

MODERATING EFFECT OF MANAGERIAL OWNERSHIP ON THE RELATIONSHIP BETWEEN AUDIT QUALITY AND FINANCIAL PERFORMANCE OF LISTED HEALTHCARE COMPANIES IN NIGERIA

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Abstract

The study examines moderating effect of managerial ownership on the relationship between audit quality and financial performance of the health care enterprises listed on the Nigerian Exchange Group (NGX). All the eleven (11) health care firms listed on the NGX as at December 31, 2023, make up the study's population with a sampled six (6) firms. Ex-post facto research design was used. Data were obtained from the annual financial reports of health care firms listed on the NGX for the 11-year period (2013–2023). Descriptive and correlational statistics were also employed. STATA Version 15.0 software was used to analyze the data using multiple regression techniques. The audit fees and audit firm rotation of the sampled Nigerian health care firms listed on the NGX were found to have positive and significant effect on financial performance. Additionally, the findings showed a positive and significant moderating impact of managerial ownership on the relationship between audit fees and financial performance of the health care enterprises selected during the study period. Additionally, the findings indicated that managerial ownership does not strengthen the relationship between audit firm rotation and return on asset of the sampled firms. Based on the study's findings, the study recommend that management of health care companies should give emphasis to audit fees and audit rotation as both have positive effect on their financial performance. Additionally, the board of directors should give a special consideration to managerial ownership as it has statistical influence on the relationship between audit fees and financial performance.

Keywords: Audit quality, audit price, audit firm rotation and financial performance

1. Introduction

Auditing is one aspect of the accounting profession that guarantees the extent of credibility and reliability of financial information upon which critical decisions of users pivot on. Audit quality has become an essential issue in audit practice today

because, both internal and external stakeholders have interest in the quality of audited financial reports of entities. Conceptually, DeAngelo (1981) defines audit quality (AQ) as the market-assessed joint probability that an auditor discovers a breach in the client's accounting system and is able to report the breach. Audit quality is an important international requirement that forces the focused efforts of researchers and policymakers. Despite the fact that audit quality is no longer a new concept under the scope of auditing, till date it appears to have no measurement construct that is generally agreed upon. Two views on how audit quality should be measured include: By using direct measures like bankruptcy, financial reporting compliance with GAAP, desk review, quality control review and SEC performance. The second perspective is via indirect measures like audit fees, auditor tenure, audit size, industry expertise, economic dependence, reputation and cost of capital. Hence, audit quality is the value relevant of accounting information, because the information is capable of making a difference in the decisions taken by various stakeholders for faithful accounting information as information that is complete, neutral and free from error.

Furthermore, Amahalu and Obi (2020) assert that auditors are caretakers that protects investors and other stakeholders from financial statements that may possibly have material misstatements which could distort their perception of a company's financial health. Adenle et al. (2022) identified various factors that had continuously driven the demand for quality audit services. The most important among them are issues relating to the presence of information asymmetry between investors and management, conflicts of interest, and the ever-growing complexity of business transactions. Accordingly, high-quality audits have become essential, not only for fair and transparent financial reporting, but is presumed to be relevant in fostering investor confidence. Similarly, De Angelo (1981) established a crucial link between audit quality and financial performance. It was profusely argued that high-quality audits effectively deter and detect financial manipulations, thereby strengthening the integrity of financial statements. This, in turn, stimulates investor confidence, thus, leading to increased demand for companies' shares and a corresponding rise in market value which could ultimately leading to a better financial performance of the companies. A recent study (Kaur & Kaur, 2023; Li et al., 2024) support this view by highlighting the significant impact of robust audit practices on investor sentiment and stock prices. Therefore, for the purpose of this study, audit quality are proxies by audit fees, audit industry specialization and audit firm rotation.

The relationship between audit fees and financial performance is complex, with audit fees affecting financial performance in both direct and indirect ways. Audit pricing has a dual effect on financial performance. While lower audit fees may boost short-term profitability, they may also lead to lower audit quality, increased risk, and potentially higher long-term costs. In contrast, paying higher audit fees for quality audits can safeguard against various risks, bolster investor confidence, and reduce the cost of capital, supporting financial performance in the long term. Higher audit price is often associated with more comprehensive audit procedures and, potentially, higher audit quality (Andrew, 2024). By paying for quality, companies may benefit from better risk management, reduced likelihood of errors, fraud detection, and stronger internal controls. This can improve financial performance by preventing costly issues and maintaining investor trust. Companies whose audit fees align with the level of expertise required may experience better financial outcomes because the audit is tailored to their specific risks and complexities. This alignment helps ensure that financial reporting is accurate and comprehensive, supporting long-term performance

(Andrew, 2024). For publicly traded and heavily regulated firms, investing in a high-quality audit (and paying associated higher fees) can reduce the risk of non-compliance with regulatory standards. This can protect companies from costly fines, lawsuits, or investigations, which supports financial performance (Akhor & Adoghe, 2020). Higher audit fees spent on a reputable, quality audit can reduce a company's cost of capital. A reliable audit reassures lenders and investors about the accuracy of financial reporting, reducing perceived risk and allowing the company to secure financing at more favorable rates, thereby supporting financial performance (Akhor & Adoghe, 2020).

However, audit rotation which involves various factors, primarily concerning the impact of auditor independence, audit quality, and the costs associated with changing auditors. Audit rotation (mandatory or voluntary) is believed to enhance auditor independence by preventing overly close relationships between the auditor and the client, which can develop over long tenures. Fresh auditors may be more objective and willing to challenge management's decisions, improving the accuracy of financial statement and reducing the risk of errors or fraud and by extension improve a better company's financial performance (Mohamed, 2023). Higher-quality audit can improve investor confidence and support financial performance (Mohamed, 2023). Rotating auditors can bring new perspectives and approaches to the audit process, potentially enhancing audit quality and identifying issues that may have gone unnoticed by a long-standing auditor. Improved audit quality helps ensure accurate financial reporting, which can enhance financial performance by maintaining investor trust and compliance with regulatory standards. Audit rotation can mitigate the risk of audit failures by reducing familiarity threats, where an auditor might become too lenient due to a long-standing relationship with the client (Hamed et al., 2024). This reduced risk of audit failure strengthens financial performance by minimizing the likelihood of financial misstatements, restatements, or legal liabilities associated with audit issues (Iliemena & Okolocha, 2019).

Performance is the ability of an organization to achieve competitive advantage and manage its resources in many ways in order to attain its goals. Financial performance is a term that describes the multifaceted indicators used in assessing the overall health of companies. Grimsley (2018) describes firm performance as a reflection of managerial effectiveness in utilizing assets to generate revenue and create values for shareholders. Therefore, financial performance is a determinant of an organization's increase in value and worthiness in terms of its income and profits (Bello 2016). According to Hofstrand (2018) an assessment of the financial performance of firms provides requisite foundation for informed policy and strategic decisions relating to an entity.

Both theoretical and empirical evidences proved that there is a positive connection between managerial ownership and financial performance. From the theory perspective, stewardship theory indicated that clearly, the stewardship theory assumes that managers with ownership stakes are more likely to act as stewards, aligning their interests with those of shareholders. When managers own part of the company, they are more personally invested in its long-term success and reputation including financial transparency and integrity. The implication is that higher managerial ownership increases the likelihood that managers will value high audit quality, as it enhances credibility and long-term value, in turn, improve financial performance of an organisation. According to the theory, stewards are intrinsically motivated to protect

the organization's interests. Hence, a high-quality audit ensures accurate financial reporting, which supports the organization's reputation and stakeholder trust.

Furthermore, managerial ownership can help in aligning the interest of managers and that of shareholders, as managers become co-owners and thus have vested interest in improving financial performance of that company (Jensen & Meckling, 1976; Agrawal & Knoeber, 1996; & Chen et al., 2003). Additionally, empirical findings from previous studies shows positive relationship between managerial ownership and financial performance, for instance Fich, et al. (2018) reported positive and significant association between managerial ownership and financial performance.

Studies on the impact audit fees, audit industry specialization and audit rotation on financial performance were conducted by many scholars (for instance, Esegbuyota & Jeroh, 2024; Ekwueme, 2020; Al – Temimi & Abdullah, 2023; Arianpoor, 2021; Oluwatumise & Fawale, 2022; among others) in different economic sectors and different countries of the world. The findings of these studies indicate a mixed result, some studies established positive impact of either audit price, audit industry specialization or audit rotation on financial performance (e.g. Hima et al., 2024; Abdulasisi, 2022; & Esegbuyota & Jeroh, 2024) on the other hand, studies by (e.g. Ekwueme, 2020; & Arianpoor, 2021) reveals a negative result of impact of either audit pricing, audit industry specialization or audit rotation or both on financial performance. Therefore, to address this gap, this study introduces managerial ownership as a moderator to see whether it can further strengthen the relationship between audit quality attributes and firms' performance. Hence, the objective of the present study is to examine the moderating effect of managerial ownership and audit quality attributes on the financial performance of listed health care firms in Nigeria.

Hypotheses

Based on the above objective, the following hypotheses were postulated:

*H*₀₁: there is no significant effect of audit pricing on financial performance of listed healthcare firms in Nigeria.

*H*₀₂: there is no significant effect of audit firm rotation on financial performance of listed healthcare firms in Nigeria.

*H*₀₃: there is no significant moderating effect of managerial ownership on the relationship between audit quality attributes and financial performance of listed healthcare firms in Nigeria.

2. Literature Review

2.1 Conceptual Review

Concept of Audit Fees

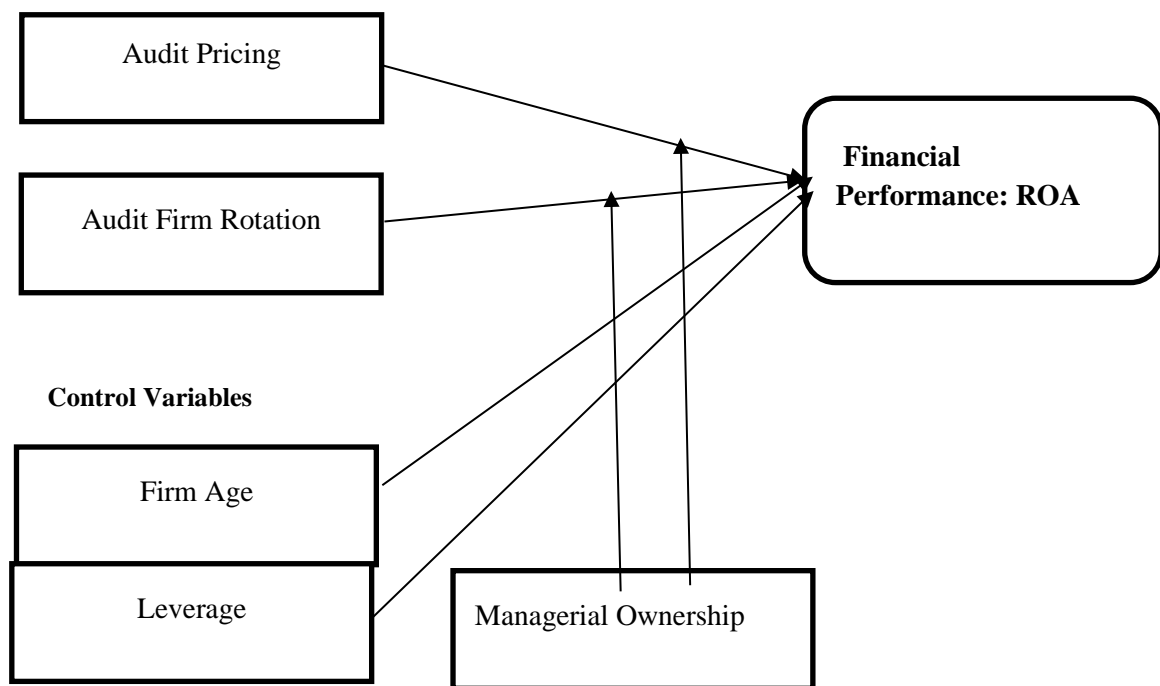
Audit fees of firms have gain momentum in developed and developing economies based on the antecedent of audit failure experienced in Enron-Arthur Andersen 2001, KPMGGuptas 2017, KMPG-Ted Baker 2019, and Grant Thornton-Patisseries Valerie 2018 Scandals, among others (Petra & Spieler, 2020). Akrawah and Akhor (2016) defined audit pricing as the total sum's payable to the auditor, for carrying out audit services offered to the auditing company. Okoli (2021) affirmed that audit pricing is the memorandum of determining auditor's remuneration. Audit price is the amount of money paid to audit firm by the client firms for the services rendered. The audit pricing is the sum payable/paid to the auditor, for carrying out audit services offered to the auditing company (client).

Concept of Audit Firm Rotation

Audit firm rotation is defined as the periodic change of the external auditors of a business organization. It is represented by the length of time between the appointment of an audit firm by a client and the appointment of another audit firm by same client, for external audit purposes. This is done to enhance the independence and objectivity of the audit process, hence guarantee the quality of audit, as long-term relationships between a company and its audit firm can some time lead to conflict of interest. Audit rotation is an auditor turnover regulation that must be carried out by the company, to produce quality and uphold auditor independence.

The rotation of External Auditors can be a solution to the potential problem of familiarity between the audit company personnel and the client (Asien, 2007). Studies reveal that audit quality and auditor independence may decline over long auditor-client relationships as most of the investigations carried out by earlier studies found positive relationship of audit firm rotation and tenure on audit quality (Kwon et al., 2014). The earlier tenure, thus independence level is higher, as the tenure of the auditor with the organization increases, so the familiarization level which causes the independence level to decline and the overall audit quality (Iliemena & Okolocha, 2019).

Figure 1: Conceptual Framework



2.2 Empirical Review

Audit Fees and Financial Performance

Andrew (2024) investigates the impact of audit pricing and audit market concentration in Nigeria: The moderating effect of firm attributes. The study used ex-post facto research design with the population and sampled of 66 listed Health and Pharmaceutical Firms on the NGX for the period of 10 years from 2012 to 2022. Data obtained from the annual audited report were analysed using ordinary least square regression techniques. The findings revealed that audit price has a positive and significant influence on audit market concentration of the sampled firms in Nigeria at 1% significant level. The study also found a positive and significant moderating effects

of firm attribute on the link between audit market concentration and audit pricing at 5% level of significant. Based on the outcome, the study recommended that management of listed Health and Pharmaceutical firms in Nigeria should ensure that audit pricing is based on audit market concentration for quality audit reporting.

Akhor and Adoghe (2020) assessed the impact of audit pricing on audit quality of non-financial firms in Nigeria. Ex-post facto research design was adopted. The study covered a period of 9 years spanning from 2012 to 2020. The population of the study includes all the non-financial firms listed on the NGX as at 2020 and a sample of 38 firms were selected. The data obtained were analysed using descriptive statistics, correlation analysis and ordinary least square regression technique. The outcomes of the study indicated a positive and significant relationship between audit pricing and audit quality of non-financial firms in Nigeria for the period of the study. It was recommended that regulators in NGX should pay more attention to audit pricing process in order to cushion unusual audit fees that may impair auditors' independence and lower the quality of audit report.

Audit Rotation and Financial Performance

Mohamed (2023) examined the effects of audit rotation and joint audit on the enterprise's value in Egypt. Ex-post facto research design was adopted. The population of the study comprises 34 companies from 14 different sectors for the period of five (5) years from 2005-2009. The study used panel data which were extracted from the annual audited report of the sampled companies and data obtained were analysed with the help of STATA 15 using multiple regression techniques. The study found a statistically significant influence between audit rotation and enterprise's value in the 14 different sectors of Egypt.

Iliemena and Okolocha (2019) investigate the impacts of audit quality on financial performance: evidence from a developing capital market in Nigeria. The study adopted ex-post facto research design and the population and sample include all the 24 listed companies within the industrial goods in Nigeria for the period of seven (7) years from 2012 to 2018. Multiple regression with the aids SPSS Version 23 were used. The results reveal a positive and significant effects between audit rotation and financial performance of industrial goods in Nigeria. Based on the findings, the study recommended that corporate enterprises should give emphases on rotating auditors as this help to improve financial performance of industrial goods in Nigeria.

Hamed et al. (2024) assessed the effects of audit quality on firm performance: Evidence from Malaysia. The population of the study includes all the 980 companies listed on the Bursa Malaysia for the period of ten (10) years from 2003 to 2012 with a sample size of 542 companies. the study found a positive and significant influence between audit rotation and ROA but negative and insignificant relationship between audit rotation and Tobin's Q of the sampled companies in Malaysia.

2.3 Theoretical Framework

Stewardship theory serves as the theoretical foundation for this investigation. The theory was developed by Davis and Donaldson in 1990. Stewardship theory postulates that managers are motivated by a desire to achieve and gain intrinsic satisfaction by performing challenging tasks. Hence, their motivation transcends mere monetary consideration. Stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholders returns. Consequently, managers require authority and desire recognition from peers and bosses to effectively perform their tasks. Accordingly, shareholders should ensure that the appropriate empowering

governance structure, mechanisms, authority and information are put in place to facilitate managers' autonomy and to allow them take decisions that would minimize their liability while achieving firm's objectives.

Unlike agency theory, stewardship theory emphasizes the role of top management as stewards because they are expected to integrate their goals as part of the organization. It was argued that corporate executives are inclined to protect their reputations by ensuring that their organizations are properly operated to maximize financial performance. Managers are expected to maximize investors profit and to establish a good reputation to enable them retain their positions. Thus, stewardship theory advocates unifying the role of the management and the shareholders to reduce agency costs.

For the purpose of this study, stewardship theory suggested that stewards are intrinsically motivated to protect the organization's interests. Thus, high-quality audit ensures accurate financial reporting, which supports the organization's reputation and stakeholder trust. Hence, improve good governance and fosters investors' confidence in turn, which can positively affect financial performance of an organisation. Additionally, higher audit fees, audit firm rotation etc. are often associated with more comprehensive audit services and, potentially, higher audit quality and by extension improving their financial performance. This implies that stewards will support or demand high-quality audits to strengthen the firm's credibility and reduce risks, especially when they have ownership stakes. Hence, stewardship theory was adapted as underpinning theory for the present study, because it postulates a positive relationship exit between managerial ownership, audit quality and financial performance of an enterprises.

3. Method

This study used an ex-post facto research approach to examine the moderating effects of managerial ownership on the relationship between audit quality proxies by audit fees, audit industry specialization and audit firm rotation and financial performance proxy by ROA of Nigerian listed health care businesses. The population of this study included all eleven (11) health care firms registered on the NGX as of December 31, 2023. The sample size of 4 health care companies was determined using a criterion of only firm with data readily available during the study period was formed the sample. Multiple regression analysis was used to examine the secondary data obtained from the selected health care firms listed on the NGX over the eleven-year period from 2013 to 2023. This aids in the explanation of the connections between variables.

Table 1: Variables Measurement

Variables	Definition	Acronyms	Variables Measurement	Source
Dependent: Financial performance	Return on Asset	ROA	Proportion of profit after tax to Total Assets.	Esegbuyota and Jeroh (2024)
Independent: Audit Quality Attributes	Audit Industry Experience	AIS	Dummy variable of 1 if the audit firm has the highest number of clients in the industry, otherwise 0.	Tonye and Eddo (2024)
	Audit Pricing	AP	Natural logarithms of the audit fees	Andrew (2024)

	Audit Firm Rotation	AR	Dummy variable of 1 if the enterprises was audited by a different audit partner from the previous year, otherwise 0.	Mohamed (2023)
Moderating Variable:	Managerial Ownership	MGO	No. of shares held by managers divide by total number of shares held by the firm multiply hundred.	Fich, et al. (2018)
Control Variable	Leverage	LEV	Proportion of total liabilities to total assets	Jehu and Ibrahim (2020)
	Firm Age	FAGE	No. of years the company was listed on NGX	Andrew (2024)

Source: Author’s Compilation, 2024.

Model Specification

The following econometric regression models were developed for the panel regression analysis to investigate the relationship between audit quality proxy by audit pricing, audit industry specialization and audit rotation on financial performance proxy by ROA in this study as thus:

$$ROA = f(AP, AFR, MGO, LEV, FAGE) \dots \dots \dots (i)$$

Where;

ROA: Return on Assets

AP: Audit Pricing

AFR: Audit Firm Rotation

MGO: Managerial Ownership

LEV: Leverage

FAGE: Firm Age

$$ROA_{it} = \beta_0 + \beta_1 AP_{it} + \beta_2 AFR_{it} + \beta_3 MGO_{it} + \beta_4 LEV_{it} + \beta_5 FAGE_{it} + \varepsilon_{it} \dots \dots \dots (ii)$$

Where;

β_0 = Constant parameter/Intercept

$\beta_1 - \beta_3$ = Coefficients of independent variables

ε = Error term

$$ROA_{it} = \alpha + \beta_1 AP_{it} + \beta_2 AFR_{it} + \beta_3 MGO_{it} + \beta_4 AP_{it} * MGO_{it} + \beta_5 AR_{it} * MGO_{it} + \beta_6 LEV_{it} + \beta_7 FAGE_{it} + \varepsilon_{it} \dots \dots \dots (iii)$$

4. Results and Discussion

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
ROA	44	0.01563	0.1385	-0.4603	0.16301
AP	44	12319.32	8145.554	2000	28000
AFR	44	0.2955	0.4615	0	1
MGO	44	0.3455	0.0711	0.25	0.4506
LEV	44	1.1571	0.5847	0.0584	2.1368
FAGE	44	30.75	9.9467	15	45

Source: STATA 15.0 output

The key descriptive statistics of the data taken from the financial reports of the selected health care businesses are compiled in Table 2, which also shows the descriptive statistics of 44 observations. The findings showed that ROA has an average of 1.56%, a standard deviation of 0.1385 or 13.85%, and a lowest of -46.03% and a highest of

16.30%. This means that the selected health care businesses have an average return of 1.56% on their total assets, although this can range from a maximum of 16.30% to as low as -46.03%. This suggests that the financial performance of the health care companies sampled within the study period is par below expectations.

Moreover, the Audit Fees (AF) has a standard deviation of 8145.554, and a mean of 12319.32, with a least of 2000 and a highest of 28000 as audit fees. This indicates that the sampled health care companies on average pays approximately 12,319 units in audit fees, with a substantial variation of 8146, reflecting significant variability in audit fees among the sample health care companies. Also, the range of audit fees spans from a minimum of 2000 to a maximum of 28000, suggesting a wide disparity of the amount paid by the companies.

Moreover, the descriptive analysis of Audit Firm Rotation (AFR) shows a mean of 0.2923 or 29.23% with a standard deviation of 0.4583 and minimum of 0 and maximum of 1. This implies that on average in a particular within the sample period, 29.23% of the sampled health care firm rotated their audit firms. Additionally, the summary of the descriptive statistics shown on Table 1, indicated that Managerial Ownership (MGO) which is the moderating variable has a mean of 0.2352 with standard deviation of .2455 and the least of 0 and highest 0.6. This means that about 23.52% of the selected firms has buyout their shares to management.

Correlation Analysis

Table 3 exhibited the correlation matrix between the dependent and the independent variable, as well as the relationship between the variables in the regression model.

Table 3: Correlation Matrix

	ROA	AP	AFR	MGO	FAGE	LEV	VIF	1/VIF
ROA	1.0000							
AP	0.6144	1					2.56	0.3906
AFR	-0.0875	-0.0347	1				1.09	0.9164
MGO	0.6700	0.4148	0.2349	1			4.54	0.2204
FAGE	-0.4036	0.1135	-0.2115	-0.7190	1		3.81	0.2626
LV	0.5392	0.5132	0.0462	0.6236	0.4136	1	2.00	0.5005

Source: STATA 15.0 output

The coefficients between the explained variable (ROA), independent variables (AP and AFR), moderating variable (MGO) and control variables (LEV and FAGE) were shown in Table 3 above. The correlation coefficient shows that ROA has a positive association with AP, MGO and LEV and a negative correlation with AFR and FAGE. The sign of the correlation coefficient specifies whether the link is positive or negative, and the correlation coefficient's total values show how strong the relationship is. The larger values indicate stronger relationships and vice versa. AP has strong and positive correlations, as seen by the correlation coefficients of 0.6144 in table 3. Conversely, AFR has weak and negative association with AP and a weak and negative link with ROA (value of -0.0875 and .0347). At the 5 percent significance level, MGO also found to have a moderate but positive association with ROA, AP and AFR with the correlation values of 0.6700, 0.4148 and 0.2349 respectively while LEV found to have strong association with ROA, AP, AFR, MGO and FAGE with values of 0.5392, 0.5132, 0.0462, 0.6236 and 0.4136 respectively.

Regression Results

The findings from the analysis of the data gathered from the annual reports and accounts of the selected health care companies in Nigeria during the study period are shown in this section. The diagnostic checks are also shown in the subsections as follows.

Diagnostic Tests Results

This section displays the results of the analysis of the data obtained from the annual reports and accounts of the chosen health care businesses in Nigeria during the study period. The following subsections also display the diagnostic checks.

Heteroskedasticity

The chi square result of 0.7523 indicates that the model does not exhibit heteroskedasticity within its parameters. This indicates the presence of homoscedasticity and the lack of heteroscedasticity, which is the test's optimal condition.

Multicollinearity test

The VIF, as shown in table 3, is less than 5, and the tolerance value is less than 1, indicating the lack of multicollinearity, according to the multicollinearity test result, if the tolerance is greater than 1 and the variance inflation factor is greater than 5, then there is evidence of collinearity. The findings of the panel regression study for ROA, AP, AIS, AFR, LEV and FAGE were shown in Table 4. According to the Hausman specification test and LM test the Random Effect model is better than the FE and Pool OLS model. This comes after the null hypothesis was rejected due to a substantial chi-squared value at the 0.05 (significance) level. Thus, in this investigation, the RE model were selected.

Table 4. Results of Random Effects

Variables	coef.	t-value	p-value
CONS	-1.1587	-0.84	0.394
AP	9.286	3.56	0.000
AFR	-0.0609	-2.02	0.044
MGO	0.5632	1.42	0.156
LV	-0.0101	-0.32	0.752
FAGE	-0.0044	-1.70	0.089
R-square		0.6518	
Adj		0.6060	
prb. F-St		0.000	
Obs		44	

Source: STATA 15.0 output

The regression results depicted in Table 4, and a conclusion is drawn based on the robust regression estimations. The findings showed that, with a p-value of 0.000, 0.044 and 0.025, the AP, AFR and MGO are positive and statistically significant on ROA at 1% and 5% significant levels respectively. Accordingly, H¹ and H² were rejected. Additionally, LEV and FAGE which are the control variables, has a negative and insignificant influence on ROA of the tested health care enterprises in Nigeria. The model was determined to be fit since the F-static was also significant at the 1%

confidence level, and the R^2 indicated that 65.18% were explained by the model and the remaining 34.82% were explained by other factors not captured by the model.

Table 5. Regression for Moderating Effects

Variables	coef.	t-value	p-value
CONS	0.2222	0.99	0.324
AP	-0.00001	-1.36	0.174
AFR	-0.2414	-1.78	0.075
MGO	-7.8037	-2.24	0.025
AP_MGO	1.9224	-2.35	0.019
AFR_MGO	0.5389	1.44	1.151
FAGE	0.0006	-0.23	0.816
LEV	0.0029	0.09	0.925
R-square		0.6518	
Adj		0.6060	
prb. F-St		0.000	
Obs		44	

Source: STATA 15.0 output

The multiple regression result of moderating effect of managerial ownership on the relationship between audit fees and return on asset is presented in Table 5. The regression result indicates a significant but negative coefficient value -0.0001 ($t = -1.36$, $p = 0.019$) significant at 5 percent. The result did not support the negative association predicted by this study. Accordingly, hypothesis H^3 is rejected. Based on the evidence, MGO is found to have a moderating impact on the relationship between AP and ROA. This implies that MGO strengthen the relationship between AP and ROA.

Moreover, Table 5. Presents the multiple regression result of moderating effect of managerial ownership on the relationship between AFR and ROA. The regression result revealed an insignificant but positive coefficient value of 0.5389 ($t = 1.44$, $p = 0.151$) significant at 5%. It should be recalled that the regression result for direct effect of AFR as depicted in Table 3, also produced a negative coefficient value -0.0549. The result also supported the negative relationship predicted in this study. Accordingly, hypothesis H^4 is accepted. Based on the evidence, MGO is found to have no moderating impact on the relationship between AFR and financial performance. This implies that MGO does not strengthen the association of AFR and financial performance of listed healthcare companies in Nigerian.

5. Conclusion

This study examined the moderating effect on the association between audit quality proxies by AP and AFR on financial performance as measured by ROA. The study concludes that AP and AFR significantly and favorably affects the ROA of the sampled Nigerian health care companies listed on the NGX. Additionally, the found moderating effect of MGO on the link between AP and ROA of the sampled health care firms listed on NGX. The study recommended that management of health care companies should give emphasis to AP and AFR as both of them impacted positively on the financial performance of the selected health care firms in Nigeria during the study period. Additionally, the board of directors of the sampled health care companies

should also give a special consideration to MGO as it has statistical influence on the relationship between AP and ROA during the study period.

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