowledge in the studies of the relationship between audit quality and the value of firm. The remainder of the paper is organized as follows: section 2 presents the literature review, section 3 describes the methodology used in conducting the study, section 4 discusses the results and section 5 concludes the study.

Literature Review

Conceptual Review

Conceptual review provides the meaning of the fundamental concepts of the study as viewed by prior scholars.

Concept of Audit Quality

Research on audit quality has been widely conducted, however, there is no universally standard definition of audit quality. Bedard, Johnstone and Smith (2010) postulated that even seasoned researchers on audit quality have difficulty agreeing on a standard definition. The most broadly used definition of audit quality is that of (De-Angelo 1981) who defined audit quality as the market-assessed joint probability of auditors ability to discover any errors in the client financial statement which is competence issue and auditors ability to report the errors which are independence issue. High-quality auditors are more likely to discover material errors and misstatement and report such errors compared with low-quality auditors. This study defined audit quality as the ability of auditors to examined and detects potential errors and fraud and report such as contained in the financial statement of a client company and adhered to the auditing standard and regulations.

The Concept of Firm Value

One of the long-term goals of a corporate organization is to optimize the economic welfare of its owners in form of increasing firm's market value (Ongore & Kusa, 2013). Firm value is defined as an economic concept reflects the value of a business entity. It is the value worth of a business at a particular date (Ishaku, Musa &Garba, 2020). Dewi and Wirayaja (2013) defined firm value as the price that potential investors are willing to pay if the company is to be sold. Firm value is also seen as the investor's perception about success of a company (Jihadi et al, 2021).Firm value in this study is the price at which a share can be bought or sold in the market.

Literature Review

Several studies have been conducted on the relationship between audit quality and firm value in different sectors, industries and periods.

Thuneiba and Hani (2023) investigated the effect of audit quality on share price and liquidity of companies in Jordan for the period of 2016 to 2020. Audit quality was proxy by audit firm size, audit tenure and audit fees. The population of the study consisted of all shareholding companies listed on ASE and 149 companies which fall under four main sectors: banking, insurance, services, and industry was used as the sample size of the study. Secondary data were collected from annual reports of the companies and analyzed using multiple regression technique. Findings from the study showed that audit firm size has an insignificant positive effect on share prices.

Ogochukwu, Hope and Nkechi (2022) investigated the effect of audit quality on the value of manufacturing companies listed on the Nigerian Stock Exchange for the period of 2011 to 2021. The study use audit quality proxies as auditor independence, audit firm size, audit group qualification, audit experience, and Tobin's q as proxy of firm value. The population of the study comprises all the sixty-one (61) quoted manufacturing firms in Nigeria. The sample of the study consists of 34 listed manufacturing companies. Secondary data were collected from annual reports of the companies and analyzed using multiple regression technique. Findings from the study showed that audit firm size has an insignificant positive effect on firm value of manufacturing companies in Nigeria.

Gogo and Micah (2021) examined the relationship between audit quality indicators and market price per share of listed Deposit Money Banks (DMBs) in Nigeria for the period, 2006 to 2019. Audit quality was proxy by audit fees, audit tenure and audit firm size while market price per shares was proxy by Tobin's q. The population of this study comprise of 14 listed deposit money banks in Nigeria. Judgmental sampling techniques were used to select 12 banks as sample size. Secondary data were sourced from the annual report and accounts of the banks and were analyzed using multiple regression technique. Findings from the study revealed that the relationship between audit firm size and market price per share is positive and significant. However, findings from the above studies have been mixed and therefore inconclusive. Some studies found insignificant positive effect on firm value while others found positive and significant effect on firm value.

Izukwe and Jeroh (2022) assessed the impact of audit quality on firm value of service companies in Nigeria for the period of 2011 to 2020. Audit quality proxy by audit fee, joint audit and audit tenure while firm value was proxy by Tobin's q. Secondary data extracted from annual report and accounts of the banks were used. Multiple regression technique was employed in the analyses. Findings from the study showed that found that audit fee has a significant positive impact with Tobin's q.

Osevwe-Okoroyibo, Ofor and Orjinta (2021) examined the effects of audit quality on value of consumer goods firms in Nigeria for the period of 2010 to 2020. Firm value was proxy by Tobin's q while audit fee, audit firm size and auditor educational level were used as proxies for audit quality. The population of the study consists of all manufacturing companies listed in Nigeria and 18 consumer goods firms were selected as the sample of the study. The study used secondary data collected from annual report and account of the companies. Multiple regression technique was employed in analyzing the data. Findings from the study showed that audit fee has a significant positive effect on the value of the companies.

Isah et al. (2020) examined the effect of audit quality on the share price of listed Deposit Money Banks in Nigeria for the period of 2012 to 2018. Audit Quality was estimated using audit firm size, audit fees, auditor tenure and audit industry specialization. Population of the study includes all the 14 Deposit Money Banks quoted on the floor of the Nigerian Stock Exchange. Secondary data extracted from annual report and accounts of the banks were used. Multiple regression technique was employed in the analyses. Findings from the study showed that an audit fee has a negative insignificant effect on market price per share of quoted banks in Nigeria.. However, findings from the above studies have been mixed and therefore inconclusive. Some studies found insignificant positive effect on firm value while others found positive and significant effect on firm value.

Ibrahim and Ahmed (2020) investigated the impact of audit quality on firm value of listed Deposit Money Banks in Nigeria for the period of 2013 to 2018. Firm value was proxied by Tobin's q and audit quality proxy by audit size and industry specialized audit. The study used secondary data collected from published annual report and accounts of 13 banks that represent the sample of the study. The data were analyzed using multiple regression technique. Findings from the study revealed that industry specialized audit has a significant positive impact on the value of the banks.

In the same vein, Isah et al. (2020) examined the effect of audit quality on the share price of listed Deposit Money Banks in Nigeria for the period of 2012 to 2018. Audit quality was proxy using Audit Firm size, audit fees, auditor tenure and audit industry specialization. Population of the study includes all the 14 Deposit Money Banks quoted on the floors of the Nigerian Exchange Group. Secondary data extracted from annual report and accounts of the banks were used. Multiple regression technique was employed in the analyses. Findings from the study showed that found that audit industry specialization has a significant positive effect on the value of listed deposit money banks in Nigeria.

On the other hand, Tyokoso, Ungwa and Ojonimi (2017) examined the effect of audit quality on the performance of listed Deposit Money Banks in Nigeria. Audit quality was represented by audit firm size, auditor tenure, client importance and auditor specialization and performance was represented by Tobins q. The population of the study comprises all the fifteen (15) listed Deposit Money Banks (DMBs) in Nigeria, and the sample consisted of eight banks. Secondary data extracted from annual report and accounts of the banks were used. Multiple regression technique was employed in the analyses. The study found that auditor industry specialization has an insignificant negative effect on the value of listed banks in Nigeria. However, findings from the above studies have been mixed and therefore inconclusive. Some studies found significant positive effect on firm value while others found insignificant negative effect on firm value.

Thuneiba and Hani (2023) examined the effect of audit quality on share price and liquidity of companies in Jordan for the period of 2016 to 2020. Audit quality was proxy by audit firm size, audit tenure and audit fees. Population of the study consisted of all shareholding companies listed on ASE and 149 companies which fall under four main sectors: banking, insurance, services, an industry were used as the sample size of the study. Secondary data were collected from annual reports of the companies and analyzed using multiple regression technique. Findings from the study showed that audit tenure has a significant negative effect on the stock price.

Dwi and Setiany (2023) examined the effect of local ownership, audit quality, audit committee, and financial performance on company value of manufacturing companies in Indonesia for the period of 2016 to 2021. The dependent variable is the value of the company is proxied by price to book value, while the independent variables are proxied by local ownership, audit firm size, tenure audit, audit committee, total asset turnover, return on assets and debt to assets. Secondary data were collected from annual reports of the companies and analyzed using multiple regression technique. Findings from the study showed that audit tenure has a significant negative effect on value of the firms.

Izukwe and Jeroh (2022) assessed the impact of audit quality on firm value of service companies in Nigeria for the period of 2011 to 2020. Audit quality proxy by audit fee, joint audit and audit tenure while firm value was proxy by Tobin's q. Population of the study includes 20 service companies. Secondary data extracted from annual report and accounts of the banks were used. Multiple regression technique was employed in the analyses. Findings from the study showed that found that audit tenure has an insignificant positive impact with Tobin's q. However, findings from the above studies have been mixed and therefore inconclusive. Some studies found significant negative effect on firm value while others found insignificant positive effect on firm value.

Agency Theory

Agency theory was propounded by Jensen and Meckling in 1976. The agency theory state that there is a relationship between principals and agent that is, an owner engage another person as their agent or steward to perform a service on their behalf (Eneisik & Akani, 2021). The agency theory is based on the relationship between the owners (principal) and the Managers (agent) which arises as a result of the separation of owners from managers. The separation of ownership from management in modern organizations provides the context for the functioning of the agency theory. The theory of agency relationship mirrors the basic structures of a principal and an agent who are engaged in cooperative behavior, but have differing goals and attitude toward risks. Agency theory has been widely used to explain the information asymmetry between principals (shareholders) and agent (management). On this premise, this study will be anchored by agency theory to examine the impact of audit quality on the firm value of listed insurance companies Nigeria.

Methodology

This study uses correlational research design. The research design is justified because the study examines the effect of one variable on another. The population of the study consists of all the twenty two (22) insurance companies listed on the Nigeria Exchange Group (NXG) as at 31st December, 2022. Census sampling technique was applied and secondary data were collected from annual reports and accounts of the sample firms for a period of five (10) years, from 2013 to 2022. Data were analyzed using Ordinary Least Square (OLS) regression technique. STATA software was used in the analysis.

Two sets of variables are used in this study, namely, dependent and explanatory variables. The dependent variable is firm value proxied by Tobin's q. The explanatory variables consist of independent and control variables. The independent variable is audit quality proxied audit firm size (AFS), audit fees (AF), audit firm industry specialization (AIS) and audit firm tenure (AT). Whereas, the control variables are firm size (SIZE) and firm age (FA). Table 1 provides the summary of the variables of the study and their measurement.

Measurement of Variables

The means by which variables used in this study are measured or computed are shown in Table 1.

Table 1: Variables of the Study and their Measurement.

Variables	**Abbreviation**	**Measurement**
Dependent Variables		

Tobin's q	TQ	Market value of shares over book value of shares consistent with Ishaku, Musa and Garba, (2020).
Independent Variables		
Audit Firm Size	AFS	If an insurance companies is audited by a Big 4 (PWC, Deloitee, KPMG and Ernst &Young) is dichotomized as "1" if otherwise "0" consistent with Ishaku, Musa and Garba, (2020), Abba and Sadah, (2020) and Eneisik and Akani, (2021).
Audit Fees	AF	Logarithm of the audit fees paid by the company consistent with Goncharov, Riedl and Sellhorn, (2012) and Izukwe and Jeroh, (2022).
Audit Firm Industry Specialization	AIS	If the audit firm audit more than 20% of the firm in the industry is dichotomized as "1" and if otherwise "0" consistent with Ibrahim (2017).
Audit Firm Tenure	AT	Number of years audits firm serves consistent with Isah et al, (2020), Ishaku, Musa and Garba, (2020) and Eneisik and Akani, (2021).
Control Variables		
Firm Size	SIZE	Logarithm of total assets consistent with Ilaboya and Ohiokha, (2016).
Firm Age	FA	Number of yearssince listing consistent with Ishaku, Musa and Garba, (2020).

Source: Generated by the Researcher from literature

The econometric model of the study is stated as follows:

$TQ_{it} = \alpha_0 + \beta_1 AFS_{it} + \beta_2 AF_{it} + \beta_3 AIS_{it} + \beta_4 AT_{it} + \beta_5 FS_{it} + \beta_6 FA_{it} + \mathcal{E}_{it}$

Where:

TQ = Tobin's Q

AFS = Audit Firm Size

AF = Audit Fees

AIS = Audit firm Industry Specialization

AT = Audit firm Tenure

FS = Size

FA = Firm Age

α_0= intercept

$\beta_1 - \beta_6$ = Partial derivatives or the gradient of the explanatory variables

$\mathcal{E}$ = An error term

i = Firm

t = time

Results and Discussion

Descriptive Statistics

Table 2 presents the descriptive statistics of the variables of the study.

Table 2: Descriptive Statistics of the Variables

Variables	**Obs**	**Mean**	**Std Dev.**	**Min.**	**Max.**
TQ	220	0.9589	0.7337	0.2840	6.4000
AFS	220	0.4409	0.4976	0	1
AF	220	7.0790	0.2751	6.4393	7.9053
AIS	220	0.2772	0.4486	0	1
AT	220	3.3818	1.7067	1	8
SIZE	220	10.176	0.3732	9.2498	11.3874
FA	220	16.363	8.2652	4	32

Source: STATA Output from the Variables of the Study.

From Table 2, it can be observed that the number of observations for each variable is 220. This is in line with ten years' data of twenty- two insurance companies used in this study.

Tobin's Q (TQ) shows a mean value of 0.9589 with minimum and maximum values of 0.284 and 6.4000 respectively. This implies that the average market to book value of shares of listed insurance companies in Nigeria during the study period is 0.96 with minimum and maximum of 0.28 and 6.40 respectively.

From Table 2 also, audit firm size has a mean value of 0.4409 with minimum and maximum values of 0 and 1 respectively. This shows that, on the average, 44% of listed insurance companies in Nigeria were audited by the big-4 audit firm during the study period, while 56% of the companies were audited by other audit firms which are not big-4. Audit fees which is measured as the logarithm of audit fees has a mean value of 7.0790 with minimum and maximum values of 6.4393 (N2, 750,000) and 7.9053 (N80, 410,000) respectively. This means that the average audit fee of listed insurance companies in Nigeria is N14, 806,000 with a minimum and maximum amount of N2, 750,000 and N80, 410,000 respectively.

Audit firm industry specialization has a mean value of 0.2772with minimum and maximum values of 0 and 1 respectively. This shows that, on the average, listed insurance companies in Nigeria were audited by non-industry specialist audit firms as only 28% were audited by specialist auditors in the industry while 72% were audited by non-industry specialist auditors during the study period. Audit tenure has a mean value of 3.3818 years with minimum and maximum values of 1 and 8 years respectively. This means that the average number of years auditors served in listed insurance companies in Nigeria during the study period is 3 years with a lowest and highest duration of 1 and 8 years respectively.

Firm size which is measured as logarithm of total assets has a mean value of 10.176 with minimum and maximum values of 9.2498 and 11.3874 respectively. This means that, on the average, the total assets of listed insurance companies in Nigeria stood at N22,541,511,331 and the minimum and maximum amount of N5,976,545,000 and N244,028,140,000 respectively. Firm age has a mean value of 16.363 with minimum and maximum values of 4 and 32 respectively. This implies that on the average, insurance companies in Nigeria were listed 16 years ago with a minimum and maximum of 4 and 32 years respectively.

Correlation Result

Table 3 presents the correlation matrix of the variables of the study.

Table 3: Correlation Matrix

Variables	TQ	SP	AFS	AF	AIS	AT	SIZE	FA
TQ	1.0000							
AFS	0.2395	0.2369	1.0000					
AF	0.2734	0.2729	0.7336	1.0000				
AIS	-0.0237	-0.0257	0.3907	0.2188	1.0000			
AT	0.0223	0.0253	0.0052	0.0414	-0.1091	1.0000		
SIZE	0.2617	0.2660	0.3424	0.6919	0.0835	0.0832	1.0000	
FA	0.3121	0.3091	-0.1732	-0.2467	-0.1557	-0.0520	-0.2687	1.0000

Source: STATA Output from the Variables of the Study.

The values of the correlation coefficients range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative), the absolute values of the correlation coefficient indicates the strength, with larger values indicating stronger relationships. The correlation coefficients on the main diagonal are 1.000 for all the variables, which indicate perfect positive linear relationship that each variable has with itself.

The correlation results presented in table 3 indicates that all the explanatory variables with the exception of audit firm industry specialization are positively related with the dependent variables Tobin's Q (TQ). Also, the correlation coefficients reveal that there are no high correlations between the dependent and the explanatory variables as well as among the explanatory variables themselves. This is in line with the suggestion of Gujarati (2004) that all variables with less than 0.80 correlation coefficients are not highly correlated and therefore considered safe for inclusion in the same regression model.

Table 4: Regression Results (Random Effect)

Variable	**Model 1 (**Dependent Variable TQ)	
	Coefficient	**P-value**
AFS	0.297218	0.023
AF	-0.66668	0.045
AIS	-0.16993	0.054
AT	0.012352	0.518
SIZE	0.429402	0.049
FA	7.27588	0.000
Constant	0.588178	0.812
R-sq: Within	0.2139	
Between	0.1150	
Overall	0.1454	
P-value	0.0000	

Source: STATA Output from the Variables of the Study.

Table 4 presents the ordinary least square regression results of the study. However, robustness tests of the models of the study are first presented. These are multicollinearity test, heteroskedasticity test, hausman specification test and Breusch and Pagan Lagrangian multiplier test. Multicollinearity test was conducted to ensure that there is no linear relationship between two or more independent variables. When multicollinearity exists, it will be difficult to differentiate the individual effects of explanatory variables. The commonly used technique of determining the presence of multicollinearity is Variance Inflation Factor (VIF). The VIF in excess of 10 is seen as an indication of multicollinearity (Gujarati, 2004). The results of the tests conducted revealed absence of multicollinearity as the VIF values ranges from 1.02 and 4.18. Heteroskedasticity test was also carried out to ensure that regression fits all the values of the independent variables. A p-value of greater than 0.05 (5%) indicates absence of heteroskedasticity (Gujarati 2004). The result of the test conducted shows a p-value of 0.0000, thus suggests presence of heteroskedasticity. Consequently, robust regression was conducted to correct the problem.

From the model's summary shown in Table 4, the adjusted R-squared, shows a value of 0.2139 which is the multiple coefficients of determination that gives the proportion or percentage of the total variation in the dependent variable Tobin's Q (TQ) explained by the explanatory variable (audit firm size, audit fees, audit firm industry specialization, audit tenure, firm size and firm age) jointly. This signifies that 21.39% of total variation in TQ of listed insurance companies in Nigeria is caused by the audit firm size, audit fees, audit firm industry specialization, audit tenure, firm size and firm age while 78.61% of the variation is as a result of other variables not considered in this study. The P-value of 0.0000 implies that the model is fit and significant at 5% significance level.

Result from table 4 shows that audit firm size has a significant positive impact on Tobin's Q of listed insurance companies in Nigeria. This means that the bigger the size of the audit firm, the higher the value of a company. The likely reason for this finding is that, companies audited by big-4 audit firms often experience higher firm value due to reputation and expertise of the firms which enhance the credibility of financial statement and build trust. This trust enhances perceived quality of financial reporting and ultimately boosts the value of the firm. This finding is consistent with Gogo and Micah (2021), Ibrahim and Ahmed (2020) and Lestari and Aeni (2019) who also found out that audit firm size has a significant positive effect on Tobin's Q. It however disagrees with the findings of Ishaku, Musa and Garba (2020) who found that audit firm size has a significant negative effect on firm value.

Audit fee has a significant negative impact on Tobin's Q of listed insurance companies in Nigeria. This implies that the higher the amount of fees paid to the auditors the lower the value of a firm. This finding is likely caused by the investors' perception about lack of financial transparency or control weaknesses which affect their confidence in the company's financial reporting and overall governance. As a result, the lower firm valuation. This finding supports the work of Almashaqbeh *et al*. (2020) and Natalia and Samuel (2017). On the other hand, it opposes that of Ishaku, Musa and Garba (2020), Lestari and Aeni (2019) and Mustafa and Abdulwahab (2018).

Audit firm industry specialization has an insignificant negative impact on Tobin's Q of listed insurance companies in Nigeria. This suggests that industry specialization by an audit firm does not significantly impact on the value of listed insurance firms in Nigeria. This finding even though, not significant but the probable reason for the negative relationship might be that industry specialized auditors may have a deeper understanding of industry risks and challenges leading to more rigorous evaluation of companies' financial statements. This rigor might uncover issues or uncertainties that were previously overlooked, contributing to a lower firm value. The finding is in line with Tyokoso, Ungwa and Ojonimi (2017). On the other hand, it contradicts that of Ibrahim and Ahmed (2020).

Audit tenure has an insignificant positive impact on Tobin's Q of listed insurance companies in Nigeria, implying that the tenure of an auditor has no significant consequence on the value of listed insurance companies in Nigeria. The relationship in this finding is also not significant but the positive relationship is likely caused by deep understanding of the company's operations, reporting process and industry dynamics due to long auditor tenure. This understanding may lead to more accurate and transparent representation of company's financial statements and hence result to improved firm value. This finding is in agreement with the work of Izukwe and Jeroh (2022). On the other hand, it disagrees with that of Ishaku, Musa and Garba (2020). Firm size has a significant positive impact on Tobin's Q of listed insurance companies in Nigeria. This implies that the bigger the size of a firm, the higher its value. The possible reason for this finding is that larger companies often have strong brand recognition and customers loyalty. A positive brand image can translate into higher customer trust, increased sales, and a competitive advantage, all of which contribute to improved firm value. This finding supports the work of Shuaibu, Ali, Amin (2019). On the other hand, it opposes that of Jeroh (2020). Firm age has a significant positive impact on Tobin's Q of listed insurance companies in Nigeria. This implies that the older the firm in terms of age, the higher the value of the firm. The possible reason for this finding is that older firms accumulate industry specific knowledge, expertise and experience.

These can result in more effective management, better strategic decision-marking and a deeper understanding of market trends, all of which contribute to improved firm value.

Conclusion

This study examined the impact of audit quality on value of listed insurance companies in Nigeria. In line with the findings of the study, it is concluded that bigger audit firms play a crucial role in enhancing the value of listed insurance companies in Nigeria. Also, increase in audit fees lowered the value of listed insurance companies in Nigeria as it compromises the integrity of financial reporting. On the contrary, audit firm industry specialization and audit firm tenure does not play a significant role in influencing the value of listed insurance companies in Nigeria.

Recommendations

Based on the finding and conclusion of the study, the study recommended that the management of listed insurance companies in Nigeria should be engaging the services of big audit firms for an increase firm value. This is due to reputation and expertise of the firms which enhance the credibility of financial statement and build trust. This trust enhances perceived quality of financial reporting and ultimately boosts the value of the firms also the management of listed insurance companies in Nigeria should put in more effort to implement an efficient financial reporting systems and internal control which will result in paying lower audit fees and hence maximizes firm value. The management of listed insurance companies in Nigeria should not place more emphasis on industry specialized auditors since they do not significantly influence the value of the firms and lastly, listed insurance companies in Nigeria should not be bothered much about the duration of audit firm tenure as it appears to have an insignificant influence on value of the firms.

REFERENCES

Afza, T., &Nazir, M. S. (2014). Audit quality and firm value: A case of Pakistan. *Research Journal of Applied Sciences, Engineering and Technology,* 7(9), 1803-1810.

Alsmairat, Y.Y., Yusoff, W.S., Fairuz, M., Saleh, M., & Norida, B. (2018). International diversification, audit quality and firm value of Jordanian public listed firm. *Academy of Accounting and Financial Studies Journal,* 22, 1-7.

Bedard J. C., Johnstone, K. M.,& Smith E. F. (2010). Audit quality indicators. *A Status Update on Possible Public Disclosure and Insights from Audit Practice, Current Issues in Auditing,* 4(1), 12-19.

Brigham, E. F. Houston, J. F. & Joel, F. (*2015).* Fundamentals of financial management singapore. *Thomson Learning.*

DeAngelo, L. (1981). Auditor size and audit quality. *Journal of Accounting and Economics,* 3(3),183–199.

Dwi, L. F.,Setiany, E. (2023). The effect of local ownership, audit quality, audit committee, and financial performance on company value. *Journal of Accounting and Financial Management,* 4 (1), 2721-3005.

Eneisik, G. E. &Akani, F. N. (2021).Audit Quality and market value of quoted banks in Nigeria. *International Journal of Innovative Finance and Economics Research,* 9(4):18 41.

Gogo, E.E., & Micah, L. C. (2021). Audit quality indicators and market price per shares of listed deposit money banks in Nigeria. *International Journal of Business & Law Research,* 9(4),

Goncharov, I., Riedl, J. E. & Sellhorn, T. (2012). The effect of fair value reporting on audit fees.

Hua, S. C., Hla, D. T. & Isa, A. M. (2016). Malaysia financial reporting practices and audit quality promote financial success, the Case of Malaysian Construction sector UNIMAS. *Review of Accounting and Finance,* 1(1).

Ibrahim, H. A., & Sadah A. A. (2020). Audit quality and firm value of listed deposit money banks in Nigeria. *International Journal of Economics and Financial Issues,* 1(4), 269-282.

Ilaboya, O. J., & Ohiokha, I. F., (2016). Firm age, size and profitability dynamics: a test of learning by doing and structural inertia hypotheses. *Business and Management Research,* 5 (1).

Isah, M. Fasua, K. O, Ugoh, T. T & Ojo, L. O. (2020). Effect of audit quality on market price per share of quoted deposit money banks (DMBs) in Nigeria. *International Journal of Social Science and Economic Research***,** 5, 2455-8834.

Ishaku, A., Musa, F. & Garba, M. (2020). Audit quality and firm value of listed insurance companies in Nigeria. *Global scientific journals,* 8, 2320-9186.

Izukwe, R. & Jeroh, E. (2022). Auditors attributes and firm value of listed Nigerian service firms. *Finance and Accounting research journal,* 4(4), 21-230.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm managerial behavior, agency cost and ownership structure. *Journal of Financial Economics,* 3(4), 305-360.

Jeroh, E., (2020). Corporate financial attributes and value of listed financial service firms in Nigeria. *Academy of Accounting and Financial Studies Journal*, 24 (2), 1-13.

Lestari, N.,&Aeni, N. (2019). The effect of audit quality and earnings management on firm performance. *Economics and Social Science Journal,* 321-326.

Mbobo, E. M. & Adebimpe, O. (2016). The influence of audit committee attributes on the quality of financial reporting evidence from Nigerian banks. *International Journal of Economics, Commerce and Management,* 1(1) 116-142.

Mustafa, M. O. A., & Abdulwahab, U. M. (2018). The nexus between audit quality and performance of listed oil and gas firms in Nigeria. *International Journal of Innovative Research and Advanced Studies,* 5(1), 222-231.

Natalia, M., & Samuel, J. (2019). Good corporate governance and audit quality. *Competitive journal of accountancy and economics*, 114-126.

Ogochukwu, O. N., Hope, O. I., & Nkechi, O. T. (2022). Audit quality and value of selected manufacturing firms: Nigerian experience. *Asian Journal of Advances in Research,* 5(1), 668-681.

Ongore V. O., &Kusa G. B., (2013). Determinants of financial performance of commercial banks in Kenya. *International Journal of Economics and Financial Issues*,3 (1), 237-252.

Osevwe-Okoroyibo, E.E., Ofor, N. T. & Orjinta, H. I. (2021). Audit report quality and value of consumer goods firms in Nigeria. *Journal of emerging trends in management sciences and entrepreneurship* 3(1), 1-13.

Shuaibu, K., Ali, I. & Amin, I. M. (2019). Company attribute and firm value of listed consumer goods companies in Nigeria. *Journal of Research in Humanities and Social Sciences,* 7 (5), 40-49.

Shubita, M. F. (2021). Impact of audit quality on Tobin's q: Evidence from Jordan. *Journal of Asian Finance, Economics and Business,* 8(7), 0517–0523.

Skinner, D. J. & Srinivasan, S. (2012). Audit quality and auditor reputation: evidence from Japan. *The Accounting Review,* 87(5), 1 737-1765.

Thuneiba, N., & Hani, R. A. (2023). Auditing quality between share price and liquidity regarding investor's decision. *Journal of Governance and Regulation,* 12(1).

Tyokoso, M.G., U-ungwa, M. M., & Ojonimi, G.A. (2017) Effect of audit quality on performance of deposit money banks (DMBs) in Nigeria. 158 – 165

Ugwunta, D. U., Ugwunyani, B. U. & Ngwa, U. (2018). Effect of audit quality on market price of firms listed on the Nigerian stock market. *Journal of Accounting and Taxation,* 10(6), 61-70.

Wijaya (2020). Effect of audit quality on firm value: a case in Indonesian manufacturing firm. *Journal of Accounting, Finance and Auditing Studies,* 6(1), 1-1