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Effect of Audit Firm Tenure on Audit Quality in Nigeria Deposit Money Banks

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ABSTRACT: This paper examined the effect of audit firm tenure on audit quality in quoted deposit money banks in Nigeria for the period 2004-2023 using an ex-post facto research design to gather secondary source of data for the study. In order to empirically investigate the study, 14 quoted DMBs were selected for the study and the relevant information/data about the banks were collected from the published annual report of the banks. The audit firm tenure was proxied using audited period and other exogenous variables that influenced audit quality were also included in the panel regression model while audit quality was measured using the big-4 and earning measurement. The descriptive and inferential statistics of dynamic panel analysis was employed to investigate the objective of the study. The result of the panel analysis when earning management and big-4 were used as proxy for audit quality revealed that audit firm tenure had a significant positive effect on the audit quality of the quoted deposit money banks. The study concluded that audit firm tenure enhanced audit quality in the selected DMBs in Nigeria.

KEYWORDS: Audit Tenure, Audit Quality, Big-4, Audit Fee, Earnings Management

1. INTRODUCTION

The effect of external audit firm tenure on the quality of the audited financial statement in Nigeria deposit money banks has been generated difference discourse among scholars. Aliyu and Ojo (2022) argued that external audit firm tenure may influence the qualitativeness of the financial reporting particularly if the audit firm stay within the limit of its time/tenure. This according to the authors may enhance the capacity of the external audit firm to be able to maintain its independence, thus, giving assurance to the fact that the business of the firm has been done with utmost faithfulness and without any vested interest in the company. Ojo and Alawode (2023) posited that for auditors to improve the quality of the audited financial statement he must not goes beyond its limit of the tenure. This according to the author helped the external auditors to be able to assess adequately the fullness of his independence in carrying out the client audit works. This may further constraint the auditor not to involve himself on any job not in line with his audit assignment. The consequence of a long audit tenure is beyond the auditors' comprehension. Thus, long audit tenure may expose the external auditors to un-wholeness practices that may erode the external auditors' confidence, objectivity, thorough assessment and independence of mind in carrying out his statutory audit assignment. On this note, Akinwande (2023) opined that a long audit tenure may affect the capacity of the external auditors to be able to assure the shareholders of a company that the prepared financial statement by the directors has been audited with utmost a good faith. This may affect the quality of the audited financial statement. More so, Akinjide (2020) argued that for external audit firm to maintain its integrity with the client company it must remove its intension from elongated audit tenure particularly common with the non-big 4 audit firm in order to enhance the quality of the audited financial statement.

The quality of audit is the capacity of the audited financial reporting to meet the expectation of shareholders of a company regarding the financial events in the organization. As a result of this, quality audit financial reporting must as a matter of necessity shows the truth financial position of a company in a particular accounting period. It must indicates that the prepared financial statement by the directors of the organization is true and shown a fair view of the financial event in the organization. It shows an evident that the external auditor's engages to audit the prepared report are not put under duress either by the directors or official of the company. It must shows the fact that the external auditor carries out his work independently with clear statement that the auditor does not in any way hinder when gathering his evidences (Ojo, 2023). Ojo (2023) argued that to produce quality audit, the external auditors are disposed as a rule to exhibit high level of independence and apply desirable level of professionalism. This according to the author was that only way auditors could product quality audit report but getting a quality audit report might be influenced by the type of external auditors engaged by the selected DMBs.

The challenge of getting quality financial report by substantial number of banks in Nigeria has been traced to non-utilization of the big 4 audit firms. This has made many of the DMBs to engage the smaller audit firms that lack the financial and materials capacity to audit its accounts. Hence, some of the smaller audit after the first engagement may try to stay put with the banks and do everything possible not to lose the banks patronage. This could make the external audit firms to be ready to operate with the conditional aggrandizement attached by the DMBs to retain them by some of the unscrupulous directors of the DMBs. This may the external audit firm to lose its independence in a matter of auditing the firm account. In this regard, Akinteju, Akosile and Ojo (2023) posited that this scenario greatly affect the extent the external auditors can go in gathering evidences relating to the audit of the financial report prepared by the directors, thus, affecting the quality of the audited financial reporting. This situation was what put a bank like oceanic bank, HB Plc, Bank PHB and other in troubled with the Central Bank in Nigeria. It has resulted in the withdrawal of the bank licensing of the banks due to lack of quality audited financial statement that reveals the truth position of the banks.

The works of Akinjide (2020), Aliyu and Ojo, (2022), Akinwande (2023) and Akinteju, Akosile and Ojo (2023) revealed that audit firm tenure had a significant effect on quality audit. These studies failed to consider the conclusion of board independence, financial leverage and audit client firms which were importance control variable in assessing the relationship between audit tenure and quality audit. This present study considers the inclusion of the variables, thus, addressing the gap in the present. As a result of this, this study intends to investigate the effect of audit firm tenure on audit quality in Nigeria Deposit Money Banks. In order this, the study is divided into five parts, which are introduction, literature review, methodology, result and discussion and conclusions and recommendations.

2. LITERATURE REVIEW

Conceptual Review

Meaning and Definition of Audit Firm Tenure

Melya and Friska (2017) defined an auditor’s tenure as the number of periods (years) an auditor audits a customer or the number of years a corporation hires the same auditor. The length of an audit has been divided into big and short audit periods. Long audit tenure might compromise audit independence and care while shorter audit tenure, on the other hand, indicates that the auditors have less understanding of the client, which might result in poor audit quality. Long audit tenure might help the auditor learn more about the client's internal operations, but it can also jeopardize the auditor's independence (Egbunike & Abiahu, 2017). Organization changes auditors for a variety of reasons, one of which is to acquire a lower audit charge from a new auditor, who may offer discounted services to attract a new customer (Buntara & Adhariani, 2019). According to Wiyantoro and Usman (2018), audit tenure is a situation whereby an auditor provides audit services to the same customer for years in a row.

Similarly, Aprilia, Zaki and Aulia (2019) explained auditor’s tenure as the number of years that an auditor/auditing firm has audited the customer. The objective of financial reporting is the provision of high-quality financial information about economic entities that is useful for economic decision-making. According to Melya and Friska (2017), a high-quality financial report is critical to investors and other stakeholders in making investment, credit and similar decisions. To achieve a high-quality financial statement, it has to be audited by the auditor with the auditor representing his opinion on the viability of the financial statement. The auditor’s tenure tends to influence an audit report and affect the reliability of the audited financial statement through the auditors’ independent level.Muslim, Syamsuri and Muhammad (2020) opined thatauditor’s tenure has become the focus of several debates which result in a dilemma of firms to make a decision is as to whether to replace its auditor after a short period or to build and maintain a long-term tenure.

According to Julia, Adam and Tjandrakirana (2018), auditors’s tenure has two aspects namely the tenure of the audit firm and the tenure of individuals engaged in the audit. The audit firm refers to the audit company hired by a company and as such serves as external auditors to the client that hired the firm. An individual engaged in audit can be an internal auditor of the company or a member of audit firm who serves as part of the audit team of a company. In order to safeguard the independence of the auditor, the National Code of Corporate Governance (NCCG) in Nigeria recommended a five-year mandatory rotation for external auditors. On the other hand, Zvi and Jing (2018) posited that audit quality decreases with long auditor tenure. Reduction in audit quality tends to occur when an auditor has become familiarized with the audit client and as such the auditor’s independence tends to become jeopardized.

Conceptualize Audit Quality

Audit is an independent examination carried out on the books of account presented to ascertain if the reports in the books are actually what they represent. It is done to ensure that information is accurate and reliable (Zayol, Kukeng & Iortule, 2017). While quality is the degree of excellence. It is also referred to as an attribute that makes something unique. From these views, audit quality can be said to be the degree or extent to which the books of account presented are actually what they seem to be. Audit quality measures the accuracy, transparency and reliability of the financial statements presented by an organization for a specified period.

Different authors have defined audit quality from different professions. Accounting researchers have considered multiple scopes for audit quality which repeatedly result in outwardly different definitions. Pradipta and Zalukhu (2020) asserted that audit quality definition involves the following basics; the likelihood of momentous errors in the financial statements which could be decoded by an auditor, the probability that the auditor might not prepare a provisional report for the financial statements containing significant errors, the ability of an auditor to minimize the prejudiced mistakes and errors and to advance the accounting data's quality and the accuracy and precision of the auditor's report. Velte P, & Loy T (2018) defined audit quality as the financial assessment of the possibility that an auditor could detect and report the material misplacement and value in financial statements of an organization. The definition reveals the effect of the auditing function on the financial statement's information. It could be deduced that audit quality reveals the auditor's ability to control the quality of financial statements in line with accounting principles.

Egbunike and Abiahu (2017) asserted that audit quality is the correctness of information provided for an investor after auditing function in a firm. Auditors aim at preparing a reliable financial statement for both internal and external user in an organization, the audit quality decodes the audited financial statements' being free from financial and material error. This definition stresses the audit results. Tim S. (2020) stressed that audit quality is the ability of an auditor to reveal and abolish both financial and material error in an organization's financial statement. Auditors tend to suggest opinions, providing a realistic assurance on the credibility and fairness of the financial statement after revealing both financial and material misstatements. Thus, auditor's independence is important when revealing the discovered errors. Discovering and revealing both financial and material errors depend on diverse factors related to auditors' competencies such as level of training and experience, audit fees and auditor's independence. Muhammad and Anwar (2015) viewed audit quality as the appraisal of financial statements based on a market-assessed joint likelihood that the auditor finds an anomaly in the financial reports, and exposes it. Audit quality has become very popular in the corporate world after the collapse of some noteworthy corporations like Enron, Lehmann Bank and so on. In Nigeria, issues with Cadbury plc pushed the significance of the quality of audit reports to the forefront. Managers and even shareholders should strive to ensure that the financial reports they publish represent the value of their company, as overstatement or understatement have repercussions on the company. Audit quality has also been seen as an assessment by users of financial information concerning the probability that a hired auditor will see a slight discrepancy in the client's company accounting records and reveal this disparity (Ching-Chieh, 2020).

Determinants of Audit Quality

2.1.2.1 BIG 4

Conceptually, Big 4 is a name given to the world's major professional services networks, which are four in numbers (Ernst and Young (EY), Deloitte, KPMG, and Price Water House/Cooper (PwC)). The four networks are frequently lumped together for a variety of reasons: they are all comparable in size to the rest of the market, both in terms of revenue and workforce; they are all considered equal in their ability to provide a broad range of professional services to their clients; and, among those looking to start a career in professional services, particularly accounting, they are all considered equally attractive networks to work in, due to the frequency with which they hire. Audit, assurance, taxes, management consulting, actuarial, corporate finance, and legal services are all provided by the Big Four. These four networks undertake the vast majority of public company audits, as well as a large number of private company audits. However, among the various external auditing firms, Big 4 is believed to be the largest auditing firms. These firms have the resources, including manpower to audit any organization both public and private entity (Egbunike & Abiahu, 2017). They are international auditing firms that expand the shores of more than a nation.

These firms have a global reputation, but that does not mean that they are present in all the countries of the world. In Nigeria, these firms are also there as observed by Kenny, Wasiu and Rafiu (2019) aside Deloitte which is not yet registered. The big 4 audit firms in Nigeria are; Price Water House/Cooper (PWC), Ernst and Young (EY), Akintola Williams/Delliote (AWD) and KPMG Professional group (KPMG). The big four are believed to be the most reliable auditing corporations because they cannot be bought or dissuaded with money. At times, corporations who can employ the services of any of these big four are assumed to have better-audited reports than those who hire other corporations.

Earnings Management

It is not a surprise that earnings are very important to a company and also it is not unusual that the company's management has an important interest in how the company earnings are reported. In this light, the effects of the accounting choices have to be understood by all companies' management in order for them to make the best decisions possible for the company, to rightly put it learn earnings management (Trimisiu, Wasiu, Peter & Festus, 2020). The independence of auditors has been questioned over time and has been heavily criticized by consumers of financial statements. In the financial statements report of business, investors, regulators, creditors, and governments have seen a surge in earnings management.

The definition of earnings management according to Jacqueline and Denny (2021) is the reasonable and legal management decision making and reporting intended to achieve stable and foreseeable financial results. Also, according to Ching-Chieh (2020), earnings management is the deliberate intervention by management on the external financial reporting process to obtain some private gains. Worth noting is, that earnings management should not be disconcerted with unlawful activities by management to manipulate companies' financial statements and report results that do not mirror economic reality. Any activity by management that misrepresents the company's financial statement is known as cooking the books which is illegal (Trimisiu, Wasiu, Peter & Festus, 2020).

Earnings are considered as a signal that helps a company to direct the allocation of its resources in the capital markets and it is regarded as the one most key item in companies' financial statements which is often referred to as the net income or bottom line (Primadita, Fitriany & Kiantara, 2021). Earnings show the extent to which a company is involved in value-creation or value-added activities. In short, the present value of a company's future earnings is the theoretical value of its stocks. Therefore, an increase in a company's earnings signals an increase in its value, while a decrease in the company's earnings indicates a decrease in its value. Earnings management can be accruals management or the manipulation of real activities which are all purposeful actions taken by management to disguise the true financial situation of a company. Accruals management is the accounting method used to represent those activities that can be used to step up the company's current earnings while real activities manipulation is when management changes the firm's main operations intending to step up the earnings in the current fiscal year (Asuzu, 2020). An example of real activities manipulations can be seen when management decreases their expenditure on discretionary research and development (R&D). To decrease the discretionary expense on R&D, management sells their fixed assets at a favorable time when prices are high to make gains and also, they increase production to reduce average cost and slash prices down. Because accruals management can be used even after the fiscal year, some managers still prefer accruals over real activities manipulations despite the advantages associated with real activities manipulation. This paper shall adopt earning management as measurement for audit quality.

Size of Audit Firm

The size of an audit company is one aspect that has a significant influence on an auditor's independence. According to Bassy, Uni, Olatunbosun, Asi and Emmanuel (2020), big audit firms are less likely to settle or succumb to management pressure than smaller audit firms, possibly due to the large number of clients and income volume accrued to big firms and the fact that they would never succumb to destroying their already built past goodwill, whereas small firms are usually concerned about losing their few clients, which could further wane their meager income. In order to keep these consumers, these companies seek to provide individualized services in order to build a stronger connection with them. As a result, the likelihood of such enterprises' independence being harmed increases.

Control Variable

To effectively control for the possible connection between the dependent and independent variable, this study employed audit client firm's size, financial leverage and board independence as the control variable.

Audit Client Firm Size

According to Sabo, A & Alfred A.k (2020), firm size is the variety and total amount of production ability and capacity possessed or services that can be rendered concurrently to its targeted customers. The firm size has a vague influence on the firm's performance in general. Bambang, Kevin and Christy (2019) asserted that larger firms are usually more diversified in nature, benefit from the economy of scale, have more capacities and resources.

Board Independence

According to Rahmansyah, Wardayati and Miqdad (2021), a board is a group of individuals putting resources together to achieve a common goal. In an organization, both the executive and non-executive directors come together to a common goal. From the view of Tamrat (2015), the board of directors is simply referred to as board. The board of directors is saddled with the responsibility of employing mangers and directing the operations of the organization including the preparation and presentation of financial reports. The effective and efficient administration of operations in any organization seems to be achieved with some level of objectivity on the part of the board of directors, which was the basis of the separation of decision management from decision control

Financial leverage

Financial leverage refers to a company's capacity to enhance earnings per share before interest and taxes by utilizing fixed financial expenses. Profits before interest and tax will fluctuate if a corporation does not use fixed cost-bearing securities, resulting in a change in earnings per share. If a company doesn't have any set financial expenses, such as dividends and interest, it's a sign of financial leverage (Kenny, Wasiu & Rafiu, 2019). Financial leverage allows a company to amplify its profitability before interest and taxes, resulting in higher earnings per share (Trimisiu, Wasiu, Peter & Festus, 2020).

Theoretical Framework

The theoretical framework on which the paper is hinged is contingent theory. A critical examination of the workings and operations of any business shows that there is no perfect style or unique method of operation which can be used to give optimum performance. This fact was recognized by Fiedler (1965), which made him to establish the contingency theory. The theory affirms that the best kind of strategy to implement in any organization would be hinged on the internal and external factors of its environment. Omoluabi (2016), this theory affirms the fact that there is no unanimously acceptable and practicable way, rules or regulations by which organizations could be effectively and efficiently managed to achieve optimum performance. Contingency theory believes that competent influential auditing and the improved audit quality of reports and success of any organization is not solely dependent on the means and techniques of the managers, instead it is dependent on the environment style and the control exercised over the environment (Magaji, Lawan & Naziru, 2018). Thus, if one can manage the business environment well, the performance of his/her firm would be improved. In relation to the study, this theory enlightens that the eventual outcome of an audit process is influenced by the dynamism of the environment in which the audit is undertaken. If a bank is almost bankrupt and creditors are calling for their investors, the kind of audit that would be carried out in that particular business environment could be different from the one that would be carried out in a stable environment. By examining the independence of auditors as a determining factor of audit quality, it can be agreed that the independence of auditor could vary based on the environment of the business or of the auditor. Normally, audits are carried out periodically, usually after the financial year of an enterprise. However, there could be situations that warrant an impromptu audit of the affairs of a firm, which if not handled carefully would hamper the quality of the reports being audited. Thus there is a need to keep on looking for new ways to solve issues that may arise in the environment.

Empirical Review

Primadita, Fitriany and Kiantara (2021) carried out a study in Indonesia to determine whether specialist auditors can reduce information asymmetry. Regression analysis was used to analyze financial data from firms listed on the Indonesia Stock Exchange. Findings proved that in the early years of the audit engagement, the longer a public accounting firm audited a company (tenure), the information asymmetry reduced. This indicated that after eight years, the bonding between auditors and clients was getting more robust so that auditors found it difficult to sustain their independence. Hence, after eight years, it is vital to change (rotate) the public accounting firm that audits a company because its independence starts to decline.

Muslim, Syamsuri and Muhammad (2020) to evaluate the effect of client pressure and audit tenure on audit quality with auditor independence as a moderating variable in the Public Accounting Firm (KAP) in Makassar, Indonesia. Moderated regression analysis (MRA) was the favoured method of data analysis for the study. It was proven that client pressure had a positive and significant effect on audit quality, while audit tenure variable had a negative and significant effect on audit quality. It was also discovered that auditor independence as a moderating variable influenced client pressure and audit quality.

A study was undertaken in Spain by Belén, Roberto and Antonio (2019) to examine the impact of auditor tenure on audit quality. Data from a sample of 254 audits was obtained between 2003 and 2010 and analyzed with univariate and multivariate result. The findings proved that although foundation audit quality decreased as tenure length increased, the quality loss did not become apparent until the sixth year of the foundation–auditor relationship, after an initial five years of improvement in quality.

A study was conducted in China by Ce and Ying (2018) to appraise the self-selection bias in auditor tenure research. Descriptive statistics Pearson correlation matrix and regression analysis were the chosen method of data analysis. The study proved beyond all doubt that the positive relation between auditor tenure and audit quality documented in prior studies reflected client characteristics and was obtained as a result of inadequate control of selection bias.

3. METHODOLOGY

The study area was Nigeria. Ex-post facto research design was adopted for this study since it is considered suitable for a study with a quantitative dataset. It was considered appropriate because investigation started after the fact has occurred without the interference of the researcher and also for the fact that data needed for study already exist. The population covered all the Deposit Money Banks in Nigeria. According to the information gotten from the statistical bulletin of Central Bank of Nigeria (2020), there were 22 Deposit Money Banks in Nigeria. According to the information gathered from Nigeria Stock Exchange, there WERE 14 quoted banks in Nigeria and these were used as the sampled for the study. secondary data were used and it will be generated from the published financial reports of all the sampled Deposit Money Banks for a period of 20 years, from 2001-2020. This paper used both descriptive and dynamic panel regression analysis to investigate the effect of audit tenure on audit quality.

Model Specifications

To empirically examine audit firm tenure on audit quality in DMBs in Nigeria, the model used by Babatolu, Aigienohuwa and Uniamikogbo (2016) was adapted with some modifications. The functional model of Babatolu, Aigienohuwa and Uniamikogbo (2016) was given thus:

$AUDQUA_{it} = f(AUDFEE_{it}, AUDFIRMRO_{it}, AUDTENURE_{it})$………………………….. (3.1)

Where:

AUDQUA is Audit Quality,

AUDFEE is Audit Fee

AUDFIRMRO is Audit Firm Rotation

AUDTENURE is Audit Tenure

“it” represents the combination of time and individuality.

However, some modifications were done to reflect the stated objective of this paper. The modifications are stated thus:

While the study of Babatolu, Aigienohuwa and Uniamikogbo (2016) captured audit quality with total number of staff in audit team, this study added another two metrics and they were BIG-4 and earnings management. The model was controlled with board independence, financial leverage and audit client firm size. It must be noted that these modifications are predicated on the reviewed studies through which the researcher was able to know the nitty-gritty of the explained and explanatory variable. The new functional models and their respective linear representations are stated thus:

Model I:

$EAM_{it} = f(AUT_{it}, AUF_{it}, AUR_{it}\ ASF_i\ AUL_i\ BOI_i\ FIL_i\ ACS_i)$………………………….. (3.2)

The linear representation of the model is given thus:

$$EAMit = \delta_0 + \delta_1 AUT_{it} + \delta_2 AUF_{it} + \delta_3 AUR_{it} + \delta_4 ASF_{it} + \delta_5 AUL_{it} + \delta_6 BOI_{it} + +\delta_7 FIL_{it} + \delta_8 + ACS_{it} + \varepsilon_{1t} \dots\dots\dots 3.3$$

EAM = Earnings Management

AUT = Audit Tenure

AUF = Audit Fee

AUR = Audit Firm Rotation

ASF = Non-audit Service Fee

AUL = Audit Report Lag

BOL = Board Independence

FIL = Financial Leverage

ACS = Audit Client Firm Size

"it" represents the combination of time and individuality

Variables Identifications and Measurements.

S/N	Variables	Measurements	Sources	A-priori Expectations
	Independent			
1	Audit Tenure	Length of auditor-client relationship. '1' if 3 years+ and '0' if otherwise.	Babatolu, Aigienohuwa and Uniamikogbo (2016) and Ogungbade, Adekoya and Olugbodi (2020)	+
2	Audit Fee	Natural Log of the Audit Fees Paid by the company.	Babatolu, Aigienohuwa and Uniamikogbo (2016) and Ogungbade, Adekoya and Olugbodi (2020)	+
3	Audit Firm Rotation	'1' if there is audit firm rotation and '0' if otherwise	Babatolu, Aigienohuwa and Uniamikogbo (2016) and Sabo and Alfred (2020)	+
4	Non-Audit Service Fee	Natural log of Consultancy fees	Nwafor and Amahalu, (2021)	-
5	Audit Report Lag	Measured in days. The total number of days it took the external auditors to complete the audit process.	Chang and Yong (2015)	+
	Dependent			
7	Earnings Management	Discretionary accruals	Jacqueline and Denny (2021)	
	Control			
8	Board Independence	The ratio number of non-executive directors over the total number of directors	Patrick and Peace (2020)	+
9	Financial Leverage	Total Debts /Equity	Babatolu, Aigienohuwa and Uniamikogbo (2016)	+
10	Audit Client Firm Size	Natural log of company Total Assets.	Babatolu, Aigienohuwa and Uniamikogbo (2016)	+

4. RESULTS AND DISCUSSION

Descriptive Statistics

This provides the summary of the variables used in the study statistically through average mean, standard deviation, minimum and maximum.

Table 1: Descriptive Statistics

Variables	Obs	Mean	Standard Deviation	Minimum	Maximum
TNE	280	25.58929	4.352632	15	34
BIG 4	280	.5678571	.496261	0	1
EAM	280	.6691071	.5267554	.21	5.89
AUT	280	.5642857	.496738	0	1
AUF	280	7.236621	.190885	6.798	7.5358
AUR	280	.775	.41833	0	1
ASF	280	6.877843	.2183931	6.053	7.278
AUL	280	151.2929	22.29325	110	194
BOI	280	.6438214	.153728	0	.91
FIL	280	17.33261	12.72475	1.95	101.44
ACS	280	7.22878	.9214054	3.371	9.07

Source: Data Analysis, 2022. *Where BIG 4 is* Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers, *EAM is* Earnings Management, *AUT is* Audit Tenure, *AUF is* Audit Fee, *AUR is* Audit Firm Rotation, *ASF is* Non-audit Service Fee, *AUL is* Audit Report Lag, *BOI is* Board Independence, *FIL is* Financial Leverage, *ACS is* Audit Client Firm Size.

Presented in Table 1 is the description of the balanced dataset that spanned across 20 years and the quoted 14 deposit money banks in Nigeria. The descriptive statistics depicts that the average value alongside the standard deviation for all the variables are 25.5829(4.352632) for TNE, 0.5678571(.496261) for BIG 4, 0.6691071(.5267554) for EAM, 0.5642857(0.496738) for AUT, 7.236621(0.190885) for AUF, 0.775(0.41833) for AUR, 6.877843(0.2183931) for ASF, 151.2929(22.29325) for AUL, 0.6438214(0.153728) for BOI, 17.33261(12.72475) for FIL and 7.22878(0.9214054) for ACS. From the report, it can be deduced that the standard deviations are less than the average mean value all through indicating a low variation across the sampled firms. The minimum and maximum values are as follows; 15(34), 0(1), 21(5.89), 0(1), 6.798(7.7558), 0(1), 6.053(7.278), 110(194), 0(.91), 1.95(101.44) and 3.371(9.07) for TNE, BIG 4, EAM, AUT, AUF, AUR, ASF, AUL, BOI, FIL and ACS respectively.

Correlation Analysis

Table 4.1. 2: Pairwise Correlation

Var.	TNE	BIG 4	EAM	AUT	AUF	AUR	ASF	AUL	BOI	FIL	ACS
TNE	1										
BIG 4	.5***	1									
EAM	.0653	-.147**	1								
AUT	-.028	.0186	.0937	1							
AUF	.6***	.853***	-.17***	-.0478	1						
AUR	-.047	-.004	-.0206	-.1285**	.0568	1					
ASF	.45***	.48***	-.0792	-.0591	.56***	.0248	1				
AUL	.0884	.1563**	-.0608	-.18**	.18***	.0655	.1203**	1			
BOI	-.0352	.0476	-.0922	-.0274	.0715	-.241***	.1057*	.0214	1		
FIL	.1758	.17***	-.0802	.0508	.19***	.0091	.0686	.0564	-.0591	1	
ACS	.0843	.0587	-.0525	-.0742	-.0092	.1303	-.008	.0314	-.24***	-.097	1

***Source: Data Analysis, 2022.* *** p<0.01, ** p<0.05, * p<0.1** *Variables are as defined above*

The result presented in table 2 showed that the relationship between TNE and other predictor variables was positive except the relationship with AUT, AUR and BOI which were negative to the tune of -0.028, -0.047 and -0.0352 respectively. BIG 4 has a positive relationship with all the predictor variables except the relationship with EAM and AUR which was negative to the tune of -0.147 and -0.004 respectively. For EAM, its relationship with all the predictor variables was negative except for AUT with the correlation coefficient value of 0.0937. The positive relationship implies that the variables moved in the same directions over the period covered. On the contrary, the negative relationship shows that the variables involved failed to move in similar directions.

Also, it was shown that the relationship between AUT and other predictor variables was positive excepts the relationship with FIL with the correlation value of 0.0508. Similarly, the relationship between AUF and other predictors was positive except for ACS which was negative to the tune of -0.0092. For AUR, it has positive relationship with all the predictors except for BOI with the coefficient value of -.241. A positive relationship exists between ASF and other predictors except for ACS with the value of -0.008. AUL has appositive relationship with all the predictors. On the contrary, BOI has a negative relationship with FIL and ACS. FIL has a negative relationship with ACS. Finally, ACS has a positive relationship with all the variables used in the study.

Analysis of the effect of auditor's tenure and audit report quality of Deposit Money Banks in Nigeria (Earning Management).
Table 4 Results of Regression Estimate and Diagnostic Tests of model II
Dependent Variable: EAM

VARIABLES	*(1) OLS*	*(2) FE*	*(3) RE*	*(4) FGLS*
AUT	.0833398	.0560892	.0639459	.0000862
	(.0646094)	(.0621976)	(.0622661)	(.0423126)
AUF	-.4329654**	-.1709601	-.3010238***	-.0643765
	(.2019446)	(.2168133)	(.1193925)	(.159237)
AUR	-.0213934	.1160562	.072069	-.06349***
	(.0779018)	(.0729547)	(.0736475)	(.0620048)
ASF	.0729511	-.361305**	-.1838595	-.0671872
	(.1725164)	(.058373)	(.1808972)	(.0977181)
AUL	-.0002604	.0024992*	.0016104	.00035
	(.0014475)	(.0013249)	(.001349)	(.0006019)
BOI	-.3732346***	.3013451	.072658	.0658448
	(.2169859)	(.209769)	(.2096828)	(.1206164)
FIL	-.0029155	-.0051834	-.0044416***	-.0017534***
	(.0005222)	(.0024009)	(.0004121)	(.0004663)
ACS	-.0447773***	-.0933961	-.0738561**	-.0293091***
	(.015277)	(.0351464)	(.0348444)	(.0034081)
Constant	3.924039***	4.462542***	4.340582***	1.646805**
	(1.286913)	(1.216385)	(1.229328)	(.0229285)
Observations	280	280	280	280
R-squared	0.4520	0.5069	0.6236	
Adj. R-Squared	0.3240	0.4962	0.5885	
F-Stat	$F(8,271) = 1.86$ Prob > F = 0.00	$F(8,256) = 33.43$ Prob > F = 0.009	Wald $chi^2(8) = 18.49$ $Prob>chi^2 = 0.0178$	Wald $chi^2_{(8)} = 46.05$ $Prob>chi^2 = 0.0000$
Pesaran CD Test	-	0.516 {0.6043}	-	-
Hausman Test	-	Chi2(8) = 19.04 $Prob>chi^2 = 0.0146$	-	-
Breusch-Pagan LM Test	-	-	$chi^2_{(01)} = 96.50$ $Prob>chi^2 = 0.0000$	-
Modified Wald Test for Heteroskedasticity	-	$chi^2(14) = 1835.32$ $Prob>chi^2 = 0.000$	-	-
Woodridge Test for Autocorrelation	-	$F_{(1,13)} = 149.127$ Prob > F= 0.0000	-	AR (1) = 0.6014

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Deciding on the appropriate estimation technique to be employed for this hypothesis, the Hausman test conducted favours the fixed effect. The chi-square statistic for the Hausman test is 19.04 with the probability value of 0.0146, which is less than 5% significant value. Though the Breusch and Pagan LM test with chi-squares statistic of 96.50 and p-value of 0.000 failed to align with the result of Hausman test as it favours random over Pooled OLS effect. However, the Hausman test result takes precedence and fixed effect estimation is considered appropriate. The Pesaran CD test with pro-value of 0.6043 indicates evidence of non-cross-sectional dependence while the Modified Wald Test for Heteroskedasticity shows that the variance of the error terms is not constant over time, that is, absence of homoskedasticity. Consequently, the Feasible Generalised Least Squares (FGLS) is considered appropriate to remove the violations of the OLS assumptions and for interpretation of our hypothesis. The FGLS revealed that AUT, AUL and

BOI exert a positive but insignificant effect on audit quality in terms of earnings per share of quoted deposit money banks in Nigeria. On the contrary, AUF, AUR, ASF, FIL and ACS have a negative effect on earnings per share, though, the negative effect is only significant for AUR, FIL and ACS against the insignificant negative effect of AUF and ASF. The Wald chi2(8)of 46.05 along with p-value of 0.000 reveals that the model is fit.

Model III: Analysis of the effect of auditor's independence and audit report quality of Deposit Money Banks in Nigeria (BIG 4).

Table 5: Logistic Regression Result

Series:BIG4 AUT AUF AUR ASF AUL BOI FIL ACS

Variable	*Odds Ratio*	*Std Error*	*Z-Score*	*Probability*
AUT	7.66066	6.871893	2.27	0.023
AUF	1.70e+17	1.27e+18	5.31	0.000
AUR	.5063464	.5735918	0.60	0.548
ASF	93.72997	212.666	2.00	0.045
AUL	.9745872	.0169993	1.48	0.140
BOI	2.268211	5.816336	0.32	0.749
FIL	1.07128	.0606324	1.22	0.224
ACS	3.176535	1.530415	2.40	0.016
Constant	8.3e-142	5.2e-140	5.21	0.000
Pseudo R-square	0.8462			
LR chi2(8)	324.08			
Prob > chi2	0.0000			

Source: Author's Computation (2024). *Variables are as defined in chapter three.*

The logistic regression estimates in table 5 shows that all the predictors have positive relationship with audit quality captured with BIG 4 of quoted deposit money banks in Nigeria. However, the positive effect is significant for AUT, AUF, ASF and ACS with the odds ratio alongside their probability values of 7.66066(p=0.023<0.05) for AUT, 1.70e+17(p=0.000<0.05 for AUF, 93.72997(P=0.045<0.05) for ASF and 3.176535 (p=0.016<0.05) for ACS against the significant positive effect of AUR, AUL, BOI, and FIL with the odds ratio and probability values of 0.5063464(p=0.548>0.05) for AUR, 0.9745872(p=0.140>0.05) for AUL, 2.268211(p=0.749<0.05) for BOI and 1.07128 (p=0.224>0.05) for FIL. The reported pseudo r-square was 0.8462 which implies that 85% of the systematic variation in audit quality can be explained by all the predictor variables. The LR Chi-square and its significant value was given to be 324.08 and 0.000 respectively reflect the model is reliable, fit and dependable.Thus, the model adequately describes the model and there is no misspecification of the model.

Table 6: Diagnostic Test

Null Hypothesis	Test Method	F-statistics	Probability
No Normality	Jarque-Bera	0.362	0.472
No serial correlation	Breusch-Godfrey	0.751	0.325
No conditional heteroskedastic	White (Chi-Square)	0.587	0.215

Source: Author's computation, (2024)

Table 6 reports the result of the diagnostic tests. Statistically, the F-statistic of 0.362 and p-value of 0.472 suggests that the model is normally distributed at the 5% level of significance. The result of the Breusch-Godfrey LM test, which reveals a F-statistic of 0.751 and a p-value of 0.325 demonstrates the absence of no serial correlation with the variables. The result shows that there is no issue regarding conditional heteroscedasticity, since the F-statistic is 0.587 with a p-value of 0.215.

5. CONCLUSIONS AND RECOMMENDATIONS

This study had showed that audit tenure influenced greatly the capacity of the auditor to be able to produce quality audit. Therefore, it was concluded that audit tenure enhanced the quality of the audit report when the big-4 and earnings management were considered but significant only when the big-4 was used as a measure of audit quality.

Recommendations

The following recommendations are made.

- The management of the DMBs must as a matter of priority be using the big-4 audit firms to audit the financial statement of the bank. This may be possible by engaging the audit firm in time before the audit report lag elapsed.

- More so, the DMBs management particularly the directors of the DMBs must ensure that the external audit firm are truly independent in mater of statutory audit assignment, evidence gathering and the final report of the audited financial statement.

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