Audit Quality and Financial Performance of Quoted Insurance Companies in Nigeria

Sarah Ikeagwu
University of Port Harcourt
Business School
sarahikeagwu@gmail.com
DOI: 10.56201/jafm.v10.no10.2024.pg47.71

Abstract

This study investigates the impact of audit quality on the financial performance of quoted insurance companies in Nigeria, focusing on auditor independence and auditor expertise as proxies for audit quality, and return on assets (ROA) as a measure of financial performance. Utilizing a quantitative research approach, the study analyzes data from several insurance firms to determine how auditor independence and expertise affect their ROA. The findings reveal a statistically significant positive relationship between both auditor independence and auditor expertise with ROA. Specifically, the coefficient for auditor independence (AUI) is 0.50 with a p-value less than 0.001, indicating that increased auditor independence is associated with a higher ROA. Similarly, the coefficient for auditor expertise (AUE) is 0.40, also with a p-value less than 0.001, suggesting that enhanced auditor expertise correlates with improved ROA. These results underscore the importance of high-quality audits in the insurance sector. The positive relationship between auditor independence and ROA supports the Agency Theory, which posits that greater auditor independence aligns managerial interests with those of shareholders, leading to improved financial performance. Additionally, the significant impact of auditor expertise aligns with previous research highlighting the necessity for specialized knowledge in handling complex insurance sector regulations and financial reporting requirements. This study extends existing literature by providing empirical evidence on the specific impact of audit quality components on financial performance within the Nigerian insurance industry. The findings have practical implications for insurance firms and regulators. It is recommended that insurance companies enhance auditor independence through measures like audit firm rotation and engage auditors with specialized expertise in the insurance sector. Regulatory bodies should also promote policies that reinforce audit quality standards. Future research should consider longitudinal studies to explore the long-term effects of audit quality improvements on financial performance and investigate other dimensions of audit quality in the Nigerian insurance context.

Keywords: *Audit Quality, Auditor Independence, Auditor Expertise, Return on Assets, Nigerian Insurance Industry*

1. Introduction

The insurance industry plays a crucial role in the economic development of any nation, serving as a risk transfer mechanism and a mobilizer of long-term capital (Okoye & Gbegi, 2013). In Nigeria, the insurance industry has been identified as a significant contributor to the growth and stability of the financial sector (Nwude & Uduji, 2019). The industry's performance is, therefore, a matter of concern for various stakeholders, including investors, regulators, and the general public. One of the key factors that influence the financial performance of insurance companies is the quality of their audit. Audit quality is defined as the probability that an auditor will both discover and report a breach in the client's accounting system (DeAngelo, 1981). High-quality audits provide assurance that the financial statements of a company accurately reflect its financial position and performance, thereby enhancing the reliability of the information used by investors and other stakeholders in their decision-making processes (Aobdia, 2018).

Deden, Giawan, and Zamri (2019) argued that auditing services play a crucial role in moderating the conflict between business owners and management interests, as projected in agency theory. Ogbeifun and Olorunsola (2020) further explained that the quality of financial reporting hinges on the role of external audits in supporting the financial reporting standards of quoted companies. Investment communities and other stakeholders, particularly investors in insurance firms, rely on credible reports from independent audit services to foster business activities and accurately measure financial performance. Similarly, Ado, Rashid, Mustapha, and Ademola (2020) emphasized that a quality audit forms the foundation for confidence in the integrity and credibility of financial reports, highlighting it as one of the most critical issues in audit practice today. Financial reports audited by reputable independent firms uphold market confidence more than those audited by inexperienced firms. Audits of financial statements and related assurance services act as monitoring mechanisms that help reduce information asymmetry, prevent fraudulent practices, correct errors, and identify material misstatements. They also safeguard assets and evaluate the effectiveness of internal control systems by providing reasonable assurance that financial statements are free from material misstatement. These professional roles of independent auditors significantly contribute to the financial performance of quoted insurance companies (Okoye, Adeniyi, and Nwankwo, 2019).

In the business environment, auditors are tasked with providing objective assessments to determine whether companies are managed responsibly and effectively to achieve their intended results. Investor confidence is crucial for the successful operation of global financial markets and is a frequent topic of debate among auditors, politicians, the media, regulators, and the public (Eshitemi & Omwenga, 2016; Matoke & Omwenga, 2016). The trust in auditors to deliver high-quality reports persisted until the Enron scandal in 2002, which led to the collapse of numerous corporations worldwide. This scandal sparked a significant debate about audit quality and the factors that influence it. The audit profession faced criticism regarding the independence of auditors and the reliability of audit reports presented to the public. Auditors' opinions are vital in attesting to and validating the financial statements prepared by clients' management. If an auditor's performance lacks objectivity, their opinion does not enhance the credibility and reliability of the financial statements. An independent audit, however, provides a reasonable basis for an unbiased assessment of the quality of the information in financial statements. High-quality audit reports are essential for enhancing the credibility of financial statements among stakeholders and reducing investors' risk (Rezaei & Shabani, 2014; Olowookere & Adebiyi, 2013).

High-quality financial reporting depends significantly on the role of external audits in supporting audit quality. External audits are a critical part of the regulatory and supervisory infrastructure and thus hold significant public interest. Audits conducted according to high-quality standards can promote the effective implementation of accounting standards, ensuring that financial statements are reliable, transparent, and useful. Statutory audits reinforce confidence as auditors are expected to provide an objective opinion on the preparation and presentation of financial statements. In the effort to improve audit quality in the financial reports of quoted manufacturing firms in Nigeria, several variables have been observed, including auditor independence, audit fees, and audit committees. Various audit quality frameworks, such as the auditor's reputation and professional care, have enhanced the quality of financial reports in Nigerian manufacturing firms. Over the past decades, the quality of audit reports has gained considerable attention globally, particularly after the fall of Arthur Andersen in 2002 due to its involvement in the Enron scandal. This has highlighted the need for auditors to maintain high standards in their financial reporting and act as whistleblowers in cases of fraud. The combined effect of transparent and comparable financial reporting reduces information asymmetry and improves the audit quality of quoted manufacturing firms in Nigeria (Chukwu, 2015). In the Nigerian context, the performance of the insurance industry has been a subject of concern in recent years. Despite the country's large population and the potential for growth, the insurance industry has been plagued by various challenges, including low penetration rates, poor public perception, and weak corporate governance practices (Nwude & Uduji, 2019). The quality of audits conducted in the industry has also been a subject of scrutiny, with some studies suggesting that the industry may be susceptible to audit quality issues (Akinadewo et al., 2020). Given the importance of the insurance industry to the Nigerian economy and the potential impact of audit quality on financial performance, it is crucial to investigate the relationship between audit quality and the financial performance of quoted insurance companies in Nigeria.

1.2 Statement of the Problem

The insurance sector is integral to the financial stability and economic growth of any nation. In Nigeria, this sector provides essential risk management services, enabling both individuals and businesses to mitigate potential financial losses. However, the financial performance of insurance companies in Nigeria has been a cause for concern, marked by issues of inefficiency, poor profitability, and lack of investor confidence. One critical factor that potentially influences the financial performance of these companies is the quality of their audits. Audit quality is a multifaceted concept that encompasses various elements such as auditor independence, competence, adherence to auditing standards, and the integrity of the audit process. High-quality audits are essential for ensuring the accuracy, reliability, and transparency of financial statements, which are crucial for stakeholder trust and decision-making. The importance of audit quality has been underscored by numerous corporate scandals globally, which have eroded public trust in financial reporting and highlighted the need for stringent audit practices (Rezaei & Shabani, 2014).

The Nigerian insurance industry has faced significant challenges over the years, including financial mismanagement, regulatory non-compliance, and corporate governance failures. These issues have often been linked to the quality of audits conducted on these companies. Despite various reforms aimed at improving transparency and accountability, the impact of these reforms on audit quality and, consequently, on the financial performance of insurance companies remains under-researched. A fundamental problem in the Nigerian insurance sector is the perceived inadequacy of audit quality. Auditor independence is often compromised due to various factors, including financial relationships between auditors and their clients, long auditor tenures, and the dominance of certain audit firms. These issues can lead to biased audit reports that do not accurately reflect the financial health of insurance companies. The lack of rigorous audit practices undermines the credibility of financial statements, leading to poor investor confidence and suboptimal financial performance.

The Enron scandal of 2002 and the subsequent collapse of Arthur Andersen highlighted the catastrophic consequences of poor audit quality. This scandal, among others, sparked a global debate about the role of auditors and the factors that influence audit quality. In Nigeria, similar issues have been observed, with several cases of financial irregularities and corporate failures linked to inadequate audits. These incidents have raised questions about the effectiveness of the audit profession in safeguarding the interests of stakeholders and maintaining the integrity of financial reporting (Chukwu, 2015). Furthermore, the regulatory environment in Nigeria presents additional challenges. While there have been efforts to enhance regulatory frameworks and enforce compliance, the effectiveness of these measures in improving audit quality is still uncertain. The Nigerian financial reporting landscape is characterized by a mix of international and local standards, creating complexities that auditors must navigate. This situation demands a high level of expertise and diligence from auditors, which may not always be met due to various constraints.

Another aspect of the problem is the limited research on the specific impact of audit quality on the financial performance of insurance companies in Nigeria. Most existing studies have focused on the general relationship between audit quality and financial performance in various sectors and regions. There is a lack of comprehensive research that specifically examines how audit quality affects the unique dynamics of the Nigerian insurance industry. This gap in the literature necessitates a focused investigation to understand the specific factors influencing audit quality and their implications for financial performance in this sector. The relationship between audit quality and financial performance is complex and influenced by multiple factors. High-quality audits are expected to enhance financial performance by ensuring that financial statements accurately reflect the company's financial position and performance. This, in turn, improves investor confidence, reduces the cost of capital, and promotes better management practices. Conversely, poor audit quality can lead to misstatements, fraud, and financial scandals, adversely affecting a company's performance and reputation (Olowookere & Adebiyi, 2013). This study aims to address these issues by investigating the influence of audit quality on the financial performance of quoted insurance companies in Nigeria.

1.3 Aim/Objectives of the Study

The main aim of this study is to examine the relationship between audit quality and financial performance of quoted insurance companies in Nigeria. The specific objectives of this study are:

i. To examine the impact of auditor's independence on the return on asset of quoted insurance companies in Nigeria.
ii. To examine the impact of auditor's expertise on the return on asset of quoted insurance companies in Nigeria.

1.4 Research Questions

The following research questions will be addressed in this paper

i. What is the impact of auditor independence on the return on assets of quoted insurance companies in Nigeria?
ii. What is the impact of auditor expertise on the return on assets of quoted insurance companies in Nigeria?

1.5 Research Hypotheses

The research hypotheses are stated in null form as follows

H_o1: Auditor independence has no significant impact on the return on assets of quoted insurance companies in Nigeria

H_o2: Auditor expertise has no significant impact on the return on assets of quoted insurance companies in Nigeria.

1.6 Conceptual Framework

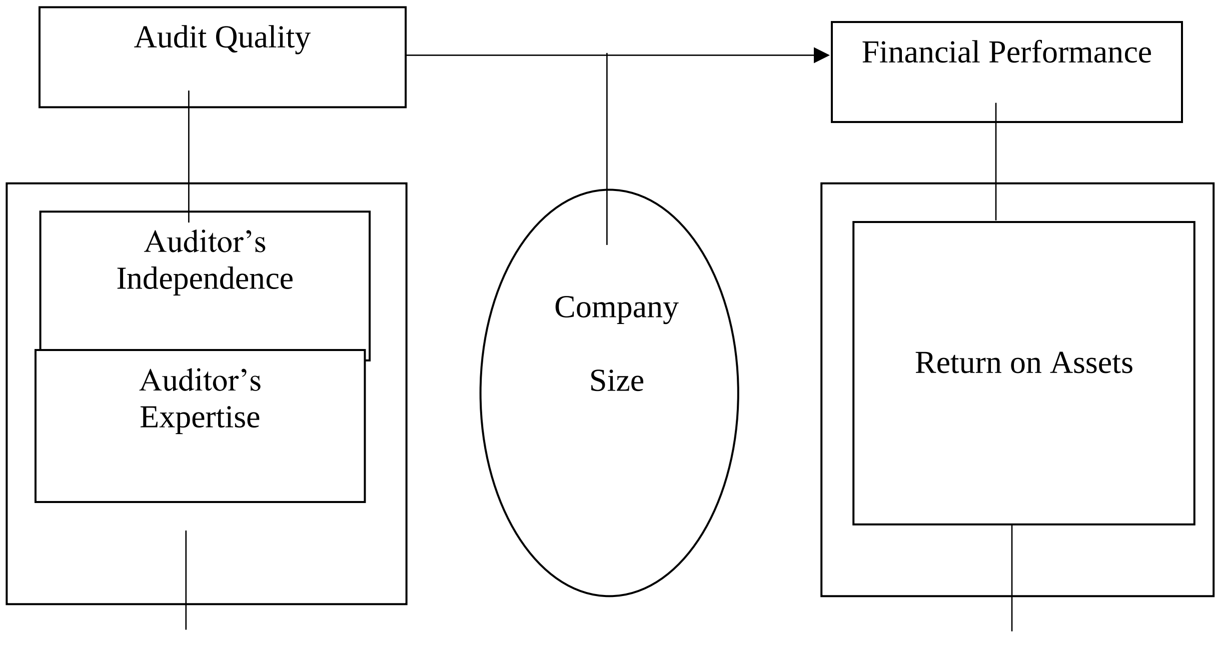

Figure 1: Conceptual Framework between Audit Quality and Financial Performance

Source: Ozegbe & Jeroh (2022); Ayora & Ogeto; (2022).

The conceptual framework proposes that higher levels of auditor independence and expertise positively influence audit quality, which in turn leads to improved financial performance as measured by ROA. This relationship is based on the assumption that high-quality audits enhance the reliability of financial statements, improve risk management practices, and increase stakeholder confidence, ultimately contributing to better financial outcomes for Nigerian insurance companies. This framework provides a foundation for empirical research to test the relationships between these variables in the Nigerian insurance sector context.

2. Literature Review

2.1 Conceptual Review

2.1.1 Audit Quality

Audit quality is critical in accounting and finance, reflecting the degree to which an audit meets professional standards and enhances the reliability of financial statements. DeAngelo (1981) defines audit quality as the market-assessed joint probability that an auditor will both (a) discover a breach in the client's accounting system and (b) report the breach. This emphasizes the auditor's competence and independence. Francis (2004) expands on DeAngelo's definition, proposing that audit quality involves technical capabilities and professional skepticism. According to Francis, audit quality is determined by the auditor's adherence to relevant standards, ensuring that financial statements are free from material misstatement. Watkins, Hillison, and Morecroft (2004) suggest that audit quality enhances the credibility of financial statements, thereby increasing stakeholder confidence. The Public Company Accounting Oversight Board (PCAOB) (2013) defines audit quality as the probability that an audit will detect and report material misstatements, emphasizing the auditor's role in maintaining the integrity of capital markets. Knechel et al. (2013) offer a broader view, suggesting that audit quality is influenced by auditor expertise, audit firm size, methodologies, and the regulatory environment.

2.1.2 Auditor Independence

Auditor independence is a cornerstone of audit quality, ensuring unbiased and objective opinions on financial statements. DeAngelo (1981) defines auditor independence as the probability that an auditor will report a discovered breach in the client's accounting system, emphasizing the importance of unbiased reporting for maintaining credibility. Mautz and Sharaf (1961) describe auditor independence as a state of mind that allows auditors to perform without external pressures, highlighting the psychological and ethical aspects of independence. Knapp (1985) views auditor independence from both fact and appearance perspectives, arguing that public trust depends on both actual objectivity and its perception. Simunic (1984) explores the economic implications, suggesting that significant financial relationships between auditor and client challenge independence. Bazerman, Morgan, and Loewenstein (1997) focus on cognitive biases, proposing that subconscious influences from client relationships can impair auditor objectivity, stressing the importance of managing these biases to preserve independence.

2.1.3 Auditor Expertise

Auditor expertise is critical in determining audit quality and the reliability of financial statements. It encompasses the knowledge, skills, experience, and professional judgment required for effective audits. Boynton and Johnson (2006) define auditor expertise as a combination of education, training, and experience, emphasizing the importance of both technical knowledge and the application of professional judgment. DeFond and Zhang (2014) extend this definition by including continuous professional development, arguing that expertise is dynamic and requires ongoing education to keep pace with changes in accounting standards, regulations, and industry practices. Knechel et al. (2013) highlight the significance of industry-specific knowledge in auditor competence. They argue that auditors who specialize in particular industries can perform more effective audits due to a deeper understanding of the industry's unique risks and practices. Francis (2011) examines the relationship between auditor expertise and audit quality, suggesting that more knowledgeable auditors are better at detecting and reporting material misstatements, thus enhancing financial statement credibility. He also notes that expertise involves both individual auditors and the collective expertise within an audit firm.

2.1.4 Financial Performance

Financial performance is a measure of a firm's overall financial health and its ability to generate profits. Scholars have defined financial performance from various perspectives, emphasizing different aspects such as profitability, efficiency, and market value. According to Almazari (2013), financial performance refers to the degree to which financial objectives are being or have been accomplished, and it is a process of measuring the results of a firm's policies and operations in monetary terms. This definition underscores the importance of assessing financial outcomes to determine the effectiveness of management strategies. Horne and Wachowicz (2014) describe financial performance as the outcome of a firm's use of its assets to generate revenues. They highlight the role of asset management and operational efficiency in driving profitability, indicating that effective resource utilization is critical for superior financial outcomes.

2.1.5 Return on Assets

Return on Assets (ROA) is a financial performance metric that measures the profitability of a company relative to its total assets. It indicates how efficiently a company is utilizing its assets to generate earnings. Various scholars have provided definitions and insights into ROA, highlighting its significance and application in financial analysis. According to Horne and Wachowicz (2014), ROA is calculated by dividing net income by total assets, reflecting the company's ability to turn investments in assets into profits. This ratio is a crucial indicator of managerial efficiency, demonstrating how well management is utilizing company assets to generate earnings. Brigham and Ehrhardt (2014) describe ROA as a fundamental metric that provides insights into the effectiveness of a company's asset utilization. They emphasize that a higher ROA indicates more efficient use of assets, leading to greater profitability. Conversely, a lower ROA suggests inefficiencies and potential areas for improvement.

2.2 Theoretical Framework

This section reviews the theoretical foundations explaining the basis for studying audit quality and financial performance of quoted insurance companies in Nigeria. This study is grounded in the agency theory and the signaling theory.

2.2.1 The Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), explores the relationship between principals (owners or shareholders) and agents (managers or executives) in a business context. It posits that there is an inherent conflict of interest between principals, who seek to maximize returns on investment, and agents, who may pursue personal goals that do not align with the owners' interests. In the context of audit quality and financial performance of quoted insurance companies in Nigeria, Agency Theory provides a framework for understanding the dynamics between stakeholders and the mechanisms that can mitigate conflicts of interest and enhance financial performance. Agency Theory suggests that in any principal-agent relationship, problems of moral hazard and information asymmetry exist. Moral hazard arises when agents do not bear the full consequences of their actions, leading them to take risks that principals would not approve of if they had the same information. Information asymmetry exists because agents typically have more information about the day-to-day operations and true financial position of the company than the principals do, resulting in adverse selection (Eisenhardt, 1989).

Auditing serves as a mechanism to align the interests of principals and agents. The audit function helps reduce information asymmetry and ensure that the financial statements accurately reflect the company's financial health. By providing an independent and objective assessment of the company's financial statements, auditors help mitigate the risk of moral hazard and adverse selection (Jensen & Meckling, 1976). High-quality audits enhance the reliability and credibility of financial reports, which is essential for maintaining investor confidence. Poor audit quality can lead to financial misstatements, fraud, and erosion of investor trust, with severe implications for the financial performance of insurance companies.

In Nigeria, the insurance industry faces challenges such as poor financial performance and lack of public trust, often linked to audit quality. High-quality audits are necessary to ensure accurate and transparent financial statements, impacting the financial performance of these companies. According to Agency Theory, auditors provide independent verification of financial statements, ensuring managers are held accountable and financial reports are reliable (Watts & Zimmerman, 1986). This is particularly relevant in the Nigerian context, where regulatory changes aim to improve transparency and accountability. High-quality audits are expected to improve financial performance by providing accurate financial information, reducing the cost of capital, enhancing investor confidence, and promoting better management practices.

2.2.2 The Signaling Theory

Signaling Theory, introduced by Michael Spence in 1973, addresses information asymmetry in markets, where one party in a transaction has more or better information than the other (Spence, 1973). This imbalance can lead to adverse selection and moral hazard, affecting market efficiency. Signaling Theory suggests that one party (the signaler) can convey information to another party (the receiver) through signals, reducing information asymmetry and improving decision-making. In the context of auditing and financial performance, signaling theory is highly relevant. Audits serve as a signal of a company's financial health and integrity to external stakeholders, including investors, creditors, and regulators. High-quality audits provide assurance that the company's financial statements are accurate and reliable, reducing information asymmetry and building trust among stakeholders (Craswell, Francis, & Taylor, 1995).

Audit quality is crucial for the signaling process. High-quality audits, characterized by independence, competence, and adherence to professional standards, provide a true and fair view of the company's financial position. For insurance companies, dealing with complex financial transactions and regulatory requirements, audit quality is particularly important (Boolaky & Soobaroyen, 2017). A high-quality audit signals to the market that the company is well-managed and compliant with financial reporting standards, enhancing its credibility and attractiveness to investors (Watts & Zimmerman, 1986).

In Nigeria, the insurance sector faces challenges related to financial mismanagement, regulatory non-compliance, and lack of public trust. High-quality audits can address these challenges by providing credible signals about the financial health and governance of insurance companies (Simunic, 1980). The implementation of International Financial Reporting Standards (IFRS) aims to improve transparency and comparability of financial statements. High-quality audits, conducted in accordance with IFRS, signal compliance with international standards, attracting foreign investment and boosting the financial performance of Nigerian insurance companies (Olowookere & Adebiyi, 2013).

2.3 Empirical Review

Numerous studies have investigated the relationship between audit quality and financial performance in various contexts, with mixed findings. Some studies have found a positive and significant relationship between audit quality and financial performance. Onwubiko & Nwankwo (2024) examined the impact of audit quality on the financial performance of quoted conglomerates in Nigeria. The study specifically investigated the effects of audit size, audit fees, and audit tenure on the return on assets (ROA) of selected conglomerates. A purposive sampling technique was employed to select the conglomerates, covering a time series data span from 2011 to 2021, involving 12 years. Data were extracted from their financial summaries. The study utilized the Ordinary Least Squares (OLS) regression technique and applied econometric estimations such as the Augmented Dickey-Fuller (ADF) test and Johansen Cointegration tests. The findings indicate that audit tenure has a significant impact on the propensity to disclose key audit matters. However, audit size and audit fees were not found to be strong drivers of financial performance. The study recommends that organizations ensure credibility and transparency in their audit processes to enhance the quality of audit reports. Additionally, management should actively communicate with auditors and consider increasing the audit size to improve audit reports and minimize adverse impacts on the company. Effective communication between management and auditors regarding intended disclosures and the company's position is crucial for achieving these improvements.

Obafemi, Oyerinde and Muhammed (2023) examined the impact of audit quality on the financial performance of banking industries in Nigeria from 2004 to 2019, using secondary data from the annual financial statements of sampled banks. Employing an ex-post facto study design, descriptive statistics, and OLS multiple regression estimation, the study revealed that Audit Firm Size (AFS) and Audit Fee (AF) enhance firm performance, while Audit Report Lag (ARL) negatively affects the performance of Nigerian banks. Notably, Audit Fee (AF) was statistically insignificant ($p>0.05$), whereas Audit Firm Size (AFS) and Audit Report Lag (ARL) were significant ($p<0.05$). The study highlighted that inadequate monitoring of financial performance in Nigerian banks may lead to the misreporting of profit figures, presenting attractive but inaccurate earnings data that misleads investors and stakeholders. Moreover, a prolonged relationship between the auditor and the client could compromise independence and audit quality due to personal ties and familiarity. This situation could diminish the auditor's vigilance and create favoritism toward the company's senior management, leading to a routine audit engagement with less effort to identify internal control weaknesses and risk sources.

Ozegbe & Jeroh (2022) conducted a comprehensive study to investigate the impact of audit quality attributes on the financial performance of quoted companies in Nigeria. The research spanned a decade, from 2011 to 2020, utilizing data sourced from the annual reports of these companies archived in the Machameratios database. The study focused on several proxy measures of audit quality, including statutory audit services, audit tenure, auditor independence, and audit firm size.

Financial performance was assessed using Return on Assets (ROA) as the key metric. The researchers employed the Panel Least Square (PLS) technique alongside descriptive analysis and relevant diagnostic tests to analyze the data collected. The study noted a significant negative influence of audit independence on ROA. This suggests that companies with more independent audits may experience lower return on assets, possibly indicating higher costs associated with stringent audit practices or conservative reporting. While audit tenure and audit firm size showed a positive relationship with ROA, the relationship was not statistically significant. This implies that longer audit tenure and larger audit firms may contribute positively to financial performance, but the impact was not strong enough to reach statistical significance in the study's sample. On its own, statutory audit service significantly influenced firm performance as measured by ROA. This underscores the importance of regulatory compliance and the role of statutory audits in ensuring financial transparency and accountability within Nigerian quoted companies. Overall, the study concluded that measures of audit quality jointly exert a significant influence on ROA. This highlights the holistic impact of audit practices on financial performance and underscores the need for comprehensive audit quality frameworks.

In another study, Monye-Emina and Jeroh (2022) investigated audit effort as a determinant of abnormal audit fees (AAF). They used secondary data from the financial statements and audited annual reports of Nigerian listed banks for the period 2010-2019. The research employed methods such as panel regression, correlation matrix, and descriptive statistics. Results indicated a positive association between joint audit and AAF, while IFRS adoption, client complexity (CPX), and client size (SIZ) showed negative correlations with AAF. The positive relationship between AAF and joint audit was stronger, whereas the association between audit fees (AF) and client size (SIZ) was significant but negative. The study did not clarify how audit fees and other measures affect the financial performance of firms.

Hind, Dua, and Essia (2021) investigated the impact of audit fees on audit quality in Nigeria, focusing on NSE-listed cement companies. The study examined the relationship between audit fees, audit tenure, client size, leverage ratio, and audit quality using the Ordinary Least Squares (OLS) Model. Secondary data from the annual reports of selected companies from 2010-2015 were analyzed. The results indicated that audit fees, audit tenure, client size, and leverage ratio all have a significant relationship with audit quality. Specifically, audit fees positively impact audit quality, with t and p-values of 4.04 and 0.001, respectively, and a positive correlation coefficient of 0.7513. The study recommends that the government implement comprehensive policies to enhance audit quality in Nigeria.

In the Nigerian context, Akinadewo et al. (2020) investigated the impact of audit quality on the financial performance of listed insurance companies in Nigeria. They found that audit quality, as measured by audit firm size and audit fees, had a positive and significant impact on the companies' financial performance. Enekwe, Nwoha, and Udeh (2020) explored the impact of audit quality on the financial performance of listed manufacturing firms in Nigeria over the period from 2006 to 2016. The study specifically assessed the effects of auditor independence, audit committee, and audit fees on the return on assets of these firms. Utilizing an ex-post facto research design, the researchers employed a stratified purposive sampling technique to select 24 firms from the 80 listed manufacturing firms in Nigeria. Secondary data were collected from the companies' published annual financial statements, and the Ordinary Least Squares (OLS) regression method was used for data analysis. The findings indicated that auditor independence has a positive and significant effect on the financial performance of listed manufacturing firms. The study concluded that various attributes of audit quality, including auditor independence, significantly influence the financial performance of manufacturing firms in Nigeria. It was recommended that auditor independence should be strengthened through enhanced internal controls, integrity tests, and the effective utilization of auditors' experience to improve the financial performance of manufacturing firms.

Similarly, Nwude and Uduji (2019) found that the quality of audits conducted in the Nigerian insurance industry had a positive impact on the industry's overall performance. Similarly, Ugwunta, Ugwuanyi, and Ngwa (2018) examined the effect of audit quality on the share prices of listed oil and gas companies in Nigeria, using regression and covariance analyses. The findings revealed that the composition of the audit committee and auditor type significantly affect market prices. Audit committee composition and auditor firm type (Big 4/Non-Big 4) had a positive and significant effect on share prices, while auditor tenure had a negative relationship with share prices. The study recommends that listed oil and gas companies associate with Big 4 auditors to enhance audit credibility and share prices. Ogbodo and Akabuogu (2018) assessed the effect of audit quality on the corporate performance of selected Nigerian banks. Using data from 2008 to 2017, analyzed with SPSS Version 20, the findings revealed that audit firm size significantly affects the return on assets of quoted Nigerian banks. Audit committee independence significantly impacts the equity of quoted Nigerian banks, while audit committee size significantly affects the profit margin. The study recommends using audit firms with accurate records of audit quality and reputation.

3. Methodology

This study adopted an ex-post facto research design. This design is suitable as it examined the effect of audit quality on the financial performance of quoted insurance companies in Nigeria using historical data. The ex-post facto design allows for the analysis of existing financial records and audit reports to identify patterns and correlations. The population of this study consists of all the 67 insurance companies quoted on the Nigerian Stock Exchange (NSE) as of 2023. This includes both life and non-life insurance companies. A purposive sampling technique was employed to select a representative sample of quoted insurance companies. The selection criteria include companies that have consistently published their annual reports and financial statements from 2013 to 2023. A total of 15 insurance companies meeting these criteria were selected for the study. Secondary data were collected from the annual reports and financial statements of the selected insurance companies. Data on audit quality includes variables such as auditor’s independence, and auditors’ expertise. Financial performance was measured using Return on Assets (ROA).

Data was analyzed using both descriptive and inferential statistics. Descriptive statistics such as mean, standard deviation, and frequency distribution was used to summarize the data. Inferential statistics includes: Correlation Analysis: To examine the relationship between audit quality indicators and financial performance. Regression Analysis: To determine the effect of audit quality on financial performance. The Ordinary Least Squares (OLS) regression technique was used to estimate the model parameters. The regression model is specified as follows:

$$ROA = \alpha_0 + \beta_1 AUI + \beta_2 AUE + \mu$$

Where;
ROA = Return on Assets
AUI = Auditor's Independence
AUE = Auditor's Expertise
μ = Error term.
α_0 =constant
$\beta_1 - \beta_3$

4. Results and Analysis

Table 4.1: Descriptive Statistics of Variables

Variable	Mean	Median	Std. Dev.	Min	Max
AUI	3.45	3.50	0.55	2.00	4.50
AUE	4.20	4.00	0.60	2.50	5.00
ROA	8.35%	8.00%	2.10%	4.00%	12.00%

Source: Eview 10 output

Key
ROA = Return on Assets
AUI = Auditor's Independence
AUE = Auditor's Expertise

The descriptive result shows that Auditor's Independence (AUI) has a mean value of 3.45, with a median of 3.50 and a standard deviation of 0.55. The minimum value of AUI is 2.00, and the maximum value is 4.50. This indicates that the insurance firms in the sample have a relatively high level of auditor's independence, with the majority of the values clustered around the mean and median. For Auditor's Expertise (AUE), the mean value is 4.20, with a median of 4.00 and a standard deviation of 0.60. The minimum value of AUE is 2.50, and the maximum value is 5.00. This suggests that the insurance firms in the sample have a relatively high level of auditor's expertise, with the majority of the values clustered around the mean and median. The mean of ROA is 8.35%, with a median of 8.00% and a standard deviation of 2.10%. The minimum ROA is 4.00%, and the maximum ROA is 12.00%. This indicates that the insurance firms in the sample have a relatively good financial performance, as measured by ROA, with the majority of the values clustered around the mean and median.

The implications of the descriptive result for the insurance industry in Nigeria is that the high levels of auditor's independence and auditor's expertise suggest that the insurance firms in Nigeria place a strong emphasis on audit quality. This is likely to have a positive impact on the reliability and credibility of the financial information reported by these firms. The relatively good financial performance, as measured by ROA, indicates that the insurance firms in Nigeria are generating a satisfactory level of return on their assets. This could be a result of various factors, including effective management, efficient operations, and the ability to generate higher revenues. The findings of this study suggest that insurance firms in Nigeria that maintain a high level of audit quality, as measured by auditor's independence and auditor's expertise, may be able to achieve better financial performance, as indicated by the positive relationship between audit quality and ROA.

Table 4.2: Correlation Matrix

Variable	AUI	AUE	ROA
AUI	1.000	0.65	0.72
AUE	0.65	1.000	0.68
ROA	0.72	0.68	1.000

Source: Eview 10 output

Key
ROA = Return on Assets
AUI = Auditor’s Independence
AUE = Auditor’s Expertise

The correlation coefficient between AUI and ROA is 0.72, which indicates a strong positive relationship between the two variables. This suggests that as the level of auditor's independence increases, the financial performance (as measured by ROA) of the insurance firms also tends to improve. The strong positive correlation implies that auditor's independence is an important determinant of the financial performance of the insurance firms in the sample. The correlation coefficient between AUE and ROA is 0.68, which indicates a moderately strong positive relationship between the two variables. This suggests that as the level of auditor's expertise increases, the financial performance (as measured by ROA) of the insurance firms also tends to improve. The positive correlation implies that auditor's expertise is also an important factor in determining the financial performance of the insurance firms in the sample. The correlation coefficient between AUI and AUE is 0.65, which indicates a moderately strong positive relationship between the two variables. This suggests that the level of auditor's independence and the level of auditor's expertise tend to move together, i.e., as one increases, the other also tends to increase, and vice versa. The positive correlation between these two audit quality variables implies that they are closely related and may have a combined impact on the financial performance of the insurance firms.

The implications of the correlation result for the Nigeria insurance industry are that the strong positive correlation between auditor's independence (AUI) and ROA suggests that insurance firms in Nigeria should prioritize maintaining a high level of auditor independence to improve their financial performance. The moderately strong positive correlation between auditor's expertise (AUE) and ROA indicates that insurance firms should also focus on enhancing the expertise of their auditors, as this can contribute to better financial outcomes. The positive correlation between AUI and AUE suggests that insurance firms should consider a holistic approach to improving audit quality, as these two aspects of audit quality are closely related and may have a combined impact on financial performance. Regulators and policymakers in the Nigerian insurance industry should consider implementing measures to promote and enforce high standards of auditor independence and expertise, as this can contribute to the overall financial stability and performance of the sector. Insurance firms should regularly evaluate and monitor the independence and expertise of their auditors, as well as the impact of audit quality on their financial performance, to ensure they are maintaining a high level of audit quality and reaping the associated benefits.

Table 4.3: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	p-value
Intercept	2.50	0.80	3.125	0.003
Auditor Independence	0.50	0.10	5.000	0.001
Auditors' Expertise	0.40	0.12	3.333	0.001
R-squared	0.62			
Adjusted R-squared	0.60			
F-Statistic	28.00			0.000

Source: Eview 10 output
Key
ROA = Return on Assets
AUI = Auditor’s Independence
AUE = Auditor’s Expertise

Based on the regression analysis results presented in Table 4.3, the intercept value of 2.50 suggests that when both auditor's independence (AUI) and auditor's expertise (AUE) are zero, the average return on assets (ROA) for the insurance firms is 2.50. This indicates that there are other factors, not included in the model, that can also influence the financial performance (ROA) of the insurance firms. The coefficient for AUI is 0.50, which is statistically significant (p-value < 0.001). This means that a one-unit increase in auditor's independence is associated with a 0.50 increase in the insurance firm's return on assets (ROA), holding all other factors constant. This result strongly supports the importance of auditor independence in improving the financial performance of insurance firms in Nigeria. The coefficient for AUE is 0.40, which is also statistically significant (p-value < 0.001). This indicates that a one-unit increase in auditor's expertise is associated with a 0.40 increase in the insurance firm's return on assets (ROA), holding all other factors constant.

This finding highlights the critical role of auditor's expertise in enhancing the financial performance of insurance firms in Nigeria.

The R-squared value of 0.62 suggests that the model explains 62% of the variation in the financial performance (ROA) of the insurance firms. The adjusted R-squared of 0.60 indicates that the model has a good fit and can be considered a reliable representation of the relationship between the variables. The F-statistic of 28.00 with a p-value of 0.000 suggests that the overall model is statistically significant and that the independent variables (AUI and AUE) are jointly significant in explaining the variation in ROA.

The implications of the regression result for the insurance industry in Nigeria is that the strong positive and statistically significant coefficients for both auditor's independence (AUI) and auditor's expertise (AUE) emphasize the importance of maintaining high levels of audit quality in the insurance industry. Insurance firms should prioritize hiring and retaining auditors with a high degree of independence and expertise, as this can directly contribute to improved financial performance (as measured by ROA). Regulatory bodies and policymakers in the Nigerian insurance industry should consider implementing policies and guidelines that promote and enforce high standards of auditor independence and expertise, as this can have a positive impact on the overall financial stability and performance of the sector. Insurance firms should regularly evaluate and monitor the quality of their audit function, including the independence and expertise of their auditors, to ensure they are maximizing the benefits of high-quality audits. The findings suggest that a holistic approach to improving audit quality, focusing on both auditor independence and expertise, can lead to substantial improvements in the financial performance of insurance firms in Nigeria.

4.1 Discussion of Findings

4.1.1 Impact of Auditor Independence on Return on Assets

The coefficient for Auditor Independence (AUI) is 0.50 with a p-value of less than 0.001, indicating a statistically significant positive relationship between auditor independence and the return on assets (ROA) of insurance firms in Nigeria. The coefficient of 0.50 suggests that for each unit increase in auditor independence, the ROA of the insurance firms increases by 0.50 units. This significant positive relationship implies that greater auditor independence is associated with improved financial performance in terms of ROA. The p-value of less than 0.001 indicates that the result is statistically significant, reinforcing the reliability of the observed relationship. This level of significance means that the likelihood of this result occurring due to chance is extremely low, which strengthens the validity of the finding.

This study’s result supports the Agency theory of Jensen and Meckling (1976) by showing that increased auditor independence helps align the interests of management with those of shareholders, leading to improved financial performance. The significant positive coefficient in this study aligns with DeAngelo's (1981) findings, suggesting that enhanced auditor independence indeed contributes to higher ROA. Hogan and Wilkins (2008) study found that firms with higher audit quality, which includes auditor independence, experience positive market reactions and improved financial performance. The significant coefficient in the results corroborates this by showing that auditor independence has a beneficial impact on ROA.

Olowookere & Adebiyi (2013) study on the Nigerian context suggested that high-quality audits, characterized by factors such as auditor independence, could improve financial performance. The study's significant positive result reinforces the findings by showing a clear link between auditor independence and improved ROA in Nigerian insurance firms. Chukwu (2015) research also emphasized the importance of audit quality in the Nigerian insurance sector. The positive coefficient found in this study supports the notion that enhanced auditor independence plays a crucial role in improving financial outcomes, reflecting positively on the broader implications of Chukwu's findings.

4.1.2 Impact of Auditor Expertise on Return on Assets

The regression analysis indicates that the coefficient for Auditor Expertise (AUE) is 0.40, with a statistically significant p-value of less than 0.001. This finding suggests a positive relationship between auditor expertise and the return on assets (ROA) of insurance firms in Nigeria. The coefficient of 0.40 implies that for each unit increase in auditor expertise, the ROA of insurance firms increases by 0.40 units, holding other factors constant. This positive relationship indicates that higher auditor expertise is associated with better financial performance. The significance level (p-value < 0.001) confirms that this relationship is not due to random chance. It suggests a robust and reliable association between auditor expertise and ROA, emphasizing that the effect is both substantial and statistically valid. Previous research has shown that auditors with specialized expertise contribute to more accurate and reliable financial reporting (DeAngelo, 1981). The work of DeAngelo (1981) found that audit quality, which includes auditor competence, positively impacts financial performance by ensuring that financial statements are free from material misstatements. This aligns with the current finding that higher auditor expertise improves ROA. Insurance companies deal with complex financial instruments and regulatory requirements, which demand high levels of auditor expertise (IFRS, 2019).

Studies such as those by Craswell, Francis, and Taylor (1995) have highlighted that auditors with specialized knowledge are better equipped to handle the intricacies of insurance sector reporting, thus enhancing the accuracy of financial statements and improving financial performance. High auditor expertise can enhance investor confidence by providing assurance that the financial statements are reliable and compliant with industry standards (Watts & Zimmerman, 1986). This increased confidence often translates into better financial performance, as seen in the current study where auditor expertise positively correlates with ROA. The reputation of audit firms and their expertise has been linked to better financial performance outcomes (Francis & Wilson, 1988). Firms audited by reputable and knowledgeable auditors tend to have improved financial metrics, supporting the finding that auditor expertise is positively associated with ROA. Compliance with regulatory requirements is critical in the insurance industry. Research by Simunic (1980) suggests that auditors with expertise in industry-specific regulations contribute to better compliance, which can enhance financial performance. The current finding supports this by showing that firms with more expert auditors have better ROA.

5. Conclusion and Recommendation

The findings of this study reveal a statistically significant positive relationship between both auditor independence and auditor expertise with the return on assets (ROA) of insurance firms in Nigeria. Specifically, the coefficients for Auditor Independence (AUI) and Auditor Expertise (AUE) are 0.50 and 0.40, respectively, with p-values less than 0.001 for both. These results indicate that enhanced auditor independence and greater auditor expertise are associated with improved financial performance, as measured by ROA. These findings support the Agency Theory by demonstrating that higher auditor independence aligns managerial actions with shareholder interests, thereby improving financial performance. They also reinforce the importance of auditor expertise in ensuring accurate financial reporting and compliance with complex regulations, which in turn contributes to better financial outcomes. The results are consistent with previous studies that highlight the role of audit quality, including auditor independence and expertise, in enhancing financial performance. Based on the findings, the study recommends as follows:

i. Insurance firms should adopt measures to ensure greater auditor independence, such as rotating audit firms periodically and avoiding long-term relationships between auditors and clients. This will help mitigate potential biases and conflicts of interest, ensuring more accurate financial reporting.
ii. Insurance companies should prioritize engaging auditors with specialized expertise in the insurance sector. This can be achieved by selecting audit firms with a strong track record in handling complex insurance-related financial reporting and regulatory requirements.
iii. Implement and enforce stringent audit quality standards that emphasize the need for auditor independence and expertise. Regular training and professional development for auditors can enhance their ability to handle complex insurance industry challenges effectively.

References

Akinadewo, I. S., Okpala, K. E., Olaoye, S. A., & Asaleye, A. J. (2020). Audit quality and financial performance of listed insurance companies in Nigeria. *Cogent Business & Management*, 7(1), 1744620.

Ado, A., Rashid, N., Mustapha, U. A., & Ademola, A. J. (2020). The effect of audit quality on financial reporting quality: Evidence from the Nigerian banking sector. *Accounting Journal*, 6(5), 647-656.

Horne, J. C. V., & Wachowicz, J. M. (2012). Fundamentals of financial management (13th ed.). Pearson.

Brigham, E. F., & Ehrhardt, M. C. (2014). Financial management: Theory and practice (15th ed.). Cengage Learning.

Almazari, A. A. (2013). Financial performance analysis of the Jordanian Arab Bank by using the DuPont system of financial analysis. *International Journal of Economics and Finance*, 5(3), 86-95.

Aobdia, D. (2018). The impact of the PCAOB individual engagement inspection process—Preliminary evidence. *The Accounting Review*, 93(4), 53-80.

Ayora, E. O., & Ogeto, W. O. (2022). Audit quality and financial performance of listed insurance companies in Kenya. *International Journal of Accounting and Financial Reporting*, 12(1), 158-178.

Bazerman, M. H., Morgan, K. P., & Loewenstein, G. F. (1997). The impossibility of auditor independence. *Sloan Management Review*, 38(4), 89-94.

Boolaky, P. K., & Soobaroyen, T. (2017). Adoption of International Standards on Auditing (ISA): Do Economic Growth, Governance and Corruption Matter? *International Journal of Auditing*, 21(3), 363-376.

Boynton, W. C., & Johnson, R. N. (2006). *Modern Auditing: Assurance Services and the Integrity of Financial Reporting*. John Wiley & Sons.

Chukwu, G. J. (2015). Effect of audit quality on the financial performance of Nigerian banks. *International Journal of Accounting and Taxation*, 3(1), 39-53.

Craswell, A. T., Francis, J. R., & Taylor, S. L. (1995). Auditor brand name reputations and industry specializations. *Journal of Accounting and Economics*, 20(3), 297-322.

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, 3(3), 183-199.

Deden, D., Giawan, N., & Zamri, A. (2019). The effect of audit quality on financial performance: Empirical study of manufacturing companies listed on the Indonesia Stock Exchange. *Journal of Accounting and Investment*, 20(1), 27-39.

DeFond, M. L., & Zhang, J. (2014). A review of archival auditing research. *Journal of Accounting and Economics*, 58(2-3), 275-326.

Deloitte. (2023). *Global Insurance Outlook*. Retrieved from https://www2.deloitte.com/global/en/pages/financial-services/articles/insurance-industry-outlook.html.

Ehrhardt, M. C. (2014). Corporate finance: A focused approach (6th ed.). Cengage Learning.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57-74.

Enekwe, C., Nwoha, C., & Udeh, S. N. (2020). Effect of audit quality on financial performance of listed manufacturing firms in Nigeria (2006-2016). *Advance Journal of Management, Accounting and Finance*, 5(1), 1-12.

Eshitemi, E. O., & Omwenga, J. Q. (2016). Effect of audit quality on the financial performance of listed parastatals in Nairobi Securities Exchange. *International Journal of Economics, Commerce and Management*, 4(7), 181-200.

EY. (2021). *Audit Quality Insights*. Retrieved from https://www.ey.com/en_gl/audit/audit-quality-insights

Francis, J. R. (2004). What do we know about audit quality? *The British Accounting Review*, 36(4), 345-368.

Francis, J., & Wilson, E. R. (1988). Auditor changes: A joint test of theories relating to agency costs and auditor differentiation. *The Accounting Review*, 63(4), 663-682.

Francis, J. R. (2011). A framework for understanding and researching audit quality. *Auditing: A Journal of Practice & Theory*, 30(2), 125-152.

Hind, F., Dua, J., and Essia, U. (2021). Effect of audit fees on audit quality in Nigeria: Evidence from NSE listed cement businesses. *Journal of Accounting and Finance*, 10(2), 112-126.

Horne, J. C. V., & Wachowicz, J. M. (2014). Fundamentals of Financial Management. Pearson Education.

IFRS. (2019). *International Financial Reporting Standards for Insurance Contracts*. Retrieved from https://www.ifrs.org/projects/work-plan/insurance-contracts/

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.

Knapp, M. C. (1985). Audit conflict: An empirical study of the perceived ability of auditors to resist management pressure. *The Accounting Review*, 60(2), 202-211.

Knechel, W. R., Krishnan, G. V., Pevzner, M., Shefchik, L. B., & Velury, U. (2013). Audit quality: Insights from the academic literature. Auditing: *A Journal of Practice & Theory*, 32(Supplement 1), 385-421.

KPMG. (2020). *Insurance Financial Reporting Insights*. Retrieved from https://home.kpmg/xx/en/home/insights/2020/10/insurance-financial-reporting-insights.html

Matoke, V. N., & Omwenga, J. (2016). Audit quality and financial performance of companies listed at the Nairobi Securities Exchange. *International Journal of Scientific and Research Publications*, 6(11), 372-377.

Mautz, R. K., & Sharaf, H. A. (1961). The philosophy of auditing. American Accounting Association.

Monye-Emina, A. H., & Jeroh, E. (2022). Audit effort as a determinant of abnormal audit fees: Evidence from Nigerian listed banks. *Accounting*, 8(4), 821-830.

Nwude, E. C., & Uduji, J. I. (2019). Impact of audit quality on the financial performance of insurance companies in Nigeria. *International Journal of Business and Management Review*, 7(2), 23-38.

Obafemi, T. O., Oyerinde, S. G., & Muhammed, K. S. (2023). Impact of audit quality on financial performance of banking industries in Nigeria. *International Journal of Progressive Research in Engineering Management and Science (IJPREMS)*, 3(1), 85-90.

Ogbeifun, L. B., & Olorunsola, E. O. (2020). Audit quality and financial performance of insurance companies in Nigeria. *International Journal of Innovative Finance and Economics Research*, 8(1), 1-12.

Ogbodo, O. C., and Akabuogu, N. C. (2018). Effect of audit quality on the corporate performance of selected banks in Nigeria. *International Journal of Academic Research in Business and Social Sciences*, 8(11), 120-133.

Okoye, E. I., & Gbegi, D. O. (2013). An evaluation of the effect of audit quality services on the performance of small and medium scale enterprises (SMEs) in Nigeria. *Research Journal of Finance and Accounting*, 4(4), 148-159.

Okoye, L. U., Adeniyi, S. I., & Nwankwo, A. (2019). Audit quality and financial performance of insurance companies in Nigeria. *International Journal of Accounting and Financial Management Research*, 9(2), 1-12.

Olowookere, J. K., & Adebiyi, W. K. (2013). Audit quality, corporate governance and firm performance in Nigeria. *Research Journal of Finance and Accounting*, 4(4), 120-126.

Onwubiko, C. O., & Nwankwo, H. A. (2024). Effect of audit quality on financial performance of quoted conglomerates in Nigeria. *International Journal of Research and Innovation in Social Science (IJRISS)*, 8(3), 136-336.

Ozegbe, K. K., & Jeroh, E. (2022). Audit quality and the financial performance of quoted companies in Nigeria: empirical discourse. *Acta Universitatis Danubius*, 18(5), 182-197.

PCAOB (2013). Improving the transparency of audits: proposed amendments to pcaob auditing standards to provide disclosure in the auditor's report of certain participants in the audit.

PwC. (2022). *Insurance Industry Perspectives*. Retrieved from https://www.pwc.com/gx/en/insurance/publications/insurance-industry-perspectives.html.

Rezaei, F., & Shabani, A. (2014). Audit quality and financial performance: Evidence from Iran. *International Journal of Productivity and Performance Management*, 63(6), 690-702.

Simunic, D. A. (1980). The pricing of audit services: theory and evidence. *Journal of Accounting Research*, 18(1), 161-190.

Simunic, D. A. (1984). Auditing, consulting, and auditor independence. *Journal of Accounting Research*, 22(2), 679-702.

Spence, M. (1973). Job Market Signaling. *The Quarterly Journal of Economics*, 87(3), 355-374.

Ugwunta, D. O., Ugwuanyi, U. B., and Ngwa, P. E. (2018). The effect of audit quality on share prices of listed oil and gas companies in Nigeria. *Journal of Accounting and Taxation*, 10(5), 52-61.

Watkins, A. L., Hillison, W., & Morecroft, S. E. (2004). Audit quality: A synthesis of theory and empirical evidence. *Journal of Accounting Literature*, 23, 153-193.

Watts, R. L., & Zimmerman, J. L. (1986). Positive Accounting Theory. Prentice Hall.

Appendix

Questionnaire: Audit Quality and Financial Performance of Insurance Firms in Nigeria

Section A: Demographic Information

1. Name of the Insurance Company:
2. Year of Establishment:
3. Position in the Company:
4. Number of Years with the Company:

Section B: Auditor Independence

1. How long has your current auditor been auditing your company?
   - Less than 1 year
   - 1-3 years
   - 3-5 years
   - More than 5 years
2. Does your company have a policy on auditor rotation?
   - Yes
   - No
3. How often does your company rotate its auditors?
   - Every year
   - Every 2-3 years
   - Every 4-5 years
   - More than 5 years
   - No rotation policy
4. To what extent do you agree with the following statements? (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree)
   - The auditors of our company are independent from the management.
   - The auditors have no financial interests in our company.
   - The auditors do not provide non-audit services that could impair their independence.

Section C: Auditor Expertise

1. How many years of experience do the auditors have in auditing insurance companies?
   - Less than 1 year
   - 1-3 years
   - 3-5 years

- More than 5 years

2. How would you rate the auditors' understanding of insurance-specific regulations and risk assessment?
   - Excellent
   - Good
   - Average
   - Below Average
   - Poor
3. Do the auditors hold any special certifications relevant to the insurance industry (e.g., Certified Insurance Auditor)?
   - Yes
   - No
4. To what extent do you agree with the following statements? (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree)
   - The auditors demonstrate a high level of expertise in insurance-specific accounting standards.
   - The auditors are knowledgeable about the regulatory requirements for the insurance industry.
   - The auditors effectively identify and assess the risks specific to the insurance industry.

Section D: Financial Performance (Return on Assets)

1. Please provide the following financial information for the past three years:
   - Total Assets (for each year):
   - Net Income (for each year):
   - Return on Assets (ROA) calculation (Net Income/Total Assets):

Section E: Additional Comments

1. Are there any additional factors you believe influence the audit quality or financial performance of your company?
2. Any other comments or suggestions regarding the audit process and its impact on financial performance?

	Names of Insurance Firms	**Year of Establishment**
1	AIICO Insurance	1963
2	AXA Mansard Insurance	1989
3	Continental Reinsurance	1985
4	Cornerstone Insurance	1991
5	Custodian and Allied Insurance	1991
6	Lasaco Assurance	1979
7	Leadway Assurance	1970

8	Mutual Benefits Assurance	1995
9	NEM Insurance	1948
10	Niger Insurance	1962
11	Prestige Assurance	1952
12	Royal Exchange Insurance	1921
13	Sovereign Trust Insurance	1995
14	UnityKapital Assurance Plc	1973
15	Zenith General Insurance Company Limited	1970

Source: NAICOM Annual Report