



THE EFFECT OF OWNERSHIP STRUCTURE ON AUDIT FEE OF FIRMS LISTED ON NIGERIA EXCHANGE LIMITED

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Abstract

This study investigated the effect of ownership structure on the audit fee of money deposit banks listed on Nigeria exchange limited. Five objectives were established by the study that included investigating the effect of family ownership, institutional ownership, government ownership, CEO ownership and managerial ownership on audit fee of firms listed on the Nigeria exchange limited. Five hypotheses formulated were meant to synchronise with the set objectives. The study adopted ex post facto research design and collected secondary data from the annual reports of the sampled twelve money deposit banks that were selected. Data collected were analysed with the help of descriptive statistics, correlation and ordinary least square regression estimation technique. The outcome of the study implies that all the independent variables of the study have negative effect on audit fee. However, only CEO ownership and institutional ownership have statistical significant effect on audit fees of the banks studied. The study recommends amongst others that shareholders should make their CEO to take up reasonable number of shares that will align his interest to that of theirs' and which will reduce audit risk. More so Institutional share ownership should be encouraged by shareholders as a way to instil checks that will ensure compliance to operational and regulatory requirements which will reduce audit risk and audit fee and increase profit. The implication of the findings is that prospective shareholders should lookout for organisations with institutional and CEO ownership as a safer place for their investments since audit risk would be reduced.

Keywords: *CEO ownership, managerial ownership, government ownership, institutional ownership, family ownership*

1. Introduction

The role of the external auditor on the financial statements cannot be overemphasised as it is the basis of acceptance and reliance on the annual reports. Coffie and Bedi (2019) posit that external auditor is a vital component of corporate governance puzzle as they are also responsible for protecting and guaranteeing the interest of investors. Put differently, auditing provides assurance services and protects investors from the opportunistic behaviours of management within the financial system (Schilt & Perler, 2010). The amount of audit fee chargeable is directly dependent on the size of risk exposures of the firm and the business complexities. Dijeh et al. (2022) reported that audit fees paid could impair the independence of the auditor in some circumstances, as a result retard the quality of financial reports. The contentions surrounding audit fees have necessitated the regulatory frameworks to require that audit fees should be disclosed in the financial statements (Musah et al., 2018). The study of Ogbeifun and Adeniran (2020) maintain that an auditor charges low fees in order to retain a client which undermines his independence. On the other hand, auditor tend to provide a suiting audit report to a client that pays high audit fees to pave way for his continued service (Ogungbade et al., 2021). In all, audit fee has strong relationship with audit quality (Okolie & Izedonmi, 2014; Odubuasi, Amahi, & Kainene, 2022). The riotous debates on the independence of auditors, which is informed by the audit fee call for more robust investigation on the determinants of audit fee. Be that as it may, audit fee is an agency cost incurred by the shareholders to secure the services of an independent party to examine the



financial statement that was prepared by the management and present his unbiased professional report.

However, the nature of shareholder's concentration could tilt the direction of their oversight on the management. That gives a new research dimension on the study of ownership structure as the determinants of audit fees (Al-Okaily, 2020; Shan et al., 2019). Ownership structure according to Liang et al. (2020) presents the most interference amongst the governance mechanisms in achievement of corporate governance goals. In effect, ownership structure would generate an atmosphere that might have direct effect on audit risk, and as a result impact on audit fee. The significance of ownership structure arises from the fact that different block of shareholders ranging from institutional ownership, family ownership, managerial ownership, foreign ownership and Chief Executive Officers ownership exert different approaches of monitoring and supervisory controls on management. The question before the research community is whether the power block ownership would achieve a lower or moderate audit fee, having known that lower inherent risk and audit risk leads to lower audit fee. Hence, this study investigated the effect of ownership structure on audit fees of firms listed on Nigeria exchange limited. In effect, the study set the following specific objectives;

- i. Managerial ownership on audit fees paid by firms listed on the Nigerian Exchange Group
- ii. Family ownership on audit fees paid by firms listed on the Nigerian Exchange Group
- iii. Government ownership on audit fees paid by firms listed on the Nigerian Exchange Group
- iv. Chief Executive Officers ownership on audit fees paid by firms listed on the Nigerian Exchange Group
- v. Institutional ownership on audit fees paid by firms listed on the Nigerian Exchange Group

1.1 Hypotheses of the study

The study hypotheses were formulated to synchronise with the objectives as follows;

H₀₁ – Managerial ownership has no significant effect on audit fees paid by firms listed on the Nigerian Exchange Group.

H₀₂ – Family ownership has no significant effect on audit fees paid by firms listed on the Nigerian Exchange Group.

H₀₃ – Government ownership does not have significant effect on audit fees paid by firms listed on the Nigerian Exchange Group.

H₀₄ – Chief Executive Officer's ownership has no significant effect on audit fees paid by firms listed on the Nigerian Exchange Group.

H₀₅ – Institutional ownership has no significant effect on audit fees paid by firms listed on the Nigerian Exchange Group.

It is expected that the result of the study would be useful to existing and potential investors as they would understand the need for certain block shareholders, external auditors to understand the ownership structure that assists enforcement of internal controls of organisations; and researchers to gain more insightful reference material when studying related area. The study was structured in a way that next section contains review of related literature, the following has methodology, analysis and interpretation of data came next, while conclusion and recommendation came in section five.

2.0. Review of related Literature



- 2.1.1. Managerial ownership and audit fee:** Managerial ownership is one of the incentive mechanisms used by principals to reduce agency problems by letting the managers have ownership of shares in the firms. Managerial ownership reduces agency problems by aligning interests of agents with those of principals (Jensen & Meckling, 1976; Shan et al., 2019). This is based on the argument that ownership of shares in a firm motivates managers to work towards a common objective of enhancing firm's value (Nelson & Mohamed-Rusdi, 2015), in consequence reducing audit risk which invariably lowers audit fees.
- 2.1.2. Family ownership and audit fee:** Family ownership refers to the group of shares of a firm that rightly belong to family members. This scenario conveys the conviction that firm governed by family share ownership can potentially outperform firms governed by nonfamily share ownership (Hamadi & Heinen, 2015). In which case, less opportunistic behaviours are observed in firms with large family share ownership (Munisia, 2023). Moreover, firms governed by family share ownership tend to pursue long-term goals and resist short term gains.
- 2.1.3. Government ownership and audit fee:** Government ownership amounts to when large chunk of shares of a firm is owned by the government that it has to appoint the management of the enterprise. Seluzicka (2018) affirm that the existence of potential high agency problems in government-controlled firms is associated with weak internal control which leads to high audit risk. This makes external auditors rely more on substantive audit procedures to obtain required audit evidence. The use of detailed substantive audit procedures results in high audit fees in government- controlled firms. To this end, Lobanova et al., (2020) believe that management of firms controlled by the government are more likely to lack motivation of providing more information and instead prefer to operate in high confidentiality (Lobanova et al., 2020), to conceal their private control benefits. Accordingly, extant literature indicates that government ownership is related to poor financial reporting (Al-Janadi et al., 2016). This has implications on the need for quality audit services and ultimately on audit fees.
- 2.1.4. CEO ownership and audit fee:** Conflicting interests between the agent and principals may become a problem because the manager's expertise and direct involvement in a firm's operations are making him better informed than the shareholders (Alzeaidi & Al-Rawash, 2018). This asymmetric information between the two parties creates an opportunity for the manager to pursue his own objectives. Private benefits like lavish pension plans, excessive compensation, perquisites and other deviations from value-maximizing behaviour are ultimately expensed at the shareholders cost. The reason is simply that managers are using shareholders' money rather than their own, which can also be seen as a moral hazard problem (Niemi, 2005). Therefore, Jensen and Meckling's (1976) argue that the increase in CEO ownership will align the interests between the two parties, which reduces the agency costs and thus increases firm value.
- 2.1.5. Institutional ownership and audit fee:** Institutional investors are considered the key "players of the financial markets" (AlNajjar & Taylor, 2008). Institutional ownership implies that institutions (e.g. insurance companies, financial institutions, banks, associated companies and governmental firms) own a portion of the company's shares (Mahmoud et al., 2014). Mohammadi and Zahra (2014) consider the audit fee as an important issue both for the managers and independent auditors. However, they do not observe any meaningful connection between institutional ownership and audit fees. Similarly, O'Sullivan (2000) found no association between the two variables. Nevertheless, Chiraz and Lesage (2012) observe a significant affirmative relationship between institutional ownership and audit fees.

2.2. Theoretical review –



2.2.1. Stakeholder theory: Freeman (1984) backed the stakeholder idea, but he also thought that executive directors should properly represent the interests of the shareholders. It is anticipated that directors would also consider the interests of several other parties with varying stakes, as well as those related to social, ethical, and environmental issues, as Donald and Preston (1995) believe that the diminished focus on shareholders has received critiques. The reworking of the directors' responsibilities has led to the development of stakeholder theory. Advocates of the stakeholder theory contend that a company's social duty extends beyond its shareholders' interests due to the interdependence of enterprises and society.

2.3. Empirical review

Musah et al. (2021) investigated the impact of ownership structures on the audit fees of Ghanaian listed companies. Descriptive statistics, correlation analysis, and panel regression analysis were used to analyse the data. According to the study's findings, there is a strong and positive correlation between foreign ownership and audit fees in Ghana, favourable and significant correlation between block ownership and audit fees, negligible correlation between government ownership and audit fees, a statistically significant positive correlation between block ownership and audit fees.

Munisia (2023) focused on the connection between ownership structure and audit fees in order to evaluate the factors influencing audit fees in enterprises listed predominantly in Sub-Saharan African nations and found that management ownership and concentrated ownership have a negative correlation with audit fees, whereas foreign ownership has a favourable correlation.

The effect of ownership structure, including directors', individuals', and institutional ownerships, on audit fees was studied by Shah and Rehman in 2019. The necessary information was obtained from the PSX-listed companies' audited financial statements. Out of 445 non-financial companies, 210 public limited corporations were carefully selected as a sample. To accomplish the study's goals, a fixed effect regression model was used. According to the results, there is a strong positive correlation between individual ownership and audit fee. On the other hand, the findings make no suggestion that institutional ownership or ownership by directors are related to the audit fee.

Using a sample of thirty listed companies between 2001 and 2008, Abosede and Kajola (2011) investigated the association between firms' ownership structures and financial performance in Nigeria. They found a negative and substantial association between ownership structure (director shareholding) and firm financial performance (ROE), using pooled OLS as a technique of estimation and after controlling for four firm-specific factors. Kikhia (2015) investigate the variables affecting the amount of external audit fees paid by businesses to their auditors in Jordan. A sample of 117 non-financial Jordanian companies listed on the Amman Stock Exchange that meet the selection criteria and have the pertinent and appropriate financial data from 2010 to 2012. The results of the most recent study strongly support the fact that they are likewise appropriate and applicable to the Jordanian audit market.

The factors that affected the sum of audit fees paid by ten Nigerian banks over a fifteen-year period, from 2006 to 2020, were analysed by (Kajola et al., 2022). The study used pooled ordinary least squares regression as its analytical method. The findings showed that board independence, size, and leverage had a favourable impact on audit fees, whereas joint audit has a negative and significant impact. Profitability, audit tenure, and board size were not shown to be significant predictors of audit fees in Nigeria, hence the study was unable to confirm their significance.

To determine whether institutional ownership has an impact on business performance, AL-Najjar (2015) looked at the trend in Jordan. The pooling, fixed, and random effect

regression models were used to collect and analyse data from 82 non-financial sector companies for the years 2005 through 2013. Contrary to popular belief, there is no evidence to support a statistically significant beneficial relationship between firm performance and institutional ownership in Jordan.

2.4. Literature gap

Extant literature indicated that much audit fee determinant studies were carried out mostly in developed economies, majorly from the perspective of external auditors' characteristics and firm based factors (Kikhia, 2015; Musa et al., 2021; Kajola et al., 2022). Numerous studies were done on ownership structure and its impact on performance of firms (AL-Najjar, 2015; Yang and Ko, 2019). The few that evaluated the components of ownership structure on audit were done in foreign nations (Kikhia, 2015; Shah &Rehman, 2019; Musah et al., 2021; Munisia, 2023). Notwithstanding the above, the relationship between ownership structure and audit fee in developing nations especially Nigeria has attracted very low research attention. Therefore, this study is set to fill this gap by examining how various share ownerships of firms would determine the audit fees on Nigeria listed firms.

3.0. RESEARCH METHODOLOGY

This research employed ex-post facto method of quasi experimental research design. Quasi experimental research design is used because the study was set to establish the cause and effect relationships between the dependent and independent variables. The study population is the fourteen deposit money banks listed on the Nigerian exchange limited as at 31st December 2022, while the Sample size used was the twelve banks selected on the basis of judgement of the researcher. The researcher used elimination method to arrive at the sample size, in which the banks whose financial statements were not readily available on the internet for any of the years of coverage were eliminated. At the end, twelve of the banks were remaining and formed our study sample. The data gathered were analysed with descriptive statistics, correlation and Ordinary least square (OLS) regression analyses. Some diagnostic tests that included variance inflation factor (VIF), variable omission test and Heteroscedasticity were taken, which confirmed that OLS result could be relied on for making inferences.

TABLE 3.1: Variable measurement

Variables	Operational measures
Dependent variables:	
Audit fee	Percentage of audit fee to revenue (audit fee/revenue*100)
Independent variables:	
Managerial ownership	Percentage of shares held by the executive directors
Family ownership	Percentage of block shares held by families
Government ownership	Percentage of block shares owned by the government
Chief Executive Officers ownership	Percentage of share ownership of CEO
Institutional ownership	Percentage share ownership of different organizations
Firm size	Logarithm of total Assets

Profitability	Earning margin (earnings before interest and tax/sales *100)
Financial risk	Long term debt/equity

3.1. Model specification

The following model was specified to investigate the effect of various ownership structures on audit fee as obtained in banking sector of Nigerian economy as presented;

$$AUDFEE_{it} = \beta_0 + \beta_1MGROWN_{it} + \beta_2FAMOWN_{it} + \beta_3GOVOWN_{it} + \beta_4CEOOWN_{it} + \beta_5INSTOWN_{it} + \beta_6FS_{it} + \beta_7PROF_{it} + \beta_8FINRISK_{it} + \mu \dots\dots (1)$$

Where; AUDFEE= audit fee; MGROWN= Managerial ownership; FAMOWN= Family ownership; GOVOWN= Government ownership; CEOOWN= Chief Executive Officer Ownership; INSTOWN= Institutional ownership; FS= Firm size; PROF= Profitability; FINRISK = Financial risk; β_0 =Constant; β_1 – β_8 = Regression coefficients; μ = Error term.

4.1. DATA ANALYSIS AND INTERPRETATIONS

TABLE: 4.1 Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
AUDFEE	120	.2132667	.0755603	.06	.46
CEOOWN	120	.0826158	.1032784	0	.45
MGROWN	120	3.399128	4.123065	.02	16.75
INSTOWN	120	33.35	26.48661	0	91
FAMOWN	120	1.866667	3.449353	0	11
GOVOWN	120	1.341667	5.729909	0	34
FS	120	9.300668	.4235169	8.194532	10.1698
PROF	120	26.67442	23.61176	-64.45	89.54
FINRISK	120	1.7095	.9735613	1.66	4.39

Source: researcher’s computation (2023)

Table 4.1 above, shows that average of, 0.21% of the revenues of the banks were paid as audit fee. The highest percentage of revenue ever paid out as audit fee was 0.46% while the least was 0.06%. The standard deviation indicates that much variation does not exist on the percentage of revenue paid out as audit fees among the banks sampled. The CEO owns on the average, 0.08% of the share of the enterprise. Maximum shares ownerships by CEO for the period under review was 0.45%. Managerial shareholding has mean value 3%, maximum of 16.7% and minimum of 0.02%. The standard deviation overtly indicated that managerial share ownership within the banks was widely dispersed across the banks for the periods of the study. Institutional share ownership within the period was averaged 33.3%, maximum ownership by institutions was 91% of the shares. Family ownership for the period was 1.8% on the average and maximum of 11% as is shown by the table 4.1 above. Government ownership was 1.34% on average, maximum government ownership was 34%

for the period covered. Firm size has mean score of 9, minimum value of 8 and maximum of 10. Profitability of the banks indicated that average earnings before interest and tax margin of the banks was 26.6%, maximum profit margin was 89.5% while minimum profit margin was -64.5%. Financial risks of the firms indicate that the debt of the banks was adequately covered by the equity, hence the mean score of debt to equity for the banks is 1.7, the maximum score of the debt to equity is 4.39 while the minimum is 1.66. the standard deviation shows that variations does not exist on how the banks get exposed to risk in relation to debt equity capital, that a manifestation of strict regulation in the banking industry.

TABLE: 4.2. Normality test - Shapiro-Francia W' test for normal data

Variable	Obs	W'	V'	z	Prob>z
AUDFEE	120	0.95767	4.480	2.999	0.00135
CEOOWN	120	0.84329	16.585	5.617	0.00001
MGROWN	120	0.77656	23.646	6.327	0.00001
INSTOWN	120	0.97819	2.308	1.673	0.04715
FAMOWN	120	0.99359	0.679	-0.776	0.78101
GOVOWN	120	0.75381	26.054	6.521	0.00001
FS	120	0.98869	1.196	0.359	0.35990
PROF	120	0.89056	11.582	4.899	0.00001
FINRISK	120	0.94137	6.205	0.00013	0.00013

Source: researcher's computation (2023)

We tested for the normality of the data sets using Shapiro-Francia W test which showed that FAMOWN and FS are normally distributed since they have Prob>z (0.78&0.36) respectively less than critical value of 0.05. Whereas other variables were not normally distributed as their Prob. Values were less than the critical value of 0.05.

TABLE: 4.3 Correlation analysis

	AUDFEE	CEOOWN	MGROWN	INSTOWN	FAMOWN	GOVOWN	FS	PROF	FINRISK
AUDFEE	1.0000								
CEOOWN	-0.2626	1.0000							
MGROWN	-0.2686	0.2233	1.0000						
INSTOWN	0.2778	-0.4746	-0.4881	1.0000					
FAMOWN	-0.1684	-0.0019	0.4845	0.0416	1.0000				
GOVOWN	0.0107	-0.0997	0.1035	0.2022	0.3161	1.0000			
FS	-0.0633	0.4614	0.3270	-0.5920	-0.2160	-0.3606	1.0000		

PROF	0.2358	0.3032	-0.0243	-0.0950	-0.2632	-0.3548	0.5970	1.0000	
FINRISK	-0.1189	0.0151	0.0339	-0.0253	-0.2167	-0.1600	0.1810	-0.0591	1.0000

Source: authors' computation (2023)

From table 4.3 above, we discover that none of the variables is highly correlated with another as the correlation coefficients of independent variables are less than 0.70. The highest coefficient recorded is 0.59, which is between institutional ownership and firm size; and firm size with profitability. For avoidance of doubt, we conducted Variance Inflation Factor to verify if truly no high correlation exists as presented below;

TABLE: 4.4 Multicollinearity test using Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
FS	3.03	0.330442
INSTOWN	2.08	0.481753
MGROWN	1.93	0.517435
PROF	1.78	0.562050
FAMOWN	1.76	0.568839
FINRISK	1.37	0.732494
CEOOWN	1.36	0.737542
GOVOWN	1.32	0.758334
Mean VIF	1.83	

Source: researcher's computation (2023)

The result on table 4.4 above shows that the mean VIF is 1.83, which is far less than the acceptable bench mark mean VIF of 10. Hence we can derive from the result that no high collinearity exists among the independent variables.

TABLE: 4.5 Heteroscedasticity test: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

chi2(1)	0.88
Prob>chi2	0.2720

Source: researcher's computation (2023)

The probability value of 0.272 that is higher than critical value of 5% in table 4.5, is an indication that the variance error term in homoscedasticity. Meaning that, no presence of heteroscedasticity problem was found.

TABLE: 4.6 Omitted variable test: Ramsey RESET test using powers of the fitted values of AUDFEE

F-STAT	PROB
2.91	0.3079

Source: researcher's computation (2023)

The result in table 4.6 tested the study model, to ascertain if it was miss specified or had omitted variable. The rule says; if the Probability is significant at 5%, there is omitted variable. The P-value of the result is 0.30, which indicates that the model is not miss specified and there is no omitted variable in our model.

TABLE: 4.7 Ordinary Least Square (OLS) Regression result

Variable	Coef	t-stat	P-value
CEOOWN	-.2264875	-3.57	0.001
MGROWN	-.0027947	-1.47	0.144
INSTOWN	-.0006826	-2.23	0.020
FAMOWN	-.0013284	-0.61	0.540
GOVOWN	-.0008598	-0.76	0.447
FS	.0506821	2.19	0.030
PROF	.0019726	6.21	0.000
FINRISK	.0050886	0.75	0.453
F-value			8.67
Prob>F			0.0000
R2			0.3845
R2 Adj			0.3401

Source: researcher's computation (2023)

4.2. Test of hypotheses and discussion of results

Hypothesis one: Managerial ownership has no significant effect on audit fees on firm in Nigeria exchange limited.

The table above shows that managerial ownership has coefficient of -0.002 and P-value of 0.14. The negative coefficient implies that managerial ownership has inverse effect on audit fee of banks listed on Nigeria exchange limited. Moreover, the p value that is higher than 5% critical level implies that managerial ownership is not a determinant of audit fee among the deposit money banks in Nigeria. Hence, this result aligns with agency theory that believes that making the management part owners of the business will reduce agency costs. Therefore, the study fails to reject null hypothesis that affirms that managerial ownership has no significant effect on the audit fees of the firms on Nigeria exchange limited. The



result agrees with the findings made by Musah et al. (2021), that managerial ownership has negative effect on the audit fee of firms in Ghana.

Hypothesis two-Family ownership has no significant effect on audit fees of firms in Nigeria exchange limited.

Family ownership has coefficient of -0.0013 and P-value of 0.54, which shows that share ownership by family has inverse relationship with audit fee of banks in Nigeria. More so, the probability indicates that family ownership is not significant in determining the degree of audit fee of the period. In effect, family ownership is a boost to the reduction in agency conflicts which is in line with the position of agency theory. Be that as it may, the study upholds null hypothesis that insists that family ownership has no significant effect on the audit fee of banks in Nigeria.

Hypothesis Three-Government ownership does not have significant effect on audit fees of Nigerian firms.

GOVOWN has coefficient -0.008 and probability value of 0.44. The result shows that increased government share ownership in the sampled firms has the advantage of decreasing audit fee of the firms, but to an infinitesimal level of 0.008 if other variables are held constant. More so, the probability score of 0.44 is far higher than critical value of 5%, meaning that government ownership is not significant to determining the audit fee of the banking industry for the periods covered. We conclude that government share ownership has inverse and no significant effect on audit fee of banks in Nigeria. Our finding corroborates with the result of Musah et al. (2021), who found that government ownership is not significant determinant of audit fee in Ghana listed firms.

Hypothesis Four-Chief Executive Officer's ownership has no significant effect on audit fees of firms listed on Nigerian exchange limited.

Chief Executive Officer ownership has negative impact on firm performance and statistical significant effect on audit fee, as is shown by the statistical indices of the result (coeff= -0.226 & $P > /t = 0.001$ respectively). The result implies that allowing the CEO take up more shares of the banks would result to them having sense of ownership of the company, and would do all within their power to ensure compliance to internal control, and reduced audit risk, which would lead to lowered audit fee. Pertinently, the probability value of 0.001 that is far lesser than critical value of 0.05 implies that CEO share ownership is a powerful factor to setting audit fee in the banks sampled. Hence the study fails to reject alternate hypothesis and affirms that CEO ownership has inverse and statistical significant effect on audit fee of the banks studied. The result disagrees with Shah and Rehman (2019) that affirm director ownership not having significant impact on listed Nigerian firms.

Hypothesis Five-Institutional ownership has no significant effect on audit fees of firms listed on Nigerian exchange limited.

Institutional ownership has coefficient of -0.006 and P-value of 0.020. The negative coefficient suggests that institutional ownership has negative effect on audit fee of banks listed on Nigeria exchange limited. Additionally, the P-statistics ($P > /t = 0.020$) provides that P value is higher than 5% critical level, which implies that institutional ownership is relevant in determination of audit fee for the banks listed on the Nigeria exchange limited. The finding contradicts that of AL-Najjar (2015), who made empirical submission that institutional ownership has no significant association with firm performance. Shah and Rehman (2019) also found no relationship between institutional ownership and audit fee of PSX-listed companies.



Firm size (FS) recorded coefficient 0.05, which implies that firm size is relatively having positive association with audit fee of banks listed on Nigeria exchange limited. The P-value of 0.030 signifies that firm size is statistically significant in determining audit fee of banks in Nigeria.

Profitability (PROF) of the banks was shown to have coefficient 0.001, which means that profit level of the banks is relatively having positive effect on audit fee of money deposit banks on Nigeria exchange limited. The P-value of 0.000 signifies that profit level (PROF) is statistically significant at 1% level in determining the position of audit fees for banks on Nigeria exchange limited.

Leverage (FINRISK) has coefficient 0.005 which signifies positive association with audit fee of firms in Nigeria, it also possesses P-value of 0.453 far higher than the critical value of 0.05. This depicts that leverage has positive and no significant effect on audit fee of banks in Nigeria.

5.0 CONCLUSION AND RECOMMENDATION

In response to the quest for identifying the attributes of the ownership structure that influence audit fee of Nigerian firms; the study chooses family ownership, institutional ownership, government ownership, CEO ownership, and managerial ownership as the proxies for measuring ownership structure while the proportion of audit fee to revenue represented audit fee for the banks. The study was able to conclude in line with the agency theory that block share ownership (institutional ownership and CEO ownership) has statistical significant effect on determination of audit fee of the firms sampled from Nigeria as was empirically shown from the data of the firms used which span from 2013 to 2021 financial years. Sequel to the findings, the study recommends that:

1. Managerial ownership could be encouraged by shareholders as a way of aligning their interests with their agents which reduces agency costs.
2. Block Family ownership has tendencies of reducing agency costs and should be encouraged in firms.
3. Government share ownership manifests power to reducing agency cost and may be encouraged to a level that it doesn't constitute control in Nigeria.
4. Shareholders should make their CEO to take up reasonable number of shares that will align his interest to that of theirs' and which will reduce audit risk. More so, prospective shareholders should ensure they invest in companies were CEO owns shares because certain agency costs would be reduced for greater profitability.
5. Institutional share ownership should be encouraged by shareholders as a way to instil checks that will ensure compliance to operational and regulatory requirements which will reduce audit risk and audit fee and increase profit. Likewise, prospective shareholders should lookout for organisations with institutional ownership as safer place for their investments since audit risk would



6. be reduced.

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