KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

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THE EFFECT OF AUDIT FEES ON FIRM VALUE: EVIDENCE FROM THE GHANA STOCK EXCHANGE

By

MICHAEL DANSO

(BSC. Accounting)

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DECLARATION

'I hereby declare that this submission is my own work towards the award of the Master of Science in Accounting and Finance and that, to the best of my knowledge, it contains no material previously published by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text'.

Michael Danso ……………………… ………………

(PG9382221) Signature Date

Certified by

Dr. Joseph Oscar Akotey ……………………… ………………

(Supervisor) Signature Date

Certified by

Prof. Kingsley Opoku Appiah …………………… ………………..

(Head of Department) Signature Date

DEDICATION

I dedicate this project to my mother Joyce Aboagyewaa, my siblings Sandra, Jennifer and Edward, the school of business and the administration at the Kwame Nkrumah University of Science and Technology for being a strong pillar throughout my MSc program. Without their unwavering love and support, this project would not have been made possible. I am deeply humbled by the knowledge acquired and support accorded to me during my studies at the university.

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ABSTRACT

The study sought to investigate the effect of external Auditors on Firm Value among firms listed on the Ghana Stock Exchange. The study employed an explanatory research design to examine the effect of external auditors on firm value among listed companies on the Ghana Stock Exchange. Secondary data from annual financial reports of ten purposively selected firms were analysed using fixed effect and dynamic regression models. The study addressed endogeneity issues and performed diagnostic tests, including AR (1) and AR (2) tests for serial correlation. The findings suggest a negative relationship between audit fees and firm value on the Ghana Stock Exchange. Higher audit fees are associated with lower market values, indicating that investors may perceive them unfavourably. On the other hand, audit committee meetings have a positive effect on firm value, indicating that companies with more frequent meetings tend to have higher market values. These findings align with previous research on the negative impact of high audit fees and the positive influence of effective audit committees on firm value. The findings suggest that companies listed on the Ghana Stock Exchange should carefully consider the impact of audit fees on their firm value. Higher audit fees may be perceived negatively by investors and can potentially lead to a decrease in market value. On the other hand, the presence of active and engaged audit committees positively influences firm value. Therefore, companies should prioritize the establishment and effectiveness of audit committees to enhance investor confidence and ultimately increase their market value. Future research should explore the relationship between audit fees and firm value in different contexts and countries to validate the findings. Additionally, investigating the specific mechanisms through which audit committee meetings contribute to firm value would provide valuable insights for enhancing corporate governance practices.

TABLE OF CONTENT

LIST OF TABLES

CHAPTER ONE

INTRODUCTION

1.1 Background

External auditors play a significant role in ensuring that financial statements are reliable and accurate, which is important for investors, creditors, and other stakeholders (Asante-Darko et al., 2018). The Ghana Stock Exchange (GSE) is an important platform for firms to raise capital and increase their visibility. Given the importance of external auditors in enhancing the reliability of financial statements, it is reasonable to ask whether their involvement affects the value of firms listed on the GSE. The role of external auditors in enhancing firm value has been widely acknowledged in the academic literature (Jaradat et al., 2021; Agyei-Mensah and Yeboah, 2019; Asante-Darko et al., 2018). The credibility of a company's financial information may be significantly boosted by the work done by external auditors, who play a crucial role in assuring the dependability and correctness of financial statements. In turn, this may improve investor confidence, which can have a beneficial influence on the value of the organisation.

According to Asante-Darko et al. (2018), the function of external auditors has grown even more crucial in the context of Ghana, where there have been concerns about the quality of financial reporting and corporate governance. Independent assurance on financial statements may be provided by external auditors, which can contribute to an improvement in openness and a reduction in the information gap that exists between management and shareholders. This can help to mitigate agency costs, which can positively impact firm value (Ali et al., 2019). The importance of external auditors in enhancing firm value is rooted in the agency theory, which posits that the separation of ownership and control in a firm creates a conflict of interest between managers and shareholders. Managers, who are the agents, may act in their interests rather than in the interests of shareholders. This conflict can lead to agency costs, which are the costs associated with mitigating the agency problem (Kartika, 2021; Janardhanan and Uma, 2020). External auditors can play a critical role in reducing information asymmetry between managers and shareholders, which can mitigate agency costs. By providing independent assurance on the financial statements, external auditors increase the transparency and reliability of financial reporting. This, in turn, can enhance the credibility of a firm's financial information, which can positively impact firm value (Jaradat et al., 2021).

Additionally, the presence of external auditors can increase the accountability of managers to shareholders (Ravindran and Nagarajah, 2018). When managers know that their financial statements will be subject to external audits, they may be less likely to engage in financial mismanagement or fraud. This, in turn, can increase the level of trust that shareholders have in the firm's management, which can positively impact firm value (Ali et al., 2019). The link between external auditors and the value of a company is not always easy to understand and may be impacted by a wide variety of circumstances, including the size and complexity of the company, the regulatory environment, and the sector in which the company is active (El-Deeb, Halim, and Elbayoumi, 2022). Nevertheless, there is a body of research that demonstrates the presence of external auditors is connected favourably with the value of the company. For instance, Amoako-Adu and Smith (2020) observed that the existence of an external auditor was positively linked with the market value of businesses that were listed on the GSE. This association was determined to be significant. In a similar vein, the presence of external auditors was shown to have a positive correlation with the market value of Ghanaian banks in a research that was conducted by Kofi Agyekum and colleagues (2019). In addition, the existence of external auditors may have a beneficial effect on the value of a company by improving the credibility and reliability of financial reporting, elevating the level of openness, lessening the degree of information asymmetry, and lowering the amount of agency fees. Given the importance of the GSE as a platform for firms to raise capital and increase their visibility, the role of external auditors in enhancing the value of firms listed on the GSE cannot be overstated. Therefore, the study seeks to investigate the effect of external Auditors on Firm Value among firms listed on the Ghana Stock Exchange

1.2 Problem Statement

According to Asante-Darko et al. (2018), it is essential for investors, creditors, and other stakeholders to be able to rely on the trustworthiness and correctness of a company's financial statements when making educated choices regarding the business. The credibility and reliability of financial reporting may be significantly improved by the involvement of external auditors, which in turn can have a beneficial effect on the value of the company. Corporate governance and the quality of financial reporting have been a source of concern in the setting of the Ghanaian economy, which makes the job of external auditors even more essential (Agyei-Mensah and Yeboah, 2019; Asante-Darko et al., 2018). This makes the role of external auditors even more significant. The Ghana Stock Exchange (GSE) is an essential forum for businesses looking to boost their visibility and their ability to attract investors. However, there has been a problem with the quality of financial reporting and corporate governance in Ghana, which has resulted in questions over the dependability and accuracy of financial accounts (Ali et al., 2019).

According to Dwumah (2017) and Mawutor et al. (2019), the presence of external auditors has been recognised as a crucial aspect in boosting the credibility and reliability of financial reporting. This, in turn, may improve investor trust and favourably effect corporate value.

Previous research (e.g., Musah, 2017; Coffie et al., 2018) has investigated the link between external auditors and company value in a variety of settings, and the results have been varied depending on the environment. In established nations, research (Wijaya and Yustina, 2019; Janardhanan and Uma, 2020) has revealed a favourable correlation between external auditors and business value. However, the research on developing economies, such as Ghana, is few and has yielded conflicting findings. It is becoming more necessary for external auditors to play a role in improving the credibility and reliability of financial reporting, particularly in Ghana, where there are concerns about the quality of corporate governance and financial reporting.

Prior research on the link between external auditors and business value in the Ghanaian environment have been limited and have not reached a definitive conclusion. This is despite the fact that external auditors are very important. The contradictory findings from these research call into question the nature and trajectory of the connection between external auditors and corporate value in Ghana. Existing research (Agyei-Mensah and Yeboah, 2019; Asante-Darko et al., 2018) have mostly focused on the general connection between external auditors and business value. However, these studies have not investigated the possible effect of other firm-specific parameters, such as size, and industrial sector as a control variable. Therefore, there is a need for more empirical research that takes into consideration these business-specific aspects and offers a more nuanced view of the link between external auditors and firm value in Ghana. This kind of study would be conducted in Ghana. The purpose of this research is to find a solution to the issue by investigating the impact that external auditors have on the value of companies operating within the setting of the Ghana Stock Exchange while accounting for the influence of other variables that are unique to each companies. The purpose of this study is to make a contribution to the existing body of knowledge by investigating the many factors that might have led to the contradictory findings obtained from earlier research and provide more solid information about the connection between business value and external auditors in Ghana. Because of this, the findings of this research will be of great use to policymakers, investors, and other stakeholders in Ghana who are interested in improving the quality of financial reporting and corporate governance.

1.3 Objectives of the Study

The main purpose of the study is to investigate the effect of external Auditors on Firm Value among firms listed on the Ghana Stock Exchange, with the following specific objectives;

1. To evaluate the effect of audit fees on the firm value of listed companies on the Ghana Stock Exchange.
2. To investigate the effect of audit committee meetings on the firm value of listed companies on the Ghana Stock Exchange.

1.4 Research Question

1. What is the effect of audit fees on the firm value of listed companies on the Ghana Stock Exchange?
2. What is the effect of the audit committee meeting on the firm value of listed companies on the Ghana Stock Exchange?

1.5 Significance of the Study

The study contributes to the literature by exploring the relationship between external auditors and firm value in the Ghanaian context, which has been limited and inconclusive. This study's findings will provide more robust evidence of the effect of external auditors on firm value while controlling for other firm-specific factors. Additionally, the study will explore the potential reasons behind the mixed results found in prior studies. This will help to advance the theoretical understanding of the relationship between external auditors and firm value in emerging economies like Ghana. The study's findings will be useful for policymakers interested in enhancing financial reporting quality and corporate governance in Ghana. The study's results may inform policies that promote the use of external auditors and encourage firms to maintain high-quality financial reporting standards.

This may lead to increased investor confidence and positively impact firm value. This study may serve as a springboard for further investigation into the connection between external auditors and the value of firms in other developing economies. It is possible for future research to expand on the results of this study by investigating other company-specific characteristics that have the potential to alter the link between external auditors and business value. In addition, potential future study may make use of additional research methodologies, such as interviews or surveys, in order to get a more in-depth comprehension of the connection between external auditors and business value in Ghana.

1.6 Scope of the Study

Companies that are traded on the Ghana Stock Exchange are included in the scope of this research. The influence of external auditors on business value is the primary focus of this research, with consideration being given to other firm-specific characteristics like firm size, age, and industrial sector. The research makes use of information that is already publicly available, such as the annual reports and financial statements of the companies that were chosen for the study. The study will not cover non-listed firms, non-Ghanaian firms, or firms from other stock exchanges outside of Ghana. The study will also not address other aspects of corporate governance or financial reporting quality beyond the role of external auditors in enhancing the credibility and reliability of financial reporting.

1.7 Methodology

To investigate the impact that external auditors have on the value of companies that are listed on the Ghana Stock Exchange, a quantitative research strategy was used by the researchers. In order to explore the connection between external auditors and the value of a company, the explanatory research design was selected as the appropriate method. The yearly financial reports of ten carefully chosen businesses, all of which had data accessible from 2010 to 2021, served as the source of the secondary data that was utilised in this study. The research used partial frontier techniques to get rid of outliers and eliminated companies who had missing data for any of the factors that were of interest to the researchers. In the research, the de-consolidated data were evaluated at the company level, and companies that had less than 10 years' worth of consecutive observations were eliminated. In order to explore the influence that external auditors have on the firm value of Ghanaian-listed companies, panel data were analysed using the fixed effect model. Using the generalised methods of moments (GMM) estimator that was created by Arellano and Bond (1991), a dynamic model was also utilised to account for heteroscedasticity, endogeneity, serial correlation, and the propensity of firm value to endure over time. This model was used to account for the tendency of firm value to endure over time.

1.8 Limitations of the Study

Similar to any academic study, the suggested research concerning the impact of profits management and corporate governance procedures on dividend policy in publicly traded firms in Ghana has some constraints. The research is based on data only from Ghana, which may restrict the applicability of the results to other settings. The unique cultural, economic, and institutional factors of Ghana may impact the results, and caution should be exercised when applying the findings to other countries or regions. Secondly, the study uses secondary data, which may have limitations in terms of completeness and accuracy. The quality and availability of data can affect the reliability and validity of the findings, and researchers must take steps to ensure that the data used in the study are robust and representative. Thirdly, the study may face the challenge of endogeneity, which can occur if there are unobserved factors that influence both earnings management and dividend policy decisions. To mitigate this issue, the study will use appropriate econometric methods to control for potential endogeneity. Lastly, the study focuses on the impact of earnings management and corporate governance mechanisms on dividend policy decisions, but it does not explore the reasons behind these decisions. Further research may be needed to understand the motivations and drivers of dividend policy decisions in Ghanaian listed companies.

1.9 The Organization of the Study

This thesis is broken up into five different segments. In the introductory chapter, you will find information on the history, the problem statement, the aims, the hypotheses, the importance, the scope, and the limits of the research. In Chapter 2, a theoretical and empirical survey of the relevant literature is presented. In addition to the literature, Chapter Two contains a synopsis, a research gap, and a conceptual framework that are all relevant to the investigation. The variables that were utilised in the research are outlined in the third chapter, along with the data source, the instrument, the sampling technique, and the method that was used to analyse the data. In the fourth chapter of the research project, both the results and the debates are provided. These are based on the material that was obtained from both secondary and primary sources. The results of the descriptive statistics, correlation analysis, and regression analysis are also described in the fourth chapter of this research. In the fifth Chapter, you will discover both the conclusion and the suggestions that are based on the results.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The study investigates the effect of external Auditors on Firm Value among the firms listed. The study is divided into five (5) parts which include the conceptual review, the theoretical review, the empirical findings from various literature, the conceptual framework and lastly summary of the chapter.

2.1 Conceptual Review

2.1.1 External Auditors

According to Katamba, Voon, Min, and Seow (2017), a "external audit" is defined as "an impartial, independent examination of a company's business and financial condition" performed by an external auditor. The fundamental responsibility of the external auditor is to instill in the shareholders of the business a level of reasonable trust that the firm's financial statements are accurate and do not include any material deception. In addition to this, they are obligated to do an analysis to determine whether or not the financial statements are precise, exhaustive, and in agreement with the Generally Accepted Accounting Principles (GAAP). It is impossible to overestimate the significance of the role that shareholders play in the selection of external auditors to protect their assets. According to Rashid (2017), achieving an open and honest evaluation of the operations of a firm requires carefully selecting an auditor who is qualified in the field. When used in a variety of contexts, the phrase "reasonable assurance" may take on a variety of meanings, each of which might cloud the original meaning. Therefore, it is necessary for auditors to compile adequate evidence to demonstrate that the company's internal controls are in accordance with stringent accounting rules. The word "reasonable assurance" is quite open to interpretation since it is the auditor's responsibility to establish what kinds of activities and business environments a company engages in to decide what kinds of things qualify as "reasonable assurance" for that organisation. It is possible that a more in-depth inspection of the company based on the audit risk model would be considered reasonable assurance if auditors assess that specific organization is at risk owing to the nature of their activity. As a result, auditors must rely heavily on their own judgement, which is inherently arbitrary (Jaf and hamid Ahmad, 2021).

Auditors run the risk of providing an unsuitable opinion when financial statements include serious misstatements. Errors or omissions in materials that potentially influence a user's business decisions are becoming the norm. A misrepresentation occurs when there is a discrepancy between an entity's report and a necessary categorization, quantity, or disclosure. When conducting audits, auditors encounter challenges such as deciding what information should be disclosed, how to treat specific transactions, and what factors to use in their analysis (Rashid, 2017). There is a lot of leeway in modern accounting standards that give businesses the freedom to use whatever techniques and judgements they see fit. This creates a further challenge for auditors, who must know enough about the subject matter to determine whether or not a certain course of action is suitable, given the fact that managers in various organizations may deal with different aspects of accounting.

2.1.2 Why the Need for An External Audit?

The auditing process itself gives important and valuable knowledge in addition to the essential of fulfilling the legal requirements for a statutory audit. An audit evaluates if a company is portraying a genuine and fair picture of its financial performance and conditions, which is something every business seeks to achieve (Lukman and Irisha, 2020). Internal systems and controls are enhanced by an external audit. Instead of focusing just on the financial data, auditors will acquire knowledge regarding the larger context of the organization, including its systems and controls. As a consequence of this, they will be able to identify flaws in the accounting systems or controls and provide recommendations that, if implemented, would improve the effectiveness of your business while also lowering its susceptibility to errors and fraud.

An external audit provides credibility. In comparison to financial statements that have not been audited by an independent auditor, yours will be seen as more credible in the business world (Dobija, 2015). Having audited accounts boosts your chances of succeeding in reaching your goals, should you ever be looking to borrow finance or sell your firm. This assurance that your accounts are free of material error or fraud is offered by having audited accounts.

An external audit gives shareholders confidence. Many businesses are run on behalf of shareholders by a small board of directors, who may be remote and have little influence on day-to-day operations. The shareholders can be transparently assured that the business is being managed in their best interests by an independent assessment of the financial accounts, which can also draw their notice to any problems that may not have been put to their notice (Schnackenberg and Tomlinson, 2016).

2.1.3 Audit fees

Audit fees are the compensation that a firm pays to external auditors in exchange for the services that they provide. The complexity of a business's operations, the size of the organization, the risk profile of an industry, and the amount of audit work that must be done may all have an effect on the amount of money that must be paid for the audit. According to previous studies (Kikhia, 2015; Stanley, 2011), there is a link between the amount of money spent on the auditing firm and the quality of the audited company's operations. As a consequence, audit fees are proportional to the amount of time and resources used throughout the process of revising and validating the financial statements (Moutinho et al., 2012). As a result, the resources required and the expenses involved with conducting the audit will increase proportionally with the size of the firm being audited. This is because there will be more processes and data to carry out. According to Ganesan, Narayanan, Haron and Pitchay (2019) one may thus assume that there is a positive connection between the size of the corporation and the audit fees.

The market for auditing services may be roughly broken down into two categories: those that belong to the "Big 4"—that is, EY, PwC, Deloitte and KPMG and those that have a lower business volume and provide lower quality services. Not only will the reputation and worth of a Big 4 company compromise a greater assurance quality, but it will also contribute favorably to the firm valuation. This is because Big 4 firms have less historical litigation antecedents, which naturally inflates the fees (Ittonen, Johnstone and Myllymäki, 2015; Francis, Mehta and Zhao, 2017; Nkemjika, Sunday and Nwamaka, 2017). This is because Big 4 firms have fewer historical litigation antecedents than other accounting firms. Large organizations are often the ones who are ready to pay such fees; however, this also suggests higher liability costs, which may represent an incentive for a better audit performance (Abernathy, Kang, Krishnan and Wang, 2018). Large companies are the ones who are willing to pay those fees.

2.1.5 Firm value

It is essential to quantify value using financial data since doing so acts as a helpful guide for decision making and enables the identification of the most suitable alternative for planning, directing, and regulating (Al-ahdal et al., 2020). Traditionally, analysts have utilised accounting measures (like return on assets and return on equity) and market-based indicators (like Tobin Q) to evaluate a business's success (Bennouri et al., 2018; Ciftci et al., 2019). Market-based performance measures are influenced by investors' sentiments, behaviours, and beliefs, as well as analysts' projections of future earnings potential (Yang et al., 2019), and they are measured with indices such as the return on assets (ROA), return on equity (ROE), and return on invested capital (ROIC), all of which are calculated according to accounting principles that are legally enforceable and independently audited. In this study, the performance of the listed Ghanaian companies in Ghana is evaluated using a combination of accounting-based performance indicators (i.e., ROA and ROE). The purpose of this evaluation is to obtain a great deal of insight into how the various constructs that are being considered contribute to the performance of the listed firms. Specifically, the ROA and ROE are the accounting-based performance indicators.

2.2 Theoretical framework

2.2.1 Agency Theory

The "agency theory" refers to the relationship that exists between owners (like investors in a corporation) and agents (like directors of the firm). According to this concept, company owners hand over their responsibilities to employees known as agents. The shareholders' interests are represented by the company's directors and management, who are responsible for the day-to-day operations of the business. Shareholders have the right to anticipate that agents would behave and make choices in a manner that will provide the greatest possible financial advantage to the principle. On the other hand, the agent also anticipates that the shareholders (the primary) will offer them incentives that will enable them to make decisions that are in their own best interest. It is possible that the agent will prioritize their own self-interest or the maximization of their profits, which will result in the agent falling short of the standards set by the principal. The contrast between control and ownership is the most important idea that underpins agency theory. According to this idea, individuals or workers are held responsible for the decisions they make and the commitments they take on. According to Nyarko et al. (2017), the use of incentives and penalties as motivational tools might cause agents to reorder their priorities.

According to Tamburini (2016), the Agency theory is pertinent to the study because it offers a strong theoretical framework for explaining the principal-agent interaction and giving solutions to the agency problem. This makes the theory relevant to the topic that is being investigated. Therefore, by finding a solution to the agency problem, agency conflicts can be reduced, shareholder returns can be enhanced, and overall, the performance of the organization may be improved. In addition, agency theory places an emphasis on maximizing the usefulness of management board members and shareholders for the benefit of the agent, on whose behalf these individuals are operating. Because shareholders (as principals) are motivated by different things than managers (as agents), the latter may not always behave in the best interests of shareholders, which can result in agency problems such as inefficient investment choices and wasted expenditures (Ika and Ghazali, 2012). According to Payne and Petrenko (2019), the existence of a knowledge gap between principals and agents is directly tied to the ability of managers to operate in a manner that is opposed to the interests of shareholders. According to Garcia-Sánchez et al. (2019), when placed in this context, transparency is a technique for minimising the imbalance of knowledge that exists between shareholders and management. According to the agency theory, the audit committee functions as a monitoring body and is burdened with the obligation of guaranteeing the accuracy of disclosures. This contributes to the reduction of information asymmetry and acts as a monitoring body according to the agency theory.

2.3 Empirical Review

2.3.1 Audit fees on the firm value

For deposit-taking SACCOs in Kenya's North Rift Region, Serem, Fwamba, and Benedict (2020) investigated the effects of audit fees on financial performance, the effects of audit firm tenure on financial performance, the effects of auditor independence on financial performance, and the effects of audit firm experience on financial performance. All of these factors were found to have an impact on financial performance. The research used an approach known as descriptive cross-sectional research. The sixteen deposit-taking SACCOs located in the North Rift Region of Kenya each had a total of 266 workers, all of whom were included in the survey. Purposeful sampling was used to choose 48 CEOs, CFOs, and internal auditors from deposit-taking SACCOs to participate in the study. The data was analysed using SPSS version 25 for inferential and descriptive statistics. It was found that the financial performance of deposit-taking SACCOs in Kenya's North Rift Region is significantly influenced by audit firm tenure, audit fees and audit firm expertise.

Independent auditor fees were examined by Martinez and Moraes (2014), which was done in Brazil between 2009 and 2011. The research method used was a descriptive one. The sample population consisted of 300 publicly listed enterprises. The research evaluated financial health using Tobin's Q square and total assets. Higher audit fees are indicative of a healthier economy, as evidenced by the findings. The results reveal that audit costs have a positive correlation with a company's worth. The research also demonstrated that organisations with good audit quality, which increases their company worth, are willing to pay higher audit rates.

Moutinho (2012) looked at how audit fees correlate with business performance. A fixed effects model is proposed to predict company operational performance using a sample of U.S. publicly listed, non-financial enterprises covering the period from 2000 to 2008. Size, leverage, sales growth, and R&D intensity were included as usual control variables in the model. In addition, corporate governance standards were put in place. The link between business performance and audit fees is examined, and actual data is provided. In particular, lower (higher) audit costs are associated with better (worse) operational performance.

Small and medium-sized expanding firms listed on the Market for Alternative Investment (MAI) had their audit fees, audit risk, capital structure, and financial performance studied by Vilalai (2022). The study's overarching objective is to examine the financial health of the aforementioned companies and the relationship between audit risk and audit fees. The population and sample groups for the research were comprised of MAI-listed enterprises, and the study period spanned from 2018 to 2020, covering a total of 444 company years. Descriptive statistics and multiple regression were used to examine the data. According to the results, audit costs more when an auditor provides more complete confidence. It was evident that audit risk, capital structure, and financial performance all have a real impact on audit fees, including if employing the services of a large audit firm, where the capital structure and size of the business both lead to an increase in examination fees, and where the increase in financial performance leads to a decrease in the audit fee.

Martinez and da Jesus Moraes (2014) used Tobin's Q to look into how audit costs compare to those of other service types. They assess the link between Tobin's Q and the auditors' compensation scaled by total assets using a sample of Brazilian public businesses throughout the period from 2009 to 2011. To further support the findings, the study also proposes a second model including the auditors' absolute compensation. It appears that Tobin's Q has a considerable positive and negative association with audit and non-audit fees. In particular, Tobin's Q of the audited corporation rises as audit fees rise but falls as non-audit costs rise.

2.3.2 Audit committee meetings on the firm value

Taking into consideration the authority of the CEO and block shareholders, Ben Barka and Legendre (2017) analysed the relationship between independent directors, the audit committee (AC), and the overall performance of the firm. They test three models of business performance using the maximum likelihood estimator, using assumptions from agency theory and cylindered panel data. Increased economic and equity success can be directly attributed to the board's autonomy. However, a totally autonomous AC or one that has numerous meetings is linked to worse company performance.

In a study focusing on non-financial enterprises in Saudi Arabia, Hassan Bazhair (2022) assessed the impact of audit committee quality on financial performance evaluation. One hundred firms' worth of financial data was utilised in the research, spanning the years 2010 through 2019. The results were analysed using panel data techniques. Audit committee size and meeting frequency are inversely related to firm performance, according to the literature. Independent audit committees are associated with higher levels of financial knowledge and profitability.

Financial results for enterprises were correlated with audit committee characteristics, which Issaa and Siam (2020) analysed. Thirty-seven manufacturing companies listed on the Amman Stock Exchange (ASE) between 2013 and 2017 were selected as a sample. An audit committee's worth may be measured using an index that takes into account the committee's independence, size, frequency of meetings, and expertise in financial matters. The characteristics of audit committees were shown to have a positive relationship with financial results for organisations. The statistics also suggest that an improvement in business performance occurs when a link is established between family ownership and the effectiveness of the audit committee.

Balagobei and Thirunavukkarasu (2018) conducted research on the impact of having an audit committee on the overall performance of 15 Sri Lankan enterprises in the hospitality and tourism industries. They found that the audit committee's independence, the expertise of its members, and the frequency of its meetings all had significant effects on the operational effectiveness of Sri Lanka's publicly traded hotels and travel companies. Furthermore, it was shown that the audit committee's size did not significantly affect the company's performance.

Balagobei (2017) looked at the impact of the audit committee on the usefulness of financial statements for publicly listed hotels and tourist enterprises in Sri Lanka. She argued that factors such as audit committee independence, audit committee expertise, and audit committee meeting frequency all have an impact on the book value per share of publicly traded hotels and travel companies in Sri Lanka. Earnings per share may also only be influenced by the experts on the audit committee. There was no convincing evidence that the audit committee's independence had any appreciable effect on the usefulness of the financial statements.

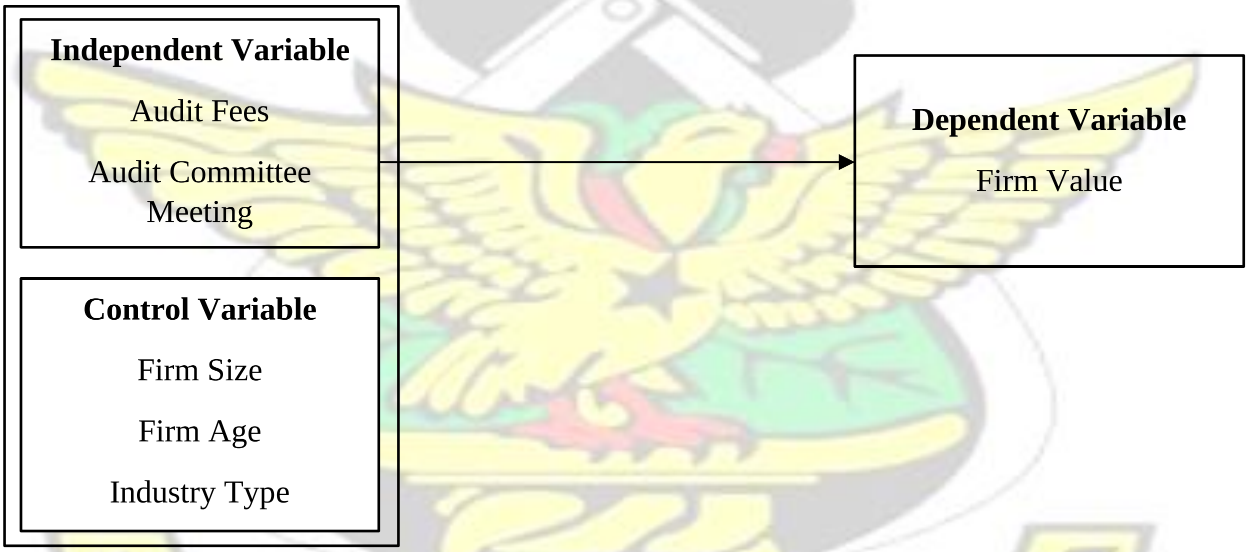
Al Farooque, Buachoom and Sun (2020) evaluated the effects of ownership structures and characteristics of corporate boards and audit committees on the market-based financial performance of listed companies in Thailand. A total of 452 companies trading on the Thai Stock Exchange between the years 2000 and 2016 are used to test the resilience of the system GMM alongside regular least squares and fixed effects. The empirical findings, which rely heavily on the system GMM estimator, point to developing tendencies in the Thai economy. Managerial ownership has a positive effect on performance, while ownership concentration and family ownership have no discernible effect on market-based firm performance, contrary to expectations for an emerging market and previous research findings. Thai enterprises' market-based performance is significantly explained by board structure characteristics such as board independence, board size, meeting frequency, and dual roles, and audit committee meetings.

Kamau, Boiywo and Kiprop (2018) analysed the impact of external audit results on the fiscal performance of Nakuru County. The research used a descriptive survey research approach and its subjects were upper and lower-level finance department management personnel. The census technique was used to randomly choose 80 workers from the County Government of Nakuru. The data was gathered with the help of structured questionnaires, the validity of which was determined with the help of a content validity index, and the reliability was determined with the help of a Cronbach alpha value of 0.7. Descriptive statistics were derived using frequency distributions, and inferential statistics were derived using Ccorrelation analysis, Fisher's exact test and regression analysis to probe the link between external audit findings and County

Government of Nakuru finances. The study concluded that the County administration of Nakuru benefited monetarily from the findings of external audits.

2.4 Conceptual framework

To better comprehend the impact of external auditors on a company's value, especially in regards to audit fees and audit committee meetings, the framework is examined through the lens of agency theory. Conflicts of interest between principals (shareholders) and agents (managers) are the subject of agency theory, which seeks to find solutions to these problems. Firm value is the dependent variable, whereas firm size, firm age, and industry type are the control factors. The independent variables are audit fees and audit committee meetings.



Source: Author's Construct (2023)

2.5 Hypothesis development

2.5.1 Audit fees, Audit committee meeting and firm value

The connection between audit quality and financial reporting quality has been the subject of several studies. Two studies that link audit quality to earnings quality are those by Bruce, Becker and Reinartz (2020) and Bruce et al. (2008). The outcome is consistent across companies in Taiwan, according to Huang, Chiou, Huang and Chen (2015). Van et al. (2002)

found a correlation between the closeness of a company's connection with its auditing firm and the accuracy of those reports' financial statements. They discover that companies having shorter working relationships with audit firms tend to produce lower-quality financial reports. Audit costs and lawsuit risk have been found to be correlated with audit quality in the past.

Vanstraelen and Schelleman (2017), for instance, look at auditors' interactions with European companies. They discover that in a framework where financial statements must be in line with tax authorities, auditors pay more attention to earnings manipulation. Choi et al. (2010), however, discover that positive atypical audit fees have a detrimental impact on audit quality. Despite the fact that Sharma, Tanyi and Litt (2017) show that audit fees are greater when the danger of a lawsuit is higher, Hope and Langli (2010) discover that audit quality, i.e., independence, is not dependent on audit fees even when the risk of litigation is low. Previous auditing research has indicated that audit quality, audit fee, and audit environment are all crucial factors. Business risk (Yang, Yu, Liu and Wu 2018), litigation risk (Bronson, Ghosh and Hogan 2017), financial reporting risk (Charles et al., 2010), and client integrity (Beaulieu, 2001) have all been shown to be significant factors in the pricing of audit fees. However, Niemi, Knechel, Ojala and Collis (2018) imply that audit hours are increased but audit fees are not. Previous research has seldom looked into the link between audit costs and profitability. Business risk is the driving force behind the correlation between audit fees and firm performance. Reduced productivity is one consequence of increased company risk. This study provides support for the hypothesis that a higher level of company performance is associated with a lower level of risk, as measured by the audit fee. Therefore, an audit fee should have a negative correlation with a firm value.

H1: Audit fee has a negative influence on firm value

2.5.2 Audit committee meeting and firm value

Audit committee activity has traditionally been measured, at least indirectly, by the number of meetings it holds (Fariha et al., 2021; E. M. Al-Matari, 2019). A good indicator of the audit committee's monitoring effectiveness is the frequency of its meetings. More frequent meetings of the audit committee result in better oversight and monitoring of financial activities, including the preparation and reporting of corporate financial information (Al-Matari, 2013). If the audit committee doesn't get together very often, its members probably don't know much about the business's state of affairs. For instance, Abbott et al. (2004) found that having at least four meetings annually lowered the likelihood of companies restating their financial reports. Both public and private institutions were found to exhibit this phenomenon.

Comparative research shows that organisations with financial difficulties are less likely to have audit committee meetings than those without such problems (Hasan et al., 2022; Ben Barka and Legendre, 2017). Researchers Alzeban (2020), Musallam (2020), and others found that the more often the audit committee meets, the better the company does. This evidence conforms to the norms proposed by the Jordanian code of best practise for corporate governance (ASE 2015). There must be at least four meetings each year between the audit committee and the board.

H2: Audit committee meetings have a positive effect on firm value.

2.6 Summary

The influence of external Auditors on Firm Value is the topic of investigation in this research, which focuses on enterprises that are listed on the Ghana Stock Exchange. The idea that served as the foundation was called agency theory. Previous research addressed the issue by investigating how the presence of external auditors influences the value of a company within the framework of the Ghana Stock Exchange, while accounting for the influence of other variables that are unique to the company. The purpose of the study is to provide a contribution to the existing body of knowledge by investigating the factors that can explain the contradictory findings obtained from earlier research and presenting more solid information about the connection between external auditors and business value in Ghana.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The techniques and procedures that are used to complete the study's objectives are discussed in this chapter. More details about the study's design, including its data type and source, methodology, and its model formulation, are all provided in this chapter. Also included were details about the variables used in the study and the results of any diagnostic tests conducted on the research model used.

3.1 Research Design

According to Coffie et al. (2018), the techniques, methods, and instruments that a researcher employs in the course of an inquiry are collectively referred to as the study design. It is of the utmost importance to choose an acceptable research design that corresponds with the subject matter of the study and the proposed methodologies. In the current investigation, a quantitative research strategy was used in order to investigate the impact that external auditors have on the value of companies that are listed on the Ghana Stock Exchange. In particular, the purpose of the research is to assess the influence that audit fees and audit committee meetings have on the total market value of the listed businesses on the exchange. In order to accomplish this goal, an explanatory research strategy was used. This approach enables an in-depth exploration of the link between causes and effects in the study variables, which was the primary focus of the research. According to Yang et al. (2018), this study approach is appropriate for the purpose of assessing the impact that external auditors have on the value of publicly traded companies. In the present investigation, the explanatory design was judged suitable for the purpose of determining the connection between external auditors and the worth of the business.

3.2 Data and Source

In this study, the nature of the research warrants the use of secondary data to test the proposed hypotheses. The requirement to gather second-hand information on the link between external Auditors and Firm Value among businesses listed on the Ghana Stock Exchange is the basis for this decision. The selection was made because of this necessity. The secondary data came from the yearly financial reports of the chosen companies, which were collected. To ensure data quality, the study employed partial frontier approaches to identify and eliminate outliers. Lastly, any firms in Ghana with missing data for any of the variables of interest were excluded from the study sample.

3.3 Sample and Population

The primary aim of this study is to investigate the impact of external auditors on firm value among listed firms in Ghana. Given data availability, only firms with available data from 2010 to 2021 were considered for inclusion in the study. Due to limitations in resources and time, a purposive sample of ten firms was chosen. Purposive sampling, also known as judgmental sampling, was employed to select the sample for the study. This sampling technique is based on the extent to which the units that make up the target population meet the criteria of providing easy access to the relevant data (Jefferis et al., 2020; Coffie et al., 2018). Using the collected data, the study analysed the de-consolidated data at the firm level (see Asante-Darko et al., 2018) and removed firms with less than ten consecutive annual observations. The study sourced all the required variables from the financial reports of selected firms in Ghana. For the analysis, a panel data approach was used, with a data pool spanning the years 2010 to 2021.

3.4 Methods of Estimation

The study analysed how external Auditors affect the firm value of Ghanaian-listed firms. Using standard methods of estimation, such as fixed effect and random effect regression models, the researcher analysed panel data in line with the existing literature (Wijaya and Yustina, 2019; Agyei-Mensah and Yeboah, 2019; Asante-Darko et al., 2018). The fixed effect model was used because it performed best in the Hausman test. From the model, the two objectives stated in chapter one are analysed using:

$$Tobin's\ Q_{it} = \beta_0 + \beta_1 AF_{it} + \beta_2 AM_{it} + \sum_{c=1}^{3} \beta_3 CONTROL_{it} + \varepsilon_{it} \quad (3.1)$$

Where $Tobin's\ Q_{it}$ $is\ company\ market\ value\ to\ its\ replacement\ cost\ of\ firm\ i$ over the period t, AF_{it} is the audit fees of firms i over the period t, AM_{it} is the audit meeting of firms i over the period t. Also, $CONTROL_{it}$ is the control variable thus firm size, firm age, and industry type of firms i over the period t, and ε_{it} is the error term in the model.

However, in accordance with Berger et al. (2000), Dietrich and Wanzenried (2011), and Luo et al. (2016), the team employed a dynamic model to provide test robustness and to account for heteroscedasticity, endogeneity, serial correlation, and the tenancy of firm value to endure over time. For linear regression. The dynamic model of Eqn (3.1) can be expressed as follows:

$$Tobin's\ Q_{it} = \beta_0 + \beta_1 Tobin's\ Q_{it_{it-1}} + \beta_2 AF_{it} + \beta_3 AM_{it} + \sum_{c=1}^{3} \beta_4 CONTROL_{it} + \varepsilon_{it}$$

(3.2)

3.6 Diagnostic test

The researcher used the two-step system estimator technique that was presented by Arellano and Bover (1995) and Blundell and Bond (2000) in order to solve endogeneity concerns that were present in the literature about financial management. In this method, the dependent variable that is being explained is supplemented by a lagging independent variable. In addition, the researcher developed instruments for endogenous variables by using a GMM process that included two steps. Specifically, in order to address the possibly endogenous factors, the research used the historical values of all of the variables in question as instruments, as recommended by Kosmidou (2012). The Hansen/Sargan test was carried out in order to investigate the degree to which numerous delays may be relied upon as an instrument (Malik, 2011). In addition, the research employed AR (1) and AR (2) to quantify first-degree serial correlation and second-degree serial correlation, respectively. According to Phan et al. (2020), correlations between AR (1) residuals and AR (2) residuals are not only possible but should also be avoided at all costs. Also, multicollinearity occurs when the independent variables, in this instance the variables relating to risk management indicators, are strongly interrelated; their presence may have a deleterious influence on the regression findings (Shad et al., 2019).

One of the fundamental assumptions that underpin the use of a panel regression model is that the variables are uncorrelated. Nevertheless, there are situations when variables are correlated sequentially, which is referred to as "serial correlation (Shad et al., 2019). Although the regression estimates derived using the ordinary least square model are still unbiased, they are inefficient owing to the serial correlation between variables. Durbin-Watson test was performed to assess the presence of serial correlation in the model. The Durbin-Watson statistic is a quantitative measure of autocorrelation in regression residuals from statistical models (Gado, 2015; Kosmidou, 2012). Durbin-Watson statistics are always in the range of zero to four. A score of two shows that the sample is uncorrelated, while values near zero indicate positive autocorrelation and values near four imply negative autocorrelation

Table 3.1 Variable Description

Variables	Operationalization	Literature source
	Dependent variable	
Tobin's Q	Q = (Market Value of Equity + Liabilities) / Total Assets	Coffie et al. (2018)
	Independent Variables	
Audit fees	Audit fees measured the total amount paid by a company to its external auditor for the auditing services provided during a fiscal year.	
Audit committee meeting	It measures the number of audit committee meetings held within a fiscal year	Coffie et al. (2018)
	Control Variables	Coffie et al. (2018)
Firm Size	"Natural log of the total assets"	
Firm age	The age of the firm	
Industry Type	Dummy, 1 if the firm is in the financial sector and 0 otherwise	Coffie et al. (2018)

Source: Authors Compilation (2023)

3.7 Chapter Summary

The purpose of this research was to investigate the effect that external auditors have on the value of companies that are listed on the Ghana Stock Exchange. The researchers used a quantitative explanatory study approach and utilised secondary data taken from the annual financial reports of ten different companies that were chosen based on the availability of data from 2010 to 2021. They removed companies that had missing data or less than ten consecutive yearly observations from the analysis and eliminated outliers by using partial frontier techniques. Panel data were analysed with the fixed effect model, and a dynamic model was also used to account for heteroscedasticity, endogeneity, serial correlation, and the tendency of firm value to endure over time by employing the generalised methods of moments (GMM) estimator that was developed by Arellano and Bond (1991). Both models were analysed with the generalised methods of moments (GMM) estimator.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

The results of the research analysis are presented and interpreted in this chapter, which focuses on that aspect of the project. The subsequent output consists of variable descriptions, correlations, and panel regression model estimates, more notably random effect and GMM. The next step is an analysis of the findings and a discussion of how they relate to previously published research and hypotheses.

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics

Variable	Mean	Max	Min	Std. Dev	Observation
Tobin's Q	3.547	171.643	0.033	15.847	120
AF	16.394	49.260	1.649	11.703	120
ACM	7.219	9.800	4.200	1.582	120
FS	16.813	26.503	0.000	8.262	120
FA	52.000	115.000	25.000	21.853	120
IT	0.500	1.000	0.000	0.502	120

Source: Author Computation (2023): *Where Tobin's Q is the market value, AF is Audit fees, ACM is Audit committee meeting, FS is Firm Size, FA is firm age, and IT is an industry type*

The table provides descriptive statistics for six variables: Tobin's Q, AF, ACM, FS, FA, and IT. Tobin's Q represents the market value of a company and has a mean of 3.547. The maximum value observed is 171.643, indicating the presence of companies with significantly higher market values. Conversely, the minimum value is 0.033, suggesting the existence of companies with very low market values. The standard deviation of 15.847 implies that there is considerable variation in Tobin's Q across the sample of 120 observations. The variable AF represents audit fees and has a mean value of 16.394. The maximum audit fee observed is 49.260, while the minimum is 1.649. The standard deviation of 11.703 suggests some variation in audit fees across the sample. ACM stands for Audit Committee Meeting and has a mean value of 7.219. The maximum number of audit committee meetings observed is 9.800, while the minimum is 4.200. Given that the sample has a standard deviation of just 1.582, it can be deduced that there is only a moderate amount of variance in the total number of audit committee sessions.

FS represents Firm Size and has a mean value of 16.813. The maximum firm size observed is 26.503, while the minimum is 0.000. The standard deviation of 8.262 indicates that there is considerable variation in firm sizes across the sample. FA stands for firm age and has a mean value of 52.000. The maximum firm age observed is 115.000, while the minimum is 25.000. The standard deviation of 21.853 suggests some variation in firm ages across the sample. Lastly, IT represents industry type and has a mean value of 0.500. This variable takes binary values (0 or 1), with 0 representing one industry type and 1 representing another. The maximum value of 1.000 indicates the presence of companies belonging to the second industry type, while the minimum value of 0.000 suggests the presence of companies belonging to the first industry type.

4.2 Correlation Analysis

Table 4.2: Correlation Matrix

S/N	Variable	1	2	3	4	5	6
1	Tobin's Q	1					
2	AF	-0.104	1				
3	ACM	-0.005	-0.016	1			
4	FS	0.034	0.052	-0.029	1		
5	FA	-0.121	-0.021	-0.086	0.248**	1	
6	IT	0.076	0.150	0.047	0.642***	0.381***	1

Source: Author Computation (2023): *Where Tobin's Q is the market value, AF is Audit fees, ACM is Audit committee meeting, FS is Firm Size, FA is firm age, and IT is an industry type*

A correlation matrix that illustrates the correlations that exist between the variables that were considered in the study is shown in the table. The correlation coefficient has a range from -1 to 1, with values close to -1 suggesting a strong negative connection, values close to 1 indicating a strong positive correlation, and values near to 0 indicating that there is not a significant link between the two variables. With a correlation coefficient of 0.034, Tobin's Q has a positive association with firm size (FS), which suggests a weakly positive link between the market value and the size of the business. The connection, on the other hand, is not strong enough to warrant drawing any firm conclusions.

There is a marginally significant inverse relationship (-0.104) between the variable AF (Audit fees) and Tobin's Q. This shows that there may be a little inverse link between audit fees and the market value of the firm, despite the fact that the correlation is not significant. However, the association is likely rather minor. The correlation between audit committee meetings (ACM) and Tobin's Q (-0.005) is so low that it may be considered meaningless, which suggests that there is no significant connection between the two variables. Also, firm size (FS) has a tiny positive correlation (0.052) with Tobin's Q, which suggests that there is a link between the two variables. It may be deduced from the fact that firm age (FA) has a much weaker negative connection with Tobin's Q (-0.121) that older companies often have lower market values. However, it is essential to keep in mind that the correlation coefficient does not suggest causality, and it is possible that this link is being influenced by a number of other variables. Lastly, industry type (IT) demonstrates a positive correlation with Tobin's Q (0.076), suggesting a weak positive association. This indicates that companies belonging to a specific industry type may have slightly higher market values, but again, further analysis is needed to establish any causal relationship.

4.3 Regression Analysis

The outcomes of a random effect estimation model are summarised in Table 4.3. This model's purpose was to investigate the connection that exists between Tobin's Q (market value) and a number of predictor variables. Along with pertinent statistical tests, the model supplies coefficients, standard errors, t-statistics, and p-values for each predictor. Additionally, the model includes important statistical analyses. The predicted value of Tobin's Q when all predictor variables are zero is shown by the value of the coefficient that is assigned to the intercept term in the model, which is 0.0167. This coefficient is statistically significant at the 5% level (p-value = 0.043**), which suggests that even in the absence of any predictor factors, there is a substantial baseline market value.

Table 4.3 Random Effect Estimation

	Tobin's Q (market value)			
Predictors	**Coefficient**	**Standard error**	**T-statistics**	**P-Value**
Intercept	0.0167	0.0082	2.024	0.043**
AF	-0.0296	0.00621	-4.764	0.000***
ACM	0.0248	0.0124	1.998	0.046**
FS	0.0335	0.0188	1.782	0.078*
FA	0.0609	0.0289	2.109	0.035**
IT	0.0274	0.012	2.283	0.023**
R-squared	0.364			
Adjusted R-squared	0.292			
Durbin-Watson stat				0.382
Breusch-Pagan Test				0.748
Hausman Test				0.473

Source: Author Computation (2023): *Where Tobin's Q is the market value, AF is Audit fees, ACM is Audit committee meeting, FS is Firm Size, FA is firm age, and IT is an industry type*

A rise in audit fees (AF) is connected with a fall in Tobin's Q because AF has a coefficient of -0.0296, which means that an increase in audit fees is associated with the decline. This coefficient is highly statistically significant (p-value = 0.000***), demonstrating a strong negative association between audit fees and market value. Market value is defined as the difference between the total audit fees and the total worth of the company. The coefficient of 0.0248 demonstrates a substantial positive link between audit committee meetings (ACM) and Tobin's Q, and the p-value for this relationship is 0.046**, indicating that the relationship is statistically significant. This lends credence to the hypothesis that an increase in the frequency of audit committee meetings is linked to a rise in market value. The coefficient for firm size (FS) is positive, suggesting that bigger companies often have greater market values. This is shown by the fact that FS is 0.0335. However, the statistical significance of this link is not great (p-value = 0.078*), which suggests that the correlation may be weaker or that it may be impacted by other variables. *The p-value represents the probability that an event will occur. It may be deduced from the fact that the coefficient for company age is 0.0609 and that older companies have greater market values. This coefficient is statistically significant at the 5% level (p-value = 0.035**), which indicates that there is a substantial positive association between the age of the business and Tobin's Q. Another factor that has been shown to have a positive correlation with Tobin's Q is the industry type, which has a coefficient of 0.0274 and a significance level of 0.023**. This suggests that companies belonging to a specific industry type have higher market values, although the association may be relatively weak.

Given that the R-squared value is 0.364, it can be deduced that the predictor variables account for about 36.4% of the total variance in Tobin's Q. The adjusted R-squared score of 0.292 provides a measure of the model's goodness of fit that is more cautious than the original value since it takes into consideration the number of predictors as well as the sample size. The Durbin-Watson statistic of 0.382 reveals the existence of positive autocorrelation in the model residuals, which indicates that the mistakes are not independent of one another and point to the fact that the errors are not independent. The result of the Breusch-Pagan test statistic was 0.748, which indicates that heteroscedasticity does not exist in the model residuals. This indicates that the variance of the errors remains the same across all possible values of the predictors. The assumption that there is no connection between the individual-specific effects and the predictors is validated by the Hausman test statistic of 0.473, which indicates that the model with a random effect is the correct one to use.

4.4 Robustness Test

In the following table, we provide the findings of a robustness test that was carried out with the help of the Generalised Method of Moments (GMM) estimate to investigate the connection between Tobin's Q (market value) and a number of predictor factors. In order to handle any instances of endogeneity and autocorrelation within the model, the GMM estimation approach is being put to use. The table includes autoregressive (AR) test p-values, as well as coefficients, standard errors, t-statistics, and p-values for each predictor variable. Additionally, the table includes p-values for the tests. Tobin's Q (t-1) has a coefficient of 0.0587, which indicates that the market value from the previous era has a positive impact on the value of the market at the present time. This coefficient is extremely significant in terms of statistical analysis (p-value less than 0.001), which points to a robustly positive connection between lagging market value and Tobin's Q.

Table 4.4 GMM Estimation

	Tobin's Q (market value)			
Predictors	**Coefficient**	**Standard error**	**T-statistics**	**P-Value**
Tobin′s Q_{t-1}	0.0587	0.0128	4.588	<0.001
AF	-0.0477	0.0187	-2.552	0.012**
ACM	0.0121	0.0034	3.559	0.001***
FS	0.0177	0.0063	2.81	0.006***
FA	0.0177	0.0063	2.81	0.006***
IT	0.0103	0.0044	2.341	0.020**
AR(1) p-value				0.529
AR(2) p-value				0.097

Source: Author Computation (2023): *Where Tobin's Q is the market value, AF is Audit fees, ACM is Audit committee meeting, FS is Firm Size, FA is firm age, and IT is an industry type*

It can be seen from the fact that audit fees (AF) have a coefficient of -0.0477 that there is an inverse connection between audit fees and Tobin's Q. The p-value for this coefficient is 0.012, which indicates that greater audit fees are connected with lower market values. This coefficient is statistically significant at the 5% level. An rise in the number of audit committee meetings (ACM) is connected with greater market values, as shown by the fact that audit committee meetings (ACM) have a positive coefficient of 0.0121. A statistically significant positive association may be inferred from the fact that this coefficient has a p-value of 0.001***, making it statistically significant at the 1% level. Tobin's Q is positively correlated with both firm size (FS) and firm age (FA), which both have coefficients of 0.0177, demonstrating that there is a positive link between the two. These coefficients are statistically significant at the 1% level (p-value = 0.006***), which suggests that bigger businesses and older firms tend to have greater market values. p is the probability that an event will occur. The coefficient for industry type, which is denoted by IT, is 0.0103, which indicates a positive correlation with Tobin's Q. This coefficient is statistically significant at the 5% level (p-value = 0.020**), which suggests that businesses that belong to a certain category of industry have a tendency to have higher market values. The p-values for the autoregressive (AR) tests, AR (1) and AR (2), are 0.529 and 0.097, respectively. These values are shown in brackets. The fact that there is no statistically significant autocorrelation in the model residuals, as shown by these p-values, suggests that the mistakes are not associated throughout the course of time.

4.5 Empirical Results Discussion

4.5.1 The effect of audit fees on the firm value of listed companies on the Ghana Stock Exchange.

According to the results in Table 4.3, there is a statistically significant inverse association between the audit fees (AF) paid by listed firms on the Ghana Stock Exchange and the firm value of such companies. The coefficient for audit fees is -0.0296, and it is significant at the 1% level (p-value = 0.000***). Audit fees are negatively correlated with profitability. This suggests that a rise in audit fees is connected with a decline in the market value of the listed firms. This suggests that investors may view increased audit costs unfavourably, which would have a negative influence on the value of the company. This conclusion is consistent with the findings of other research that has pointed out the possible adverse implications that large audit costs may have on the value of a company. For instance, Francis et al. (2019) conducted research on the connection between audit fees and stock returns for firms based in the United States. They discovered that higher audit fees were related to lower stock returns. This was the conclusion of their investigation. This indicates that investors may see greater audit fees as an indication of increasing financial risk or weaker corporate performance, which may result in a drop in the value of the firm.

The signalling theory gives a theoretical lens through which one might explain the inverse connection that exists between audit fees and company value. greater audit fees, according to this hypothesis, may be an indication of a lack of financial stability or quality, causing investors to consider the firm as having a greater risk profile. As a consequence of this, they could assign a lower value to the company, which would result in a fall in its market value. This is backed by DeAngelo's (1981) signalling model, which implies that audit fees may operate as a signal of business quality and can impact investor views. In other words, audit fees can have an effect on investor perceptions. In addition, looking at this connection from the standpoint of agency theory might throw some light on it. Audit fees are the charges involved with assuring the integrity of financial reporting and monitoring management activities. Audits are typically paid for by the company being audited. The higher audit costs may be an indication of greater complexity or risk in the company's operations, which may be seen as a reflection of agency difficulties inside the organisation. It is possible that as a consequence of this, investors will have less faith in the company's performance and financial statements, which may lead to a decline in the value of the company.

4.5.2 The effect of audit committee meetings on the firm value of listed companies on the Ghana Stock Exchange

According to the findings shown in Table 4.3, audit committee meetings (ACM) have a substantial and beneficial impact on the market value of publicly traded businesses that are listed on the Ghana Stock Exchange. The p-value for the audit committee meeting coefficient is 0.0248, which indicates that it is statistically significant at the 5% level (**coefficient value). This shows that firms who have audit committee meetings more often likely to have market values that are greater than average. The fact that the coefficient is positive suggests that the existence of audit committees that are both active and engaged has a beneficial impact on the way investors perceive the firm and their level of trust in it. Audit committees are an essential component in the improvement of corporate governance practises, the protection of the honesty of financial reporting, and the management of the company's financial operations. Audit committees contribute to enhanced openness and accountability by regularly monitoring and assessing the financial statements, internal controls, and risk management procedures of the organisation. Investors have a perception that organisations with successful audit committees have better procedures for corporate governance and a commitment to maintaining financial integrity in their operations. This increases investor trust and lowers the knowledge gap, which eventually results in better market prices for the firms that are listed. Effective audit committees may assist in mitigating the risk of financial misstatements or fraudulent actions, providing investors and stakeholders with a sense of assurance.

The positive correlation between audit committee meetings and the value of the company is consistent with the larger body of research on the topic of corporate governance and the performance of companies. Previous research has unequivocally shown a favourable correlation between the quality and performance of audit committees and the value of the companies they oversee. For instance, a study that was conducted by Asante-Darko and colleagues (2018) revealed that businesses that have robust audit committees often had better company values. In the context of the Ghana Stock Exchange, the fact that attendance at audit committee meetings has a positive impact on a company's value lends credence to the notion that businesses should place a high priority on the formation and operation of effective audit committees. This involves making certain that audit committees have meetings on a consistent basis, that their members are qualified and impartial, and that they have well-defined roles and powers. Through the implementation of corporate governance norms and laws, regulators and policymakers play a critical part in fostering the efficiency of audit committees in organisations. On the Ghana Stock Exchange, authorities may help to an increase in investor trust and business value by placing a greater emphasis on the significance of audit committees and giving recommendations for the composition and operation of audit committees.

4.6 Theoretical Contribution

The results of Table 4.3 provide theoretical contributions to the understanding of the link between audit fees and company value, as well as the influence of audit committee meetings on firm value in the setting of the Ghana Stock Exchange. These contributions pertain to the impact of audit committee meetings on firm value. The hypothesis of signalling theory, which postulates that greater audit fees might be taken as a signal of more financial risk or weaker corporate performance, is supported by the fact that audit fees have a negative connection with the value of the company they audit. This conclusion is consistent with the signalling model proposed by DeAngelo (1981), which implies that audit fees operate as a signal of the quality of a company. The findings of this research provide credence to the hypothesis that investors may interpret greater audit fees as a sign of financial instability or of lower-quality financial reporting, both of which may contribute to a reduction in the value of a company. In addition, the favourable association between audit committee meetings and business value adds to the growing body of academic research on the topic of corporate governance and firm performance. According to the findings, businesses that have audit committee meetings more often have a tendency to have market values that are greater.

This research emphasises how important it is to have audit committees that are both active and involved in order to improve corporate governance practises, ensure financial integrity, and increase transparency. The findings of this research provide credence to the idea that strong audit committees play a significant part in lowering information gaps, boosting investor trust, and, as a result, eventually leading to better values for businesses. These theoretical contributions provide insightful information that may be helpful to academics, practitioners, and policymakers. They stress how important it is to evaluate the worth of a company while taking audit fees and the efficiency of the audit committee into consideration. Stakeholders are able to make educated judgements on corporate governance practises and the integrity of financial reporting when they have a solid awareness of the signalling impacts that audit fees have, as well as the beneficial influence that audit committee meetings have.

4.7 Practical Contribution

The practical contributions of the results from Table 4.3 addressing the link between audit fees and firm value, as well as the influence of audit committee meetings on firm value, have major implications for a variety of stakeholders in the Ghanaian business environment. This is because the findings shed light on the impact of audit committee meetings on firm value. To begin, the research underlines the possible negative repercussions that excessive audit fees might have on firm value for firms that are listed on the Ghana Stock Exchange (GSE). Audit fees should be carefully evaluated and managed by companies to ensure that they are acceptable and within reasonable bounds. This may entail negotiating audit prices with auditing companies, analysing the scope of audit services, and finding cost-effective alternatives without affecting the quality of financial reporting. Alternatively, the task may involve looking into other options. Companies have the opportunity to safeguard their business value and prevent potentially damaging views among investors if they successfully manage their audit costs. Second, the research highlights how important audit committee meetings are to the process of increasing the value of a company. Establishing and maintaining efficient audit committees should be a top priority for companies. This involves making certain that audit committees have meetings on a consistent basis, have members who are qualified and unbiased, and have well-defined roles and powers. Audit committees contribute to enhanced levels of openness, accountability, and investor trust by regularly examining financial reporting systems, internal controls, and risk management. Companies may improve their corporate governance practises by arming audit committees with the tools and assistance they need to properly carry out their oversight job. By doing so, companies can enhance their corporate governance practises.

Thirdly, regulators and policymakers may use the results to improve corporate governance norms and recommendations by using the information provided by the study. The fact that the frequency of meetings of the audit committee is positively correlated with the value of the company implies that regulatory frameworks should place a greater emphasis on the roles and duties of audit committees. The frequency, composition, independence, and expertise of audit committee meetings may all be governed by explicit criteria that can be established by regulators. In order to improve corporate governance practises, investor trust, and ultimately company value on the Ghana Stock Exchange, regulators may help to the improvement of corporate governance practises by fostering competent audit committees via laws. When reviewing firms that are listed on the Ghana Stock Exchange, investors and financial analysts may also take into consideration the influence of audit fees and the efficiency of audit committees. Investors may acquire insights into the possible risks and strengths connected with a company's financial reporting and governance practises by including these aspects into the process through which they make investment decisions. Investors may also benefit from the insights provided by financial experts in the form of counsel and suggestions, which will assist them in making more educated decisions about their investments.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

This is the ending chapter of the thesis since it contains the results' summary, conclusions, and suggestions. The chapter also discusses the research's recommendations and limitations. The chapter is divided into four sections. The first section provides an overview of the study's results. It presents a summary of the study. The second section of the conclusion is comprised of the conclusions taken from the study's results about its objective. The final section of the chapter is the recommendation, which provides pertinent ideas based on the study's primary results. The last part is captured as a suggestion for future research direction

5.1 Summary

In order to investigate the impact that external auditors have on the firm value of firms that are listed on the Ghana Stock Exchange, the research method used in this study was an explanatory research design. Using fixed effect and dynamic regression models, secondary data obtained from the annual financial reports of 10 companies that were purposefully chosen for the study were evaluated. In this work, endogeneity problems were addressed, and diagnostic tests, such as the AR (1) and AR (2) tests for serial correlation, were carried out. The findings gave insights into the link between audit fees, audit committee meetings, and business value in the context of Ghana, and validated the assumptions.

According to the findings of the research, there is a statistically significant inverse connection between audit fees and the firm value of firms that are listed on the Ghana Stock Exchange. It was found that an increase in audit fees was connected with a decline in market value, which suggests that higher audit costs may be seen unfavourably by investors and have an adverse influence on the value of the organisation. This study is in line with the findings of prior studies that, among other things, emphasised the potentially detrimental implications that excessive audit costs may have on a company's value. The worth of firms that are listed on the Ghana Stock Exchange was found to be significantly increased as a result of attending audit committee meetings, according to the findings of the research. Companies that had their audit committee meetings more often tended to have market values that were greater. Audit committees that are functioning properly improve corporate governance practises, guarantee the accuracy of financial reporting, and offer supervision of financial operations. Audit committees assist to enhanced openness, accountability, and investor trust by regularly monitoring and analysing financial statements, internal controls, and risk management systems. This helps the committees ensure that they are meeting regulatory requirements.

5.2 Conclusion

The purpose of this research was to explore, among companies that are listed on the Ghana Stock Exchange, the impact that external Auditors had on Firm Value. The research offers insightful information on the connection between audit fees, audit committee meetings, and the value of firms that are listed on the Ghana Stock Exchange.

The results show that investors see higher audit fees as a signal of more financial risk or weaker business performance since they are related with a lower firm value. This notion is supported by the observation that higher audit fees are associated with a lower firm value. This highlights the need of taking into consideration the possible adverse consequences that large audit fees may have on the views of investors and the value of a company.

On the other side, the research indicates that there is a beneficial impact that audit committee meetings have on the value of the company. Companies that have their audit committee meetings more often tend to have higher market values, which highlights the important role that successful audit committees play in improving corporate governance practises, the accuracy of financial reporting, and investor trust. The results are consistent with those of other studies that placed an emphasis on the positive correlation between the quality and effectiveness of audit committees and the value of a company.

5.3 Recommendation

Based on the findings of the study, several recommendations can be made for companies, investors, regulators, and policymakers to enhance firm value and investor confidence in the Ghana Stock Exchange.

For companies, it is important to carefully evaluate and justify any increases in audit fees. Higher audit fees may be perceived negatively by investors, potentially leading to a decrease in firm value. Therefore, companies should transparently communicate the reasons behind audit fee changes, ensuring that investors understand the value provided by the increased fees.

Additionally, companies should strive to improve their financial performance and risk management practices to mitigate the perception of increased financial risk associated with higher audit fees. Companies should prioritize the establishment and functioning of robust audit committees. These committees play a critical role in enhancing corporate governance practices, ensuring the integrity of financial reporting, and providing oversight of financial activities.

Companies should ensure that audit committees meet regularly, consist of independent and knowledgeable members, and have clear responsibilities and authority. By doing so, companies can increase transparency, accountability, and investor confidence, leading to higher firm values.

Investors should consider the quality and effectiveness of a company's audit committee when making investment decisions. Companies with strong and active audit committees tend to have higher firm valuations. Therefore, investors should carefully evaluate the composition and functioning of audit committees to assess the level of corporate governance and financial integrity within a company. Regulators and policymakers should emphasize the importance of effective audit committees through corporate governance guidelines and regulations. These guidelines should provide clear criteria for the composition, independence, and responsibilities of audit committees. Regulators should also encourage companies to disclose information about their audit committees, allowing investors to make informed decisions. By promoting effective corporate governance practices, regulators can enhance investor confidence and contribute to higher firm values on the Ghana Stock Exchange.

5.4 Suggestions for Future Research

The research offers insightful information on the connection between audit fees, audit committee meetings, and the value of a company as it is traded on the Ghana Stock Exchange. However, there are many other directions that future study may go in that could further improve our knowledge of this subject. To begin, in next research, it could be worthwhile to investigate the underlying causes that are responsible for the inverse correlation between audit fees and business value. While this research reveals that greater audit fees may be regarded unfavourably by investors, it would be good to dive further into the precise processes via which this perspective originates in order to better understand why investors have this perception in the first place. It is possible to get useful insights into the psychological and behavioural components of investor decision-making in response to audit fees by examining investor emotions and perceptions in more depth, conducting interviews or surveys with investors, or performing experimental investigations. Additionally, additional study might explore the possible moderating effects of industry-specific variables on the link between audit fees and business valuation. This is something that could be investigated in later research. Investors' perspectives on audit fees are susceptible to change as a direct result of differences in the degrees of complexity, risk, and financial reporting requirements present in various businesses. Investigating the ways in which characteristics that are particular to a certain industry interact with audit fees to form company value may offer a more nuanced understanding of the link between the two.

In addition, research in the future might investigate the effect that the quality of the audit has on the connection between audit fees and the value of the company. The direct association between audit fees and business value was the primary focus of this research; however, the quality of the audit itself may also play an important impact. An investigation of the ways in which audit quality, which may be evaluated by measures such as auditor reputation, expertise, and independence, interacts with audit fees in impacting business value will give useful insights into the larger context of financial reporting and investor trust. One other potentially fruitful line of inquiry for future study would be to investigate the influence of audit committee qualities, other than the frequency of meetings, on the value of a company. Even though this research showed that there is a positive correlation between audit committee meetings and business value, there are still other aspects of audit committee performance that might be investigated. For instance, the make-up of the audit committee in terms of its knowledge, independence, and diversity may have an effect on the way investors see the company and its value. If these extra characteristics were investigated, it would contribute to a more in-depth knowledge of the function that audit committees play in increasing business value. In conclusion, the scope of future study might be broadened beyond the Ghana Stock Exchange to investigate the connection between audit fees, audit committee meetings, and business value in a variety of nations and circumstances. It would be helpful to uncover parallels and variations in the influence that audit fees and audit committees have on business value if the results were compared across a variety of markets and regulatory settings. This would add to the results' capacity to be generalised and give insights that help influence regulatory policies and practises in many countries.

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