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EFFECT OF AUDIT QUALITY ON MARKET VALUES OF LISTED FINANCIAL SERVICES COMPANIES IN NIGERIA

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Abstract

The main aim of this study is to ascertain the effect of audit quality on market value of financial services companies listed on the Nigerian Exchange Group (NGX). The population consists of 45 finance services firms listed on the Nigeria Exchange out of which a sample of 35 was used using purposive sampling technique. Using the ex- post facto research design, data were obtained from the annual reports of the companies for the years 2011 to 2021. The data were analyzed using the panel regression analysis and the descriptive statistics. It was found that audit opinion has a negative and insignificant influence on firm market value, audit tenure has a positive and insignificant effect on market value, while audit firm size and audit fees have significant influence on the firm market value. The study recommends that, because of the inverse relationship between audit firm size and market value of the firms, finance firms should consider the use of non-big4 audit firms for audit. Similarly, audit fees should be cautiously considered to balance the positive effect it has on the firm market value.

Keywords: Audit Quality, Audit Firm Size, Audit Opinion, Audit Fees, Market value,

Introduction

Audit quality is one of the most important issues in audit practice today. Several individuals and groups; both internal and external, have an interest in the quality of audited financial information (International Accounting and Auditing Standards Board, 2011; Heil, 2012). Auditing of financial statements serves as a control mechanism for shrinking information unevenness and safeguarding interests of the differing claimants by ensuring that the audited financial statements are free from content misstatements (Macharia & Gatuhi,2013). The auditing process is, therefore, a vital tool in enhancing the quality of auditing of financial reports. The turbulent effects of the global financial crisis have highlighted the critical importance of credible high-quality financial reporting. Achieving quality financial reporting depends on the role that the external audit plays in supporting the quality of financial reporting of quoted companies (Musa & Shehu, 2014). A financial statement audit is an essential tool for reducing information asymmetries and for maintaining an efficient market environment (Chinwe & Chinwuba, 2012). However, if the audit process is to improve business performance, there must be credibility and reliability regarding audited financial information. Due to the information asymmetry and the impact of financial information on investment decisions, the importance of the audit profession has increased.

Market value is the price an asset would fetch in the marketplace, or the value that the investment community gives to a particular equity or business (Issayevaa et al.,2023). Market

value is also commonly used to refer to the market capitalization of a publicly traded company, and is calculated by multiplying the number of its outstanding shares by the current share price. The acknowledged failure of audit process to capture financial misstatements has provoked the ostensible outburst of interest and attention in general financial reporting (Saleh Aly et al., 2023). The perceived failure of audit to fully alert equity and other claimants concerning misrepresentations has made investors helpless and inept to undertake rational financial decisions affecting entities generally. This is so because the quality of reported earnings and the capability of auditing to efficiently contain management earnings machinations have become highly doubtful. Thus, there is a worry about the truthfulness of reported income and its relationship with the audit process given the pockets of corporate failures. Differences in quality of the audit process and auditor's reports result in variations on the credibility of auditors and the reliability of the earnings reports of companies. These recent corporate financial failures pose a great challenge to the authenticity, integrity, effectiveness, and significance of the audit function. Al-Gburi et al., (2023) companies involved in cases of accounting scandals related to poor audit quality and earnings manipulations in the past decade. Auditors help to reduce the perils of significant misstatements by ensuring financial statements are prepared according to preset standards (Okolie & Izedonmi, 2014).

Standard setters and implementers can increase the effectiveness of public firms by propagating standards that help guarantee that auditing improves the excellence of financial information. This is because both internal and external users of financial statements are interested in the excellency of audits (Miettinen, 2011). The market perceives size and specialist auditors to be of a higher quality than others and rewards or punishes companies with larger improvements or falls in share prices accordingly (Husam, Keith, Simone, Ray & Stephan, 2017).

In Nigeria, the need for high audit quality and timely financial information has become imperative due to the increasing exposure of the Nigerian business organizations to international capital markets and the adoption of the International Financial Reporting Standards (IFRS) (Eriabie & Dabor, (2017). Reported corporate scandals in Nigeria include the cases of Cadbury Nigeria Plc and African Petroleum (AP) (Okolie & Agboma 2008); Savannah Bank and African International Bank (Odia, 2007); Wema Bank, Nampak, Finbank and Spring Bank (Adeyemi & Fagbemi, 2010); and Intercontinental Bank Plc., Bank PHB; Oceanic Bank Plc. and AfriBank Plc. The above are overtly reported cases that resulted in misleading financial reports. There is therefore an apprehension about the quality of accounting income and its relationship with the quality of the auditing process which has been observed to increase over time following the periodical clusters of business failures, frauds, and litigations. A review of several empirical studies from continents in the world showed different results on the effect of audit quality on market value. Furthermore, the review revealed the following. Most past studies were done in Asia especially in Pakistan, Indonesia and while in Africa the few studies were in Ghana, Kenya, Egypt and Nigeria but all the studies in Africa and Nigeria in particular ignore the market value aspect of financial services firms as they concentrated on performance measures of non-financial services firms *(*Ugwu, Aikpitanyi, & Idemudia, 2020; Ogbodo, 2017; and Chinedu, Nwoha, & Udeh, 2020). Also, most of the studies were done using Ordinary Least Squares estimation method which is not capable of capturing heterogeneity effects of the sampled firms. Furthermore, none of the studies reviewed employed data up to 2021, hence we identify a period gap. Although studies on this area have been done in Nigeria, we observed inconsistent findings. For instance, the studies of Ugwu, Aikpitanyi, & Idemudia, 2020; Chinedu, Nwoha, & Udeh, 2020; Ogbodo, 2017; and Chinedu, Nwoha, & Udeh, 2020 reported significant positive effect of audit quality proxies of big4 auditors, auditor's tenure, and joint auditors on firm value. However, an insignificant positive effect was documented by (Monametsi & Agasha, 2020; Ado, Rashid, Mustapha, & Ademola, 2020; Abba & Sadah, 2020).

This study therefore seeks to address these research problems by first ensuring the inclusion of variables like audit firm size, auditor's fees, auditor's tenure, and audit opinion are all included in our study as proxies for audit quality in line with related extant literature. Second, the study employs a panel regression technique of within effect estimator that can capture the heterogeneity effect present in the firm. Third, the study used a larger firm observation of financial services firms over 11 years is used unlike previous studies of Ugwu, Aikpitanyi, & Idemudia, (2020); Chinedu, Nwoha, & Udeh, (2020); Ogbodo, (2017); and Chinedu, Nwoha, & Udeh, (2020) that use shorter periods and smaller firm observations. The study used most recent data including the financial crisis period of 2012 and 2013 to investigate the relationship between audit quality and firm market value in Nigeria from 2011 to 2021 employing Share price as proxy for firm market value.

REVIEW OF RELATED LITERATURE/THEORETICAL FRAMEWORK

Theoretical Framework

The study is anchored on the following theories. These theories include the agency theory, the lending credibility theory, theory of inspired confidence and the signaling theory.

Agency Theory

According to Jensen and Meckling (1976), the principal's ability to monitor whether his interest is served or not is highly affected by information asymmetry. The agency theory is of the view that audit has an important role in providing information that can reduce information asymmetry (Salehi, 2010; Sadegh, Reza and Farzad, 2013). It is believed therefore that, the auditor's work can be used as a guide for valuation of companies (Salehi, 2010; Muhibudeen, 2015) since auditors' statement tends to expose the true position of the figures in the financial statements. For this reason, agency theory is normally used theoretically to legitimize the reason why company audit is important.

The essential premise of Agency Theory is that conflicts of interest arise in corporate relationships due to the divergence of the benefits of managers and shareholders. The principal-agent relationship as captured in agency theory is crucial in understanding the need for an auditor. (John, Kenneth & Austine, 2019). In agency theory, managers are considered agents who act on behalf of the owners (shareholders) of a company, who are the principals. The core premise is that there may be a misalignment of interests between these two parties. Managers are entrusted with making decisions that affect the company's performance and value, but they may pursue their own goals or prioritize their interests over those of the shareholders (John et al., 2019).

2.1.4 Signaling Theory

Signaling theory was formulated by Michael Spence in 1973 (Connelly, Certo, Ireland & Reutzel, 2011). The theory suggests that companies with good performance use financial information disclosure through the help of quality audit to send signals to the market. A high-quality audit sends a signal to the market that the financial statements are credible. The signal of transparency and credibility sends assurance about the quality of firm's financial disclosure in statements to the stakeholders and this positively affects the market value of the firms. Signaling theory stands on the agency theory (Okolie & Izedonmi, 2014).

The agency theory and the signaling theory are adopted in this study due to their great relevance to audit quality and market value. The agency theory presumption about the role of the auditor in managing the association between the manager and owners on one hand and giving an assurance service to users of financial statements including the investors fits into this study. Also, as suggested by the signaling theory, the share price of companies is greatly influenced by the quality of auditors that reviewed the financials of the company. These variables are specifically what this research seeks to investigate. Similarly, and in consonance with the

signaling theory, companies with good performance use financial information disclosure with the help of quality audit to send signals regarding the credibility of the financial statements to the market.

Empirical Studies

Audit Opinion and Market Value

Ola and Oto (2019) examined audit reputation and independence influence on the market value of firms in Nigeria using samples of 47 listed non- financial companies on the Nigeria Exchange from 2004 to 2015. The study used Audit Opinion and Audit Firm size to explain audit reputation and audit independence respectively while market value was proxies by Market price per share. Using the Ordinary Least Squares Methods to analyze the data obtained, the result showed that Audit opinion and Audit Firm size have significant positive effect on market value of listed non-financial companies in Nigeria. The study recommends that regulatory bodies should endeavour to do their supervisory task well by ensuring that audit reports/opinions reflect the true state of the financial statements especially where it is audited by the Big-4 auditors so as to justify their reputation.

Egbunike and Abiahu, (2017) investigate audit firm report and market value of money deposit banks in Nigeria. The study adopted the ex post facto and correlational research design, with a study population that comprises all money deposit banks in existence as at 2015 financial year end covering a period of 5 years from 2010-2014. The study finds that audit quality has a significant effect on return on assets of Nigerian banks; Audit report and audit fee had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks. The study recommends mandatory rotation of auditors as a significant factor in safeguarding auditor independence and improving the quality of audit; and the establishment of corporate governance principles that address issues relating to board independence and committee sizes to guide activities in the banking sector.

Audit Tenure and Market Value

Aggreh (2019) used a sample of 52 listed manufacturing firms in the Nigerian Stock Exchange for the period of 2001 to 2015 to empirically assess the effect of audit market concentration and auditor's attributes on audit quality. The study made use of ex post facto research design where secondary data was collected from annual reports of the sampled firms through simple random sampling technique while pooled Ordinary Least Squares (OLS) and Panel Estimated Generalized Least Squares (EGLS) used in the analysis of data. The empirical result reveals that audit attributes, auditors' tenure and audit fee exert a significant positive effect on audit quality and audit year-end exerts a significant negative effect on audit quality while audit firm size exerts an insignificant negative effect on audit quality.

Rahimi, and Amini (2015) examine the relationship between audit quality and profitability in the companies on Tehran's Exchange Market. Auditor size and the auditor's tenure were used to measure audit quality. The study surveyed a total number of 52 companies accepted in Tehran's securities exchange market. Using correlation analysis, findings show that there is a positive and significant relationship between auditor's tenure and profitability.

Audit Fees and Market Value

Abdullahi et al (2020) examined the impact of audit quality on the financial performance of listed companies in Nigeria using data from 84 companies listed on the Nigerian Exchange for the period of nine (9) years based on panel data approach. Results of the multiple regression shows that Audit fees shows a positively and insignificant relationship with Return on Asset - ROA (a proxy for financial performance). Also, auditor's independence was found to be positive and statistically significantly related to the Return on Asset (ROA). Similarly, Emmanuel and Emem (2020) used a sample of twenty-two (22) listed manufacturing firms in Nigeria to examine the impact of audit firm attributes on the financial reporting quality. The

study made use of ex-post facto research design and secondary data collected for the period of 2011 to 2015 from the audited annual reports and accounts and multiple regression to test the stated hypotheses. The empirical evidence revealed that auditor fees exert a significant impact on the financial reporting quality while audit firm size and audit delay exert insignificant impact on the financial reporting quality.

2.3.4. Audit Firm Size and Market Value

Eneisik and Micah (2022) reviewed the Audit Quality Indicators and Market Price per share of Listed Deposit Money Banks in Nigeria using audit fees, audit tenure and audit firm size as proxies for Audit quality and Tobins Q for market price per share. Secondary data from annual reports of 12 sampled deposit money banks in Nigeria from 2006 to 2019 were analyzed using the panel least squares regression and the fixed effect model. Results indicates that, Audit firm size had positive and significant impact on Tobins Q, audit fees had negative and insignificant impact on Tobins Q, Audit tenure had negative and significant impact on Tobins Q. The study recommends among others that banks management should adopt audit fees, audit tenure and audit firm size as audit quality determinant and optimally utilize the best option that improve market price per shares. Banks management should ensure sound audit quality through robust accountability mechanism. Banks management should ensure strong internal culture focused on quality audits and professional skepticism.

Okolie (2014) investigates the influence which audit firm size exerts on market value per share of companies in Nigeria. Based on a sample of 342 company's observations obtained from the Nigerian Stock Exchange multivariate analyses result showed that audit firm size exerts significant relationship and significantly influences on Market value per share of the companies in the sample covering 2006 – 2011. The findings above are consistent with the result by Ahsan, Haiyan & Donghua (2014) who investigated the audit quality and market pricing of earnings for companies in China. The study recommends that regulatory agencies-professional accountancy bodies, Financial Reporting Council of Nigeria, the National Assembly, and Securities and Exchange Commission should issue authoritative standard and framework for audit quality; companies should improve their earnings quality only through sales growth, cost control and cost reduction strategies.

METHODOLOGY

The population of the study consists of all the listed financial services firms in Nigeria. As of December 2021, we had 49 financial services firms that are listed on the floor of the Nigerian Exchange Group Market. The sampling technique employed is purposive since firms were included in the sample on certain selection criteria. These criteria were that firms are listed on the Nigeria exchange for 2011-2021; there was access to their annual financial reports within the period and newly listed firms and delisted firms were excluded from the study. In this study, the independent variables are audit opinion, audit tenure, audit firm size and audit fees while the dependent variable is market value of the sample firms. The measurement of the dependent variable and independent variables is in Table 1

Table 1

S/N	Variables	Definition	Type	Measurement	Source	Apriori sign
1.	MV	Market value	Dependent Variable	Market value is measured by the closing share price as at 31st December of every year.	Reza and Quraishi (2015)	
2.	AUDO	Audit Opinion	Independent Variable	A dummy variable "1" for Companies that external auditor use qualified opinion statement or modified its going concern opinion on the audit report and "0" if otherwise	Rudkhani and Jabbari (2013)	+ve
3.	AUDT	Audit Tenure	Independent Variable	A dummy variable "1" for Companies that use external auditor that have stayed for 3 years and "0" for auditors with less than 3 years of engagement.	Rahimi, and Amini (2015	+ve
4.	AUDF	Audit fees	Independent Variable	**Audit fee** in number is measured as log of total audit fee	Akrawah and Akhor (2016)	-ve
5.	AFS	Audit firm size	Independent Variable	A dummy variable: "1" if audited by Big 4 and "0" if otherwise. (The big 4 auditors are Price Waterhouse Coopers, Ernest and Young, KPMG and Akintola Williams/Deloitte).		+ve

Source: Researcher's Compilation (2023)

Model Specification

We specify our model to capture the determinants of audit quality. Succinctly, the econometric form of our model is expressed as:

$$\boldsymbol{DESP_{it} = \beta_0 + \beta_1 AUDO_{it} + \beta_2 AUDT_{it} + \beta_3 BIG4_{it} + \beta_4 AUDF_{it} + \mu_{it}}$$

Where:

DESP = Share Price as at year end (Proxy for Firm market value)
AUDO = Audit Opinion
AUDT = Audit Tenure
BIG4 = Audit Firm Size
AUDF = Audit Fees
β_0 = Constant

β_1- β_6	=	Slope Coefficient
μ	=	Stochastic disturbance
i	=	i^{th} firm
t	=	time period

RESULTS AND DISCUSSION

Descriptive Analysis

In this section, we examine the descriptive statistics for both the explanatory and dependent variables of interest. Each variable is examined based on the mean, standard deviation, maximum and minimum. Table 2 below displays the descriptive statistics for the study.

Table 2: Descriptive Statistics

VARIABLES	MEAN	SD	MIN	MAX	NO OBS
DESP	3.76	7.81	0.12	47.95	385
AUDO	0.05	0.07	0	1	385
AUDT	0.66	0.47	0	1	385
BIG4	0.64	0.48	0	1	385
AUDF	4.62	0.67	3.32	6.25	385

Source: Stata Author (2023)

The mean of market value as proxied by December share price (DESP) was 3.76 with a standard deviation of 7.81. Share price had a minimum and maximum values of 0.12 and 47.95 respectively. Our results imply that on average the share price of financial services firms in Nigeria was 3.76 within the period under study. In the case of the independent variable of audit opinion (AUDO), the table shows that it has a mean of 0.05 and a standard deviation of 0.07. On the minimum, audit opinion was 0 with a maximum of 1. This shows that on the average, about 5% of the firms under study had the external auditor issuing qualified audit opinion while the remaining 95% of the firms in our sample had the external auditor issuing unqualified audit opinion. We also find that the mean of audit tenure (AUDT) was 0.66 with a standard deviation of 0.47. The minimum value of audit tenure was 0 with a maximum of 1. Our results show that about 66% of the firms in our study engage the services of an external auditor for more than 3 years. Audit firm size (BIG4) had a mean of 0.64 with a standard deviation of 0.48. Audit firm size had a minimum of 0 and a maximum of 1. This implies that on the average, about 64% of the firms in our sample engage the services of big4 auditors while 36% of the remaining firms used non-big4 auditors. Finally, we also find that audit fees had a mean of 4.62 with a standard deviation of 0.67. Audit fees had a minimum of 3.32 and a maximum of 6.25.

Normality Test

We follow the results of Mendes and Pala (2003), and they concluded that the Shapiro-Wilk test is the most powerful normality test. Therefore, we conducted a residual normality test, as shown in the table 3.

Table 3: Normality Test

VARIABLES	NO OBS	W	V	Z	PROB< Z
DESP	385	0.51	129.26	11.55	0.00000
AUDO	385	0.50	131.70	11.59	0.00000
AUDT	385	0.99	0.64	-1.06	0.85615
BIG4	385	0.99	0.44	-1.95	0.97466
AUDF	385	0.93	19.54	7.06	0.00000

Source: Stata Author (2023)

From the table 3, we find that the dependent variable of share price (prob>z = 0.00000) are not normally distributed since the probability of the z-statistics as reveal by the Shapiro-Wilk test is significant at 1% significant level. The same can be said of the independent variables of audit opinion (prob>z = 0.00000), and audit fees (prob>z = 0.00000). However, we find that the independent variable of audit tenure (prob>z = 0.85615) and audit firm size (prob>z = 0.97466) are normally distributed since the probability of the z-statistics as reveal by the Shapiro-Wilk test is insignificant at 1% or 5% significant level. However, we proceed with the non-parametric regression estimations but carefully interpreting the probability statistics against the t-statistics in line with the recommendation of Guajarati, (2004).

4.3 Data Analyses

Correlation Analysis

In examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in table 4.

Table 4: Correlation analysis

VARIABLES	DESP	AUDO	AUDT	BIG4	AUDF
DESP	1.0000				
AUDO	-0.0468	1.0000			
AUDT	0.0722	0.0519	1.0000		
BIG4	0.4418	-0.0956	-0.0186	1.0000	
AUDF	0.7094	-0.0745	0.1139	0.5982	1.0000

Stata Author's computation (2023)

In the case of the correlation between audit quality proxies and firm market value, the above results show that there exists a negative and weak association between firm market value and audit opinion (-0.0468). There exists a **positive and weak a**ssociation between firm market value and audit tenure (0.0722). There exists a **positive and moderate a**ssociation between firm market value and audit firm size (0.4418). There exists a **positive and high a**ssociation between firm market value and audit fees (0.7094). However, to test our hypotheses a

regression results will be needed since correlation test does not capture cause-effect relationship.

Regression Analyses

To examine the cause-effect relationships between the dependent variables and independent variables as well as to test the formulated hypotheses, we used a panel regression analysis since the data had both time series (2011 to 2021) and cross-sectional properties (listed financial services firms). The panel data regression and an OLS pooled results obtained is presented and discussed below.

Table 5: Regression Result

	DESP Model (Pooled OLS)	**DESP Model (FIXED Effect)**	**DESP Model (RANDOM Effect)**
C	-30.439	-18.312	-22.614
	{0.000} ***	{0.000} ***	{0.000} ***
AUDO	0.651	-0.283	-0.104
	{0.883}	{0.911}	{0.967}
AUDT	0.018	0.239	0.192
	{0.979}	{0.520}	{0.602}
BIG4	-1.244	-1.787	-1.864
	{0.119}	{0.009} **	{0.005} **
AUDF	7.568	4.988	5.936
	{0.000} ***	{0.000} ***	{0.000} ***
F-statistics/Wald Statistics	56.99 (0.0000) ***	5.83 (0.0001) ***	44.20 (0.0000) ***
R- Squared	0.3750	0.0632	0.06
VIF Test	1.25		
Heteroscedasticity Test	344.22 (0.0000) ***		
Hausman Test		2.78 (0.5946)	

Stata Author's computation (2023)

Note: (1) bracket {} are p-values
(2) **, *, implies statistical significance at 5% and 1% levels respectively**

In the table 9, we observed from the OLS pooled regression that the R-squared value of 0.3750 shows that about 38% of the systematic variations in firm market value proxied by share price in the pooled financial services firms over the period of interest was jointly explained by the independent variables in the model. The unexplained part of firm market value can be attributed to exclusion of other independent variables that can impact on firm market value but were captured in the error term. The F-statistic value of 56.99 and the associated P-value of 0.0000 shows that the OLS regression of the model on the overall is statistically significant at 1% level, this means that the regression models is valid and can be used for statistical inference.

Heteroskedasticity Test

Heteroscedasticity refers to nonexistence of homoscedasticity and it is a constant variance assumption of OLS estimators. The presence of heteroscedasticity tends to produce p-values

that are smaller than they should be due to increased variance of the coefficient estimates which unfortunately the OLS estimator will not detect this increase. We employ Breusch-Pagan Godfrey test to ascertain the presence or absence of heteroscedasticity in the regression result. As seen in table 9, it can be observed that the OLS results had heteroscedasticity problems in the model since its probability value was significant at 1% [344.22 (0.0000)]. The presence of heteroscedasticity in models clearly shows that our sampled firms are not homogeneous. This therefore means that a robust or panel regression approach will be needed to capture the impact of each firm heteroscedasticity on the results. In this study we adopted the panel regression method using both fixed and random effect models.

Fixed and Random Effect Regression

Specifically, in this study, the F-statistic and Wald-statistic value of 5.83 (0.0001)} and 44.20 (0.0000) for fixed and random effect regression respectively shows that both models are valid for drawing inference since they are both statistically significant at 5% and 1% respectively. In the case of the coefficient of determination (R-squared), it was observed that 6% and 6% systematic variations in firm market value proxied by share price was explained jointly by the independent variables in the models respectively. This therefore implies that less of the variation in firm market value were explained when compared to the OLS pooled regression.

Hausman Specification Test

In selecting from the two panel regression estimation results, the Hausman test was conducted, and the test is based on the null hypothesis that the random effect model is preferred to the fixed effect model. Specifically, a look at the p-value of the Hausman test (0.5946), implies that we should accept the null hypothesis and reject the alternative hypothesis at above 5% or 1% level of significance. This implies that we should adopt the random effect panel regression results in drawing our conclusion and recommendations. This also implies that the random effect results tend to be more appealing statistically when compared to the fixed effect. Following the above, the discussion of the random effect results became imperative in testing our hypotheses. Below is a specific analysis for each of the independent variables using the random effect regression.

Test of Hypotheses

$H0_1$: Audit opinion has no significant effect on market value of listed financial services companies in Nigeria.

Audit opinion (Random effect = -0.104 (0.967)) as an independent variable to firm market value have a negative and insignificant influence on firm market value. This therefore means we should accept the null hypothesis {$H0_1$: Audit opinion has no significant effect on market value of listed financial services companies in Nigeria}. This implies that an increase in qualified audit opinion of financial services firms in Nigeria decreases firm market value of such firms, but the negative impact is not significant.

$H0_2$: Audit tenure has no significant effect on market value of listed financial services companies in Nigeria.

Audit tenure (Random effect = 0.192 (0.602)) as an independent variable to firm market value have a positive and insignificant influence on firm market value. This therefore means we should accept the null hypothesis {$H0_2$: Audit tenure has no significant effect on market value of listed financial services companies in Nigeria}. This implies that the longer a particular

external auditor audits a financial services firm the higher the market value of such firms, but the positive impact is not significant.

$H0_3$: Audit firm size has no significant effect on market value of listed financial services companies in Nigeria.

Audit firm size (Random effect = -1.864 (0.005)) as an independent variable to firm market value have a negative and significant influence on firm market value. This therefore means we should reject the null hypothesis {$H0_3$: Audit firm size has no significant effect on market value of listed financial services companies in Nigeria}. Surprisingly, this implies that the market value of listed financial services firms in Nigeria decreases or goes down when they engage the services of big4 auditors.

$H0_4$: Audit fees has no significant effect on market value of listed financial services companies in Nigeria.

Audit fees (Random effect = 5.936 (0.000)) as an independent variable to firm market value appears to have a positive and significant influence on firm market value. This therefore means we should reject the null hypothesis {$H0_4$: Audit fees has no significant effect on market value of listed financial services companies in Nigeria}. This implies that an increases in the audit remuneration of the external auditor leads to an increase in the market value of listed financial services firms in Nigeria.

Conclusion

Financial statement audit is said to be a control mechanism put in place for safeguarding the shareholder interests and reducing information asymmetry in other to guarantee that the audited financial reports are considered free from material distortion. Furthermore, auditors assist in minimizing the chances of engaging in material misstatements by guaranteeing that financial reports are developed in compliance with the stipulated principles. Lesser risks of engaging in misstatements build up trust in capital markets, which as a result reduces the cost of capital for companies. The investors have lost confident and trust in management team with their accounting decision as well as the financial reports. This has eventually led to collapse of many big businesses. These financial scandals have been a great challenge to both credibility and utility or value relevance of the audit functions. The worst among these scandals is the case of Enron and Worldcom in USA. The US alone recorded ten (10) largest bankruptcies in the year 2002. Consequently, accounting quality issues and its link with the audit process quality became significantly heightened. However, another critical issue lies in the question of whether these corporate collapses are not as a result of poor audit quality and the failure of the audit function to stop earnings manipulations. The audit of a company's account is a monitoring control mechanism that lessens information asymmetry and protects the principal's interest. Therefore, audit process examines the probability of material misstatements and also decreases the possibility of undetected misstatements to a manageable level. This study has sufficiently established different positions on the links between audit quality and firm market value. Based on the findings of this study, we carefully recommend that since our empirical results reveals an inverse relationship of audit firm size on firm market value, financial services firms in Nigeria should consider the services of non-big4 audit firms. Similarly, audit remuneration should be increased to balance the positive effect it has on firm market value.

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