Audit Quality and Corporate Governance as Determinants of Banks' Performance in Ghana

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Abstract: The debate on the impact of audit quality on firm value and how corporate government moderate this relationship has surfaced as a result of numerous corporate scandals. As a result, the study examined the impact of audit quality on firm value and how corporate governance moderate this relationship. The study used the annual reports of 36 Ghanaian banks from 2010 to 2017. A random effect regression model was used to estimate the relationships. The results revealed that audit quality have a positive impact on the value of a firm. Thus, the engagement of the services of the Big 4 audit firms contribute to the increment of the value of the firms. In addition, the existence of effective corporate governance improves the relationship between the audit quality and the value of the firms. Corporate governance therefore facilitates improved moderation of the relationship between audit quality and the value of firms.

Keywords: Corporate governance; audit quality; firm value; banking sector

JEL Classification: M40

1. Introduction

The banking sector has contributed significantly towards the economy in a number of developing countries. For example, the Ghana Statistical Service (2017) reported that in the year 2017, the banking sector contributed approximately 9. 4% to the Ghanaian gross domestic product (GDP). However, since the year 2013, there have been sustained challenges in the banking sector in Ghana. The collapse of DKM, a microfinance institution in Ghana during the year 2015 resulted in the loss of millions of dollars of depositor's monies. The Bank of Ghana (BoG) and other stakeholders had hardly come in terms with the collapse of the institutions when two other commercial banks, UT Bank and Capital Bank had their licenses revoked by the Bank of Ghana in the year 2017. At the insistence of the regulator, these banks

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were acquired by another bank, 'gcb Bank'. Five additional commercial banks collapsed eight months later in the year 2018. The Government of Ghana established another bank to assume all the liabilities and assets of these five banks. The Government of Ghana (GoG) reported that these activities cost the state approximately 2. 2 billion dollars (Ministry of Finance, 2018).

Since the banking sector occupies a key role in stimulating the economic and entrepreneurial development of a nation, the collapse of these banks affected the Ghanaian economy. Consequently, the Government of Ghana and other stakeholders undertook to ascertain the causes of these banking failures. As a result, an auditing firm, KPMG was tasked to investigate what might have accounted for the collapse of the banks. The KPMG Report (2018) documented several factors including related party transactions, managerial incompetence, disregard to banking laws and reporting irregularities as the major causes of the collapse of the banks. All these points to weak or lack of good corporate governance practices in these banks. These findings opened a debate on the role of auditors in all these corporate failures. The debate was motivated by previous corporate failures such as Enron and WorldCom. The collapse of these multinational corporations was attributed to reporting and auditing scandals that eventually brought governance and audit quality into the spotlight (Salehi, Moradi and Paiydarmanesh, 2017).

Since external auditors and good corporate governance ensure financial reporting quality, reduction in agency cost that arise from the opportunistic behaviour of managers and reduction in information asymmetry, the question was posed of whether external auditing would be necessary if it failed to detect these corporate scandals. The concern is justified because users of financial statements resort to the audit reports when they are doubtful about the reliability of the financial statements produced by a firm (Aobdia, 2019). Despite the foregoing, previous studies have provided evidence on the impact of audit quality on the performance of firms, however, the results were inconclusive and conflicting. There are studies that reported that the quality of external auditing contributes significantly to the performance of firms (Zureigat, 2010; Chen, Chen, Lobo & Wang, 2011; Hassan & Farouk, 2014; Matoke & Omwenga, 2016; and Smii, 2016). These authors explain that quality auditing provides assurance to the various stakeholders as well as offer valuable advice to businesses which eventually results in improved performance. Conflicting these results, Sulong, Gardner, Hussin and Sanusi (2013); Rahimi and Amini (2015); and Elewa and El-Haddad (2019) provided evidence that audit quality had no or negative impact on the performance of firms. According to these authors, audit quality instead drains the resources of firms, especially when firms engage the services of prominent auditing firms which requires the payment of high auditing fees.

Whilst the debate on the impact of audit quality on firm performance is yet to be concluded, there are others that have found that the study of the relationship between audit quality and firm performance without examining the moderating role of corporate governance in their relationship is subject to spurious conclusions. This is because corporate governance is noted to have significantly created changes in contemporary business environments, particularly in the accounting and auditing professions (Inaam & Khamoussi, 2016 and Agyei-Mensah, 2019). According to Agyei-Mensah (2019), corporate governance particularly affects audit quality and firm performance due to its strategic role in the modern business environment. Researchers such as () agree that corporate governance, especially the audit committee structure, affect audit quality and firm performance because it facilitates the monitoring and controlling the activities of the management of a firm, in the absence of the owners. An Audit committee is a significant governance mechanism because it helps to improve the quality of auditing function, financial management and firm performance. External auditors maintain a close working relationship with audit committees, which are regarded as fundamental to sound corporate governance (Inaam & Khamoussi, 2016). Similarly, Chen, Chen, Lobo and Wang (2011) explain that to enhance public confidence and mitigate corporate financial failures, efficient and effective functioning of audit committees is essential.

Though, there are some studies on the impact of corporate governance on firm performance, the role of corporate governance in improving the relationship between audit quality and the performance of firms requires further investigation, particularly against the background of numerous questions raised on the effectiveness of auditing and corporate governance in the Ghanaian banking sector. More recently, a number of studies have provided evidence that mere quality of auditing might not necessarily affect the performance of companies with weaker corporate governance practice (Hassan & Farouk, 2014; Matoke & Omwenga, 2016). The argument advanced by these researchers is that audit quality can have limited impact on the performance of firms if these are accompanied by inefficient enforcement mechanisms and weak corporate governance. In this context, there is dearth of knowledge on the moderating role of corporate governance on the relationship between audit quality and value of firms in developing countries, where little previous studies were conducted. This substantiates the necessity for the study into the moderating effects of corporate governance on audit quality and firm value. As a result, the study aimed to provide case study evidence on the impact of audit quality on a firm's value and how corporate governance moderates this relationship. The real contribution of this study to the existing body of knowledge in this field is to provide further evidence of the relationship between audit quality and firm value in a developing country.

2. Literature Review

2.1. Auditing and Audit Quality

The separation of ownership and control and information asymmetry between management and owners of a firm has resulted in an agency problem. This has created the need for external auditing. Unlike similar concepts, the definition of auditing is subject to less conflicts and disagreement. Auditing is the independent and systematic evaluation of the records and books of a firm or an organisation to verify or ascertain the authenticity of the facts presented in the financial statements regarding the operations of a firm (Hassan & Farouk, 2014). According to the International Standards on Auditing 200, the overall objective of external auditing is to increase the degree of confidence of targeted users in the financial statements. This objective is achieved through the expression of opinion by the auditor on whether the prepared financial statements presents fairly, in all material respects and in accordance with the applicable financial statements of a firm's financial performance. This presupposes that auditors have a fiduciary responsibility to provide quality audit reports.

The external auditing ensures that the financial statements presented by management are truthfully stated and are presented in accordance with the necessary reporting and legal frameworks. The independent verification and opinion provided by auditors provides credibility of the financial statements (Cahan & Sun, 2015). In addition, as per the auditing standards, external auditors are required to communicate and discuss the quality of the audit with the audit committee of an entity. This emphasise the significance of an audit quality. As explained by Zhang (2107), the quality of an audit is anticipated to restrain and constrain opportunistic behaviour of management, in addition to the reduction of the risk that the financial statements contain omissions and material misstatements.

Usually, audit quality would mean the extent to which auditors adhered to the auditing standards and professionalism in the discharge of their duties. This suggests that the auditors must execute their duties with due regard to professional care, competence, and independence. However, these attributes of audit quality are not easily measured. As a result, researchers have used other variables as proxies for audit quality.

The most popular proxies of audit quality are audit fees and firms audited by the Big 4 auditing firms such as KPMG, Price Waterhhuse Coopers, Ernst and Young, Deloitte (Bédard et al. , 2010). The justification for the use of audit fees is that quality audit is expensive and firms that can afford to pay receives it. It is perceived that the higher the audit fee, the higher the audit quality. In the auditing profession, Deloitte, Price Waterhouse Coopers (PwC), KPMG and Ernst and Young (EY) are the big four auditing firms in the world. Together, these firms hold more than 50% of the

auditing market in the world (Asthana, Khurana and Raman, 2019). These auditing firms have the required resources, both human and logistical to enable them to render quality audits (Asthana, Khurana & Raman, 2019). Firms that are audited by the Big 4 auditing are perceived to receive quality audit than their counterparts. Here, the difference between the two variables is blurred because the Big 4 auditing firms are those that charge higher fees. It can be observed from the foregone discussion that the quality of auditing is multi-dimensional, and the perceived differences lead to the variations in their effects on a firms' performance.

2.2. Ghanaian Banking Institutions and Corporate Governance Structures

Corporate governance in the banking industry has gained attention in literature due to the significant role occupied by banks. Corporate governance entails procedures, mechanisms, policies, practices, rules and processes by which firms or organisations are managed and controlled (Yermack, 2017). The main aim of effective corporate governance is to protect the interests of shareholders. This is because, without corporate governance, management would act in their own interest, instead of the interest of the owners of a firm (Mccahery, Sautner and Starks, 2016). The compliance of a firm with good corporate governance ensures the value of shareholders through the appropriate utilisation of the resources of a firm to maximise the value of a firm (Oppong et al. , 2016). According to McCahery et al. (2016), the key feature of corporate governance is its distribution role of the rights and responsibilities among the various stakeholders of an entity.

In the banking sector in Ghana, policy makers and other stakeholders have put in place measures, legislations and policies to ensure good corporate governance practices among banks. The corporate governance code in Ghana is influenced by numerous factors. Several monitoring mechanisms exist to ensure that banks adhere to good corporate governance practices. These monitoring mechanisms mostly involve the promulgation of laws that compel the banks to operate within a legislative framework. These laws include the Ghana Nanking Act (Act 408), the Ghana Banking Act 1986 (PNDCL 225), the Criminal Code, The Ghana Companies Act 1963 (Act 179), and the Bank of Ghana regulations. Responding to the collapse of the seven banks, the Bank of Ghana introduced specific corporate governance mechanisms for banks. Among these include a four-year fixed-term tenure for managing directors and CEOs of banks in Ghana as well as specific qualifications and experience for the principal officers of banks.

In addition, as Ghana is a former colony of Britain, the majority of corporate governance processes are borrowed from that country. In addition, as a member of several international unions and associations, this impacted on the corporate governance structures in corporate Ghana (Oppong et al. , 2016). For example, firms in Ghana are guided by the Sarbanes-Oxley Act of 2002. Similarly, the banks in

Ghana are also guided by the Basel III, developed by the Bank for International Settlements.

2.3. Theoretical Framework

This study was conducted within the framework of agency theory. In a contemporary business environment, the management of ownership of businesses are different. The management are hired by the owners to manage their business in return of rewards for their service. This means that the main aim of management is the maximisation of the wealth of the shareholders. However, there is the tendency that management would pursue their personal interests at the expense of the investors. This is made possible because of information asymmetry where the quality and quantity of information available to management is disproportionately more than the information available the investors (Lin & Hwang, 2010). This conundrum is the agency theory and the associated problem is known as an agency problem. Agency theory highlights the existence of agency problems between management and investors as a result of segregation of ownership and control which may result in entrenchment and expropriation of the wealth of investors by management (Sultana, Singh & Rahman, 2019).

The agency theory postulates that the monitoring roles occupied by external auditors, align the interests of both the owners and managers and eliminate conflicts of interest, which is inherent in corporate management. The separation of ownership from management highlights the necessity for a quality audit (Lin & Hwang, 2010). External auditors occupy monitoring roles that ensure that financial statements provided by management are reliable and free from material misstatements. Another mechanism that cures the agency problem is the formation of audit committee made up mostly of non-executive directors. The audit committee is a sub-committee of the board of directors that occupy corresponding roles between external auditors, management and the board of a firm. The independent audit committee serves as a trustee in the system of governance that helps to eliminate or, at least, decreases information asymmetry, mitigating agency issues. This implies that the independent audit committee contributes towards quality auditing. Similarly, Sultana, Singh and Rahman (2019) assert that to mitigate the risk of corporate financial failures and enhance the confidence of the public, effective functioning of an independent audit committee is needed. Correspondingly, audit committees are assigned the responsibility of ensuring effective internal control, which is necessary for the smooth running of a firm. In a summary, audit committee improves the audit quality and the overall performance of a firm.

2.4. Empirical Review

There are a number of studies that directly examine the impact of audit quality on the performance of firms. The results have provided conflicting outcomes. For example, Chen, Chen, Lobo and Wang (2011) investigated the impact of audit

quality on cost of capital and earnings management. Chen et al. (2011) found that audit quality had a positive impact on the cost of capital of non-state-own enterprises whilst no relationship was found between audit quality and cost of capital of state-owned enterprises. In Nigeria, Hassan and Farouk (2014) investigated the relationship between audit quality, measured by auditor size and financial performance of quoted cement firms. The authors found a positive and significant relationship between audit quality and the financial performance of the firms. Similarly, Ugwunta, Ugwunyani and Ngwa (2018) examined the effect of audit quality on the market price of companies listed on the Nigerian Stock Exchange. The audit quality was measured by using the Big 4 benchmark. Ugwunta, Ugwunyani and Ngwa (2018) found that audit quality was positive and significantly related to financial performance.

In another study in Kenya, Matoke and Omwenga (2016) examined the relationship between audit quality and performance of firms listed on the Nairobi Stock Exchange. The authors found that the effect of audit quality on financial performance of firms was positive and significant. Nazir and Afza (2013) also investigated the impact of audit quality on the value of firms in Pakistan. The audit quality was proxied by an audit committee whilst return on assets and Tobin's Q were used to measure firms' value. The study found that audit quality had a positive and strong impact on both ROA and Tobin's Q. In Jordan, Zureigat (2010) examined the relationship between audit quality and financial structure. Obtaining data from 198 firms, and using logistic regression analysis, the researcher found a positive and significant relationship between audit quality and the financial structure of a firm.

Soliman and Elslam (2012) examined the impact of corporate governance on audit quality in Egypt and found that board independence, role duality and audit committees had a significant and positive relationship with audit quality. Woodland and Reynolds (2003) also examined the relationship between audit quality and financial performance. The authors used audit fees as proxy for audit quality. Woodland and Reynolds (2003) found a positive relationship between audit quality and financial performance. In addition, Smii (2016) examined the impact of audit quality on the accounting profit of firms listed on the Tunisia Stock Exchange (TSE). The study found a positive and significant impact of audit quality on the accounting profit of the firms. Hua, Hla and Isa (2016) also found that audit quality had a positive and significant impact on financial performance of firms in the Malaysian construction sector.

In other study, Rahimi and Amini (2015) evaluated the relationship between audit quality and the profitability of companies listed on the Tehran Security Exchange. The authors used the size of the audit firm and number of years of auditing as measures of audit quality. The authors found that audit quality had a positive but insignificant relationship with the performance of the firms. In Malaysia, Sulong,

Gardner, Hussin and Sanusi (2013) also investigated the impact of managerial ownership, leverage and audit quality on the performance of firms, measured by both return on assets (ROA) and return on equity (ROE). Using agency theory, the authors found that audit quality had a significant and negative impact on the performance of the firms. Similarly, Elewa and El-Haddad (2019) investigated the effects of audit quality, measured by the Big 4 benchmark and auditor rotation on the performance of firms. The findings revealed that audit quality had no impact on the performance of firms. Hsiao, Lin and Yang (2012) also found no relationship between audit quality and financial statement fraud.

In addition, Salehi, Moradi and Paiydarmanesh (2017) examined the effects of corporate governance on audit quality disclosures. The study found no relationship between corporate governance and the quality of audit disclosures. It can be observed that the previous related studies concentrated on the relationship between audit quality and corporate governance. Few studies that investigated the impact of audit quality on firm performance used different variables such as audit committee, years of auditing and audit firm size as variables to measure audit quality. However, the studies on the moderating effects of corporate governance on the relationship between audit quality and firm value were absent. This study narrows this literature gap.

3. Research Design

The study included all the commercial banks in Ghana. During the period, there were thirty-six (36) commercial banks in Ghana. The study covered a period of eight years, from 2010 to 2017. All the data used for the study were sourced from the annual reports of the banks. Annual reports are the official documents firms and organisations use to communicvate with their stakeholders (Maama & Appiah, 2019). A total of two hundred and eighty-eight (288) firm-year observations were expected. Due to the unavailability of data in respect of a number of banks, the study used two hundred and fourteen (214) firm-year observations. Specifically, corporate governance and audit quality information were obtained from the directors' reports' sections of the annual reports. In addition, the financial statements provided the data on the financial performance of the firms.

To establish how audit quality affects the financial performance of the firms, a random effect estimation technique was used. The models used for the estimation are provided in equation 1 and 2.

$$\text{Tobin's } Q_{it} = \beta_0 + \beta_1 AuditQ_{it} + \beta_2 Size_{it} + \beta_3 ROE_{it} + \beta_4 Age_{it} + \beta_5 Lev_{it} + \varepsilon_{it} \quad (1)$$

$$\text{Tobin's } Q_{it} = \beta_0 + \beta_1 AuditQ_{it} + \beta_2 (AuditQ_{it} * CG) + \beta_3 Size_{it} + \beta_4 ROE_{it} + \beta_5 Age_{it} + \beta_6 Lev_{it} + \varepsilon_{it} \ldots \quad (2)$$

The variables in the model are explained below:

Tibin's Q_{it} is the value of the firms at time t, measured by the market value of firms divided by the total assets; $AuditQ_{it}$ is Audit Quality at time t, measured by the type of audit firm, one (1) representing Big 4 audit firms and zero (0) otherwise; size is the total assets of the firms at time t; ROE_{it} is return on equity at time t; Age_{it} is the years of existence of the firms; Lev_{it} is the leverage of the firms at time t measured by the ratio of total debt to total equity and ε_{it} as the random error term.

The study used Tobin's Q (dependent variable) as proxy for the value of the firms and auditor firm size (Big 4 vs. Non-Big 4) as proxy for audit quality (independent variable. As the purpose of external audit is to improve financial reporting quality and further provide valuable advice, the study examines whether there are significant differences in performance between clients of Big 4 and non-Big 4 audit firms. Further, the study investigates if corporate governance (proxied by the percentage of independent directors on the audit committee) occupies any moderating role in the relationship between audit quality and firm performance. Evidence suggested that the value of firms is influenced by other variables such as size, return on equity (ROE), age and leverage of firms and therefore these are introduced as control variables.

4. Results and Discussion

4.1. Descriptive Analysis

Table 1 presents the descriptive statistics of the variables used for the study. The average value for the audit quality was 0. 737, meaning more than half of the firms were audited by the Big 4 auditing firms. In addition, the average size of the firms was 1. 284 billion cedis, with a maximum and minimum values of 9. 098. 14 billion and 312. 66 million cedis respectively. With a standard deviation of 983. 83 million cedis, it suggests that there is a wide difference among the firms with respect to their size. The average return on equity (ROE) of the firms was 2. 75% whilst the average leverage of the firms was 135. 72%. Similarly, the average corporate governance variable is 86. 13 percent, suggesting that more than 81% of the audit committee members of the banks were nonexecutive directors.

Table 1. Descriptive Data

	Mean	Standard Deviation	Maximum	Minimum
Audit Quality	0. 737	0. 585	1	0
Firm Size	12837. 94	983. 83	9098. 14	312. 66
ROE	2. 75	3. 748	7. 84	-8. 77
Age	22. 63	31. 74	99	7
Leverage	135. 72	186. 85	368. 96	76. 52
CG	86. 13	74. 61	100	50

4.2. Multicollinearity Test

To check for multicollinearity among the variables, correlation analysis was performed. As shown in Table 2, the correlation among the variables was not strong. Except for the correlation between audit quality and firm size (r = 0. 483) and firm size and age of the firms (r = 0. 517), the correlations coefficient among the variables were less than 0. 4. According to Hair et al. (2009), a multicollinearity exists if the correlation between two variables is above 0. 90. Based on the results, it can be stated that no serious correlation problem exists. Confirming this claim, the variance inflation factors show that there was no problem of multicollinearity among the variables.

Table 2. Correlation Matrix and VIF Results

	AuditQ	Size	ROE	Age	Leverage	CG	VIF
Audit Quality	1. 00						1. 193
Firm Size	0. 493***	1. 00					1. 118
ROE	0. 153*	0. 264*	1. 00				1. 003
Age	0. 364**	0. 517**	0. 074*	1. 00			1. 171
Leverage	-0. 247*	-0. 285	-0. 106*	0. 246	1. 00		1. 024
CG	0. 363*	0. 218*	0. 183	0. 163**	0. 0764	1. 00	1. 132

*** = p < 0. 01; ** = P < 0. 05 and * = p < 0. 10

4.3. Regression Results

The results on the impact of audit quality on firm value are presented in Table 3. The first model shows the impact of audit quality on firm value. In addition, the results on how corporate governance moderates the relationship between audit quality and firm value is also presented with model 2 in Table 3. The Hausman Test results (p = 0. 2717) presented in Table 3 suggests the results is insignificant and thus the null

hypothesis of the presence of time specific variations in the model is not rejected. As a result, a Random Effect model was used for the estimation. The results presented in Table 4 show that audit quality have a positive impact on the value of a firm. This means that the engagement of the services of the Big 4 audit firms contribute to the increment of the value of the firms. Here, the coefficient of . 0. 0943 suggests that the engagement of any of the Big 4 auditing firms can result in a 9. 43% percentage increase in the value of the firms, when the other variables remain unchanged.

This result is plausible because the quality of an audit enhances the quality of financial reporting, reduction in agency costs that arise from the opportunistic behaviour of managers and reduction in information asymmetry. Similarly, the results reflect the reality because quality auditing provides assurance to the various stakeholders as well as offer valuable advice to businesses which eventually result in an improved performance. In addition, this result is consistent with the explanation that the monitoring roles occupied by external auditors can align the interest of both the owners and managers and eliminate conflicts of interest, which are inherent in corporate management. These monitoring roles occupied by the quality of audit ensures that financial statements provided by management are reliable and accurate. This result confirms the findings of earlier similar studies by Zureigat (2011); Chen, Chen, Lobo and Wang (2011); Hassan and Farouk (2014); Matoke and Omwenga (2016); and Smii (2016), who provided evidence that audit quality result in an increase in the value of a firm.

The impact of firm size on the value of the firms is positive, suggesting that firms with larger assets has the higher propensity for increasing their value. Similarly, the return on equity (ROE) of the firms has a positive impact on the value of the firms. With a coefficient of 0. 1748 (significant at 10%), it suggested that a percentage increment in the ROE of the firms increases the value of the firms by 17. 48% when the other variables are held constant. The results further suggest that the age of the firms positively relate to the value of the firms. This is consistent with the idea that firms that has been in existence for a long time has the required experience and resources to create value. In addition, the leverage of the firms had a positive impact on the value of the banks.

The Model 2 incorporates a moderating variable, corporate governance (AuditQ*CG), to examine whether the relationship between audit quality and firm value is conditional upon the strength of corporate governance (measured by the percentage of independent audit committee members). Here, it can be found that the previously insignificant relationship between audit quality and firm value no longer holds. With the existence of good corporate governance, the audit quality has a significant impact on the value of the firms. This implies that a strong corporate governance helps to better moderate the relationship between audit quality and the value of firms. This result is confirmed by the comparison of the R^2 and the adjusted

R^2 of the two models. The R^2 and the adjusted R^2 of model two are 67. 41% and 59. 33% respectively whilst the R^2 and the adjusted R^2 of model one are 63. 15% and 57. 38% respectively. This is consistent with the corporate variance variable contributing to the additional explanatory power of the model.

The moderating role played by the corporate governance can be explained by the fact that the audit committee is made up mostly of non-executive directors and thus are able to work effectively to ensure audit quality and increased firm value. This is because the audit committee occupies corresponding roles between external auditors, management and the board of a firm and in this context serves as a trustee in the system of governance that assists to eliminate or, at least, decrease information asymmetry, thereby mitigating agency issues. By occupying this role, the independent audit committee contributes towards quality auditing. The result suggested that the separation of ownership from management highlights the necessity for a quality audit. In addition, the result can be explained by the fact that the audit committee is assigned the responsibility of ensuring effective internal control, which is necessary for the smooth running of a firm. This result is consistent with the findings of Sultana, Singh and Rahman (2019), who explained that to mitigate the risk of corporate financial failures and enhance the confidence of the public, effective functioning of an independent audit committee is needed. These results confirmed the findings of earlier studies such as Soliman and Elslam (2012); and Al-Dhamari and Chandren (2018) whose finding was that corporate governance is able to enhance the relationship between audit quality and firm value.

Table 3. Regression Results

	Model 1	**Model 2**
Constant	18. 25 (3. 721)	19. 92 (3. 182)
Audit Quality	0. 0943 (1. 827)	0. 1568** (1. 925)
Firm Size	0. 1941** (2. 028)	0. 1746** (1. 936)
ROE	0. 1749* (2. 127)	0. 1633* (2. 328)
Age	0. 1174* (2. 853)	0. 1059* (1. 926)
Leverage	0. 0857* (1. 629)	0. 0815* (1. 181)
AuditQ*CG		0. 0822**(1. 697)
R^2	0. 6315	0. 6741
Adjusted R^2	0. 5738	0. 5933
F-stats	58. 53***	63. 72***
Hausman Test		
Chi-square	3. 646	
d. f.	2	
p-value	0. 2719	

*** = $p < 0.01$; ** = $P < 0.05$ and * = $p < 0.10$

5. Conclusion

The debate on the impact of audit quality on firm value and how corporate government moderates this relationship has surfaced as a result of numerous corporate scandals in Ghana. As a result, the study examined the impact of audit quality on firm value and how corporate government moderates this relationship. The results revealed that audit quality exercises a positive impact on the value of a firm. In this context, the engagement of the services of the Big 4 audit firms contribute to the increment of the value of the firms. In addition, the existence of good corporate governance improves the relationship between the audit quality and the value of the firms. Corporate governance better moderates the relationship between audit quality and the value of firms. The implications of this results are two-fold. First, audit quality is significant towards the growth of a firm. In addition, firms must have strong corporate governance, especially the audit committee if they want to reap the full benefit of external auditors.

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