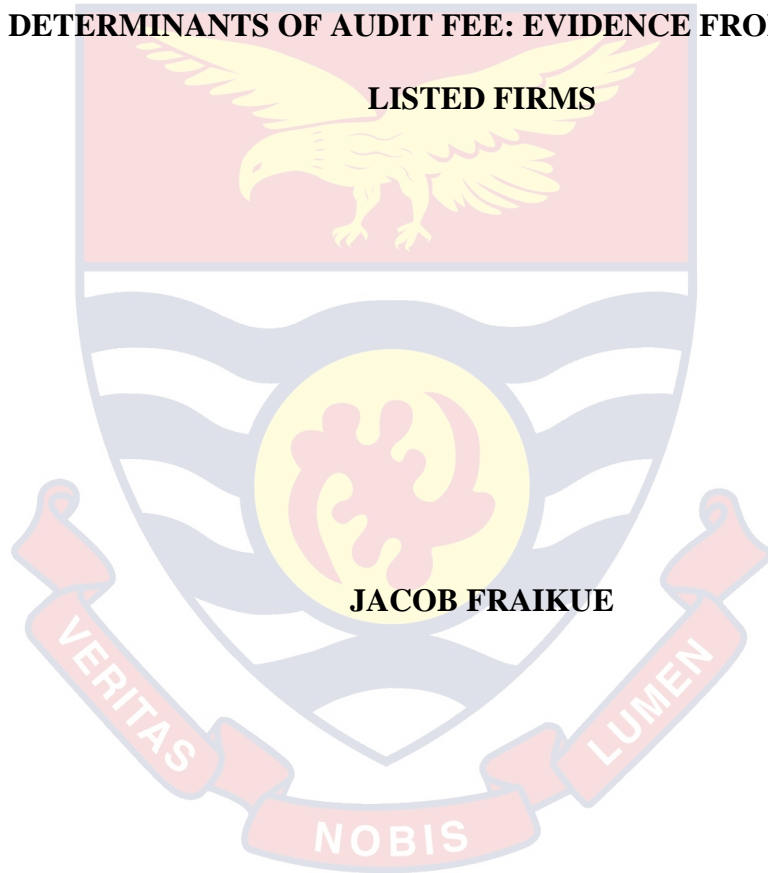


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DETERMINANTS OF AUDIT FEE: EVIDENCE FROM THE GSE-
LISTED FIRMS



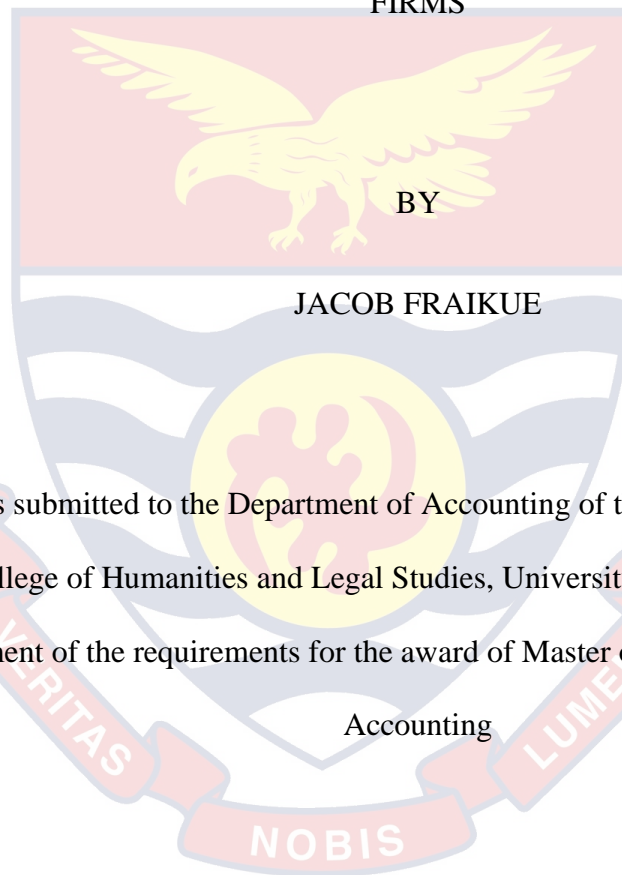
JACOB FRAIKUE

2020

UNIVERSITY OF CAPE COAST

DETERMINANTS OF AUDIT FEE: EVIDENCE FROM GSE-LISTED

FIRMS



BY

JACOB FRAIKUE

This thesis submitted to the Department of Accounting of the School of Business,
College of Humanities and Legal Studies, University of Cape, in partial
fulfilment of the requirements for the award of Master of Commerce degree in
Accounting

JANUARY, 2020

DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Signature.....Date.....

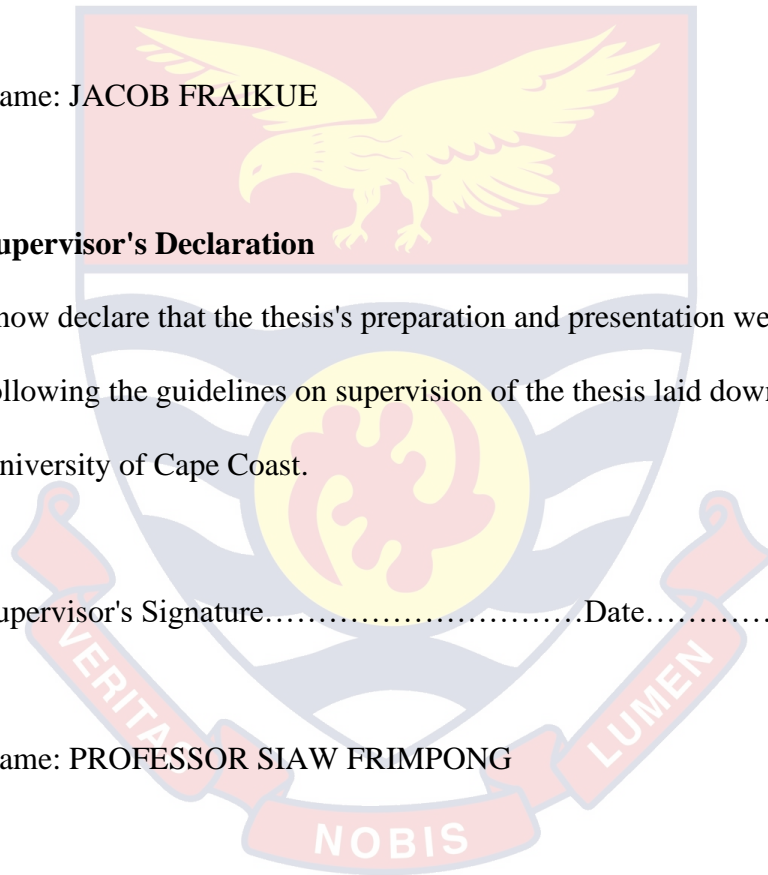
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Supervisor's Declaration

I now declare that the thesis's preparation and presentation were supervised following the guidelines on supervision of the thesis laid down by the University of Cape Coast.

Supervisor's Signature.....Date.....

Name: PROFESSOR SIAW FRIMPONG



ABSTRACT

This research examined the determinants of audit fee using listed firms in Ghana. The justification emanates from the notion that the audit industry has been under increased pressure for their high fees paid to them by their clients and the contributory bearing on the auditor's objectivity. The research examines the impact that client characteristics, audit firm characteristics, and corporate governance have on the audit fee in Ghana. The study used panel data and employed generalised least square in analysing the secondary source of data (annual financial statements) from 2008-2017. A sample of thirty-two (32) companies was drawn from thirty-nine (39) listed firms for this study. Descriptive analysis, correlation analysis, and multiple regression were used to analyse the data. The client characteristics revealed that client size, client profitability, client risk, complexity, and industry positively and significantly impact audit fees. Audit firm size and audit tenure positively and significantly impact on audit fees for audit firm characteristics. For corporate governance variables, the board size, board independence, board diligence, CEO duality, audit committee independence, and audit committee expertise inversely and significantly effect on audit fee. The study recommends that businesses strengthen their corporate governance characteristics to bring the audit fee to a reasonable level. Also, the total of oversight board committees must be at the desired minimum as companies conformed to guidelines and directions of the regulatory establishments, and more businesses have to be invigorated to get listed so that regulations can oblige them to display appropriate conduct.

KEY WORDS

Audit fee

Client characteristics

Audit firm characteristics

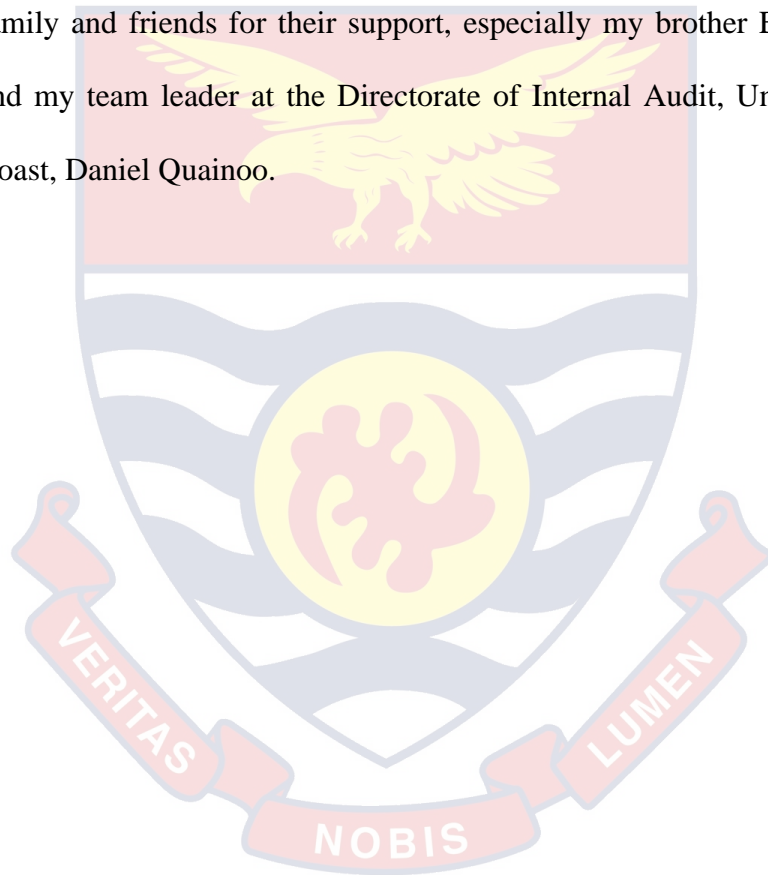
Corporate governance



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DEDICATION

To my family: Kojo Mensah Fraikue, Doris Peters, Benjamin, Charlotte,
Ebenezer, Joana, Joseph and Kweku Nketsia



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CHAPTER ONE

INTRODUCTION

Despite the importance attributed to external audit, the objectivity of the external auditor is presently inviting academic research as corporate entities collapse year after the auditors' report. The pivotal question then becomes, what is the essence of audit, if auditing profession has unsuccessfully lived up to the prospects and challenges of the 21st century or has failed to significantly develop to help prevent company failures in both world-wide and nation-wide scenes. Audit fee affect the independence and the quality of the auditor's work (Dart, 2011; Agyei-Mensah, 2018). This study looks at the determinants of audit fee in Ghana.

Background to the Study

The audit profession is a well-known career, with its foundation dating as far back as the world's earliest history. Records of audit events are traced to the Babylonian era and ancient China. Rick, Dassen, Schilder, and Wallage (2005) asserted that auditors directed the Zhao Dynasty and Egyptian Pharaohs accounts in China and Egypt, respectively, in those periods. In ancient Greece and Rome, auditors reviewed the taxpayers' work, and 'hearer or listeners' were used to represent the 'auditor,' in Latin as reported in Rome (Willmott, 1986).

The expansion of the world's economy, particularly the European economy influenced the development of the auditing profession. According to Vu (2012), the demand for more auditing practice in the public eye expanded in the eighteenth century, after the modern revolution and organisations' development in the period of globalisation. The auditing industry saw the

formation of the International Federation of Accountants (IFAC) and International Accounting Standards Committee (IASC), the emergence of major International Auditing Firms, and the adoption of International Auditing Standards/International Financial Reporting Standards (IAS/IFRS).

A notable theory emerged during the globalisation and industrial development, the agency theory, which is the detachment of proprietorship (owner) and the executives (agent) (Rick et al., 2005). Jensen and Meckling (1976) characterized the agency theory as an arrangement where a principal (s) engages another person (the specialist) to play out some help for their sake, which comprises assigning some decision-making power to the specialist. Kasim (2005) asserted that the investors believe in the executives to maintain their business and that the executives will act in the most significant advantage of the investors, that is, to build the investors' wealth. However, an investor-agent relationship could be crushed when the board falls flat to act to the investor's greatest advantage, which is said to be an agency problem (Rezaee, 2009). Among the three-agency cost, monitoring cost is identified with monitoring agent conduct (Jensen & Meckling, 1976). Kasim (2005) opined that organisations rely on a yearly statutory audit to confirm the efficiency of a firm's policies, improve the unwavering accuracy of the annual reports, and secure the investor's concern. The auditor is expected to guarantee that financial statements are without errors and fraud and are set up as per the international financial reporting standard (Millichamp & Taylor, 2008).

Vu (2012) asserted that toward the beginning of the twenty-first century, large firms like WorldCom and Enron in the United States (US) and Parmalat in Italy reported corporate collapse, and auditors' ethics, objectives,

and roles were questioned. The accounting scandals of 2001-2003 brought up critical issues about auditors' role as the fundamental watchmen of financial markets (Giudici, 2012). According to Kiršienė and Misevičiūtė (2016), the experience from the world's financial depression of 2008 proved that the work of auditors as guardians in the financial service sector is significant. Some of the financial institutions collapsed while the state took over others. Giudici (2012) argued that auditors were motivated to efficiently audit their client's records and criticise wrongdoings and report ongoing concern issues. However, Kiršienė and Misevičiūtė (2016) stated that despite significant losses reported by banks and financial-related institutions in 2007 and later, auditors issued unmodified auditors' opinions.

Regardless of corporate failures, there has been an adequate improvement in governance and regulatory policies in most countries. Corporate governance requirements vary significantly among firms in different countries (Doidge, Karolyi & Rene, 2007). Most countries implement different methods, policies, and procedures to ensure that companies within the law's purview abide by corporate governance provisions. There is a corporate governance difference between Ghana, the UK, and the US. As Ghana uses corporate governance guidelines, the UK and the US use corporate governance codes and the Sarbanes Oxley Act. Werder and Talaulicar (2011) posited that there are substantial variances in national requirements and recommendations relating to corporate governance; however, globalisation may induce similar corporate governance standards, but each country may have its specificity concerning corporate governance.

The Ghana Stock exchange requires firms to comply with corporate governance guidelines. Corporate governances are the rules and principles used to organise and resolve the concerns of a corporate body, to adapt the fulfilment of corporate objectives with the organisation of corporate behaviour to society's needs, and to the obligations of investors and other stakeholders. According to Agyemang and Castellini (2013), Ghana's Code of governance was developed following existing guidelines of the Commonwealth Association of Corporate Governance, Organisation of Economic Cooperation and Development (OECD, 2004), and Codes of best practice developed by regulatory authorities in developing and developed countries.

Corporate governance reforms on firms' boards and audit committees were meant to enhance annual reporting and auditing quality (Zaman, Hudaib & Haniffa, 2011). Turley and Zaman (2004) explained that the dependability and the fairness of the financial report are achieved through effective boards and audit committees. According to Zaman et al. (2011), the board and audit committee protects the auditor's objectivity through the appointment and the audit fees. The board and audit committee provide a fairground for auditors to report on management stewardship and policies. Firms with robust audit committees carry out their mandate and observe the auditing procedure more effectively to prevent potential litigation risk and reputational damages. This is evident when the audit committee requests for a more comprehensive audit process to promote audit quality.

Two arguments have been set up concerning the connection between corporate governance and audit fees. Signalling theory and substitution theory inform the first and second arguments, respectively. Signalling theory

contends that executives indicate a strong level of corporate governance to outsiders by welcoming increasingly thorough auditing, which unavoidable lead to high pricing of the audit. In other words, businesses with resilient corporate governance remunerate high fee to auditing firms. On the other hand, the substitution theory contends that the more perfect the business's inner business arrangement is, the lesser the agency cost. This implies that the auditor will experience less audit risk; hence, low audit fees. An audit is an external type of corporate governance for which successful inner corporate governance may replace.

Within a spate of a year, seven local banks in Ghana collapsed. The Bank of Ghana (BoG), on August 14, 2017, reported that GCB bank has taken over two local financial institutions, UT Bank Limited and Capital Bank Limited. The Central bank also reported in a public statement, the formation of a new bank, Consolidated Bank Ghana Limited from the collapse of Unibank Ghana Limited, Royal Bank Limited, Beige Bank Limited, Sovereign Bank Limited, and Construction Bank Limited.

The public questioned the importance and significance of audit, and a call was made on the institution that regulates the audit market to sanction culpable audit firms. Following the public uproar, the audit market regulator, the Institute of Chartered Accountants Ghana (ICAG) disciplinary committee, investigated audit firms' roles of collapsed banks. The disciplinary committee of ICAG fined Deloitte, PKF Chartered Accountants, J. Mills Lamptey and Morrison, and Associate GH¢1,150,000, GH¢550,000, GH¢150,000, and GH¢350,000, respectively, totalling GH¢2.2 million.

Among the findings were; (a) the audit firms failed to gather adequate appropriate audit evidence on the correctness of management's usage of the going concern hypothesis in the preparation of financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern, (b) cumulative uncorrected misstatements in the financial statements were not assessed and not taken into consideration in the formation of audit opinion, (c) the audit firms overlooked the danger of potential misstatements of related party transactions, notwithstanding the materiality of the businesses involved (d) the financial statements contained mistakes that proposed a weak quality control over-reporting.

An audit fee is a significant factor that impacts auditors' objectivity. The link between the auditor's objectivity and the audit fee emanates from the people's perception that the auditor's objectivity is injured when audit is relatively priced high (Millichamp & Taylor, 2008). In recent years, audit fees are well-thought-out to be a critical issue because of their connection with the auditor's objectivity. Prior studies have showed that the auditors' objectivity is dented when they offer services to customers at a value lower than expected (Dart, 2011). DeAngelo (1987) asserted that low balling is where the auditor cut price to maintain customers. Thus, Low balling is a pricing scheme used by auditors to attract more clients by pricing relatively low price for an audit. According to Simunic (1980), an auditor's objectivity is not affected by low balling; however, it is a marketing arrangement to meet future quasi-rents. He further argued that low balling does not in itself weaken the auditor's objectivity.

The audit fee is one of the imperative indicators of quality audit (Agyei-Mensah, 2018; O'Sullivan, 2000; Lin & Hwang, 2010). Kasim, Hashim, and Salman (2016) used audit fees as a substitute for quality audits because fees charged are more likely to mirror the auditors' work. The audit industry is controlled, and the chance to benefit from the fee is restricted (Kanagaretnam, Krishnan, Lobo, & Mathieu, 2011). Boone, Khurana, and Ramandi, and Witteloostuijn (2010) asserted that lawsuit costs and reputational damage propel the drive for a quality audit. Consistent with the above, Kasim et al. (2016) espoused that auditors avoid litigation cost and reputational loss as it reflects poor quality audit. This suggests that auditors would charge a commensurate fee to reflect the quantity and quality of work.

Understanding the factors that affect an audit fee is the reason for this examination and is vital to the buyers and the suppliers of the audit services. According to Ohidoa and Okun (2018), an audit fee is a sum waged to the auditor for reviewing an assignment performed to a client. Audit fees comprise of (1) audit costs, which include expenses to carry out audit tasks, and opportunity cost (2) expected loss costs, which include lawsuit fee, reputational fee, and recovery expenses (3) benefit anticipated (Mellett, Peel & Karbhari, 2007; Gonthier-Besacrier & Schatt, 2007; Joshi & Al-Bastaki, 2000). According to Che-Ahmad, Houghton, and Yosouf (2006), whether the audit services are priced competitively, the audit fee determinants are significant for market regulators as this could impair the auditors' independence and audit quality. Auditors need to exercise caution when negotiating audit fees to avoid the threat to independence that can impair their professional scepticism to work.

The disclosure requirement of the financial statement preparation requires that the audit fee is disclosed because of its great importance to the stakeholders (Kikhia, 2014; Hentati & Jilani, 2013). The audit fees are of concern to both companies and auditors; the law requires listed businesses to have their financial reports audited; however, auditors want to be paid adequately to reflect services rendered (Gist, 1992). The owners and the other stakeholders are concerned that the auditor's objectivity may be affected as too low or high prices of audit might weaken the assurance in the audit report.

After the first publication on auditor's remuneration by Simunic (1980), empirical examinations have been completed to explore the audit fee determinants. Both the United States of America (US) and the United Kingdom (UK) are the pioneers to have examined the matters that affect or relate to audit fees. Studies in the US include; Callaghan, Parkash, and Singhai (2008); Hamid and Qanbar (2012); Mellet, Peel, and Karbhari (2007); Rubin (1998). Equally, the UK researches include Moizer (1997); Brinn, Oeel, and Robert (1994); and Pong, Gonthier-Besacier, and Schatt (2007). Works in Asia include; Bedard and Johnstone (2010), Hassan (2014), Joshi and Al-Bastaki (2000), Meshari (2008), Mohammed and Saeed (2018), Kikhia (2014), Thinggaard and Kiertzner (2008). In Africa, studies include Musah (2017), Ohidoa and Okun (2018), Otete (2018), Urhoghide and Izedonmi (2015). The link between the audit fee and some factors were generally established in most of the studies.

The client characteristics deals with the client attributes that influence and affect that audit fees. Clients' attributes like client size, the complexity of operations, firm risk, and firm profitability influenced the audit fee (Joshi &

Al-Bastaki, 2000; Ohidoa & Okun, 2018; Urhoghide & Izedonmi, 2015). Audit firm characteristics deals with the audit firm attributes that influence and affect the audit fee such as the audit firm type, audit tenure and fiscal year. Corporate governance characteristics deal with how effective controls are that influence and affect the how much client is will to pay and how much the audit firm are prepared to take Corporate governance characteristics such as board size (Sheikh, Shah & Akbar, 2018), board independence (Kikhia, 2014), and diligence (Vefeast, 1999) and CEO duality (Kasim et al., 2016), audit committee independence (Lin & Liu, 2009), expertise (Krishnan & Visvanathan, 2009). This study examines an in-depth investigation into factors that influence audit fees considering client firm characteristics, audit firm characteristics, and robust corporate governance characteristics while extending the study period to 10 years, as suggested by Ohidoa and Okun (2018).

Statement of the Problem

Despite the importance attributed to external audit, the objectivity of the external auditor is presently inviting academic research as corporate entities collapse year after the auditors' report. The pivotal question then becomes, what is the essence of audit, if auditing profession has unsuccessfully lived up to the prospects and challenges of the 21st century or has failed to significantly develop to help prevent company failures in both world-wide and nation-wide scenes.

The separation of proprietorship and control (Jensen & Meckle, 1989) demands the need to select an audit firm to scrutinise the financial reports prepared by the clients' management. Key among the issues considered to

impair the independence of the auditor is audit fees and the audit firm's economic dependence on a client (Owusu & Bekoe, 2019). Empirical studies have found that the amount of audit fees is an important predictor of auditor's independence and audit quality (Dart, 2011; Beck, Fuller, Muriel, & Reid, 2013). In terms of the audit fees and audit quality nexus, (Gupta, Krishnan & Yu, 2012; Brandon, McMillian & Stanley, 2012) it has been concluded that low audit fees generally impair the quality of an audit. Hoitash, Markelevich and Barragato (2007) however, asserted that the quality of corporate financial information and the extent of reliance on auditor decision is reduced when audit fees are perceived to be high. Other studies have also employed audit fees as a proxy for determining audit and financial reporting quality (Agyei-Mensah, 2018; Bentley, Omer & Sharp, 2011; O'Sullivan, 2000; Lin & Hwang, 2010; Yasin & Nelson, 2012)

The result of audit fee determination in developed countries may be implicitly misleading if it is applied in the developing country. Several developing markets have certain peculiarities; unlike established markets, emerging markets have merely a small number of businesses trading on the stock exchange. Also, the audit industry, regulatory framework, culture, company size, and industry size differ significantly, and all these factors influence and stimulate the subject of audit fees globally.

Empirically, researches have been done in advanced and emerging countries after the first publication on auditor's remuneration by Simunic (1980). However, limited research works have been done in Africa and Ghana, in particular. Hay, Knechel, and Wong (2006) examined several data from independent studies on audit fee, and the results disclosed that auditors'

remuneration is affected by three factors, namely; demand characteristics (client's size, client's risk, profitability, and complexity), supply characteristics (audit size) and engagement (busy season).

In Ghana, Musah (2017) used Ghana Stock Exchange data to determine audit fees, however, did not consider corporate governance characteristics. Owusu and Bekoe (2019) examined the perception of external auditors on the dominant factors that influence audit fees determination. This study provided insight from the external auditor's perspective, however, did not consider the firm characteristics and corporate governance characteristics. Corporate governance is critical to the effectiveness and efficient management of the internal control. However, how strong or weak an entity corporate governance affects the audit fees the entity pays (Wu, 2012), hence, the need to include the corporate governance in the determination of audit fees. Werder and Talaulicar (2011) posited that globalisation might induce common corporate governance standards, but each country may have its specificity with corporate governance. Studies such as Urhoghide and Izedonmi (2015) and Ohidoa and Okun (2018) considered corporate governance characteristics but were not based on the country's corporate governance guidelines, which makes the study general instead of country-specific because each country has peculiar Corporate Governance guidelines.

The need for this study arose because the auditing profession over the years has been under scrutiny over the increasing fees paid by the audit customers and the effect such fees have on the auditor's objectivity. Also, the declined worth of the auditor's report that has resulted in the collapse of seven indigenous banks makes the determinants of audit fee paramount as it affects

the integrity of the annual reports and the shareholders' confidence in the audit report.

This study considers corporate governance characteristics to determine audit fee using the corporate governance guideline to measure the corporate governance characteristics. This gives uniqueness to this study to the best of my knowledge while extending the study period to ten (10) years. This study scrutinises the determinants of the audit fee in Ghana.

Purpose of the Study

The study's purpose was to analyse the determinants of audit fee of firms listed on the Ghana Stock Exchange (GSE).

Research Objectives

The specific objectives of the study are to;

1. Examine the effect of client size on the audit fee of GSE Listed firms.
2. Examine the effect of client profitability on the audit fee of GSE Listed firms
3. Examine the effect of client risk on the audit fee of GSE Listed firms
4. Examine the effect of client complexity on the audit fee of GSE Listed firms
5. Examine the effect of client industry on the audit fee of GSE Listed firms
6. Analyse the effect of audit firm size on the audit fee of GSE Listed firms.
7. Analyse the effect of audit tenure on the audit fee of GSE Listed firms
8. Assess the effect of board size on the audit fee of GSE Listed firms.
9. Assess the effect of board independence on the audit fee of GSE Listed firms
10. Assess the effect of board diligence on the audit fee of GSE Listed firms

11. Assess the effect of CEO duality on the audit fee of GSE Listed firms
12. Assess the effect of audit committee independence on the audit fee of GSE Listed firms
13. Assess the effect of audit committee expertise on the audit fee of GSE Listed firms

Significance of the Study

The conclusions will enable auditors, clients, and stakeholders, especially shareholders, to comprehend the determinants of the prices of audit fully in the Ghanaian setting.

Auditors' professional objectivity is vital to the duties of the audit functioning, and it reflects in the quality of the audit report. Understanding this subject matter will enable the auditors to charge and negotiate for fees that will not impair their independence. This will enable the auditors to fix the fee at a level that may not be too high or too low but reflect the market price, considering the big four audit premium.

Furthermore, this study will enable the auditor to avoid reputational loss and litigation costs. The audit fee charged will reflect the quality of the audit work done. Therefore, auditors will be enabled to price the audit to reflect the audit work done.

Lastly, for the scholars and the academician, the research would broaden the understanding of audit and its fee determination, particularly in Ghana, a developing country.

Delimitation of the Study

The extent of this investigation is restricted to listed businesses on the Ghana Stock Exchange. This excludes non-listed companies, and the decision was motivated by the ease with which financial statements could be obtained.

Limitation of the Study

This study is limited to listed firms that have published their annual reports from 2008-2017. The annual reports of listed companies can be accessed online; however, unlisted companies may not be accessed. The corporate governance guidelines could not be applied to unlisted companies because it will not give an accurate picture of the findings of the work. The audit services industry typically consists of two primary categories of services:

Again, the audit or regular audit work, and other services, such as accounting, tax and management consulting services. These were outside the reach of this analysis because they involve diverse kinds of expertise and skill, and could include different fee determination bases. Hence, this work emphasizes only on regular audit services offered by auditors to organisations on an annual basis.

Organisation of the study

This study is divided into five chapters. Chapter one focuses on the background to the study, statement of the problem, the purpose of the study, objectives of the study, hypothesis, and significance of the study, and the scope of the study. Chapter Two is dedicated to the theoretical and empirical review of relevant literature. The existing literature on the subject under investigation would be reviewed to provide an in-depth understanding of the research topic. Chapter Three focused on the methodology employed for the

study. It comprises the research strategy, research methods, and procedures. Chapter Four discusses the presentation and analyses of data coupled with research findings, while the final chapter, Chapter Five, was geared towards the summary of findings, conclusions, and recommendations.



CHAPTER TWO

LITERATURE REVIEW

Introduction

This section covers the evaluation of the articles, research works, and theories related to the study. The literature review looks at the client characteristics, audit firm characteristics, and corporate governance characteristics on the audit fees. The study considers a comprehensive review of the conclusions of other works relating to this study's objectives.

Theoretical Review

Various theories have been postulated to clarify the determinants of the audit fee. Significant to this work includes agency theory, signalling theory, and substitution theory.

Agency theory

The proponents of this idea are of the view that the separation of proprietorship (investor) and control (agent) is the principal reason for the agency problem (Berle & Mean, 1932). According to Fama and Jensen (1983), firms' capacity to lessen the agency costs was derived from the detachment of proprietorship from control. The separation of proprietorship and management necessitates monitoring costs in solving the contention among the proprietors and the management (Jensen & Meckling, 1976).

The investor-management relationship could be destroyed when the board fails to perform to the investors' greatest advantage (Rezaee, 2009). There are three agency costs; however, monitoring cost is important to this study as it identifies with the monitoring of management conduct (Jensen & Meckling, 1976). Organisations must comply with a yearly statutory audit to

guarantee the effectiveness and efficiency of policies and procedures, improve the unwavering standard of the financial reports, and confirm that the investors' investments are safe. The auditing firm is expected to guarantee that financial accounts are free from substantial errors and frauds and also to ensure that financial reports are set up as per the international financial reporting standard (Millichamp & Taylor, 2008).

Some management is opportunistic and might act opportunistically at the disadvantage of the investors' interest, as agency theory indicates (Jensen & Meckling, 1976). Consequently, corporate boards are required to check executive exploitation of shareholders' and adjust management interest to investors by improving or fortifying monitoring through viable and effective inside and outer corporate governance instruments. This theory posits that since management's mismanagement is inevitable and going concern risks can occur, management cannot be entirely trusted. Thus, stringent checking by the board and the auditors are required to protect investors' interest. Syriopoulos and Tsatsaronis (2012) posited that the theoretical framework of agency theory provides management with mechanisms that can minimise the conflict of interests that emerge from stockholders' detachment and the managers of the companies' assets. The auditors' role in monitoring management activities is very important as they ensure that the shareholders' interests are protected. For effective monitoring, fees remunerated by the companies to the auditors are significant as their independence and professional scepticism can be impaired by the amount received as fees.

Signalling theory and Substitution theory

Two arguments have been set up regarding the connection between corporate governance and audit fees. Signalling theory and substitution theory inform the first and second arguments, respectively.

Signalling theory

Signalling theory contends that executives indicate a strong level of corporate governance to outsiders by welcoming increasingly thorough auditing, which unavoidable lead to high pricing of the audit. In other words, businesses with resilient corporate governance remunerate high fee to auditing firms.

Auditing is viewed as outside corporate governance component, and earlier investigations analysed the connection audit fee had on corporate governance quality. Carcello, Hermanson, Neal, and Riley (2002) analysed whether audit committee attributes influence audit fees, utilising United States firms' data in 1992 and 1993. They concluded that audit committees were concern with their reputational capital and subsequently evident in their monitoring obligations and were steady of the auditor. The audit committee acquires more audit effort, bringing about higher audit fees.

Abbott, Parker, Peters, and Raghunandan (2003) using US data in 2001, they examined the relationship audit committee characteristic had on an audit fee. They evidenced that a high performing audit committee results in remunerating a high price for audit. They also established that an audit committee, with a member having a business and financial background, pays a higher price for an audit than a firm without a member having a business and financial background on the audit committee. Knapp (1987), as cited in Chan,

Liu, and Sun (2013), asserted that knowledgeable audit committees are more probable to deliberate accountancy matters with auditors. Hence audit committees' expertise might induce more assessment leading to high audit pricing.

Lee and Mande (2005) used 2000 firms from the US to research the association among audit committee variables and the audit fees. They established that audit committee objectivity and diligence are positively linked to the audit fee. Vefas and Weagelein (2007) evidenced that audit fee has a direct association with the board objectivity, size and activity, and audit committee independence, experience, and size, using US data in 2001-2003, after studying the influence of board and audit committee attributes on the audit fee. Moreover, an article in Australia by Goodwin-Stewart and Kent (2006), established that the audit pricing is directly linked to board objectivity and audit committee diligence.

Then again, audit committee quality signals a strong control system that lessens audit effort; subsequently, an audit fee has a direct connection with audit committee quality.

Substitution theory

On the other hand, the substitution theory contends that the more perfect the business's inner business arrangement is, the lesser the agency cost. This implies that the auditor will experience less audit risk; hence, low audit fees. An audit is an external type of corporate governance for which successful inner corporate governance may replace.

Literature also shows that corporate governance characteristics have an inverse relationship with audit fees. Tsui, Jaggi, and Gul (2001) evidenced that

audit fees associate with board independence, positing that board governance substitutes for, rather than complementing external audit. Krishnan and Visvanathan (2009) also found that audit fee negatively associates with the audit committee having a member with a business and financial background. They asserted that a high-performing audit committee has less need for external audit hence less audit work required.

In summary, there are mixed conclusions of the impacts of corporate governance variables on the audit fee. A high-quality board or audit committees require increased audit effort to protect boards or audit committee from reputational damages and lawsuit risk. Therefore, board or audit committee attributes influence the audit fee positively (signalling theory). In contrast, auditor exercises more effort once the client has low performing boards or audit committees. This has an inverse connection between the audit fee and board of audit committee quality (substitution theory).

Conceptual Review

Audit fee

In the audit profession, the remuneration paid to an auditor for service is essential in the audit industry. Audit is an essential aspect of the accountancy profession, and academic researchers, practitioners, and stakeholders have shown a great deal in the amount charged by audit firms and disclosure practices demand that the fees be revealed in the accounts of firms (Kikhia, 2014; Hentati & Jilani, 2013). An audit fee is an amount paid to the auditor for an assessment duty on the financial reports. Urhoghide and Izedonmi (2015) asserted that the audit fee includes audit expenses and reasonable profit.

Simunic (1980) posited that the determinants of an audit's price are centred on the review procedures and the client's needs for the service. Kikhia (2014) is of the view that setting the audit fee expensively or cheaply might weaken the audit report as the shareholders and the public have great concern about the audit fee. Studies show that investors, in certain situations, have confidence in companies that wage high fees for audit. The audit fee is reasonable when it is matched with the possible efforts that the auditor would exercise, for example, the audit process and the period required to complete the work. As cited by Ohidoa and Okun (2018), Hayes, Schilder, Dassen, and Wallage (1999) asserted that the amount charged for an audit depends on the auditor and the client's consensus. Audit fees comprise of; (1) audit costs, which includes audit procedures and opportunity cost (2) expected loss, which includes lawsuit charges, reputation cost, and rehabilitation costs (3) expected profit (Mellett et al., 2007; Gonthier-Besacier & Schatt, 2007; Ahmed & Goyal, 2005; Joshi & Al-Bastaki, 2000). An audit involves executing techniques to attain proof of the amount presented in the financial report of companies to assess the accuracy of accounting estimates. According to the Institute of Chartered Accountants in England and Wales (2012), hours has been the common basis used by the auditors in determining the amount charged for their services.

The Institute of Chartered Accountants in England and Wales report on the future of audit posited that no agreed rate has been assigned for each work. However, each auditor is at liberty to charge his /her rate. If the audit firm charges high, it might lose clients to competitors. If the auditor charges too little, it might end up in poverty. Therefore, the audit firm is successful when

the audit client can pay the fee for the audit. Providing economical audit is an excellent element to pull in customers. However, a low-priced audit reduces revenue, leading to sub-standard audits (Willmott, 1986).

Empirical Review

Client firm characteristics

Client Firm characteristics include but are restricted to client size, client complexity, client risk, client profitability, and industry.

Client firm size and audit fee

Client firm size is a feature that has a central role in the audit procedure. Many of the earlier researchers established the significance of the client firm size in defining an audit fee (Hay et al., 2006; Rick et al., 2005). Earlier works mentioned that the firm size affected the audit plan (Castro, Peleias & Silva, 2015; Kikhia, 2014). Evidence has it that reviewing a small firm will require different time and efforts than a large firm, which suggests that different audit fees will be charged. Larger corporations need additional audit services than minor companies; therefore, it is likely that large firms remunerate higher audit fees than small firms in a similar industry (Carson, Farglier, Simon & Taylor, 2004; Mohammed & Saeed, 2018). A larger organisation will undertake more dealings than the smaller and medium-sized companies. Alexeyeva (2012) evidenced that audit firm needs supplementary resources and efforts to carry out the examination process in a large firm than a smaller firm.

Furthermore, Vu (2012) asserted that large client firms are featured with stronger internal control systems than smaller firms. Ahmed and Goyal (2005) established that client firm size is associated with decentralisation, and

as businesses become large, the information asymmetry becomes problematic and challenging. Beattie and Fearnley (2002) asserted that an audit firm is requested to appraise the control system and discuss the clients' workforces in large client companies.

The size of the client firms are measured with various items on the financial statements. Generally, some researchers used balance sheet statements items to measure client firm size which includes total assets, stocks, debtors, and creditors. Likewise, items from the profit and loss statement are used to measure client size, including sales and net profit. The business size is commonly measured via net assets, share prices, and the companies' employees (Ohidoa & Okun, 2018; Fleisher and Goettsche, 2012). Fleischer and Goettsche (2012) used several employees as a proxy to measure the client size and they established that there is significant relationship between audit fee and client size.

Thinggaard and Kiertzner (2008) conducted a study in Copenhagen that considered 126 non-financial listed firms and investigated the variables that affect audit pricing. They concluded that the firm size relates to audit fees positively. Consistent with Thinggaard and Kiertzner, Semiu and Olayinku (2010) asserted that a strong connection exists between company size and the audit fee. In Jordan, a study by Kikhia (2014) established that client's firm size is the main element in arriving at the audit fee. Urhoghide and Izedonmi (2015), using a Sample of 153, evidenced that net asset correlates with the audit fee positively. A study by Mohammed and Saeed (2018), using five years of panel data of 23 machinery equipment companies from the UK alternative investment market to determine audit fee posited that auditee size

relates strongly with the audit fee. Ohidoa and Okun (2018) considered 89 listed businesses on the Nigeria Stock Exchange and employed panel data of 5 years. They established that the client firm size relates to the audit fee positively. A study carried out by Hassan, Hassan, Iqbal, and Khan (2014) established that firm size relates positively to the audit fee.

Conversely, Carson and Fargher (2007) examined the high audit fees that Big four audit firms receive in Australia, considering a five-year data (1995-1999). They established that no link exists between client size and audit fee. According to Sandra and Patrick (1993), the correlation between the client size and how much is paid for audit is a non-linear correlation. They mentioned that big firms had instituted complex internal control processes to lessen the workload of auditors. Therefore, considering the preceding conflicting results in prior studies, client firm size is included in this work to scrutinise its influence on audit fee using Ghanaian data; hence the hypothesis will be

H₁: The client firm size has positive effect on the audit fee.

Client firm profitability and audit fee

Audit client profitability is an imperative variable in arriving at an audit fee and is observed as an essential indicator of board performance, efficiency, and effectiveness in assigning accessible assets. According to Joshi and Al-Bastaki (2000), businesses that report high net profits submit themselves to comprehensive audit of their sales and various expenditures, leading to high audit fee payment. They added that profitable companies pay high audit fees to their audit firms because declaring high net profits for the

period may demand accurate testing of the figures for the evidence of sales and overheads, which necessitate further auditing (Joshi & Al-Bastaki, 2000).

Empirical proof has produced mixed results; for example, no link was acknowledged between net profit and the audit fee in the UK. Mohammed and Saeed (2018) found that no significant link exists between auditee profitability and audit fee using UK Alternative Investment Market even though other researchers have established a significant link between profitability and audit fee (Simunic, 1980; Francis & Simon, 1987). Prior studies indicated that profitability ratio correlates with audit fee (Firth, 1985; Sandra & Patrick, 1996). Ohidoa and Okun (2018) found a link between firms' profitability and audit fee.

Nevertheless, Urhoghide and Izedonmi (2015) evidenced a significantly negative link between client profitability and audit fees. It implies that the higher the net profit declared by the business, the lower the audit fee charged. As a result of the mixed results of this variable in prior studies, I included it in this study using Ghanaian data; hence the hypothesis H₂: Client profitability has positive effect on the audit fee

Client firm complexity and audit fee

Client complexity is another aspect that is used to examine the difference in the pricing of the audit. According to Ohidoa and Okun (2018), a client business complexity is normally considered in two facets: operational complexity and financial statement complexity. The business's operational complexity creates complex transactions that necessitate a longer auditing period and even auditors' experts and other assets in executing audit assignments.

The client complexity is measured using the number of branches and affiliates of local and international firms. According to Kasim (2005), businesses differ in their expansion in overseas trade operations. Hypothetically, organisations with many subsidiaries and overseas trades are more difficult for audit firms to audit than businesses with smaller overseas trades. Complex firms warrant more audit investigation; therefore, pricing audit high (Joshi & Al- Bastaki, 2000). The auditors of high complex companies often price audit high when inspecting and scrutinising the firm's financial reports of complex firms. Overseas businesses comply with a multiplicity of law, and disclosure requirement requires additional time and expertise. According to Sandra and Patrick (1996), the more sophisticated the client is, the more diversified the subsidiaries and their activities are. This necessitates more reviewing of account and operations of clients' activities, which leads to high pricing audit. According to Vu (2012), the degree of complexity requires different audit procedures, and the audit time spent and the audit effort necessary to examine the firms' dealings and the control mechanism. Sandra and Patrick (1993) asserted that a company with many affiliates has its fees priced high because the affiliates comply with varying legal requirements in every nation. Hence, statutory requirements differentiation creates additional audit procedures, leading to the pricing of the audit high.

Prior researches carried out produced varying conclusions. Xu (2011) used the number of overseas businesses as a measurement for client complexity and established a direct link between client complexity and the audit fee. The auditing firm exerts more effort to investigate the accuracy of

the consolidated financial reports figure, which includes several overseas trades and branches, which are prepared based on the procedures and accounting principles of those nations. Ohidoa and Okun (2018), found an important link between profitability and audit fee. However, Zhang and Myrteza (1996) posited that the link between complexity and the disparity in the audit fee is significant. This implies that as the firm becomes more complex, the lower the audit fee and the higher its complexity, the lower the fee the auditor charges.

On the contrary, a study in Malaysia by Kasim (2005) examined the determinants influencing the audit fee and concluded that there was no link between client complexity and the audit fee. Furthermore, Vu (2012) used 2010 non-financial listed firms' data and did not find correct proof of the link between client complexity using the firm's assets and audit fees. The varied conclusions are the motivation for the addition of this variable in this research; hence the hypothesis will be

H₃: Client complexity has a positive effect on the audit fee.

Client firm Risk and audit fee

The client risk is considered as a crucial determinant when pricing audit. Hay et al. (2006) opined that the need for a review is an expression of a group of risks confronted by shareholders in a business. Auditing duty is closely linked to the threat to the audit function. According to Soltani (2007), audit risk occurs when an unmodified judgement is expressed on an annual report that is not free from error and fraud.

Earlier researches have mentioned that client risk affects audit fees. According to Xu (2011), auditors are prone to a lawsuit and reputational

damages from a highly risky audit client. Audit risk occurs when an auditing firm issues an unmodified report on error and fraud contained material financial reports. Therefore, audit risk is the tendency for auditors to be held legally liable for failing to identify error and fraud in the financial reports. Audit firms charge fees to correspond with the auditee business's threat (Calderon Wang & Klenotic, 2012; Graham & Messier, 2006). The materiality of audit risks has to be considered by the auditor in determining audit work (AICPA, 2012). Generally, the threat level in auditing varies contingent on the type of the organisation's operations.

As the threat of the auditee increases, more work has to be done by the audit firm to lower future lawsuits. According to Sun and Liu (2011), clients with high gearing ratios rely on audit firms to efficiently execute inspection and review processes. The audit firm includes risk in the audit program to conclude the 'red flag' indicators to point out the probability of a fraudulent event. Furthermore, Firth (1993) asserted that a highly gearing firm would increase audit fee; consequently, the auditor will have to embark on thorough work to mitigate the litigation threat. According to Simunic (1980), a risky company is at threat of audit failure, and there is the need for a comprehensive inspection and audit review that may lead to high audit pricing.

Researchers in prior studies used current asset/total assets, treasury, long term debt/total assets (Carson et al., 2006; Joshi and Al-Bastaki, 2000). When leverage is comparatively high, the future capital mix of the auditee business becomes uncertain. A company's inability to settle its debtors may lower its credit rating. A study by Piot (2001) scrutinised the link between agency cost and the quality of the audit. He found that only leverage

influences audit quality. Consistent with the Broye and Weill (2008) also found the connection between gearing and the quality of audit to be positive. In Finland, Karjalainen (2011) examined the quality of the audit and the cost of securing a loan for private firms. He evidenced that the supposed quality of audit connects with debt structure.

There have been different results of audit risk on audit fees, and various findings have been established in several nations. For instance, Joshi and Al-Bastaki (2000) scrutinised the influence of leverage on audit, using thirty-eight (38) businesses on the Bahrain Stock Exchange. They established a connection between leverage and pricing of the audit. Causholli, De Martinis, Hay, and Knechel (2010) established a direct link between audit risk and audit fee. Furthermore, Hogan and Jeter (1999), provide an intuitive conclusion of fees paid by the energy industry for audit and the determinants of audit pricing, investigated 120 firms. They concluded that companies with a high net loss or high gearing ratio remunerated high audit bills than companies with low gearing ratio and net loss indicators. In France, Pong, Gonthier-Besacier, and Schatt (2007) evaluated determinants that influence the price paid for audit, and they established a significant connection between auditee risk and pricing of the audit. Ohidoa and Okun (2018) asserted that the link between firm risk and audit pricing is significant. In Jordan, Kikhia (2014) posited that audit risk negatively linked the audit fee fees at a 5 percent significance level.

Conversely, other researchers established no connection between client risk and the audit fee. A study by Mohammed and Saeed (2018) found no significant link between client risk and audit pricing; this implies that the

auditing firm's supposed risk does not impact the audit fee. Besides, Xu (2011) found that no significant link exists between auditors' threat on audit fee, employing 191 listed companies from China. Furthermore, Vu (2012) concluded that audit risk has no link with the audit fee. Upon the mixed outcomes, this variable is included in the study to be determined; hence the hypothesis is

H₄: Client risk has a positive effect on the audit fees

Industry and audit fee

The nature of the industry significantly impacts the audit fee. An industry like a financial institution needs peculiar skills and expertise because of its nature. This industry calls for a specific understanding of the business and the companies that operate within the industry. The accounting policies, recognition of incomes and expenditures, and valuation of assets, among other things, differ from other industries. According to Kanagaretnam, Lobo, and Mathieu (2011), to audit, industrial firms are less complicated than auditing banks. Audit firms charge high fees when reviewing precarious judgemental estimates and fair value measurement (Ettredge, Xu & Yi, 2014). Auditing banks' complex transactions and accounting estimates create the necessity for more auditing efforts, which might increase audit fees. Gonthier, Besacier, and Schatt (2007) concluded that the audit fees paid by French businesses are higher for are higher for the technology industry as compared with other industries. In Canada, Anderson and Zeghal (1994) concluded that audit fee was lower for utilities, transportation, and communication sectors than other sectors. Simunic (1980) concluded that manufacturing companies have complex audit process than financial institutions explaining more audit fees

paid by manufacturing companies. In Jordan, Kikhia (2014) established a significantly positive link among industry type (manufacturing companies) and the audit fee. This implies that non-financial businesses pay more for audit fees than other financial businesses. This clearly, shows that different country has a particular industry that tends to pay high audit fee.

However, considering the Ghanaian financial business environment, auditors may charge considerably higher audit fees than other businesses for two reasons. Firstly, financial businesses require a huge capital investment of GHC 400 million, and it is probable to reveal more information than a non-financial institution. Secondly, financial institutions usually have to deal with all industries in the economy as each industry has specific financial needs that they need the financial institution to address. Hence, financial institutions require more inspection and auditing reviews, resulting in more audit fees than non-financial institutions. Thus, this variable's inclusion is to determine to what extent the industry affects the audit fees, hence the hypothesis is

H₅: Client Industry has a positive effect on the audit fee

Audit firm characteristics

A significant driver of the audit fees is audit characteristics. According to Kikhia (2014), audit tenure, the fiscal year of the auditee (Lopez & Peter, 2011), and whether it is from the big four (Carcello, 2000) are attributes of audit firms that affect the audit fee.

Audit firm size and audit fee

Audit firm size is an imperative feature that characterised an audit firm as it influences the remuneration paid to the audit firm. Francis (1984) and Palmrose (1986) asserted that an audit firm receives a premium fee for work

done. Quality financial report reduces information asymmetries since it provides quality information that reflects the earnings of entities (Boone et al., 2010). Boone et al. (2010) evidenced that shareholders recognise big firms to render high quality audit. Consistent with the above, Francis (2004) asserted that 'Big' audit firms receive a high price for audit. This implies that the quality of the report is connected to the choice of the audit firm. The size of audit firm is commonly measured using audit firm assets, market share, the number of employees, an office size, and whether it is a big four audit firm or not.

There have been different results, and various findings have been established in different countries. Prior studies established that clients pay a higher price for audit to big foreign firms because of the trademark and the perceived high-quality audit they provide (Simon, Teo & Trompeter, 1992). Palmrose (1986) asserted that big four audit firms obtain higher prices in several nations matched to resident audit firms. These firms have monetary soundness and know-how to render quality audits (Ohidoa & Okun, 2018). Siddiqui, Zaman, and Khan (2013) posited that a direct connection exists between auditor's size and the fee charged by auditors. Similarly, Hassan and Naser (2013) established that auditor size and service quality have a positive relationship. Therefore, a high-quality service connotes a high audit fee because quality time and human resources are deployed to carry out the audit function. A study by Choi, Kim, and Zang (2010) scrutinised the link between office size, audit pricing, and audit quality. They found a direct link between office size and audit quality.

In Kuwait, Abdullah, Naser and Al-Enazi (2017) did a paper on the perception of external auditors about the importance of various factors that may affect external audit fees. They concluded that the size of the audited company, type of professional services provided by the audit firm, safety of the audited company's internal control system, and affiliation of the audit firm to big four international audit firms are of significant importance in audit fees determination. In Ghana, Owusu and Bekoe (2019) examined the perception of external auditors on the dominant factors that influence audit fees determination. It was evidenced that client risk, nature and scope of audit, audit firm reputation, experience and expertise, and market-wide factor were rated in that order to be the most important determinant of audit fees.

However, Al- Harshani (2008) did a study in Kuwait to examine the factors that determine the audit fees, and he concluded that big audit firms have an insignificant role in determining the amounts to be received from clients. Evidence from Pakistan evident that an audit firm is insignificantly related to audit fee (Hassan et al., 2014). From the mixed result arrived at from the previous studies the hypothesis is

H₆: Audit firm size has positive effect on the audit fee

Audit tenure and audit fee

Audit tenure has continually been argued as a major factor of audit quality (e.g., Jackson & Roebuck, 2008; Daniels & Booker, 2011). According to Urhoghide and Izedonmi (2015), audit tenure is the period the auditor spends to examine their clients' financial records. After the collapse of Enron, WorldCom and Parmalat Belen, Roberto, and Antonio (2014) considered the correlation between auditor tenure and the quality of the audit, from 2003-

2010, using 254 Spanish state-owned foundations. They established that the quality of the audit increased between 1-5 years of the association between the clients' and the audit firm. The quality of an audit was measured using the probability that the auditor will issue an unmodified report. Long tenure depicts a comprehensive understanding of the company, and henceforth forms an added valued client-auditor relationship (Bedard & Johnstone, 2010).

There are mixed results in the studies carried in different countries. Many kinds of research found a connection between the period of an audit and the audit fee. In Australia, a work examined the workload essential to execute an audit assignment of listed corporations' 1990-1993, and they posited a positively link exists between the period of an audit and audit fees (Zhang & Myrteza, 1996). Additionally, Sandra and Patrick (1993) examined Hong Kong's data and asserted that a direct connection exists between audit tenure and audit fees. Moreover, Jackson et al. (2008) concluded that the period of an audit improves the quality of the audit. However, audit ethical code provides that audit rotation should be practised to reduce familiarity risk owing to lengthy audit tenure. Ghosh and Moon (2003) found that the quality of an audit increases with the duration of the audit period. Hay et al. (2006) argued that lengthier audit tenure is connected with higher fees. This implies that lengthy tenure increases the audit quality, leading to high audit fees being paid. In the US, a study established a connection between audit partner period, planning of the audit, and audit pricing, and they established that a connection exists between audit fees and the period of audit of American companies (Bedard & Johnstone, 2010).

Djamil (2000) asserted that the lengthier the auditor has to review the financial statements, the lower the quality of the audit. Indah (2010) concluded that the longer the auditors' relationship with the auditee the lesser the audit quality because it impairs the auditor's objectivity and professional scepticism. Also, the auditor may not leave to the professional standard of the profession.

However, in Jordan, a study by Kikhia (2014) found that period of audit and pricing of the audit is not significantly related. Carson (2009) found no relationship exists between audit tenure and pricing of the audit. Hartadi (2009) argued that the period of audit insignificantly impacts the quality of the audit. From the different results, I included this variable to be examined using Ghanaian data; hence the hypothesis is

H₇: Audit tenure has positive effect on the audit fee.

Corporate governance and audit fee

The perpetual expansion of corporate governance boundaries has made it difficult to define the subject (Roche, 2005). Wheelan and Hunger (2006) defined corporate governance as a connection among stockholders, the directors of the board, and the executives in shaping the road map and its performance. Atuahene (2016) asserted that corporate governance provides an oversight procedure, objective, and accountability. Corporate governance is well-defined closely (narrow) or widely (broadly) depending on the scholar or practitioner background (Salacuse, 2002)

There are various schools of thought about firms' role; some argued that wealth maximization of shareholders is the firm's primary responsibility (Sundaram & Inkpen, 2004). Others argued that a firm has obligations to all stakeholders and shareholders (Donaldson, 1983; Freeman, 1984).

The narrow definition comprises rules and procedures governing equity investments and publicly listed firms in the capital market. This entails listing requirements, disclosures and accounting rules, insider dealing arrangements, and the defence of minor stockholders' rights. This definition seems to protect outsider investors against expropriation by insiders. Atuahene (2016) explained that a narrow definition emphasizes protecting shareholders. Shleifer and Vishny (1997) are of the view that corporate governance is concerned with means that capital providers reassure themselves of receiving interest on their investments.

However, Gillian (2006) and Sternberg (2004) asserted that broad definition tends to satisfy the stakeholders and is an extension of the narrow definition. It covers internal structures, formal rules, outside setting, and informal practices that progress in the presence of informal rules (Dcyk, 2001). Consistent with Gillian (2006) and Sternberg (2004) is the one given by Sir Adrian Cadbury, committee head that investigated corporate governance fraud. According to Cadbury (1992), corporate governance is a 'system by which companies are directed and controlled.' The Organization for Economic Cooperation and Development (OECD, 2004) defines corporate governance as a 'system on the basis on which companies are directed and managed.'

Corporate governance, auditing and audit fee

Corporate governance is an inter-disciplinary concept with several attributes that have attracted international debate. In the field of accounting, how auditors contribute to corporate governance is very significant. Auditors are entrusted with powers to prevent and detect wrongdoings by management. Professional principles entreat auditors to be objective in their dealing with

management, which is achieved when they are independent. Auditors confirm that financial reports prepared and presented by management conform and comply with general accounting standards and guarantee that better business practices are embraced. An objective and effective auditing is a vital aspect of business practice.

Auditing is a process of finding and assessing proof on a claim of transaction and happenings to establish the degree to which they agree with well-known standards and to communicate the result to the concerned users. This comprises the examination process, confirmation procedure, and the writing process relating to transactions and events. The auditor's statutory obligation is to offer an objective opinion of how financial reports are prepared and presented to the shareholder and whether the directors' report reconciles with the accounts.

The factors influencing audit fees have been studied by many scholars, and the corporate governance influences on audit fee is now starting to draw the focus of researchers. In general, an audit is a kind of external governance, and overseas studies have shown that agency cost and board of director's functionality substantially affect audit fees. E.g., in the Australian audit industry, Gul and Tsui (2001) identified that agency costs affect audit pricing. Using Fortune 1000 results, Carcello et al. (2002) studied the correlation between the characteristics of the board of directors and external audit fees. They found a substantial direct link between audit fees and independence of the board, competence and vigilance. Hay et al. (2004) claimed that Section 404 of the Sarbanes-Oxley Act allows listed entities to report internal

management details, increasing the opportunities to examine the link corporate governance has on the audit fee specifically.

In China, Zhang and Zhang (2005) observed that the audit fee for state-run listed firms were low compared to other companies. Gao and Gao (2008) reported that the stockholding ratio of executives was significantly related to the audit fee. On the other hand, Zhang and Xu (2005) indicated insignificant association between the audit fee and the state's part of shares. Li and Wang (2006) investigated the directors on the board position and found that fee for audit is substantially and negatively linked to the number of objective board directors, but do not significantly linked to board diligence and the presence of an audit committee. Using an inside corporate governance system and statistics from 2001 to 2003 on A-share listing firms. Liu and Hu (2006) examined the cost of agency association with audit fee and they concluded that, subject to the presence of other variables, a variety of corporate governance considerations affect agency costs (i.e., the percentage of objective directors on the board, the stockholding ratio of senior management and the CEO duality) also have a major effect on the fees of an audit.

From the viewpoint of the audit service provider, Cai (2007) explores the impact of the corporate governance system on the audit fee and presents facts to establish that accounting firms' price higher fees for audit to firms with high number of directors on the board than privately owned firms with CEO duality or a modest management share ratio. Wu (2012) used data of firms listed on the Shanghai Stock Exchange to study the association between fees of an audit and corporate governance. The findings concluded that there is inverse correlation between the fees of an audit and corporate governance.

Corporate governance characteristics

Corporate governance characteristics include board size, board independence and diligence, CEO duality, audit committee independence, expertise, and diligence.

Board Size

According to Sheikh, Shah, and Akbar (2018), the size of the board is a vital determinant of board efficiency and substantially influences governance quality (Jensen, 1993; Lipton & Lorsch, 1992). Members that should constitute an effective and optimal board size have been discussed over the years with varying views.

Prior research shows a link between a board's size and its efficiency (Jensen, 1993; Pahuja & Bahatia, 2011). Jensen (1993) asserted that a small firm size improves firm performance, and there is a high level of conflict when board size exceeds seven as they will function less efficiently. Consistent with Jensen, Lipton, and Lorsch (1992) mentioned that restricting members on a board to approximately eight will lessen ineptitude.

A large board size may lead to ineffective executive monitoring (Jensen, 1993). Jensen added that a board's size should be benchmarked, as a large-sized board is a yardstick for members to be inactive (or free ride). This creates and breeds ineffectiveness as the board becomes a mere formality in serving as a check on the management process. A board with large numbers is less likely to work effectively and is easily manipulated and directed by managers (Jensen, 1993; Lipton & Lorsch, 1992). They also encounter communications and coordination problems (Ozkan, 2007). The monitoring

role of boards is compromised, thus, weakening the internal governance structure.

Beasley (1996) asserted that large-sized boards are ineffective in checking the financial reporting procedure, which may lead to the audit firm to dedicate more time and expertise in evaluating the business's-controlled environment and thereby paying high audit fee. However, a small-sized board may not possess a multiplicity of knowledge, skills, expertise, and practise to aid the board function effectively.

In establishing a relationship between audit fee and board size, Yatim, Kent, and Clarkson (2006), asserted that an audit's price inversely links with the size of the board. This means that no matter the size of the board, it cannot be a contributor to the determinant of the audit fee. Consistent with Yatim et al. (2006), Dillian (2007) posited that the board's size is not linked with audit fees. However, Kikhia (2014) established a significantly direct link between the audit fee and board size, and it is positive. From the above diverse conclusions on the required board size, I consider using corporate governance guideline and hence the hypothesis is

H₈: Board size has negative effect on the audit fee

Board Independence

According to Kikhia (2014), the independence of a board occurs where all or majority of the board members have no connection with the firm except as executives. For effective monitoring, board independence is needed to control the firm's operations, decrease any cunning deeds, and misappropriation of the business asset by management. Independent directors from outside the entity are not likely to connive and collude with management

to misappropriate funds. Consequently, an independent board must guard stockholders in the workforce market (Core, Holthausen & Larcker, 1999; Fama & Jensen, 1983). However, inside directors' diligence may be impaired to compromise supervision to earn parochial favours from managing directors such as professional breakthrough due to the sense of obligation they owe to the CEO (Bebchuk & Fried, 2003; Weisbach, 2007). Non-executive directors, on the contrary, are not exposed to an adverse influence on internal governance provided they have no hidden bond with the board (Core et al., 1999).

Adelope and Jallow (2008) established that the board's objectivity is positively linked with the audit fee. This implies that a highly independent board of directors will request for high audit effort to pay high audit fees because they want to protect and preserve their integrity. Moreover, Kikhia (2014) established a significantly direct link between the audit fee and the board's objectivity. These conclusions favour the 'demand-side' arguments, which propose that boards with business and finance background, independence, and larger board size back the demand for a higher quality audit. Bliss (2011) found that board objectivity is linked with the high fee paid for an audit in Malaysia. More auditing assurance is required by independent directors, which may increase the fees for an audit. Jizi and Nehme (2018) established that audit fees and board independence have a significantly positive relationship. From the above the hypothesis is

H₉: Board independence has negative effect on the audit fee

Board Diligence

The board diligence comprises meetings organised during the period and the members' behaviour on the board. Lipton and Lorsch (1992) posited that a key factor that impedes the objectivity of a board is the absence of time to finish board assignments. Also, prior researchers like Conger, Finegold, and Lawler (1998), Pound (1995), Vefeast (1999) asserted that the effectiveness of the board increases as the number of meetings increases and, in effect, reduces the fees received by the audit firm. When the board demonstrates greater diligence, it improves the degree of oversight duty on the financial reporting procedure. The hypothesis is

H₁₀: Board diligence has negative effect on the audit fees

CEO Duality

The Chief Executive Officer duality is a situation where an individual serves concurrently as a director and the chairperson of a board. CEO duality creates an avenue for 'self-interest that maximise parochial interest rather than maximising stockholders' riches' (Core et al., 1999; Jensen, 1993). Serving as managing director and the chairperson of a board affect the effectiveness of a board and result in poor performance. CEO duality impairs the objectivity of the board and raises the management powers over certain key decisions. According to Kasim et al. (2016), the ineffectiveness of the board is a result of CEO-duality because of conflict of interest. Board independence becomes an issue because CEO-duality barricades the parting of control and decision making (Daily & Dalton, 1993). The Ghanaian Code on Corporate Governance recommends CEOs' position and chairmanships of boards to be occupied by different persons.

The board chair is accountable for the oversight responsibility of the management. Lam and Lee (2008) mentioned in their study that the board's main responsibilities include supervising management and safeguarding shareholders' investment. Thus, merging the CEO and chairmanship role will give excessive power to that one person, therefore making him excessively dominant, and this impedes proper control of the executives by the board. Separation of the CEO and the executive is believed to result in independent assessments and create an atmosphere of accountability (Monks and Minow, 2004).

CEO-duality breeds corruption and mismanagement within the corporate entity. Since the manager's interest differs from the interest of the board, CEO-duality has negative impacts on the internal control mechanism. Kasim et al. (2016) mentioned that internal control weakness and improper flow of information result in fraud within the corporation and influence the financial reports. More audit reviews will be required to reveal matters of corruption in the audit report. This, in effect, will lead to high audit fee being paid. Fama and Jensen (1983) asserted that the board's concerns must be united with shareholders' concerns by focusing on internal corporate mechanisms.

However, some researchers have established a direct connection between CEO duality and firm performances and that CEO duality enhances the organisation's fortunes. Ramdani and Witteloostuijn (2010) found that CEO-duality enhances average enterprises' performance. A study by Suryanarayana (2005) mentioned that CEO duality strengthens leadership in an organisation. Dehaene, De Vuyst, and Ooghe (2001), in their study, found

that CEO duality impact significantly on a business's return on asset. Brickley, Coles, and Jarrell (1997) asserted that no particular optimum management arrangement, being its CEO duality or individual leadership style, has costs and benefits linked. The hypothesis will be

H₁₁: CEO-duality has negative effect on the audit fee.

Audit Committee Independence

According to Chan, Liu & Sun (2013), the audit committee is independent when all directors are independent directors. Audit committee independence provides an effective monitoring mechanism on management and provides an unbiased assessment of management performance. The objectivity of the audit committee may want a broader audit scope and assess the audit program to protect and guide their reputation and also to avoid being linked to a dishonest financial report (Abbot et al., 2003)

The audit committee oversight role serves as a control system to check the financial reporting process. Many research studies believe that audit committee independence has helped clamp down on falsified financial reports (Abbot et al., 2000; Abbot et al., 2004) and are linked with lower earnings management and a lower occurrence of earning management (Agrawal & Chadha, 2005).

According to Collier and Gregory (1996), depending on the duty of the committee on audit, contended that the objectivity of the audit committees might affect the audit fee in two conflicting means. On the one hand, the audit committee improves the quality of the audit; the audit committee requires auditing firms to widen the scope of the audit and are ready to remunerate a high price for the audit. Kikhia (2014) established audit committee objectivity

and the audit fee to have a positive correlation. Vefeast and Weagelein (2007) evaluated the connection between audit committee attributes and the fees of an audit. The result pointed out that independence of audit committee is directly linked to the audit fee and recommends that audit committee objectivity augment the auditor function of monitoring and quality financial. They further added that audit committee objectivity fortifies internal control mechanisms, and audit procedures may increase and thus will increase audit fees.

There are studies where researchers concluded that an objective audit committee has no link to the audit fee. However, a study in the UK showed that audit committee objectivity has no link to fees of an audit (Goddard & Masters, 2000). In Jordan, Hamdan and Mushtaha (2011) posited that audit committee independence has not significantly impacted the external auditor's report. Steward and Munro (2007) asserted that auditors in Australia depended on active inner mechanism; however, do not lessen inspection and review testing.

However, in Hong Kong, Ho and Hutchinson (2010) established that auditors appreciate audit committee objectivity, and this aid lower audit risk and in effect, lower the fees of audit. Boo and Sharma (2008) documented that audit committee objectivity, and the audit fee have a negative relationship. This implies that auditors will reduce audit scope in the presence of an objective committee on audit, thereby charging a low fee.

H₁₂: Audit committee independence has negative effect on the audit fee

Audit Committee Expertise

The competence of a committee on audit is improved through the financial and business knowledge that members possess. According to Kikhia

(2014), audit committee members must possess financial and accounting understanding to help external auditors when deliberating matters with the board, and as such, committee on audit with such know-how understand the risk that auditors are prone to.

Prior studies established that audit committee expertise and audit fee have a direct relationship (Lee & Mande, 2005; Goodwin-Stewart & Kent, 2006; Vefas & Weagelein, 2007). This implies that the audit committee will use an audit firm to protect and preserve their reputational capital.

Nevertheless, Krishnan and Visvanathan (2009) evidenced that an audit committee with a finance and business background has a negative link with the audit fee. This conclusion contradicts the view that the audit fee increases with the quality of the audit committee. They contend that the audit fee mirrors the efficiency of the audit committee. Hence, quality audit committees lead to the lesser use of audit firms. This implies that a high-quality audit committee will require less effort due to supervision on the financial reporting process.

However, Kikhia (2014) found that the expertise of audit committee and the audit fee had no connection. Moreover, Chan et al. (2013), in their study on audit committee objectivity, board tenure, and fees of audit. Of particular interest is the audit committee expertise; they established no significant link between the audit fee and the expertise of the audit committee.

From the above, the hypothesis is

H₁₃: Audit committee expertise has negative effect on the audit fee

Conceptual Framework

Independent Variables

Dependent variable

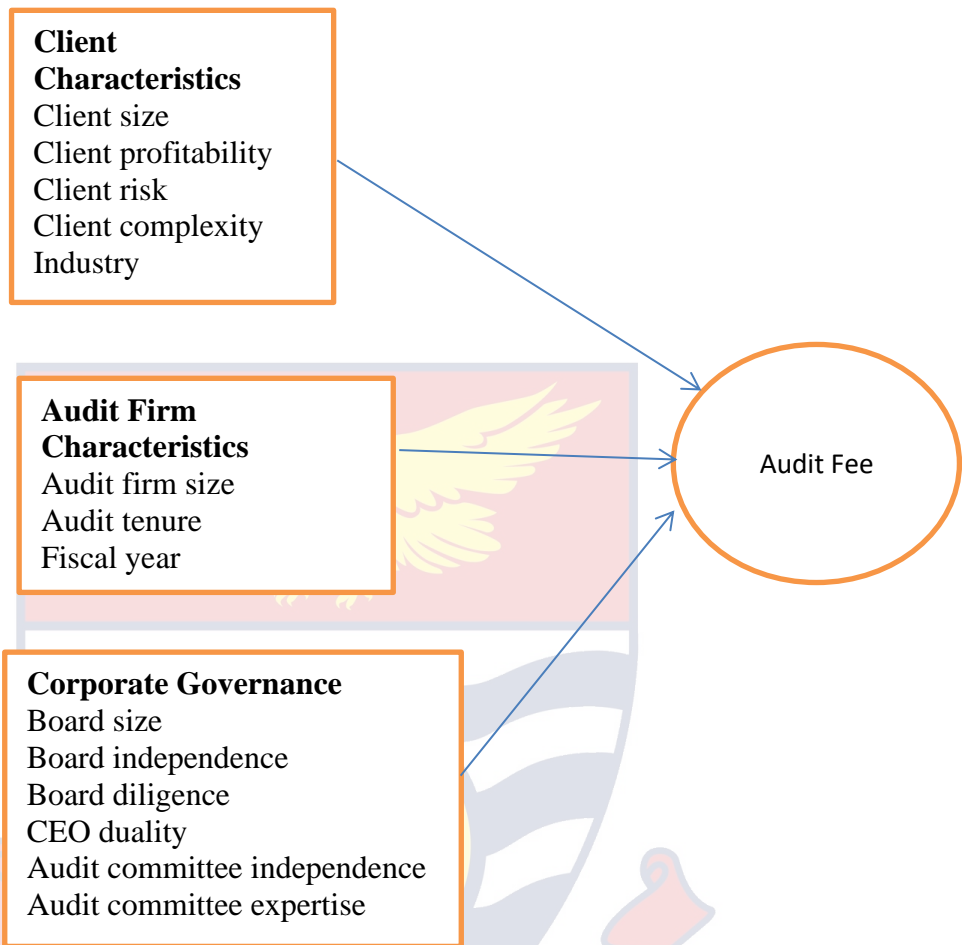


Figure 1: Conceptual Framework

Source: Author's Construct (2020)

In summary, the study reviewed the theories that underpinned the study namely: the agency theory, signalling theory and substitution theory. It also looked at the empirical review by reviewing literatures on the client characteristics, audit firm characteristics and the corporate governance characteristics on the audit fee. The hypotheses were developed from the literature reviewed. It further considered the conceptual framework for the study.

CHAPTER THREE

RESEARCH METHODS

Introduction

This section covers the research design, research methods, and procedures employed in this research. The chapter starts with the description of the research design, followed by the population of the study and the sampling technique. This chapter further considers data analysis and model specification.

Research Design

The research design accepted for this work is panel data design, which combines cross-sectional and time-series features. The panel design studies sample units that are observed over a defined period (Urhoghide & Izedonmi, 2015). The research design directs the researcher in data collection data, analyses, and interpreting the outcome of the study.

Population

The study used a secondary source of data from a population of thirty-nine businesses on the Ghana Stock Exchange (GSE). The analyses were founded on the 2008-2017 annual reports of listed businesses. This period was selected because in 2008 the world experience economic downturn and many businesses collapsed. Ghana had its fair share of the collapse of businesses and in 2017 seven local banks collapsed. At the time of this work 2019 and 2020 annual reports of listed firms were unavailable. The firms cut across different sectors such as financial institutions, consumer goods industry, basic materials industry, health care industry, and the oil and gas industry.

Sampling Procedure

This segment outlines the procedure for gathering data and the selection of sample procedures. Some businesses failed to disclose their annual reports at some of the years due to temporary suspension and collapse. Considering the research needs and data comparability, the data sample is selected along with the following standards: firstly, I excluded a particular year that a company did not disclose its annual reports; secondly, I excluded listed companies that have stopped trading on the Stock Exchange during the study period. In the end, out of thirty- nine (39) listed companies, thirty-two (32) companies were left. Hence, were used as the sample for the study.

Data Processing and Estimation Technique

Prior researchers like Hamid and Qanbar (2012), Kikhia (2014), Musah (2017), and Ohidoa and Okun (2018) employed bivariate and multiple linear regressions analysed techniques through the Eview 7 and SPSS program. The correlation measured the relationship between two variables (Berenson, Levine, Szabat, & Krehbiel, 2012). Multiple Linear regressions are used to predict audit fees through the association of client attributes, audit firm characteristics, and corporate governance characteristics on audit fees. To realise this objective, the audit fee model is established, succeeding the researches of Naser and Nuseibeh (2008) and Simunic (1980) to scrutinize the influence of the independent variables on the dependent variable.

Generalized least square (GLS) regression was employed to analyse data using the Stata program. GLS is applied when there is a certain level of association between observations (Atanlogun & Afolabi, 2014). The choice of this model is grounded on the fact that, Simunic's model used so far in most

studies in Africa and beyond, follow GLS model to exam the determinants of audit fees and has produced steady outcomes (Ohidoa & Okun, 2018; Urhoghide & Izedonmi, 2015). Urhoghide and Izedonmi (2015) used both pooled ordinary least square and panel generalised least square over a 5-year panel data and based on the identification test, that is, the Hausman’s Chi-Square statistics. The fixed effect result (GLS was used) is reliable and actually performed better than the random effects and pooled estimations.

GLS is a method for assessing the unknown parameters in a linear regression model when there is a certain level of association between the residuals in a regression model. GLS is unbiased, consistent, efficient and asymptotically normal. Unlike OLS which suffers serious heteroscedasticity, this is where the variance of the residuals is unequal over a range of measured values. Thus, when the standard deviations of a predicted variable, observed over different values of an independent variable or as related to prior time periods are non-constant. GLS is the appropriate method of estimation since it efficiently normalises the observations (Baltagi, 2001; Greene, 2000). Given that coefficients can be constant over time, it becomes more useful to estimate using panel regression.

Model Specification

A model specification is used in analysing the determinants of audit fees; this model specification contains client characteristics, audit firm characteristics and corporate governance regressed against the audit fees.

$$\text{Audfee} = \alpha + \beta_1 \text{Clntsize}_{it} + \beta_2 \text{Clntprt}_{it} + \beta_3 \text{Clntind}_{it} + \beta_4 \text{Clntcpy}_{it} + \beta_5 \text{Clnttrk}_{it} + \beta_6 \text{AudFS}_{it} + \beta_7 \text{AudTen}_{it} + \beta_8 \text{FisY}_{it} + \beta_9 \text{Bsize}_{it} + \beta_{10} \text{Bind}_{it} + \beta_{11} \text{Bdili}_{it} + \beta_{12} \text{Ceodual}_{it} + \beta_{13} \text{AudComInd}_{it} + \beta_{14} \text{AudComexp}_{it} \dots (1)$$

Where: Audfee = Audit Fee, Clntsize = Client Size, Clntprt = Client Profitability, Clntcpy = Client Complexity, Clntrk = Client Risk, AudFS = Audit firm size, AudTen = Audit Tenure, FisY = Fiscal year, Bsize= Board Size, Bind= Board Independence, Bdili= Board Diligence, CeoDual= CEO duality, AudComInd = Audit Committee Independence, AudComexp= Audit Committee Expertise

In summary, the study considered panel data and employed generalized least square regression on ten years of data (2008-2017) for 32 selected listed companies operating during the period under consideration. The model specification considered the client characteristics (client firm size, client risk, client profitability, client complexity, and client industry), audit firm characteristics (audit firm size, audit tenure, and fiscal year) and corporate governance variables (board size, board independence, board diligence, CEO duality, audit committee independence and, audit committee expertise) on audit fee.

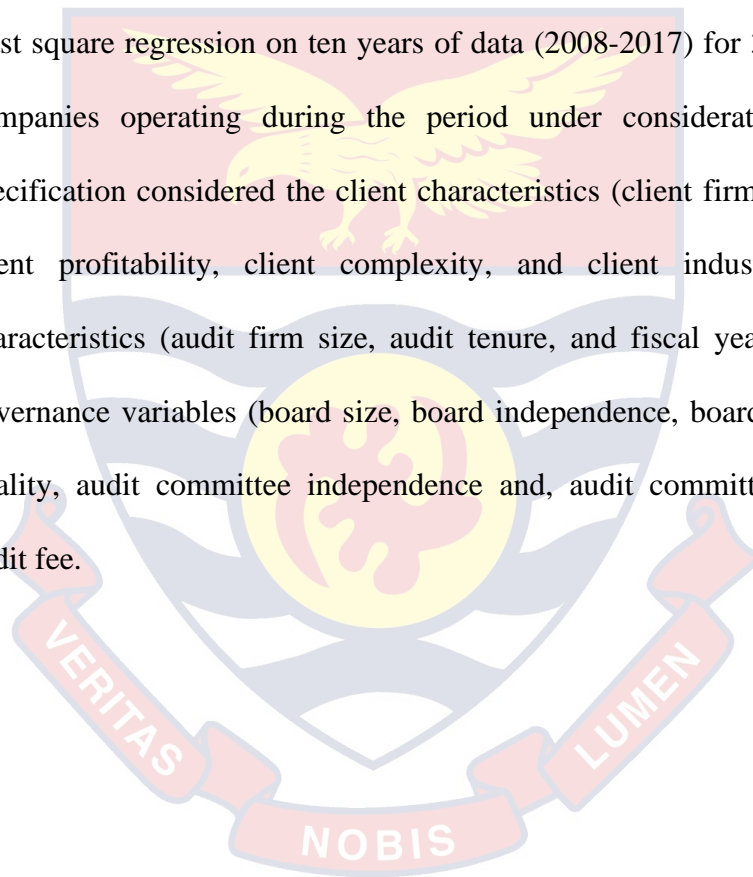


Table 1: Variable, Measurement and Source

Variable	Nature	Measurement	Source
Audit fee	Dependent	Natural log of the audit fee. It is log transformed to reduce or remove the skewness of our original data.	Urhoghide and Izedonmi, (2015)
Client Characteristics			
Client size	Independent	Natural log of the total asset. It is log transformed to reduce or remove the skewness of our original data.	Urhoghide and Izedonmi, (2015)
Client Profitability	Independent	Net profit or loss over total Asset	
Client Complexity	Independent	Number of subsidiaries	Mohammed and Saeed (2018)
Client Risk	Independent	The ratio of non-current liability to total assets	
Client Industry	Independent	Dummy variable with value '1' is allocated to firms in the financial industry and '0' to firms in a non-financial industry	Thinggaard and Kiertzner, (2008)
Audit Firm Characteristics			
Audit Firm Size	Independent	Dummy variable with value '1' is allocated if a firm record is reviewed by a Big four audit firms and '0' if non-big audit firms	Krishnan (2003)
Audit Tenure	Independent	Dummy value of '1' if audit tenure is < 6 years and '0' if otherwise	Belen, Roberto, and Antonio (2014)
Fiscal Year	Independent	Dichotomous value of '1' for audit firm that audit companies with an accounting year-end at December 31 and a value 0 if otherwise	Gonthier-Besacier and Schatt (2007)
Corporate Governance			
Board Size	Independent	Dichotomous value of 1 if the number of individuals on the board are between 8-16 and (0) when the number of individuals falls outside 8-16	Corporate Governance Guideline in Ghana
Board Independence	Independent	Dichotomous value of 1 if the proportion of external to internal directors on the board is at least one-third of the total members on the board and (0) when the external to internal director's ratio falls below one-third of the total	Corporate Governance Guideline in Ghana

		members on the board	
Board Diligence	Independent	Dichotomous value of 1 if the number of meetings held by the board is not less than six times in a year and (0) if the number of meetings held is less than six times in a year	Corporate Governance Guideline in Ghana
CEO Duality	Independent	Dichotomous value of 1 for different individuals occupy both CEO position and Board chair and (0) same individual occupying both CEO position and Board chair	Corporate Governance Guideline in Ghana
Audit Committee Independence	Independent	Dichotomous variable (1) audit committee comprising at least three directors, the majority of whom should be non-executive (0) otherwise	Corporate Governance Guideline in Ghana
Audit Committee Expertise	Independent	Dichotomous value of 1 if the audit committee has a member with accounting or financial expertise, the basic element of law under which the corporate entity operates (0) otherwise.	Corporate Governance Guideline in Ghana

Source: Fraikue (2020)



CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This section covers the outcomes and explanation of the findings. It starts with the descriptive outcomes, then the correlation analysis and variance inflation factor (VIF) tests of the degree of relationship among the independent variables in the regression model. Outcomes of the fixed and random effect panel regression model are then explained. Inferential analyses are carried out alongside the estimated results to aid explain the impacts that client characteristics, audit firm attributes, and corporate governance characteristics have on audit fees.

Descriptive Statistics

The descriptive outcome displays the average, standard deviation, least, and highest dependent, and independent variables. Table 1 below shows the outcomes of the descriptive statistics. The data is presenting the number of observations, average, standard deviation, least value, and highest value. The dependent and independent variables are described in two categories: continuous variables and dichotomous variables.

The mean figure of audit fee (Audfee) is 4.931, with the least and highest value of 3.122 and 6.273, respectively. The standard deviation of 0.533 is low and submits that the companies' audit fee shows significant gathering around the average. The log of total assets used to measure Client size (Clntsize) have an average value of 7.794 with a highest and least value of 12 and 3.854, respectively. The standard deviation of 1.701 suggests that the sizes of the companies' gather around the average firm size for the sample.

Table 2: Descriptive Statistics for all Variables Employed

Variable	Observation	Mean	Std. Dev.	Min	Max
Audfee (Log)	320	4.931	0.533	3.122	6.273
Firm Characteristics					
Clntsize (Log)	320	7.794	1.701	3.854	12.000
Clntprt	320	-0.028	0.48	5.649	1.000
Clntcpy	320	2.419	2.129	0.000	7.000
ClntInd	320	0.344	0.476	0.000	1.000
Clntrk (Log)	320	0.388	0.361	0.000	1.059
Audit Firm Characteristics					
AudFS	320	0.724	0.448	0.000	1.000
AudTen	320	0.514	0.501	0.000	1.000
Corporate Governance					
Bsize	320	0.634	0.483	0.000	1.000
Bind	320	1.000	0.000	1.000	1.000
Bdili	320	0.310	0.464	0.000	1.000
CeoDual	320	1.000	0.000	1.000	1.000
AudComInd	320	0.933	0.251	0.000	1.000
Audcomexp	320	1.000	0.000	1.000	1.000

Source: Field survey (2020)

Note: Audfee refers to Log of Audit fee, Clntsize refers to log Audit Fee, Clntprt refers to profitability, Clntcpy refers to complexity, Clntind refers to the industry, Clntrk refers to firm risk, AudFS refers to audit firm size, AudTen refers to audit tenure, FisY refers to fiscal year, Bsize refers to board size, Bind refers to board size, Bdili refers to board diligence, CeoDual refers CEO Duality, and AudComInd refers to Audit Committee Independent.

The mean for Clntprt is -0.028 and the standard deviation of 0.480 with the highest and least values of 1 and -5.649, respectively. The standard deviation of 0.480 proposes substantial distribution of profit figure for the sample from the mean, which shows differences in profitability among companies. The number of firms' subsidiaries measures the complexity of firm (clntcpy) shows an average value of nearly two (2) subsidiaries and a standard deviation of 2.129 with a least and highest value of 7 and 0 branches. Clntind (industry) was categorised as a monetary and non-monetary institution. As witnessed, the average is 0.344, showing that approximately

34.4 percent of the firms are in the monetary sector, while the outstanding 63.6 percent are in the non-monetary sector. Client's firm risk (clntrk) has an average of 0.388, implying that 38.68 percent of the businesses are funded with loans, with the highest and least values of 1.059 and 0, respectively. The standard deviation of 0.361 proposes that the data has a carefully observed performance regarding client risk.

The audit firm size (AudFS) has an average value of 0.724, which is around 72 per cent, showing that the Big four audit firms reviewed about 72 percent of the total firms while the 18 percent were by home-based audit firm; with the highest and least values of 1 and 0 signifying the Big Four and home-based audit firms respectively. The average for Audit tenure (Audten) is 0.514, which propose that 51.4 percent of the businesses have had the same audit firm auditing their financial records for not less than six years. The standard deviation of 0.501 points out that most companies in the sample have a close observed performance when it comes to audit tenure. The fiscal year (FisY) has an average of 0.938, which proposes that 93.8 percent of the businesses have their fiscal year-end on December 31. The highest and least values are 0 and 1, respectively, with a standard deviation of 0.242 pointing out that the data gathers around the average.

The average for the Board size (Bsize) is 0.634, which proposes that 63.4 percent of the board size of the companies in the sample fall within 8-16 board size with a highest and least value of 1 and 0, respectively. The standard deviation is 0.483 indicates some level of disparity in the size of the board for businesses in the data. Independence of the board (Bind) is measured as the ratio of external to internal directors on the board has an average of 1.00,

which suggests that the ratio of external to internal directors is at least one-third of the total membership of the board. The highest and least values are 1 and 0, respectively.

The average for Board Diligence (Bdili) measured as the number of meetings held by the board is around 3, with the highest and least values of 1 and 0, respectively. Independence of the audit committee (AudComInd), stood at an average of 0.933, shows that 93.3 percent of the audit fees are accounted for by audit committee independence. AudComInd ranges between the highest value of 1 and the least value of 0.

Effect of Client Characteristics, Audit Characteristics and Corporate Governance Characteristics on Audit Fees

The objectives of the study were to investigate the effect that client characteristics (client size, profitability, complexity industry, and risk), audit firm characteristics (audit firm size, audit tenure, and fiscal year) and corporate governance variables (board size, board independence, board diligence, CEO duality, audit committee independence and, audit committee expertise) have on audit fee. First, there is the need to perform pre-conditional tests such as multicollinearity to be satisfied that the observations are fit for regression.

Test of Multicollinearity

Before continuing with the regression analysis, correlation analysis is required to test for the strength and direction of the variables. The coefficients of correlation signify association between two variables. For this study, the correlation matrix threshold is 0.50 (Heo, Kho, Shin, Kim, & Kim, 2008).

The correlation analysis is an initial test to measure the direction and strength between the variables. Correlation coefficients (the Pearson product-moment correlation and bi-serial correlation) offer a numerical summary of the strength and direction of the linear relationship between two variables. The correlation among variables is viewed either visually by generating a scatter plot or by correlation coefficient (the Pearson product-moment correlation and bi-serial correlation) which indicates the linear association between variables.

Tables 2 and 3 show the association the explanatory variable have on the independent variables. The outcome confirms some degree of association the dependent variables (Audfee) have on the independent variables: client firm size (clntFS), client profitability (Clntprt), client complexity (Clntcpy), client industry (Clntind), client firm risk (clntrk), audit firm size (AudFs), audit tenure (Audten), and board size (Bsize), board independence, board diligence (Bind), CEO duality (Ceodual), audit committee independence (AudComInd) and, audit committee expertise (Audcomexp)

The association is not significant with a p-value that is more than 0.05 ($p > 0.05$) significance level. Puth, Neuhäuser and Ruxton (2014), and Hauke and Kossowski (2011) are of the view that correlation between two continuous variables, Pearson product-moment correlation, should be used; however, Brown (2001), Tate (1954), and Varma, (2006) asserted that correlation

between a continuous variable and dichotomous variable, the biserial correlation should be used, hence the use of biserial correlation for Table 4.

Table 3: Correlation Matrix for Client Firm Size, Client Profitability, Client Complexity, Client Firm Risk

	Fees	Clntsize	Clntprt	Clntcpy	clntrk
Fees	1				
Clntsize	-0.0101**	1			
Clntprt	0.2858**	0.0319	1		
Clntcpy	0.4464***	0.0832	0.1588***	1	
Clntrk	0.5757***	-0.1423	0.1872**	0.3645***	1

*** p<0.01, ** p<0.05, * p<0.1

Source: Field survey (2020)

Clntsize refers to log Audit Fee, Clntprt refers to profitability, Clntcpy refers to complexity, and Clntrk refers to firm risk.

Table 4: Correlation Matrix for Client Industry, Audit firm size, Audit firm tenure, Fiscal Year, Board size, Board diligence, CEO duality, Audit committee independence, Audit Committee expertise, Board independence

Effect Size	Estimate	[95% Conf. Interval]
Client Industry		
Point-Biserial r	-0.6261	-0.6806 -0.5601
Audit Firm Size		
Point-Biserial r	0.4001	-0.482776 -0.3058
Audit Firm Tenure		
Point-Biserial r	0.4096	-0.491251 -0.3163
Board Size		
Point-Biserial r	0.3184	0.2173 0.4093
Board Diligence		
Point-Biserial r	0.3184	0.2173 0.4093
CEO Duality		
Point-Biserial r	0.2319	0.1258 0.3301
Audit Committee Independence		
Point-Biserial r	0.1982	0.0907 0.2988
Audit Committee Expertise		
Point-Biserial r	0.3678	0.2706478 0.45389
Board Independence		
Point-Biserial r	0.3768	0.2804027 0.46194

Source: Field survey (2020)

From Table 3 the link audit fees (Audfee) have on the client's size (clntsize) is negative at a value of -0.0101 and is significant at a 5 percent significant level. This suggests that the firm size measured as a log of net assets has weak strength and negative relationship with the audit fee.

Audit fee and client profitability are positively associated at the value of 0.0285 (28.5%) but statistically significant at a 5 percent significant level. This implies that the firm return on capital has weak strength and direct relationship with the audit fee.

It is additionally deduced that Audit fees (Audfee) and client's risks (clntrk), which are the degree at which firms are funded with loans, are related positively at Karl Pearson product moment correlation of 0.576. The implication is that a firm funded with a high proportion of debt contributes to audit pricing (Audfee). The degree of risk involved in a highly gearing client audit work by an auditor is statistically significant since the p-value is less than 5%.

Client complexity associates with audit fee positively at a value of 0.446 and is statistically insignificant. The correlation result indicates that the number of subsidiaries increases proportionally with the audit fee at a significance level of 1 percent has moderate strength and direct relationship with the audit fees. Organisations with many subsidiaries and affiliations are more complex and sophisticated to audit than businesses with few subsidiaries.

From Table 4 the point-biserial correlation coefficient shows a strong negative link between the scores that the financial institutional clients and clients that are not financial institutions such that audit fees charged by the

audit firms are 66.76 percent lower for financial institutions than client's non-financial institutions. The client industry displays a correlation coefficient of 0.6676 with the audit fee, which shows that financial companies contribute 66.7 percent in determining the fees of an audit.

The point-biserial correlation coefficient shows a positive connection among the scores for the big four audit firm and other audit firms such that the audit fee for big four audit firms is 40 percent above the other audit firms. This denotes that the price charged as fees by Big four audit firms is higher by 40 percent than other audit firms. This regularly shows that the amount price by the Big four audit firms like Price water Cooper, Ernest and Young, KPMG, and Deloitte are quite different from what is being charged by other audit firms in Ghana. This shows that the non-big audit firm in Ghana controls the auditing environment in Ghana.

The point-biserial correlation coefficient shows a positive link among the scores for audit firm with tenure less than six years and audit firm with service more than six years such that the audit firm with tenure less than six years has their audit fees 40 percent higher than audit firm with more than six years in service with a client.

The point biserial correlation coefficient shows a weak negative connection among audit clients' scores having their financial year ending in 31st December and audit client having their financial year ending other than 31st December. Auditing clients with their financial year ending 31st December have their audit fees 11.96 percent higher than audit clients with their financial period ending other than 31st December.

The point-biserial correlation coefficient shows a positive link among the scores of client's board number of meeting not less than six times and board meeting less than six times in a year such that client with board meeting less than six-times has their audit fee of approximately 32 percent more than a client with board meeting more than six times in a year.

The point-biserial correlation coefficient shows a weakly positive correlation between the scores of different individuals occupying CEO position and board chair and same individual occupying the same position such that client with individual occupying CEO position and board chair have their audit fee decreased approximately by 23 percent as compared with a client with CEO duality.

The point-biserial correlation coefficient shows a weakly positive correlation between the committee on audit scores that have a member with accounting or business understanding and a client with no member with accounting or business understanding. The client with committee on audit with a member with accounting or business understanding has its audit fees reduced appropriately by 37 percent compared with the client with no accounting or business expertise.

The point-biserial correlation coefficient shows a weakly positive link between the scores of the client with a proportion of external to internal directors on the board is at least a proportion of one-third of the entire membership on the board and client with the external to internal director's ratio falls below the one-third of the entire membership on the board. Such that client with external to internal director's ratio is at least one-third of the entire membership has audit fee falls by approximately 38 percent compared

with a client with external to internal ratio falls below the one-third of the total membership.

The correlation outcome showed in Table 2 and Table 3 reveal that the link among most variables is average. Correlation describes the link among variables however, fails to assure multicollinearity, which is collinearity state due to the combined effects among two or more variables (Hair, Black, Anderson, & Tatham, 2006).

Consequently, it is vital to assess multicollinearity features between the independent variables to evade the difficulty of multicollinearity. The study relied on variance inflation factor (VIF) test to assess multicollinearity symptoms among the independent variables. Variance inflation factor measures the extent by which the variance of the estimated coefficient is inflated due to multicollinearity. Table 5 shows the outcome of the VIF values of the explanatory variables based on the analysis. The rule of thumb for multicollinearity test is that any value above 5.00 indicates high multicollinearity (Nachsheim, Neter, & Kutner, 2004). Table 5 shows the outcomes of the test. From Table 5, the maximum VIF is 2.090, and the average VIF is 1.40. Therefore, the level of multicollinearity is at an acceptable level.

Table 5: Result of the Variance Inflation Factor (VIF) Test for Client Characteristics, Audit Firm Characteristics and Corporate Governance Characteristics

Variable	VIF	1/VIF
Clntsize	1.03	0.971
Clntprt	1.05	0.951
Clntcpy	1.20	0.831
Clntrk	1.60	0.625
Clntind	1.56	0.64
AudFS	1.13	0.884
Audten	1.13	0.884
Bdind	2.09	0.478
AudComInd	2.07	0.482
Bdsize	1.77	0.565
AudComexp	1.35	0.742
Ceodual	1.32	0.758
Bddili	1.16	0.858

Mean VIF 1.42

Source: Field work (2020)

Note: Clntsize refers to log Audit Fee, Clntprt refers to profitability, Clntcpy refers to complexity, Clntrk refers to log of firm risk, Clntind refers to industry, Audten refers to Audit tenure, Fisyr refers to Fiscal year, Bdind refers to Board Independence, AudComInd refers to audit committee independence, Bdsize refers to the Board size, AudComexp refer to audit committee expertise, Ceodual refers to CEO duality, Bddili refers to Board diligence.

Regression Estimates on the Effect of Client Characteristics, Audit Characteristics, Corporate Governance Characteristics and Audit Fee

The generalised least square (GLS) panel regression was used to examine the effect that client characteristics (client size, profitability, complexity industry, and risk), audit firm characteristics (audit firm size, audit tenure, and fiscal year) and corporate governance variables (board size, board independence, board diligence, CEO duality, audit committee independence and, audit committee expertise) have on audit fee using data from listed firms' annual reports. Before the panel regression analysis, there was a need to determine whether to use a fixed-effect or random-effect. Therefore, Hausman Specification Test (1978) is used to determine the more suitable model for the

study. The Hausman test states that null hypothesis as; the random-effect model is the more suitable model. The rule of thumb is that reject the null hypothesis in favour of the alternative hypothesis, when the probability value is less than the alpha (i.e., $p < 0.05$). The fixed effect is more appropriate hence was selected.

From Table 6, the result of the test shows the probability value (P-value) of 0.000, which is not more than alpha ($p < 0.05$). So, the study rejects the null hypothesis that the random-effects model is more suitable and accepts the alternative hypothesis, indicating that the fixed effect model is more appropriate model for the study.

Table 6 shows results on the influence the client characteristics (client size, client profitability, the complexity of the client's industry, client risk) audit firm characteristics (audit firm size, audit tenure and fiscal year) and corporate governance characteristics (board size, board diligence, board diligence, CEO duality, audit committee independence, and audit committee expertise) have on fee of audit. In this analysis, the dependent variable (audit fees) is log-transformed; therefore, all the coefficients are interpreted as semi elasticity (i.e., interpreted in percentage terms). The R-square is 0.6429; this shows that the independent variables explain 64.29 percent of the audit fee variations. The model is significant with a p-value of 0.01, 0.05, and 0.1 significance levels.

Table 6: Regression results of Client Characteristics, Audit Characteristics, and Corporate Governance Characteristics on Audit Fee

Variables	Fixed Effect	Random Effect
Clntfs (log)	1.0689** (-0.0637)	1.0293 (-0.0293)
Clntrk (log)	1.7920*** (-0.1272)	1.8581** (-0.1288)
Clntcpy	0.0260*** (-0.0243)	0.0402** (-0.0223)
Clntprt	0.0684*** (-0.0315)	0.0913*** (-0.0318)
Clntind	0.5086** (-0.0682)	0.4427 (-0.0701)
AudFS	0.3349*** (-0.0685)	0.3641*** (-0.0689)
Audten	0.1856*** (-0.0539)	0.1802*** (-0.0551)
Bdsize	-0.2286*** (-0.0640)	-0.2600*** (-0.0665)
Bddili	-0.2958*** (-0.0998)	-0.3958** (-0.0923)
Ceodual	-0.0062*** (-0.1225)	0.0098*** (-0.1249)
Audcmind	-0.2196*** (-0.0792)	-0.2135 (-0.078)
Audcexp	-0.2223** (-0.1375)	0.2237*** (-0.1381)
Bdind	-0.08616 (-0.0764)	-0.0983 (-0.0786)
Constant	2.6715 (-0.5649)	3.3658 (-0.3099)
Observations	320	
R-squared	0.6429	
Number of id	32	
F- Statistics	81.85	
Prob>chi2 value	0.000	

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Field work (2020)

The client firm size has a significantly direct effect on the audit fee at a 5 percent significance level. It is significant because p-value is less than 5%. The client firm size has coefficient of 1.0689 percent which signifies that a unit increase in client firm size result in a 6.89 percent increase in an audit fee and both variables were log-transformed. This means that client firm size contribute approximately 7% to the determination of the audit fee.

This result supports a prior study conducted in Denmark, where Thinggaard and Kiertzner (2008) investigated the variables that affects the fees of audit. They concluded that client firm size has a direct effect on the fees of the audit. Consistent with Thinggaard and Kiertzner, Semiu and Olayinku (2010) used firm size and asserted a strong effect on the audit fee. In Jordan, a study by Kikhia (2014), using 117 listed non-financial companies of 3 years panel and applying ordinary least square regression, established that client firm size is a main factor of the audit fee. Urhoghide and Izedonmi (2015) evidenced a significantly positive effect that client size has on the audit fee. A study by Mohammed and Saeed (2018), using five years of panel data of 23 machinery equipment companies from the UK alternative investment market to determine audit fee, posited that auditee size has positive effect on the fees of an audit. Ohidoa and Okun (2018) used 89 listed businesses on the Nigeria Stock Exchange and employed panel data of 5 years. They established that firm size has a significantly positive effect on the audit fee.

The result indicates that client risk has a significantly direct effect on the audit fee at a 1 percent significance level. It is significant because p-value is less than 5%. The client risk has coefficient of 1.7920 which signifies that a unit increase in firm risk result in 1.7920 increases in audit fee and both

variables were log-transformed. This means that client risk contribute 79% to the determination of audit fees.

Studies like Joshi and Al-Bastaki (2000) supported this result, which examined the influence of leverage on audit remuneration using 38 listed businesses, and they established a connection among leverage and pricing of the audit. Causholli, De Martinis, and Hay (2010) established a positive link between audit risk and audit fee. Furthermore, Hogan and Jeter (1999), providing an intuitive conclusion of audit remuneration paid by the energy industry and determinants of audit pricing, investigated 120 firms and concluded that companies with a high sign of negative profit or high gearing ratio remunerated high audit bills than companies with low gearing ratio and negative profit indicators. In France, Pong, Gonthier-Besacier, and Schatt (2007) evaluate determinants that influence the pricing of audit, and they established that auditee risk has a significant connection on the audit fee.

The client firm complexity has a significantly direct effect on the audit fee at a 1 percent significance level. It is significant because p-value is less than 5%. Client firm complexity has a coefficient of 0.0260 with audit fees. This shows that a unit increase or change of the firm's complexity leads to 2.60 percent increases in audit fees paid to the audit firm. This implies that the client complexity contributes 2.60 % to the determination of audit fee.

Studies support this by Joshi and Bastaki (2000), Thinggaard and Kiertzner (2008), Brinn, Peel, and Roberts (1992) shared the same conclusions that client complexity linked significantly direct with the audit fee. In addition, Xu (2011) used the number of overseas businesses as a substitute for client complexity and established that client complexity has a positive link on the

audit fee. The auditing firm exerts more efforts to investigate the amalgamated financial reports' accuracy, including several overseas trades, and the branches to the procedures and accounting principles of those nations.

Furthermore, the client profitability has a significantly direct effect on the audit fee at a 1 percent significance level. It is significant because p-value is less than 5%. The client profitability has a coefficient value of 0.0682 with the audit fee, which indicates that a unit change or increase on client profitability is measured as the return on capital causes a 6.84 percent increase in the audit fee. This means that client profitability contributes approximately 6.84% to the determination of the audit fee.

This was supported by Simunic (1980), Francis and Simon (1987), and Hay et al. (2008) that established that profitability has a significantly direct effect on the audit fee. Prior studies indicated that profitability ratio correlates with audit fee (Firth, 1985; Dugar, Ramanan & Simon, 1995; Sandra and Patrick, 1996). Ohidoa and Okun (2018) found that firms' profitability has a significant association with the audit fee.

The client industry has a significantly direct effect on the audit fee at a 1 percent significance level. It is significant because p-value is less than 5%. The client industry has a coefficient of 0.5086 with the audit fee, which indicates that a unit change in the client industry causes 50.86 increases in the audit fee. This means that clients that belong to the financial industry contribute 50.86 to the audit fee determination.

This result is a sharp contradiction with Gonthier, Besacier, and Schatt (2007) which concluded that the audit fee remunerated by French listed companies under the technology industry is higher than with other industries.

In Jordan, Kikhia (2014), using 117 listed companies, established a significantly positive link among industry type (manufacturing companies) and the audit fee. This implies that non-financial businesses pay more for audit fees than other financial businesses. This clearly, shows that different country has a particular industry that tends to pay high audit fee.

To conclude, client characteristics have significantly direct effect on the audit fee. Client firm size has significantly positive connection with audit fee at a 5 percent significance level. Client risk has significantly direct link with the audit fee at a 1 percent significance level. The complexity of a firm had significantly direct link with the fees of an audit. The client industry presents a significantly positive link with the audit fee. This finding back the agency theory which is of the view that monitoring cost in the form of audit fees are waged by establishments to the auditors to monitor the companies' activities.

From the Audit firm characteristic the audit firm has significantly direct effect on the audit fee at a significant level of 1 percent. The audit firm has coefficient value of 0.3349 with the audit fee, which implies that a unit change in the audit firm type will lead 33.49 percent change in the amount charged as fees by the auditors.

This result was supported by prior studies that established that clients wage exorbitant fees to elite audit firms because of their trademark and the quality of audit provided (Simon et al., 1992). Palmrose (1988) asserted that big four audit firms obtain higher prices in several nations compared to local audit firms.

The audit tenure has significantly direct effect on the audit fee at a significant level of 1 percent. It is significant because p-value is less than 5%. The audit tenure has a coefficient value of 0.5065 with fees of an audit, which indicates that a unit change in the audit tenure leads to 50.65 percent increase in the audit firm's audit fees. This means that audit tenure contribute 50.65% to the audit fee determination.

The result was in line with a study in the US that examined the association among audit partner period, planning of the audit, and audit pricing, and concluded that an association exists among pricing of audit and audit period of American companies (Bedard & Johnstone, 2010). Furthermore, pricing of audit for a longer servicing partner is positively linked with realisation amounts and auditor servicing period contribution in audit effort in the first year of engagement. However, in Jordan, a study by Kikhia (2014), using 117 listed non-financial companies of 3 years panel using ordinary least square regression, found that the link between audit period and the audit fee is not significant.

To conclude, audit firm characteristics has a significantly direct effect on the fees of audit. There was a positive point biserial correlation among the audit firm size, audit tenure, and fiscal year on the price audit. Agency theory asserts that a business's ability to lessen the agency cost emanates from the detachment of proprietorship from control. There are three agency costs notable to this study: monitoring cost, the cost identified with monitoring management conduct (Jensen & Meckling, 1976). This theory believes that mismanagement of resources by management is inevitable, and going concern risk can occur, management cannot be fully trusted, and hence auditors are

required to protect investors' interest. For effective monitoring to be achieved, the fees paid to audit firms are significant.

From the Corporate governance characteristics the size of the board has significantly inverse relationship with the fees on the audit. It is significant because p-value is less than 5%. It is noticed that the size of the board has -0.2286, which suggests that a unit change in the board size the amount charged by the audit firm reduces by -0.2286 (22.86%) at a 1 percent significance level.

According to Sheikh, Shah, and Akbar (2018) the size of the board is deliberated as a vital determinant of board efficiency and has a substantial influence on governance quality (Jensen, 1993; Lipton & Lorsch, 1992). Inconsistent with the finding, Kikhia (2014) found that the size of the board has a significant link with the audit fee, and it is positive; however, in establishing an association between the audit fee and the size of the board, Yatim et al. (2006) asserted that the audit fee is not linked with the size of board. This means that no matter the size of the board, it cannot be a contributor to the determinant of the audit fee. Consistent with Yatim et al., Dillian (2007) posited that the size of the board is not linked significantly to the audit fee.

Board diligence board has significantly inverse relationship with the fees on the audit. It was observed that board diligence has a coefficient value of -0.2958, which implies that a unit change in the board diligence the amount charged by the audit firm reduces by an approximately -0.30 at a significant level of 1 percent.

This result was supported by studies like Conger et al. (1998), Pound (1995), Vefeast (1999) that assert the success of a board is achieved as the number of board meetings increases and, in effect, reduces the fees waged by the audit firm.

Moreover, it is observed that CEO duality has a coefficient value of -0.099, which implies that a unit change in the CEO duality the amount charged by the audit firm reduces by -0.0062 (0.6%) at a 1 percent significance level. This indicates that when the client has different individuals for the CEO position and board chairmanship position, the audit fee is likely to reduce because the corporate governance mechanism is strengthened.

This finding contradicts an earlier study by Suryanarayana (2005), where he mentioned that CEO duality strengthens leadership in an organization. De Vuyst and Ooghe (2001) found that CEO duality significantly impacted return on assets. However, Brickley, Coles, and Jarrell (1997) asserted that no particular optimum leadership arrangement is its CEO duality or individual leadership style, with costs and benefits linked with them.

Furthermore, audit committee has significantly inverse relationship with the fees on the audit. It was observed that audit committee independence has a -0.2196, which shows that a unit change in the audit committee independence the amount charged by the audit firm reduces by -0.2196 at the significance level of 1 percent.

This result was supported by a study by Boo and Sharma (2008), which documented that audit committee objectivity has an inverse connection with the audit fee. This implies that auditors will reduce audit scope in the presence of an objective audit committee, thereby charging a low audit fee.

Kikhia (2014) found that audit committee objectivity has a direct link with the audit fee. Vefas and Weagelein (2007) evaluated the influence of audit committee characteristics on the audit fee. The result pointed out that the audit committee's objectivity is positively related to the audit fee and recommends that the audit committee objectivity augments the monitoring machinery and the quality of financial reporting that auditors ensure. In Hong Kong et al. (2010) established that auditors appreciate audit committee objectivity, and this aid lower audit risk and in effect, lower the audit fees.

Also, the audit committee expertise has significantly inverse relationship with the fees on the audit. The audit committee expertise has -0.2223, which implies that a unit change in the audit committee expertise the amount charged by the audit firm reduces by -0.2223 at a significance level of 5%.

This result was supported by Krishnan and Visvanathan (2009), which evidenced that audit committee accounting or business understanding negatively links with the audit fee. This conclusion contradicts the view that the audit fee increases with the quality of the audit committee. They contend that the audit fee mirrors the efficiency of audit committees. Hence, first-class audit committees lead to a lesser supply of audit effort.

The independence of board has significantly inverse relationship with the fees on the audit. The board Independence has -0.086, which implies that a unit change in the Board Independence amount charged by the audit firm reduces by -0.086 at a 5 percent significance level.

This result was supported by a study by Tsui et al. (2001) where they evidenced that independence of board has association with the audit fee,

positing that board objectivity substitutes for, instead of complementing auditing. However, Adeloje and Jallow (2008) found that the independence of a board is directly and significantly linked with the audit fee. This implies that a highly objective board of directors will sort for high audit effort to pay high audit fees because they want to protect and preserve their integrity. Moreover, Kikhia (2014) established that the objectivity of the board is significant and directly link with the audit fee. These conclusions back the 'demand-side' opinion, which proposes that the board of directors with financial and accounting expertise, independence, and larger board size support the demand for higher quality of the audit.

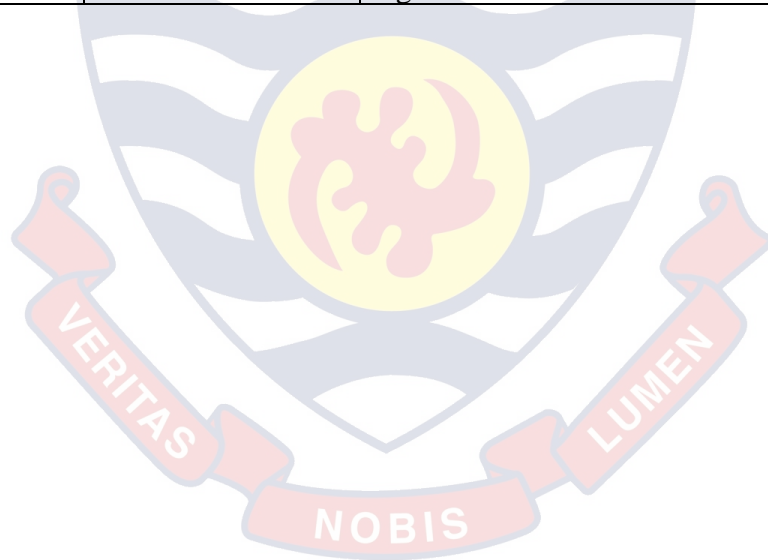
Overall, the study observed that the corporate governance variables have inverse and significant with the audit fees. Substitution theory contends that the more ideal the firm's inner corporate arrangement is, the lower the agency cost (audit fees). The finding is supported by a study from Wu (2012) where he used listed firms on the Shanghai Stock Exchange to study the relationship between audit fees and corporate governance. The finding had negative correlation between corporate governance and audit fees. This implies that the audit firm and the auditor will exert less effort in reviewing records and lower the audit fee. Auditing is an external type of corporate governance for which successful internal corporate governance may replace.

Table 7: Summary of the Result of the Data Analysis and the Findings

No	Hypothesis	Data Result	Whether hypothesis is supported or not
H ₁ :	The client firm size has positive effect on the audit fee.	The client firm size has coefficient of 1.0689 percent which signifies that a unit increase in client firm size result in a 6.89 percent increase in an audit fee and both variables were log-transformed	Supported
H ₂ :	Client profitability has positive effect on the audit fee	The client risk has coefficient of 1.7920 which signifies that a unit increase in firm risk result in 1.7920 increases in audit fee and both variables were log-transformed	Supported
H ₃ :	Client complexity has a positive effect on the audit fee.	Client firm complexity has a coefficient of 0.0260 with audit fees. This shows that a unit increase or change of the firm's complexity leads to 2.60 percent increases in audit fees paid to the audit firm	Supported
H ₄ :	Client risk has a positive effect on the audit fees	The client profitability has a coefficient value of 0.0682 with the audit fee, which indicates that a unit change or increase on client profitability is measured as the return on capital causes a 6.84 percent increase in the audit fee	Supported
H ₅ :	Client Industry has a positive effect on the audit fee	The client industry has a coefficient of 0.5086 with the audit fee, which indicates that a unit change in the client industry causes 50.86 increases in the audit fee.	Supported
H ₆ :	Audit firm size has positive effect on the audit fee	The audit firm has coefficient value of 0.3349 with the audit fee, which implies that a unit change in the audit firm type will lead 33.49 percent change in the amount charged as fees by the auditors	Supported

H ₇ :	Audit tenure has positive effect on the audit fee.	The audit tenure has a coefficient value of 0.5065 with fees of an audit, which indicates that a unit change in the audit tenure leads to 50.65 percent increase in the audit firm's audit fees	Supported
H ₈ :	Board size has negative effect on the audit fee	It is noticed that the size of the board has -0.2286, which suggests that a unit change in the board size the amount charged by the audit firm reduces by -0.2286 (22.86%) at a 1 percent significance level.	Supported
H ₉ :	Board independence has negative effect on the audit fee	The size of the board has significantly inverse relationship with the fees on the audit. It is significant because p-value is less than 5%. It is noticed that the size of the board has -0.2286, which suggests that a unit change in the board size the amount charged by the audit firm reduces by -0.2286 (22.86%) at a 1 percent significance level.	Supported
H ₁₀ :	Board diligence has negative effect on the audit fees	It was observed that board diligence has a coefficient value of -0.2958, which implies that a unit change in the board diligence the amount charged by the audit firm reduces by an approximately -0.30 at a significant level of 1 percent.	Supported
H ₁₁ :	CEO-duality has negative effect on the audit fee.	It is observed that CEO duality has a coefficient value of -0.099, which implies that a unit change in the CEO duality the amount charged by the audit firm reduces by -0.0062 (0.6%) at a 1 percent significance level.	Supported

H ₁₂ :	Audit committee independence has negative effect on the audit fee	Audit committee has significantly inverse relationship with the fees on the audit. It was observed that audit committee independence has a -0.2196, which shows that a unit change in the audit committee independence the amount charged by the audit firm reduces by -0.2196 at the significance level of 1 percent	Supported
H ₁₃ :	Audit committee expertise has negative effect on the audit fee	The audit committee expertise has significantly inverse relationship with the fees on the audit. The audit committee expertise has -0.2223, which implies that a unit change in the audit committee expertise the amount charged by the audit firm reduces by -0.2223 at a significance level of 5%.	Supported



CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

Introduction

This section contains, a summary of the research outcomes and deductions drawn. The chapter finishes with recommendations that will positively impact contribution to how audit fees are determined in Ghana.

This study was to determine the bases of audit fees using listed companies. The determinants were considered from three perspectives: the clients' characteristics, audit firm characteristics, and corporate governance. The study had thirteen hypotheses: the first eight of the hypotheses are that there is positive link among client size, profitability, complexity risk, and industry audit firm size, and audit tenure on fees of audit. The remaining hypotheses are there is negative link among board size, board diligence, CEO duality, audit committee independence, and audit committee expertise on audit fees.

The study used panel data of listed firms covering a 10-year period from 2008-2017. Out of the entire population of thirty-nine (39) listed companies, 32 of the companies were selected. All the data regarding client characteristics (client firm size, client profitability, client risk, client complexity, and client industry), audit firm characteristics (audit firm size, audit tenure), and corporate governance characteristics (board size, board diligence, board independence, CEO Duality and audit committee independence, audit committee expertise) were gathered from the annual reports.

A generalised least square method was used to analyse the data. Simunic's (1980) model was used because it has been used to test the effect of firms' attributes, audit firm attributes on the fees of audit and consistent results are produced in a different jurisdiction.

After the descriptive statistics was performed on the data, the Pearson product-moment correlation and point biserial correlation was carried out to establish the link that client features, audit firm features, and corporate governance attributes have on the fees of audit. Before carrying out panel regression analysis, it is important to establish whether a fixed-effect or random-effect model will be used. Hence, Hausman Specification Test (1978), was performed to establish the more suitable model. The Hausman test states that null hypothesis as; the random-effect model is the more suitable model. The rule of thumb is that reject the null hypothesis in favour of the alternative hypothesis, when the probability value is less than the alpha (i.e., $p < 0.05$). The fixed effect is more appropriate hence was selected.

Summary of Key Findings

The client characteristics have direct significant effect on audit fee. The client firm size has a significantly positive link with the audit fee at a 1 percent significance level. Also, client risk has a significantly direct link with the fees of audit. Client firm complexity had a significantly direct link with the fees of the audit. The client industry indicates a significantly direct association with the fees of an audit. This outcome supports the agency theory, which asserts that companies pay monitoring costs which is the audit fees to the audit firms to monitor their activities.

The audit firm characteristics have directly significant effect on the fees of the audit. There was a positive biserial correlation among the audit firm size, audit tenure, and fiscal year on audit fees. Agency theory suggests that firms' ability to lessen the agency cost emanate from the detachment of proprietorship from control. There are three agency cost; however, monitoring cost is identified with monitoring management conduct (Jensen & Meckling, 1976). The detachment of proprietorship from control required the demand for auditors to audit the client's management's financial statements. This theory believes that mismanagement of resources by management is inevitable, and going concern risk can occur, management cannot be fully trusted, and hence auditors are required to protect investors' interest. For effective monitoring to be achieved, the fees paid to audit firms are significant.

Corporate governance characteristics have inversely significant effect on the audit fee. The study observed an inverse link between corporate governance variables and the audit fee. The substitution theory supports the finding as it contends that the more ideal the firm's inner corporate structure is, the lower the monitoring cost. This implies that the audit firm and the auditor will exert less effort in the audit exercise, and thus the audit firm will price the audit low. Auditing is viewed as an external type of corporate governance for which successful internal corporate governance may replace.

Overall, the study revealed that client attributes, audit firm attributes, and corporate governance attributes are significant when determining how much to pay to the auditor or the audit firm for the work performed. Corporate governance plays a substitutional role instead of a complementary role, as other studies have suggested (Abbott et al., 2003; Carcello et al., 2002). For

the client to reduce the amount to be paid as an audit fee, corporate governance guidelines should be adhered to.

Recommendations

Firstly, in arriving at the audit fee for an audit firm, firm's risk should be considered in Ghana because, the time that could be spent on documentation and chasing debtors and creditors especially in the banking sector;

Secondly, the client industry has a significant impact in the determination of audit fees as firms in the banking industry tends to slightly pay more than the non-financial institutions. This is due to the hefty capital requirements and many regulatory requirements coupled with complex transactions and it complicating recognitions criteria.

Thirdly, audit firm type should be used as a yardstick in fixing the audit fees. This is based on the notion that their level of exposure, international affiliations, and expertise can have a significant influence on the quality of audit services;

Finally, our result also revealed that corporate governance characteristics have a significant impact on the fee of audit; hence, it should be considered in determining audit fees. Also, the number of oversight board committees must be at the desired minimum as firms complied with rules and directives of the regulatory authorities, and more firms have to be encouraged to list on the stock exchange so that regulation can compel them to exhibit the best of conducts.

Suggestions for Further Research

Further research should consider using questionnaires to solicit information from the audit firms and listed companies in determining the audit fee. Further study should also consider a composite index of the client characteristics, audit firm characteristics and corporate governance to assess the holistic effect on determining audit fees.



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APPENDIX

GSE-Listed Firms

1.	Access Bank Ghana
2.	Agricultural Development Bank
3.	AngloGold Ashanti
4.	Aluworks
5.	Ayrton Drug Manufacturing
6.	Benso Oil Palm Plantation
7.	CAL Bank
8.	Clydestone (Ghana)
9.	Camelot Ghana
10.	Cocoa Processing Company
11.	Ecobank Ghana
12.	Enterprise Group
13.	Ecobank Transnational Incorporated
14.	Fan Milk
15.	GCB Bank
16.	Guinness Ghana Breweries
17.	Ghana Oil Company
18.	Golden Star Resources
19.	Mechanical Llyod Company
20.	Mega African Capital
21.	PBC
22.	PZ Cussons Ghana
23.	Republic Bank Ghana
24.	Standard Chartered Bank Ghana
25.	SIC Insurance Company
26.	Societe Generale Ghana
27.	Starwin Products
28.	Sam Woode
29.	Total Petroleum Ghana
30.	Ttransol Solutions
31.	Tullow Oil
32.	Unilever Ghana