

CEO DOMINATION, GROWTH OPPORTUNITIES AND AUDIT FEES IN NIGERIA

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**A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF
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DECLARATION

1. I Vivian Joy **MORSI**, do hereby declare that this project was undertaken by me in the department of Accounting Faculty of Management Sciences, University of Benin, Benin City, Edo State under the supervision of DR. **O. Obaretin**.
2. All ideas and views expressed are products of my personal research and that of others have duly referenced, appreciated and acknowledged.
3. Any litigation or liability arising from the work is to be wholly borne by me and not my supervisor

Vivian J. **MORSI**

DATE: _____

CERTIFICATION

We the undersigned certify that this work was carried out by **Vivian Joy MORSI** with matriculation number **MGS 1606233** of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, in partial fulfillment for the award Bachelor of Sciences (B.Sc) degree in Accounting.

Date-----

Dr. O. Obaretin
Project (Supervisor)

Date-----

Prof Ibadin
(project Coordinator)

Date-----

Prof J O Odia
(Head of Department)

DEDICATION

This study is dedicated to the Almighty God for His abundant grace, Strength and his guidance for making this research possible.

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ABSTRACT

The study examined the impact of CEO domination and growth opportunities on the audit fees paid by Nigerian Commercial banks between 2015 and 2020. The secondary data sources was employed as extracted from the annual financial report of thirteen (13) listed commercial banks which made up the sample of the ordinary least square regression technique was employed for the analysis with the aid of Eviews 10 econometrics computer software. The result shows that CEO directed- dominated boards and growth opportunities have a significant relationship with audit fees. On the other hand, it was discovered that there exists no significant relationship between independent boards and audit fees. The study recommends that non-executive directors are included in the board of directors companies should engage in less complicated transactions, the board should consist of members of diverse background, and an internal audit department should be established.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Audit is an important factor in the corporate governance function. The responsibility of the external auditor is to assure users of corporate financial statements that the statements are true and fair. Consequently, external auditors are seen by the users of corporate financial statements as being independent, objective and unlikely to be influenced by their clients. The important role that an external auditor plays in corporate governance would be influenced by fees charged to clients. Consequently, several studies have been undertaken to identify variables influencing audit fees all over the world. The majority of these studies covered developed countries (Yousef & Kamal, 2013).

The external auditing services and audit fees paid by companies to their auditors are obviously of interest to both companies and auditors: Companies are statutorily required to have their financial statements audited and want the fees they pay to be reasonable, auditors provide such services and want to ensure that the fees they charge are sufficient to enable a satisfactory service to be provided. In addition to companies and auditors, the shareholders in particular and the public in general are concerned that the audit fee is not set at such a level, (it is either too high or too low) that it might undermine confidence in the audit opinion. Furthermore, the level of audit fees and how they are determined are significant matters to both national and international professional accounting bodies to indicate the basis on which audit fees should be determined, the costs which should be covered by an audit fee, and the factors which should be taken into account when determining the audit fee. In addition, these statements were also designed to restrict auditors

from charging their fees on a basis which might be incompatible with the ethical values associated with the audit profession. Consequently, they seek to protect the auditors from losing their objectivity, and effectiveness as independent auditors. Moreover, information about determination of audit fees can be provided to legislators who set business regulations that are imposed on companies. In general, the external audit fee has four basic aspects: Determining the fee, selling the fee, billing the fee and collecting the fee. The current study is concerned with the first aspect which is the determination of audit fees.

Simum (1980) an unpublished seminal work defined audit fees as the product of unit price and the quantity of audit services provided by the management of the audited company. He investigated the determinants of audit fees and found that audit fees are a function of the auditor's risk or loss/liability exposure, which is determined by the audit clients size, complexity of operations, auditing problems related to specific financial statement accounts, industry, and financial condition. Subsequent research has found that auditors charge or intend to charge higher fees for riskier clients and that their plan to charge higher audit fees reduces the negative association between client risk and the auditor's acceptance decision.

In Nigeria, the auditing profession is regulated by ICAN. The body provides the minimum fees to be charged a client given certain client related and firm related characteristics. However, there exist no guide from the body as to the maximum fees to be charged and how some firm based characteristics (CEO-domination) should be overcome.

It is against this background that this study seeks to examine the impact of CEO-domination and growth opportunities on the audit fee.

1.2 STATEMENT OF THE RESEARCH PROBLEM

Over the years, a considerable range of research has been conducted in developed countries examining a host of factors on the audit fee. Prior studies (Muhammad & Rabih, 2018; Abdumalik & Che Ahmad, 2016; and Urhoghide & Emeni, 2014) have investigated the association between the strength of the clients' corporate governance environment and auditors pricing decisions. Findings in this area of research are divided into two contrasting streams of thought (Etienne, 2017). The first indicates that auditors charge higher audit fees for weakly governed firms, consistent with the view that weak governance is associated with weak monitoring. This weak monitoring further results in a higher probability of audit risk, thus requiring greater audit effort and eventually resulting in higher audit fees. This view is referred to as the risk-based perspective (Yezen et al, 2012).

A contrasting perspective suggests that better governed firms require higher quality audits, indicating a positive association between audit fees and governance strength of the audit client. This perspective is referred to as the demand-based perspective (Yezen et al, 2012). Jianyun Tang states that having dominant CEOs is risky but powerful boards help control the downside risks. Judy, Bikki & Ferdinand, (2001), measures how the independence of corporate boards affects audit fees. By independence, we mean that the CEO is different from the Chairman. While the CEO conceives and implements the strategic plan, the Chairman monitors and regulates the implementation of organizational policies. Other researchers have found that the strength of the board, client firm size, audit firm size (big four), and board size will determine whether or not the CEO will be a dominant or not.

Growth opportunities exhibited by management can affect audit fees by reducing controls. High-growth opportunities of firms are reflected by a higher proportion of future investment (growth) options in terms of lower assets-in-place. Such firms engage in discretionary investment

expenditures, which cannot be easily determined and monitored. This inability to monitor easily the activities of management results in more substantive work resulting in higher audit fees (Judy et al, 2001).

Most Nigerian authors/researchers (Urhoghide, 2014; Emeni, 2014; and Izedonmi, 2016) who ought to have examine the determinants of audit fees but little regard has been given to the impact of CEO-dominance and growth opportunities on the audit fee especially in the banking sector. A recent work by Urhoghide & Emeni, (2014) examined corporate governance and audit fees. Other studies (Urhoghide & Izedonmi, 2015; Masoodul, Saad, Asghar, & Muhammad, 2014; and Abdumalik & Ahmad, 2015) related to the subject matter have all arrived at different and contradicting conclusions.

It is evident from the above considered literatures on the relationship between corporate audit fees and the discussed variables that there is no consensus on the level of the significance and the direction of the relationship. While some studies (Urhoghide & Emeni, 2014; Masodul, Saad & Muhammad, 2014; and Akinpelu, Omojola, Ogunsege, & Bada, 2013) find a positive association between CEO-domination, growth opportunities and the audit fees, other researchers (El'fred & Divish, 2008; Mohammad & Rabih 2018) finds a negative relationship or no relationship. Also, there exist limited materials by Nigerian authors on the subject matter. Hence this study aims at filling the gap by examining the extent to which CEO domination, growth opportunities and audit fee charged by auditors in Nigeria. This study will therefore provide answers to the following questions;

1. Are firms with independent corporate boards associated with lower audit fees?
2. Are firms with higher growth opportunities associated with higher audit fees?
3. Does dominant CEO's (directors) ownership assert significant influence on audit fees?

1.3 OBJECTIVES OF THE STUDY

The objective of the study from the view point of the student researcher is basically segmented into general and specific objectives. The general objective is to determine the extent to which CEO domination and growth opportunities affect audit fee in Nigeria. However, the specific objectives of the study are as follows;

- i. To determine if independent corporate boards associated with lower audit fees,
- ii. To determine if firms with higher growth opportunities are associated with higher audit fees.
- iii. To determine if dominant CEO's (directors) ownership assert significant influence on audit fees?

1.4 STATEMENT OF RESEARCH HYPOTHESES

In order to answer objectively the research questions, the following null hypothesis are specified as follows: Hypothesis One:

1. There is no significant relationship between independent corporate boards and audit fees.

Hypothesis Two:

2. There is no significant relationship between growth opportunities and audit fees. Hypothesis

Three:

3. CEO/directors-dominated ownership does not assert significant influence on audit fees.

1.5 SCOPE OF THE STUDY

This study is focused on the impact of CEO domination, growth opportunities on audit fee in Nigerian. The population of study includes all the fourteen (14) deposit money banks listed on the Nigerian stock exchange, while a sample size of six (6) years from 2015 - 2020 were covered.

1.6 SIGNIFICANCE OF THE STUDY

This study has theoretical and practical significance.

1. This study will enable companies to know how the independence of their CEOs, strength of their board and riskiness of their investment portfolio will affect the audit fee they pay.
2. This study definitely will extend theory by providing further insights on the impact of CEO domination and growth opportunities on audit fees
3. The auditing profession no doubt will find the outcome of this study useful in terms of knowing how to give criteria that serve the basis of pricing audit fees among quoted firms in Nigeria.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant and related literature on the study area. Attention will be focused on the relationship between CEO domination, growth opportunities and audit fee. This chapter therefore addresses the concept of auditing, audit fee, CEO domination, and growth opportunities the factors affecting each of them, the related theories of audit fee, and ends with the relevant studies which have tried to estimate empirically the relationship between CEO domination, growth opportunities and audit fee.

2.2 Conceptual Framework the Conceptual Framework on Audit Fee

Audit fees refer to the remuneration payable to an auditor for audit services rendered. Farlex financial dictionary (2012) defines an audit fee as a fee a company pays an external auditor in exchange for performing an audit. It is believed that the Sarbanes-Oxley Act (2004) made audits more complex. Thus, audit fees have increased significantly in the United States since 2001. According to Investorguide.com (2018), it is a fee charged by an auditor for auditing a company's accounts.

A professional accountant may quote whatever fee deemed to be appropriate. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. For example, a self-interest threat to professional competence and due care is created if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price. Low audit fees can restrain audit firms, by restricting compensation (to audit staff). Part of the problem is that many clients fail to recognize the intrinsic value of an audit, regarding it purely as a compliance exercise (Kimeli,

2012). ISA,210 Section A23, specifies that the audit engagement letter must provide the basis for charging fees by the auditor (IFAC, 2012)

According to ICPAK, the fundamental principle underlying the charging of professional fees and general guidance in connection therewith are given in the IF AC code of ethics which underlies the following principles;

1. The skills and knowledge required for the type of professional service involved.
2. The level of training and experience of the person necessarily engaged in performing the professional service.
3. The time necessarily occupied by each person engaged in performing professional services
4. The degree of responsibility that performing these services entails.

2.2.1 Factors Influencing Audit Fee

Over the years, a host of researchers have examined the factors that determine audit fee for several countries and in several years. There exist some agreements and disagreements as to these factors. While some researchers have found related or the same results, others have found completely different results.

In a study by Abdullah, Naser & Al-enazi (2017), they found in their research that Audit fees in Kuwait are determined by 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. Factors such as the location of the audit firm and the location of the audited company, complexity of the audited company and type of reports required to be submitted by the audit firm were the least important factors.

Another study carried out by Kimeli (2013), showed that auditor experience, auditor reputation, Big 4 status, client size, client complexity, and time lag are important factors in determining audit

fees for listed companies in Kenya. They also discovered a negative relationship audit fees, size of the audit firm and client profitability. Walther, Ivam & Glauco (2015), in their research found a positive relationship between fees and client complexity and Big 4 auditors. The article found that the risk perceived by the auditor perceived to affect the values of fees differently in larger and smaller clients. In smaller clients, the result suggests that the auditors charge lower fees to more leveraged and riskier clients. In larger clients, the result demonstrated that clients with higher risk, as measured by liquidity and leverage or those having strong governance practices tend to spend more on auditing.

In Nigeria, a recent study by Urhoghide & Izedonmi (2015), examined the effects of audit client characteristics, audit firm characteristics, corporate governance variables on audit fee in Nigeria. The study found that Consistent with other prior research, the results for audit client characteristics revealed that audit client size and complexity have a positive and significant impact on audit fee while profitability, fiscal year end and industry have a negative and significant influence on audit fee. For corporate governance variables, board diligence, board expertise, board size, board independence, and audit committee independence, all have a positive and significant impact on audit fee. For audit firm characteristics, audit firm type, and international linkage have a positive and significant impact on audit fee while audit firm tenure has a negative and significant impact on audit fee.

Randy & Abdel (1988) has however successfully classified these factors into three groups (i.e., size, complexity, and others) for the sake of their research. A more recent literature (Kimeli, 2012) classifies these factors into client attributes and auditor's attributes. These two classifications are further expatiated upon;

2.2.1.1 Client Attributes

This refers to those characteristics of the client company that influences the audit fee charged a particular client company. They include;

2.2.1.2 Auditee complexity

Auditing requirements are influenced by the degree of complexity. Therefore, it denotes that the higher the auditee complexity, the higher the level of audit fees.

Hassan (2015) highlights several measure of complexity to include firstly, physical complexity as measured by number of location of operating units, and the diversification of product lines. Secondly, legal complexity as measured by the number of the company's subsidiaries and affiliates and the number of countries in which the company operates. Thirdly, reporting complexity as measured by number of separate audit reports issued annually for the company such as combining financial statements and separate reports on subsidiaries and affiliates.

Complexity can also be measured by the riskiness of the company's transactions and investment portfolio. Empirical evidence supports a positive association between audit fees and complexity.

2.2.1.3 Client size

The fee charged a client is also dependent on its size. Size can be measured by the number of subsidiaries which a company has. It can also be measured as a function of amount of its total authorized capital and also the amount of members which it has. According to Kimeli (2015), it is usually measured by total assets, revenues, sales and number of employees of the client firm. To him, the size of the audit firm has a direct impact on the auditors' work, and the time spent in the auditing process. Thus larger firms will pay more for while smaller firms will pay less.

2.2.1.4 Client risk

Risk is the probability that an actual outcome will differ from expected outcome. When a company's transactions are risky, the fee charged by the auditors will shoot up. According to

Kimeli (2015), the debt ratio is one best way of measuring the riskiness of the entities total transactions.

2.2.1.5 Client profitability

Over time, profitability has become the most obvious ways to gauge the performance of the organization. Profitability ratios can be used as a measure of auditee profitability, these include: return on equity (ROE), return on asset (ROA), return on capital employed (ROCE), return on investment (ROI) Kimeli (2015).

According to Kimeli, companies reporting high levels of profits will be subject to precise audit testing of their revenues and expenses and this will result in higher audit fees.

2.2.2 Auditors Attributes

The auditor's attributes that influences changes in the audit fees include but are not limited to the following;

2.2.2.1 Auditor size

The size of the auditor will have a great influence on the audit fee charged. Big auditors charge bigger fees. Big auditors strive to carry out quality audits in order to preserve their reputation. Walther et al (2015) finds a positive relationship between big auditors and audit fee. They however argue that-such big auditors charge high fees for larger clients and lower fees for smaller clients.

2.2.2.2 Auditors experience

The auditors experience plays a key role in the determination of the audit fee charged a particular company. Some authors (Etienne, 2017; Hassan, 2015; and Urhoghide & Emeni, 2014) has concluded that the higher the experience of the audit firm, the higher the audit fee charged. Auditors experience can be determined by the number of years they have spent in the industry, the

numbers of branches they have around the country, the amount of share capital of the audit firm. The most experienced of audit firms have been nicknamed the Big Four Audit Firm. According to theory, when a company is audited by any of the big four audit firms, they tend to pay more for such audit.

2.2.3 Perspectives of Audit Fee

2.2.3.1 *The risk-based perspective:* this theory indicates that auditors charge higher audit fees for weakly governed firms, consistent with the view that weak governance is associated with weak monitoring. This weak monitoring further results in a higher probability of audit risk, thus requiring greater audit effort and eventually resulting in higher audit fees, the risk-based perspective. Yezen et al (2012).

2.2.3.2 *Demand-based perspective:* According to Yezen et al (2011) this perspective suggests that better governed firms require higher quality audits, positing a positive association between audit fees and governance strength of the audit client. The CEOs of these companies are mindful of their reputation and will therefore ensure that quality audit is undertaken in the company. This egoistic desire for quality and reputation preservation results in higher audit fees as more work and time is required of auditors.

2.3 Control Variables

The study will take cognizance of the following control variables;

2.3.1 *Client Size*

The audit fee paid by a company is also dependent on the size of the company. The size of a company can however be measured in diverse ways. They include; the number of branches operated by the company, the amount of the authorized share capital, the number of existing members, the number of subsidiary owned by the company, and the number of workers employed

by the firm. Theoretically, it can be said that the bigger the size of the company the higher the audit fee paid by that company.

Kimeli (2013) found that, there exist a negative relationship between audit fees and the size of the audit firm. This conclusion is purely against existing theory. Akinpelu et al (2013) has however found a positive relationship between client size and audit fee. This view by Akinpelu et al (2013) is supported to be true according to Walther et al (2015). Masodul et al (2014) has however found that there exists an insignificant relationship between firm size and audit fee.

2.3.2 Board size

The board has always served as a check for CEO. They ensure that the CEO's decisions and actions are those which would favour shareholder and ensure the longevity of the company. The efficacy this duty is dependent on many factors one of which is the board size. The board size is simply the number of individuals that comprises the board. The relationship between board size and audit fee is measured because quality controls in the organization and effective checks on the CEO reduces the effort expended by the auditor in auditing the company. This therefore specifies a negative relationship between board size and audit fee. Sharma, Ananthanarayanan & Litt (2021), examine the incentive-based components of CEO compensation arrangements, and found that both short-term incentive and stock option compensation are significant and positively associated with audit fees. They also went further to examine the moderating effects of client governance factors and find evidence that internal governance (audit committee effectiveness, board resources, and board and audit committee diligence) moderates the association between short-term incentive and stock option compensation, and audit fees. Taken together, our evidence suggests that auditors consider CEO performance-linked compensation a risk factor and are pricing it into the financial statement audit, with client governance moderating this pricing effect

Mohammed & Oladele (2010) in their research studied this relationship and found that more members in the board reduces the audit fee charged a company. They recommended that on the average there should be about 10-15 for a firm that is averagely large. Jianyun et al (2011) in their research found that board size serves as the moderating factor for CEO domination and thus audit fee.

Mohammad and Rabin (2018) has however found a positive relationship between board size and audit fees. The reason for their conclusion is based on the fact that boards with higher independence and more effective audit committees tend to demand higher audit quality and consequently, pay higher audit fees to protect shareholders interest from potential power abuse by CEO's who also chair boards.

2.3.3 Auditor Size

The auditor size is measured by the reputation of the audit firm in the audit industry and also the extent of spread of the firm in that country. Big audit firm will normally charge more for audits conducted by them. Walther et al (2015) has found a negative relationship between fees and big auditors and audit fees

2.3.4 Profitability

There exists a great tendency for highly profitable firms to be charged higher audit fees. This is due to the fact that highly profitable firms usually engage in growth opportunities that are mostly risky.

Kimeli (2013) has found in his research that there exist a negative relationship between audit fees and profitability. This indicates that the higher the profitability of the firm, the lower the audit fee paid by the company. This is against theory.

2.3.5 Leverage

Leverage is the extent to which debt is used to carry out the operating activities of the company. There exists a risk to shareholders when the firm is highly leveraged. Masodul et al (2014) has found a positive relationship between leverage and audit fee. This indicates that the higher the leverage ratio of the company, the higher the audit fee. Walther et al (2015) has found that auditors charge lower fees for more leveraged and riskier client. They also found that for larger clients, those with higher leverage spend more on auditing.

2.3.6 Complexity

Complexity of the organization can be measured by the extent to which the company engages in highly risky growth opportunities. Complexity can also be measured with respect to the extent to which the company issues hybrid securities and innovative securities.

Kimeli (2012) has found a negative relationship between client complexity and audit fees, indicating that, the more complex a company is, the lesser the fee paid by the company. Walther (2015) has however found a negative relationship between the complexity of the firm and the audit fee charged to the company. Urhoghide & Emeni (2014) is also of the view that the complexity of the client exerts a significant influence on the audit fee. Using more subsidiaries to represent complexity, Akinpelu et al (2013) also found that complexity is statistically significant in determining audit fee of a company.

2.4 Review of Prior Studies

The section contains the view of scholars who have examined related studies that are relevant to this subject matter. It reviews the association between CEO domination and audit fee, Growth opportunities and audit fee, and finally, CEO domination, growth opportunities and audit fee.

2.4.1 CEO Domination and Audit Fee

The definition of dominant is a person who is in a position of power or who is exhibiting powerful or controlling tendencies (An example of dominant is a strong and powerful CEO).

Your dictionary (2018)

Jianyun, Crossan, & Rowe. G (2011) defines CEO dominance as the power of the CEO relative to other executives in the TMT (top management teams). In their article they also defined power as 'the capacity of individual actors to exert their will' and, in the context of corporate executives, come from various bases including structural, ownership, expert, and prestige power. They also emphasize that it is essentially 'a property of social relationship, not an attribute of the actor'; as such, it is a relational construct rather than an individual-level construct (e.g. personality and behaviours).

CEO dominance is different from, though likely related to, concepts such as CEO charisma, CEO hubris, and CEO narcissism. Whereas CEO dominance characterizes the power relationship between the CEO and other executives, these other concepts characterize the individual CEO (e.g. personality and behaviours). Charisma, hubris, and narcissism lead CEOs to take bold actions, actions that we argue dominant CEOs also tend to take. Yet, CEO dominance is a more fundamental factor that should be taken into account. Without a strong power base, even charismatic, hubristic, or narcissistic CEOs would have difficulty taking bold actions.

CEOs, dominant or not, engage in both explicit and implicit exercises of power, the latter of which are difficult to capture empirically. Explicit exercises of power are usually observable and tend to prompt negative reactions from other executives. For example, CEOs may blatantly discount others' views and act dictatorially. More often, they employ political tactics such as information withholding and agenda control, attempting to, albeit often unsuccessfully, disguise their exercises of power. In contrast, implicit exercises of power tend to be not perceived by other

executives, sometimes even not by the CEOs themselves. For example, CEOs (especially dominant ones) can influence the norms governing strategic decision making and other executives' interpretative schemes; Also, facing a dominant CEO, other executives may voluntarily suspend their own views and support the CEO. In summary, it is difficult to infer whether a CEO has dominant power or not from his or her exercise of power.

Jianyun et al, (2011) contends that what distinguishes dominant CEOs from less dominant ones is their capacity to make unilateral decisions despite other executives' significant disagreements; though, as suggested by the distinction between power (as a potential force) and the exercise of power, this capacity is not necessarily manifested as observable unilateral behaviours. When facing significant disagreements from other executives, less dominant CEOs will either compromise their stance or postpone decisions; making unilateral decisions may not only be regarded as illegitimate but may also jeopardize their very position. In contrast, dominant CEOs are much less constrained by such disagreements.

CEO dominance may be an important factor in acquisition behaviour since the CEO is typically the most powerful member of the corporate elite (Jensen & Zajac, 2004). Dominance differs from overconfidence. Overconfidence is a personality trait and therefore is intrinsic to the individual. Dominance is in principle an objective fact of behavior. It is the demonstrated ability of one person to impose their will on others. Hence, dominance has meaning only in a social or organizational context. Dominance may follow from overconfidence, but not all overconfident CEOs will be able to be dominant. In a corporate context, a decision in which a dominant individual is very likely to wish to exert their dominance is in the determination of their personal compensation (Jianyun et al, 2011). An aggressive, dominant CEO isn't just going to polarize the opinions of those who have to work with him. According to a new study (Jianyun et al, 2011), an

all-powerful CEO can also deliver performance that is either much worse than other companies, or much better.

Casual observation can quickly find evidence to support this statement. Some companies with strong CEOs, such as General Electric under Jack Welch, Apple under Steve Jobs or Microsoft as led by Bill Gates, have performed tremendously well. Others have failed miserably when the CEO is very dominant, with often disastrous results for employees and shareholders. Take Enron under Kenneth Lay or Lehman Brothers under Richard Fuld, for example. According to the study, published in the *Journal of Management Studies*. The key factor in determining whether a dominant CEO is a great success or a resounding failure is having a strong board of directors to act as a counterbalance and swing the tide of performance to the plus side.

Authors Jianyun Tang, Mary Crossan and W. Glenn Rowe (2020), argue that a dominant CEO may lead a firm to a deviant strategy. This strategic deviance can yield a strong position for a firm in its markets, or it can drive it to big losses. To control the negative effects of strategic deviance and balance the power of the CEO, a company needs a strong board of directors. A strong board provides a useful watchdog and a second set of valued opinions to the strategic direction of the company. This oversight by the board can help catch the deviant strategy that could lead to firm failure, before it is implemented by the CEO and the organization's top management team. Jianyun et al (2011). Although strong boards can help counter the potential for big losses or even firm failure that comes from having a dominant CEO; the board does not completely eliminate such a possibility. Other mechanisms of firm governance need to be activated to also provide greater levels of caution against firm failure in light of an all-powerful CEO. Jianyun et al (2011). The findings echo research carried out in 2008 by consultants Blessing White into the effect of so-called "celebrity CEOs" brought in to turn around a failing company or deliver rapid results.

Far from being great for a company's bottom line, these CEOs are often a disaster in the medium- to long-term because they don't understand the culture they are working with and they end up harming the organization they set out to strengthen in their efforts to make short-term gains. As Blessing White pointed out, while no one person can ever be responsible for the success of an entire organization, that same individual can certainly cause more than their fair share of damage along the way. So having a celebrity or a dominant CEO can place an organization in jeopardy, but the challenge can be managed. As Jianyun Tang states: "Having dominant CEOs is risky, but powerful boards help control the downside risk while leaving the upside potential relatively open. Thus, it is possible that coupling dominant CEOs with powerful boards represents an ideal governance arrangement.

In the light of the above explanations and research opinions, the individual factors affecting the domination of a CEO are explained;

1. Personality related factors: the ordinary disposition of the CEO toward talking to employees, attending meetings, and the entire running of the organization, can make such a CEO dominant and command authority from every other person in the organization. Such personality attributes include but is not restricted to the following;

- **CEO hubris:** hubris means excessive pride, presumption and arrogance. CEOs that are arrogant, proud, and presumptuous are often feared by most member of the organization and thus tend to command more authority and dominate decisions at board meeting. Such CEOs are often avoided for their "trouble".
- **CEO narcissism:** Narcissism means the excess love for oneself and one's own decisions. Such CEOs tend to love their own ideas and hold fast to them despite better ideas by others. They make

the board and the entire organization believe that their ideas are the best and most suitable for the organization.

- **CEO charisma:** the word "charisma" means, personal charm or magnetism. It is the ability to pull people to oneself. These CEOs are convincing and have the ability to inspire the employees and the board into completing specific tasks. They hardly experience strong oppositions as they have the unique ability to convince the opposition. They always know how to "win the war".

2. Organizational related factors: these are those factors that arise solely from the organization's activities and structure. They include but are not restricted to the following;

- **Strength of the board:** as stated by Jianyun et al (2011) in their research, a strong board of directors is the only force that can withstand the CEO. In their work, they stated that a strong board helps to moderate the actions of the CEO. According to their research, the weaker the board of directors, the more dominating the CEO will become.

- **Organizational structure:** some organizations (especially private owned firms) are built around the owner (CEO). Other bigger firms also have their organizations' activities built around the CEO making him/her very powerful. In such organizations, it is the CEO that has the final say. .

- **Ownership structure:** when the CEO has a majority interest in the company, he/she has extreme power to force the organization to do his bidding.

- **Independence of the board:** where the CEO is also the chairman, there will be no other person to scrutinize the CEOs decisions and actions therefore giving him extreme powers and control over the organization.

Mohammed & Rabih (2018), in their study examined the relationship between board monitoring and audit fees. They sought to examine the moderating role of CEO/Chair dual roles and the

effect it would have if such functions are jointly performed by one individual. Study found that audit fees are positively associated with board independence, board size, CEO/Chair dual roles and audit committee financial experts. Boards with higher independence and more effective audit committee tend to demand higher audit quality and consequently, pay higher audit fees to protect shareholders interest from potential power abuse by CEOs who chair boards.

Consistent with the above view by Muhammad et al (2018), Etienne (2017) is also of concluded in his research that director independence is the most significant variable for explaining the changes in audit fees following a change in corporate board membership. He also found a positive relationship between board independence and audit fees. His results are consistent with the idea that firms with stronger governance structure have directors who demand additional assurance from the auditors in order to preserve their reputations and avoid potential litigations and such firms also have higher audit fees (demand-based perspective). Therefore, when an independent director leaves a firm, the pressure put on auditors decreases which results in lower audit fees.

Urhoghide & Emeni (2014) examined corporate governance and audit fee found that independence of the board is positively and significantly associated with audit fees. Their results also showed that the corporate governance attributes that influence audit fee are board independence, board expertise, board diligence and audit committee independence and that they all have a positive and significant impact on audit fee. The study also specified that client size, profitability and complexity exert a significant effect on audit fees. This view is also consistent with the demand-based theory of audit fee determination.

Abdumalik, Saliu, & Ahmed (2015), also discovered a positive relationship between establishment of risk management committee and audit fees while the establishment of corporate governance committee has an insignificant relationship with audit fees. Their results is of the

view that firm with a strong governance structure have the incentive to improve the quality of their financial report therefore such firms will increase the scope of work of the auditors.

Another study by Mohammed & Oladele (2010), found in their study that when a CEO also serves as the board chairman performance worsens. The study recommended that there should be on the average about 10 to 15 board members for a firm that is averagely large. The composition of the directors should be more of outsiders. It concluded by suggesting that CEO and chairman should be separated. This author's research is however more of a remedy than a subscriber to any of the theories of audit fee determination. It aids the research by specifying ways in which audit fee could be reduced as regards the demand-based perspective.

Abdumalik & Che-Ahmad (2016) examined the relationship between board diversity and audit fees using director ethnicity, independence and nationality as determinants for boardroom diversity. The study found that boardroom diversity enhances board monitoring responsibility and therefore results in an increase in demand for auditor's efforts and thus has a positive relationship with audit fees. Their opinion is consistent with the view of Walther, Ivaam & Glauco (2015) and Abdumalik et al (2015). Urhoghide & Izedonmi (2015) is also of the view that board independence has a positive and significant impact on the audit fee.

Masodul, Saad, Asghar, & Muhammad (2014) also found in their study that corporate governance, firm size and leverage have a positive relationship with audit fee. They also found that firm size is insignificantly related to audit fees. Corporate governance variable includes board independence, board diversity, and board expertise (Etienne 2017). El'fred & Divish (2008) sought to examine the relationship between corporate governance and audit fees of bank holding companies. They found that there exist no significant association between most corporate governance variables and audit fees, suggesting that governance agents do not require additional assurance from the auditor.

2.4.2 Growth opportunities and Audit fee

A growth opportunity is one that will lead to incremental business investment and jobs, leading to a sustained boost in GDP and tax revenue. Opportunities will be assessed based on:

1. The scope and scale of the opportunity (we need to boost GDP);
2. The time to impact (we need growth in the short term to stimulate the economy);
3. A clearly defined and relevant role for government and the resources required (not all opportunities for business investment require government involvement - some may require just a nudge); and
4. A defined return on taxpayer investment (we need to show that public investment in opportunities increases tax revenues).

Growth opportunities can be reflected in two forms;

- Low growth opportunities of firms
- High growth opportunities of firms

Low growth opportunities of firms are reflected by a lower proportion of future investment options in terms of higher assets-in-place. Also, the value of investment options can be easily determined and monitored, thus lowering the risk. In such firms, the control risk is low.

According to Judy et al (2001), high growth opportunities of firms are reflected by a higher proportion of future investment (growth) options in terms of lower assets-in-place. In such firms, the assets-in-place, which represents tangible assets, such as property, plant and equipment, are easily identifiable and their valuation can be easily determined and monitored, whereas the value of investment options, characterized by future investments, are less readily observable. They are influenced by future discretionary investment expenditures, which cannot be easily determined and monitored. In their article they stated that the above reasons will result in higher control risk.

A further factor that could contribute to higher control risk for growth firms is that the control system that has been installed may keep pace only with the original scale of operations.

Hai-chin & Luu-Tien (2014) finds that overconfident CEOs undertake value-added risky projects by any type of compensation, whether cash, stock or option-based. To them, CEOs who are not overconfident or who have limited overconfidence, only equity based compensation, particularly option based compensation, induce them to take risk. Additionally, they find that CEOs rewarded with a high ratio of cash to total compensation, similarly to CEOs with a high ratio of inside debt claims, are less risky. Consistent with the research by Walther, Ivaam & Glaucio (2015), clients with higher risks as measured by liquidity and leverage spend more on auditing. It can be clearly seen that only non-independent CEOs engage in highly risky investments and thus higher risks resulting in higher audit fees due to time spent on audit process by the auditor.

Low and Majid (2019), in their study shows that family controlled firms are less likely to receive modified audit opinions than non-family controlled firms, and the positive association between CEO dominance and modified audit opinions is evident only for non-family controlled firms. This suggests that the abuse of power arising from CEO dominance may be mitigated by the presence of family ownership and control.

2.4.3 CEO Domination, Growth Opportunities and Audit Fee

Ken & Jo-Ian (2010) carried out a study examining the relationship between earnings management, CEO domination, and growth opportunities. They found that high-growth firms with independent corporate board are associated with less earnings management. They also found that independent corporate boards are associated with less earnings management.

It can be seen that despite the high-growing nature of the firm, there exist less earnings management due to an independent and powerful board. This therefore results in lower audit fees.

This view is consistent with Abdumalik et al (2015) and it can be inflected that firms with independent corporate boards are associated with lower audit fees. Whether or not the organization is a high-growth or low-growth firm, Ken et al (2010) is of the view that as far as the board is independent, the firms will be charged lower audit fees compared to a firm with non-independent boards.

Kannan , Pissaris and Gleason (2020), investigate whether other governance mechanisms (CEO institutional ownership, and shareholder rights) serve as "compensating controls" on managerial discretionary behavior and moderate the relationship between CEO power over the TMT and audit fees. We find that auditors view high pay disparity between the CEO and the TMT as a priced risk factor. In addition, we find that auditors do not assign higher audit fees based on pay disparity when external monitoring in the form of strong shareholder rights and high institutional ownership is present.

Jianyun, Mary and Crossan (2011) argues that single-business firms with dominant CEOs tend to have a strategy deviant from the industry central tendency and thus result in extreme performance - either big win or big losses. They further explained that powerful boards weaken the tendency of dominant CEOs towards extremeness and more important improve the likely hood of dominant CEOs having big wins versus big losses. It can thus be conveniently added here as consistent with theory that dominant CEOs without a board to regulate their activities will lead the firms to paying more for audit fees. However, where powerful boards are in existence, there will be a gross reduction in the amount paid to auditors as fees.

Tsui, Gaggi, & Gul (2001) are of the view that independence of corporate boards is an important factor in auditors' assessment of control risk and the determination of audit fees. They found that firms with independent boards are likely to be associated with lower audit fees because

independent corporate boards provide an effective monitoring mechanism that reduces control risk and scope of audit work. They also found that the negative association between audit fees and independent corporate boards is stronger (weaker) for firms with low (high) growth opportunities. Nehme, Michael and Jim (2020), explored the directors' monitoring role, ownership concentration and audit fees. The research objective is to analyse different factors potentially involved in influencing the size of audit fees. They found that board of directors' characteristics are significant in relation to audit fees. They also went further to say that some of the Audit Committee characteristics are affected by the collegiality principle in relation to the Board of Directors' characteristics. The consultative role of audit committee directors is dominated by the role of the Board of Directors. Mandatory audit fees, and not total auditors' remuneration is included in this study. While other studies assess mainly one corporate governance mechanism in relation to audit fees, and included that corporate governance mechanisms that are directly related to auditors' scope.

2.5 Theoretical Framework

Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Berle and Means 1932; Pratt and Zeckhauser 1985). In agency theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the residual claimants, the owners, fall below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen and Meckling 1976). Agency theory specifies mechanisms which reduce agency loss (Eisenhardt 1989). These include incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus

aligning financial interests of executives with those of shareholders (Jensen and Meckling 1976). Other similar schemes tie executive compensation and levels of benefits to shareholders returns and have part of executive compensation deferred to the future to reward long-run value maximization of the corporation and deter short-run executive action which harms corporate value (Donaldson & Davis, 1991). Wikipedia, 2018 specified methods to be used to align the interests of the agent with those of the principal. In employment, employers (principal) may use piece rates/commissions, profit sharing, efficiency wages, performance measurement (including financial statements), the agent posting a bond, or the threat of termination of employment to align worker interests with their own.

Besides the agency problem between shareholders and managers, there is also another type of agency problem: the one derived from the existence of big shareholders and small shareholders, which is quite a common phenomenon in a listed company. In the process of dividend distribution, there exists not only information asymmetry but the different influence between big and small shareholders. Small shareholders' behaviours are affected by the big shareholders' decision; in return, they can also impact the big shareholders' decision but not significantly. Under such circumstance, the big shareholders will encroach on the interests by dividend policy (Wikipedia, 2018).

The conclusions are that agency theory (a) offers unique insight into information systems, outcome uncertainty, incentives, and risk and (b) is an empirically valid perspective, particularly when coupled with complementary perspectives. The principal recommendation is to incorporate an agency perspective in studies of the many problems having a cooperative structure.

In this agency relationship, insiders (managers) have an information advantage. Owners therefore face moral dilemmas because they cannot accurately evaluate and determine the value of

decisions made. The agent therefore takes advantage of the lack of observability of his actions to engage in activities to enhance his personal goals. Formal contracts are thus negotiated and written as a way of addressing agent-shareholder conflicts.

In this research, the domination of the CEO and growth opportunities present in the organization and how they both affect the audit fee presents an excellent opportunity to apply the agency theory, in the sense that CEO in their esteemed position as head of management have better access to the organizations private information. There exists a high tendency to utilize such information for their own private benefit as against the benefit of the firm. The CEO can run the firm according to his whims and caprices not minding the desires of shareholders for their investments. He can engage in high growth opportunities (risky investments) and focus on empire building instead of profit making, and can thus result in a sharp increase in the audit fee paid by the company. CEO's can even connive with auditors to make private gains for themselves by charging a higher audit fee that is eventually shared by the auditors and the CEO. As opposed to the above view, the CEO could seek to reduce the audit fee paid in order to ensure availability of cash to finance the luxuries him and his allegiant directors/managers.

2.6 Conclusion

Audit fee is a fee charged by auditors for auditing the financial statements of the organization. The fee is affected by both auditor and client related factors some of which includes; size of the audit firm, size of the organization, reputation of the audit firm, complexity of the organization etc. We also considered how audit fee is affected by CEO domination and growth opportunities and examined the position of various scholars in the field. Lastly, we gave a theoretical framework to aid the further study of the subject matter.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter focuses on the method applied in carrying out the research study. The chapter highlights the study research design, population of the study, sampling technique, sample size, sources of data, the research instrument, as well as data analysis technique.

3.2 Research Design

A research design specifies the methods and procedures to be used to acquire the information needed for the research. The research design adopted and utilized for the purpose of this study is the cross-sequential design. This study embraced this method for the reason that it helps to study more than one company for more than one period of time.

3.3 Population of the Study

The population of the study will consist of the entire (13) commercial banks quoted on the Nigerian Stock Exchange (NSE) as at 31st December 2020 as evidenced in the Nigerian Stock Exchange Fact-Book (2020). Banks are chosen for the reason that the study seeks to determine the extent to which the dominance of CEO's and the growth opportunities of such banks affect the audit fees paid by them.

3.4 Sample Size and Sampling Technique

A total of the (13) commercial banks quoted on the Nigerian Stock Exchange (NSE) form the population of this study. This entire population is utilized for the purpose of the study due to the small nature of sample size, hence there is no sample size as the sample is also the population

3.5 Sources of Data

This study employed secondary source of data collection. Historical data is obtained from the annual report and accounts of sampled banks. Audit fee, CEO domination, and Growth opportunities data are all obtained from the accounting policies, comprehensive statement of

income, comprehensive statement of financial position, statement of changes in equity and notes to accounts.

3.7 Model Specification

This research project considers the relationship between the CEO domination and growth opportunities with audit fee. The study modernized the model of Tsui, Jaggi&Gui (2001) as given below;

$$LAF_{it} = p_0 + \beta_1 CEO_{it} + \beta_2 GROWTH_{it} + \beta_3 CEO_{it} \times GROWTH_{it} + \beta_4 DE_{it} + \beta_5 QUICK_{it} + \beta_6 FOREIGN_{it} + \beta_7 SUB_{it} + \beta_8 ROA_{it} + \beta_9 AUDITOR_{it} + \beta_{10} IND_{it} + e_{it}$$

Where;

LAF = Natural log of audit fees

CEO = CEO domination

GROWTH - Growth opportunities

DE = Book value of long term debt to total assets

QUICK = Ration of current assets less inventories to current liabilities

FOREIGN = Percentage of subsidiaries incorporated in countries other than Nigeria

SUB = Square root of number of directly owned subsidiaries

ROA = Profit before interest and tax to total assets

AUDITOR = Dummy variable 0 - Non-Big, 1 = Big 4

SIZE = Natural log of net sales

LOSS = Dummy variable, 0 = no loss in past three years, 1 = loss in any one of past three years

YB = Dummy variable, 0 = non 31/12 fiscal year end, 1 = 31/12 fiscal year end

IND = IND is dummy variable for 7 industry groups, where j = 1 to 5

CEOGROWTH = an interaction variable of CEO and GROWTH used to examine the impact of the firm's growth opportunities on the association between LAP and CEO Where subscripts *i* and 't' represent "firm" and "time-period" respectively.

The modernized model for the study is first specified in the function below;

$$LAP - f(CEO, GROWTH) \dots \dots \dots (i)$$

Where;

LAF = Natural log of audit fees CEO = CEO domination GROWTH = Growth opportunities

It is expected that a significant relationship exists between audit fees and CEO domination. For the purpose of this project, CEO domination is measured using the independence of the board and the amount of shares owned by the CEO in relations to the total amount of shares owned by the entire board. Independence of the board is determined by the extent to which the duties of the CEO and the Chairman of the organization are performed by two different persons. Thus;

$$CEO - f(CEOIND, CEOSHA)$$

Where;

CEOIND means CEO independence

CEOSHA means amount of shares owned by the CEO in relation to the amount of shares owned by the board.

3.6.1 Measuring Growth Opportunities

Different proxies have been used for growth opportunities in accounting research studies. Some studies have been used a single growth variable as a proxy for growth opportunities (Baber, Janakiraman & Kang, 1996), while others have developed a composite factor based on several growth variables (Gaver & Gaver, 1993; Babe et al, 1996; Gul & Tsui, 1998).

The use of factor analysis has been considered superior to a single observable proxy because it condenses pairwise correlations between several observable variables and captures variations common to these variables (Babe et al, 1996). Thus, a single factor can reflect the growth opportunities supported by several observable proxies. The selection of observable proxies to develop the growth factor differs with different studies (Smith & Watts, 1992; Gaver & Gaver, 1993; Skinner, 1993; Baber et al, 1996; Gul & Tsui, 1998). In a study (Tsui, Jaggj & Gui, 2001), the following three proxies have been considered to fully reflect the growth opportunities in a firm;

1. Market-to-book equity ratio (MKTBKEQ)
2. Market-to-book assets ratio (MKTBKASS); and
3. The ratio of plant, property, and equipment to market value and long-term debt of the firm (PPE)

However, for the purpose of this project, the Market-to-book equity ratio will be used to measure the growth opportunities.

The MKTBKEQ is the ration of the market value of equity to the book value of equity. This variable is used because the ratio incorporates the value of the firm's future investment opportunities. Higher ratios indicate higher growth opportunities

In order to measure the relationship between CEO domination and growth opportunity we introduce and interaction variable CEO_GROWTH. Thus;

$$LAF = f(\text{CEO}, \text{GROWTH}, \text{CEOJ3ROWTH})$$

(iii) On the basis of prior studies on audit fees, the following control variables are included in the model; Complexity (COMPLEX), Firm Size (FSIZE), Board size (BSIZE), Auditor size (ASIZE), Profitability (PROFIT), and Leverage (LEV) (Simunic, 1980; Gul &Tsui, 1998; Gul 1999).

The variable COMPLEX captures the extent to which the company issues hybrid securities and innovative securities. The impact of firm size of a firm is measured by the variable FSIZE. It is determined by the number of branches operated by the firm. The BSIZE variable, which reflects the number of persons on the board of directors, represents the Board Size. The variable ASIZE measures the size of the auditor. The big four (4) auditors are referred to as big and others as small. PROFIT and LEV are used to measure profit of the company and the extent to which the firm is leveraged (i.e the extent to which is financed by debt).

The full audit fee model with control variables estimated as follows;

$$LAF_{it} = \alpha + \beta_1$$

$$+ \beta_2 CEOSHA_{it} + \beta_3 GROWTH_{it} + \beta_4 BSIZE_{it} + \beta_5 ASIZE_{it}$$

CEOIND = Dummy variable, 0 = CEO dominance, 1 = CEO and Chairman are different persons

CEOSHA = Amount of shares owned by the CEO in relation to the total shares owned by the board. 0 = less than 51%, 1 = Greater than 51%

GROWTH = Measured using the MKTBKEQ

MKTBKEQ = Total market value of shares outstanding divided by the total book value of common equity

CEO_GROWTH - Interaction between CEO dominance and growth.

3.6.2 Control Variables

FSIZE = the number of branches operated by the firm

ASIZE = measures the size of the auditor. 0 = Non big four (4) auditor, 1 = Big four (4) auditor

LEV = indicates whether or not the firm is leveraged

3.7 Operationalization of Variables

S/N	VARIABLE	VARIABLE ACRONYM	MEASUREMENT	SOURCE
1	Audit Fee	LAF	Audit fee will be measured using the natural logarithm of fees paid to auditors.	Tsui, Jaggi & Gui, 2001.
2	CEO domination	CEO	CEO domination will be measured using the amount of shares owned by the CEO in relation to the total amount of shares owned by the entire board.	Etienne, 2017
3	Growth opportunities	GROWTH	Growth opportunities will be measured using the Market to book equity ratio.	Tsui, Jaggi, & Gui, 2001.

3.8 Data Analysis Technique

The researcher decided to use the Ordinary Least Square (OLS) regression model because of its simplicity. The ordinary least square is a statistical tool that enables the researcher to establish if there is any relationship between two variables. The computation of ordinary least square is based on the regression which is used to test the various hypothesis formulated previously in the chapter one of this study. For the purpose of this research, we use an OLS regression model with natural log of audit fees (LAF) as the dependent variable, and CEO dominance and growth opportunities factor (GROWTH) as independent experimental variables.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSES

4.1 INTRODUCTION

The study empirically examined the extent to which CEO domination and growth opportunities affect audit fee of thirteen (13) deposit money banks listed on Nigeria stock exchange (NSE). Specifically, the study attempts to explain the behaviours of independent corporate boards (BODIND), growth opportunities (GROWTH), CEO's/directors ownership (MOWN); and their individual impacts on audit fees (AUDFEE) which is the dependent variable - while controlling for size, leverage and audit firm size. The regressant, AUDFEE, was regressed on the regressors (BODIND, GROWTH, MOWN, FSIZE and LEV and BIG4) with the aid of Eviews 10 econometric computer package in a panel regression equation comprising a total panel of 84 observations in a six-year period, 2015 to 2020. The results of the descriptive statistics, correlation matrix and panel regression estimation are presented in this section:

Table 4.1 DESCRIPTIVE STATISTICS

	AUDFEES	BODIND	GROWTH	MOWN	FSIZE	LEV	BIG4
Mean	261975.3	0.583215	7.382509	0.338850	20.70080	2.185016	0.797619
Median	200000.0	0.559028	8.123670	0.328400	20.89436	0.870195	1.000000
Maximum	856000.0	0.875000	8.872266	0.730000	22.44519	24.50894	1.000000
Minimum	16400.00	0.368421	4.292876	0.020000	15.85950	0.447120	0.000000
Std. Dev.	191695.5	0.108326	1.463156	0.168059	1.473940	4.568207	0.404188
Skewness	1.041738	0.956886	-1.029108	0.234740	- 1.948226	3.741989	- 1.481522
Kurtosis	3.633861	3.446419	2.306567	2.453898	6,847694	16.24380	3.194908

Jarque-Bera	16.59930	13.51635	16.50986	1.815238	104,9548	809.9289	30.86167
Probability	0.000249	0.001161	0.000260	0.403484	0.000000	0.000000	0.000000
Sum	22005922	48.99007	620.1307	28.46340	1738.868	183.5413	67.00000
SumSq.Dev	3.05E+12	0.973964	177.6885	2.344241	180.3175	1732.087	13.55952
Observations	84	84	84	84	84	84	84

Source: Researcher's Computation, 2021

From table 4.1, the mean value of AUDFEE indicates that cumulatively, the entire sampled banks paid an average of N261,975,300 as audit fees within the six-year period covered by the study. However, the minimum and maximum values of 16400.0 and 200000.0 are indications that the highest audit fees paid by one of the sampled banks was N200 million while the least paid audit fees was N16.4 million. The variable of BODIND showed a mean value of 0.583 meaning that the average proportion of non-executive independent directors in the board of the sampled listed banks stood at 58% (cumulatively). The standard deviation of 0.108 is considerably low and suggests that the domination of independent board members across the sampled banks exhibited considerable clustering around the mean. This implies that the banks are relatively uniformed in terms of their sizes. The percentage growth rate stood impressively positively at 7,38% while the mean value of Big4 stood at 0.7976 which implies that about 80% of the sampled deposit money banks were audited by one of the Big4 audit firms with the periods captured by the analyses. The mean value of LEV (2.185) exceeded the percentage capturing of the ratio computation which shows that majority of the sampled banks still rely on external financing. The Jarque Bera statistics showed significantly high values with highly significant probability values which are indication that the data are evenly distributed prior to the estimation.

Table 4.2 CORRELATION MATRIX

Covariance Analysis: Ordinary Date: 15/07/21 Time: 12:57 Sample: 2015 2021 Included observations: 84

Correlation	t-Statistic	Probability	BODIND	GROWTH	MOWN	FSIZE	LEV	BIG4
AUDFEE								
AUDFEE	1.000000							
BODIND	-0.068775 0.624259 0.5342	1.000000 -----						
GROWTH	0.746503 10.15939 0.0000***	0.124970 1.140589 0.2574		1.000000				
MOWN	0.262973 2.468199 0.0157**	-0.126141 1.151457 0.2529	-	0.238818 2.227032 0,0287**	1.000000			
FSIZE	0.922603 21.65782 0.0000***	-0.117230 1.068932 0.2882		0.656053 7 871601 0.0000***	0.183036 1.685941 0.0956*	1.000000		
LEV	-0.688531 8.597433 0.0000***	- 0.075695 0.687417 0.4938		-0.550466 -5.970694 0.0000***	-0.306248 -2.913163 0.0046***	-0.804367 -12.25965 0.0000***	1.000000	
BIG4	0.710666 9.147247 0.0000***	-0.124048 1.132043 0.2609	-	0.567596 6.242872 0.0000***	0.153841 1 .409870 0.1624	0.633936 7.422607 0.0000***	-0.516852 -5.467162 0.0000***	1.000000

Source: Researcher's Computation, 2021

The correlations among the variables are shown in table 4.2 above. As observed, BODIND and the control variable of LEV appear to be negatively associated with AUDFEE as shown by their correlation coefficients of -0.06288 and -0.6885 respectively. Their corresponding probability

values of 0.5342 and 0.000 suggest that only the association of the latter with the dependent variable (LAG) is significant while the former

is insignificant owing to its high probability value. The negative coefficient signs imply that BODIND and LEV move in opposite direction with AUDFEE. The other independent variables (GROWTH and MOWN) are positively associated with AUDFEE and both are statistically significant. The remaining two controlling variables (i.e. SIZE and BIG4) are equally positively and strongly (significantly) associated with AUDFEE at 1% levels. The positive associations imply that firms with higher growth opportunities and those whose shares are largely controlled by members of the board of directors are likely associated with higher audit fees. Same applies with larger firms (represented by SIZE) and those audited by the Big4 audit firms. It could also be noted from the table that there is a sign of high correlation coefficient between the variables of SIZE and AUDFEE (at 0.923) which is an indication that the problem of multicollinearity may be inherent. The regression diagnostic tests in the next sub-section were conducted to address the underlying assumptions.

4.2 Regression Diagnostic Tests

Several underlying diagnostic tests were conducted prior to the panel estimation to ensure that the basic regression analysis assumptions are not violated. The tests include: Normality test using the JargueBera, Variance Inflation Factor (VIF) for Multicollinearity, Heteroskedasticity test and the Breusch-Pagan-Godfrey LM test for autocorrelation.

Table 4.3 Variance Inflation Factors (VIF) test result

Variance Inflation Factors Date: 15/07/21 Time: 13:26 Sample: 1

84 Included observations: 84

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.720275	802.7626	NA
BODIND	0.089015	34.89536	1.150313
GROWTH	0.000910	57.42257	2.145446
MOWN	0.037876	6.024947	1.178068
FSIZE	0.001708	819.6916	4,085681
LEV	0.000134	3.784183	3.072734
BIG4	0.010183	9.052287	1.832011

Source: Eviews 10 output (2021)

The data was also tested for multicollinearity via the Variance Inflation Factor (VIF) statistic as reported in Table 4.3. The decision rule is that if each of the explanatory variables has a VIF of less than ten (10), it will be suggestive that it does not correlate with the other independent variables. However, if a variable exhibits VIF of more than ten (10), then it correlates with other independent variables, and as such, it should be dropped. As observed, all the VIF values are not close to the benchmark of 10. This is an indication of an absence of multicollinearity issues among the variables. Thus, there will be no issue of unstable parameter estimates in the regression line.

Table 4.4 Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	21.57402	Prob, F(2,75)	0.0000
Obs*R-squared Prob.	30.67706	Chi-Square{2}	0.0000

Test Equation: Dependent Variable: RESID

Method: Least Squares

Date: 15/07/21 Time: 13:21

Sample: 1 84

Included observations: 84

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.141194	0.687170	-0.205472	0.8378
BODIND	0.112414	0.241477	0.465526	0.6429
GROWTH	-0.011861	0.024432	-0.485470	0.6288
MOWN	-0.068228	0.157539	-0.433086	0.6662
FSIZE	0.011303	0.033548	0.336919	0.7371
LEV	-0.006905	0.009426	-0.732576	0.4661
BIG4	-0.040115	0.082909	-0.483845	0.6299
RESID(-1)	0.552842	0.114491	4.828705	0.0000
RESID(-2)	0.102624	0.118137	0.868690	0.3878
R-squared	0.365203	Mean dependent var		-2.96E-15
Adjusted squared	R-0.297491	S.D. dependent var		0.264424
S.E. of regression	0.221629	Akaike info criterion		-0.074663
Sum squared resid	3.683969	Schwarz criterion		0.185781
Log likelihood	12.13586	Hannan-Quinn criter.		0.030033
F-statistic	5.393504	Durbin-Watson stat		1.930089
Prob(F-statistic)	0.000023			

Source: Researcher's Computation via E-views. 10 (2021)

The Breusch-Godfrey Lagrange Multiplier (LM) test was conducted to test for higher order serial correlation. In the presence of serial correlation, ordinary least squares estimators are no longer Best Linear Unbiased Estimators (BLUE). Moreover, the coefficient may be overestimated, standard errors underestimated and t-statistics overestimated. The outcome, as shown above, reveals that the hypotheses of zero autocorrelation in the residuals are rejected. This was because the probability (Prob. F, Prob. Chi-Square) value (0.0001) was lower than 5%. Despite the undesirable result, it does not affect the outcome of panel data estimation as adopted in this study.

Table 4.5 Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.505855	Prob. F(6,77)	0.8021
Obs*R-squared	3.185487	Prob. Chi-Square(6)	0.7852
Scaled explained SS	2.618227	Prob. Chi-Square(6)	0.8550

Test Equation: Dependent Variable: RESID^{A2}

Method: Least Squares

Date: 15/07/21 Time: 13:20

Sample: 1 84

Included observations: 84

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.029217	0.306037	-0.095469	0.9242
BODIND	-0.022528	0.107586	-0.209390	0.8347
GROWTH	-0.006392	0.010878	-0.587595	0.5585

MOWN	0.095949	0.070179	1.367206	0.1755
FSIZE	0.005290	0.014902	0.354987	0.7236
LEV	0.000637	0.004170	0.152713	0.8790
BIG4	0.019086	0.036388	0.524501	0.6014
R-squared	0.037922	Mean dependent var		0.069088
Adjusted R-squared	-0.037045	S.D. dependent var		0.097212
S.E. of regression	0.098997	Akaike info criterion		-1.707806
Sum squared resid	0.754626	Schwarz criterion		-1.505238
Log likelihood	78.72786	Hannan-Quinn criter.		-1.626375
F-statistic	0.505855	Durbin-Watson stat		1.289937
Prob(F-statistic)	0.802133			

Source: Eviews. 10(2021)

The test for Heteroscedasticity which is the absence of homoscedasticity or the constant variance assumption of the Ordinary Least Square estimator is also conducted. It implies the absence of non-constant variance leading to the breakdown of the BLUE properties in which the efficiency and consistency property are lost. Using the Autoregressive conditional Heteroskedasticity (Breusch-Pagan-Godfrey) test, the decision rule is to conclude that there is no heteroscedasticity if the F-statistic values are respectively greater than the critical values at 5% level. In the absence of this (i.e if the critical values at 5% is greater than the F-statistic and observed R-square value), we conclude that there is homoscedasticity. From the outcome in table 4.5, the results show the absence of heteroscedasticity, meaning that the residual is homoskedastic (which is desirable) because the p-value (80.2%) is far greater than 5%.

4.3 ESTIMATION RESULT

This sub-section presents the regression result. The Pooled OLS, Fixed effect and Random effect techniques were all estimated in order to provide a comprehensive overview of the results (see appendix one). This is also due to fact that the later group recognizes the heterogeneity or individuality that may exist among the sampled companies while the former (Pooled OLS) does not. However, in order to make the choice of model to interpret between the fixed and random effect models, the Hausman test was employed to help determine the most appropriate.

The outcome is reported below:

Table 4.6 Hausman Test Results

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq.		
	Statistic	Chi-Sq. d.f.	Prob
Cross-section random	4.930923	6	0.5527

Cross-section random effects test comparisons:

Cross-section random effects test equation:

Dependent Variable: LNAUDFEE

Method; Panel Least Squares

Date: 17/07/21 Time: 12:47 Sample: 2015 2021

Periods included: 6: Cross-sections included: 14

Total panel (balanced) observations: 84. Variable

Variables	Coefficient	Std. Error	t-Statistic	Prob.
BODIND	0.195662	0.142618	0.009697	0.5901
GROWTH	0.103528	0.119203	0.001172	0.6470
MOWN	0.405100	0.493709	0.005192	0.2188
FSIZE	0.680920	0.535551	0.008001	0.1041

LEV	0.006343	0.019913	0.000044	0.0403
B1G4	0.248757	0.258457	0.017539	0.9416
<hr/>				
Prob,				
C	-3.178127	2.139625	-1.485366	0.1424
BODIND	0.195662	0.303204	0.645314	0.5210
GROWTH	0.103528	0.056209	1.841845	0.0701
MOWN	0.405100	0.206205	1.964549	0.0538
FSIZE	0.680920	0.109355	6.226715	0.0000
LEV	0.006343	0.014186	0.447150	0.6563
B1G4	0.248757	0.205184	1.212362	0.2298
<hr/>				
R-squared	0.969740	Mean dependent var		12.14542
Adjusted R-squared	0.960756	S.D. dependent var		0.934716
S.E. of regression	0.185168	Akaike info criterion		-0.330846
Sum squared resid	2.194388	Schwarz criterion		0.247920
Log likelihood	33.89554	Hannan-Quinn criter.		-0.098187
F-statistic	107.9457	Durbin-Watson stat		1.242181
Prob(F-statistic)	0.000000			

Source: Eviews 10 Output (2021)

The Hausman test result in table 4.6 was performed on the panel data to determine the most desirable model between Random Effects or Fixed Effects. The decision rule is to accept the alternative hypothesis that fixed effect is consistent if p-value is less than 5 percent; otherwise we accept the null and settle for the random effect model. Based on the outcome of the results, the probability value (0.5527) exceeded the critical p-value of 5 percent, which confirms the appropriateness of the random effect model as the best method of estimation in achieving the set objectives of this study.

Table 4.7 Random-effect Regression Result

Dependent Variable: LNAUDFEE

Method: Panel ECUS (Cross-section random effects)

Date: 17/07/21 Time: 12:45

Sample: 2015 2021

Periods included: 6

Cross-sections included: 14

Total panel (balanced) observations: 84

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.321055	1.203975	-0.266663	0.7904
BODIN	14261.8	0.286767	0.497332	0.6204
GROWTH	1.19203	0.044582	2.673799	0.0092
MOWN	0.493709	0.193205	2.555367	0.0126
FSI2E	0.535551	0.062909	8.513074	0.0000
LEV	0.019913	0.012548	1.586978	0.1166
BIG4	0.258457	0.156721	1.649153	0.1032
<hr/>				
	Effects Specification	S.D.		Rho
Cross-section random	0.264206			0.6706
Idiosyncratic random	0.185168			0.3294
<hr/>				
Weighted Statistics				
R-squared	0.738680	Mean dependent var	3.340989	
Adjusted R-squared	.718318	Sum squared resid	2.603467	
S.E. of regression		Durbin-Watson stat	1.017757	
F-statistic	36.27638			
Prob(F-statistic)	0.000000			

Unweighted Statistics			
<u>R-squared</u>	0.911324	<u>Mean dependent var</u>	<u>12.14542</u>
<u>Sum squared resid</u>	6.430501	<u>Durbin-Watson stat</u>	<u>0.412051</u>

Source: Eviews 10 Output (2021)

From the above result, the R-squared coefficient of determination stood at 0.739 which indicates that the model explains about 74% of the systematic variations in the dependent variable (AUDFEE). The Adjusted R², which controls for the effect of inclusion of successive explanatory variables on the degrees of freedom, has a value of 0.718 meaning that about 72% of systematic variations in AUDFEE were explained by the model while about 28% was left unexplained and have been captured by the error term in the equation. This is a clear indication that the model has a high explanatory power. Also, the F-statistics value and the associated p-value of 36.28 (0.0001) indicate that the hypothesis of a joint statistical significance of the model cannot be rejected even at 99% (0.01) level of significance. Thus, the linearized specification of the model is considered appropriate.

The evaluation of the slope coefficients of the independent variables revealed the existence of positive relationships among the three independent variables (BODIND, GROWTH and MOWN) and the dependent variable (AUDFEE) as depicted by the slope coefficients of 0.143, 0.119 and 0.494 respectively. There is also a positive relationship among the three control variables - firm size (SIZE), leverage (LEV), audit firm size (BIG4) and audit fees (AUDFEE). However, in terms of the level of significance of the variables, the result shows that the effect of BODIND on AUDFEE is statistically insignificant at all levels, while GROWTH and MOWN assert significant influence on AUDFEE. On the other hand, as regards the control variables, the effect of FSIZE on AUDFEE is statistically significant at 1% owing to the p-value of 0.0000 (<0,01). That cannot be

said of the other two control variables (LEV and Big4) whose relationship with AUDFEE is statistically insignificant. Thus, a unit increase in growth opportunity triggers a corresponding increase in audit fee. Similarly, a unit increase in managerial/directors' ownership will lead to about 0.49 units increase in audit fees. In the same vein, one unit increase in firm size (proxied by natural log of total assets) will lead to about 53.6% increases in audit fees. The remaining variables (BODIND, LEV and Big4), although positively related with audit fees in line with literature, were not of significant importance in the context of this study.

4.4 HYPOTHESES TESTING

The three (3) null hypotheses earlier formulated in the first chapter of this study were tested in this sub-section. The hypotheses are re-stated below:

- i. There is no significant relationship between independent corporate boards and audit fees,
- ii. There is no significant relationship between growth opportunities and audit fees,
- iii. CEO/directors-dominated ownership does not assert significant influence on audit fees.

The probability (sig.) values obtained from the regression result were used for the test of hypotheses. The decision rule goes thus: the null hypothesis will be accepted if the probability value (p-value) is greater than 0.05 or when the calculated t-statistics is less than 2.0, or reversely we accept the alternative (i.e. if the probability [p-value] value becomes less than 0.05 and or the t-statistics is > 2). The summary of the hypotheses results are shown in Table 4.8 below:

Table 4.8 Summary of Hypotheses Testing

	Variable(s)	t-statistics	p-value (Sig.)	Level of Significance	Decision
1	Independent corporate boards (BODIND)	0.497332	0.6204	Not significant	Accept null
2	Growth opportunities (GROWTH)	2.673799	0.0092	Significant at 1%	Reject null
3	CEO/directors-dominated ownership (MOWN)	2.555367	0.0126	Significant at 5%	Reject null

Source: Researchers Compilation (2021)

4.5 DISCUSSION OF FINDINGS

In line with the result of the first hypothesis, it appears evident that the even though the variable of BODIND has a positive coefficient sign, implying that it has the tendency of causing a positive impact on audit fees, the impact did not pass the significance test at 5% owing to the high probability. The positive apriori sign aligns with theoretical expectation because the basic assumption is that boards with higher independence board members tend to demand higher audit quality and consequently, pay higher audit fees in order to protect shareholders interest from potential power abuse by CEOs who chair boards. The positive sign supports the findings of most previous studies such as Mohammed & Rabih (2018); Urhoghide & Izedonmi (2015); and Urhoghide & Emeni (2014). They only differ in terms of the level of significance as all the above cited studies fee found that independence of the board is positively and significantly associated

with audit fees. On the other hand, the result is also at variance with Tsui, Gaggi, & Gul (2001) and Abdumalik et al (2015) which found that firms with independent boards are likely to be associated with lower audit fees because independent corporate boards provide an effective monitoring mechanism that reduces control risk and scope of audit work.

From the second hypothesis test, the study revealed that firms with higher growth opportunities are significantly associated with higher audit fees. This result appears probable in practice considering the fact that firms in rapid growth periods are usually highly profitable and as such may harbour some transaction complexities that increases audit hours, thereby triggering the audit fees. This result did not agree with the findings of Ken & Jo-Ian (2010) which examined the relationship between earnings management and growth opportunities and found that high-growth firms with independent corporate board are associated with less earnings management. They claimed that high-growing nature of the firm leads to less earnings management due to an independent and powerful board; and therefore results in lower audit fees.

The study found in the third hypothesis that CEO dominance, measured by the proportion of shares controlled by CEOs and board of directors, has a positive significant relationship with audit fees. This result agrees with the positions of Jianyun, Mary and Crossan (2011) who find that single-business firms with dominant CEOs tend to have a strategy deviant from the industry central tendency and thus result in extreme performance - either big win or big losses and this often influences auditors' remunerations. They further explained that powerful boards weaken the tendency of dominant CEOs towards extremeness and more important improve the likely hood of dominant CEOs having big wins versus big losses. It can thus be conveniently concluded, as consistent with theory, that dominant CEOs without a board to regulate their activities will lead the firms to paying more for audit fees. However, where powerful boards are in existence, there

will be a gross reduction in the amount paid to auditors as fees. The findings of Jensen and Zajac (2004) also support this position.

The study also found that all the three control variables (firm size, leverage and audit firm size) assert positive influence on audit fees, even though only firm size passed the significance test at 1%. The implication is that an increase in any of the three variables is capable of causing an increase in audit fees, but may not be significant. This position is supported by most previous studies. Even theoretically (in line with the demand-based theory of audit fee determination), it can be said that the bigger the size of the company the higher the audit fee paid by that company. Researchers like Akinpelu et al (2013) found a positive significant relationship between client size and audit fee. Others like Masodul, Saad, Asghar and Muhammad (2014); Urhoghide & Emeni (2014) also found in their study that firm size and leverage have a positive relationship with audit fee, although firm size was insignificant in their study. Theirs is equally consistent with the research by Walther, Ivaam & Glauco (2015) which found that clients with higher risks as measured by leverage spend more on auditing. On Big4, Walther et al (2015) argue that the size of the auditor will have a great influence on the audit fee charged as big auditors usually charge bigger fees because they strive to carry out quality audits in order to preserve their reputation. Their result also showed a positive relationship between big auditors and audit fee.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter looks at the concluding section of this study. It highlights the summary of findings, conclusion and also relevant recommendations from the research.

5.2 Summary of Findings

Thus study examined CEO domination, growth opportunities and audit fees in Nigeria. The following were deduced from the estimation:

1. There is no significant relationship between independent corporate boards and audit fees.
2. Growth opportunities exerts a significant influence on audit fees.
3. CEO directed - dominated ownership asserts significant influence on audit fees.

5.3 Conclusion

On the basis of the discussed findings of this research work, the facts have been clearly confirmed that CEO directed - dominated ownership and growth opportunities of companies are tantamount in determining the audit fee paid to their auditors. It becomes pertinent for Nigerian companies to ensure reduced CEO directed - dominated ownership and ensure less risky or innovative investments that complicates it accounting transactions if it must reduce its audit fees. One way to reduce CEO directed - domination ownership is by ensuring that majority shares are owned by non executive members of the company.

Reduced **audit fees serves to provide** more funds for company operations and distribution to shareholder **and stakeholders** of the company.

5.4 Recommendations

The recommendations from the study are presented below;

1. There is a need for companies to ensure that more non executive directors are included in the board of directors as this reduce the dominance of the CEO as such non - executive directors are not allegiant to the CEO.
2. Companies should choose members of the board that are of diverse academic, cultural and socio - political background to ensure that of cohesion of the board and allegiance to the CEO is avoided or reduced.
3. The powers of the CEO should be reduced and adequately divided to various key positions to ensure adequate checks and balances of transactions.
4. Companies should engage in less complicated transactions or simplify the treatment of its innovative transactions in order to ensure the ease of auditing by their auditors.
5. Companies should ensure the creation and maintenance of an internal audit department with adequate powers to check all transactions and investment decisions of the CEO and the Company in general.

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