IMPACT OF AUDIT QUALITY ON EARNINGS MANAGEMENT OF MONEY DEPOSIT BANKS IN NIGERIA

***Prof. Enyinna Okpara; Endurance Ndidi Okotume (CNA), Dr. Augustine Chukwujekwu Odubuasi**

Accounting Department, Faculty of Management and Social Sciences, Wellspring University, Benin City.enyiokpar@yahoo.com

Internal Audit Department, University of Delta Agbor. Okotumeendurance79@gmail.com

Accounting Department, Faculty of Management and Social Sciences, Hezekiah University, Imo State. Auglaw03@gmail.com

Abstract

This study was set to investigate the effect of audit quality on earnings management of deposit money banks listed on the Nigeria exchange group. Specifically, this study examined audit fee, Big4 audit firm, audit tenure and joint audit, on how they affect the earnings management. Earnings management was measured using modified Jones model. This study adopted ex-post facto research design. The study population was all the fourteen money deposit banks listed on the Nigerian exchange group. Secondary data were collected from the annual reports of the banks sampled from 2012 to 2021. Descriptive statistics, correlation and regression analysis, VIF, Heteroscedasticity tests were conducted. The study found that audit fee and Big4 audit firms have negative and statistical significant effect on earnings management while audit tenure and joint audit service have negative and no significant effect on earnings management of banks studied. The study made policy recommendations that include amongst others that regulatory bodies should prepare an improved audit fee computation template to enable forestalling cases of undercharge fees that demoralizes the auditor, from which low quality audit report may ensue. While the banks are encouraged to make use of Big 4 in their statutory audit engagements to curb the menace of inclusion of earnings management in the financial statements.

Keywords: Big4 Audit, Audit Fee, Joint Audit, Audit Tenure

1. INTRODUCTION

Financial crimes noticed in some banks in Nigeria has placed doubts on the minds of the shareholders and makes them so skeptical about the quality of audit of financial Statements prepared by banks. Poor audit quality is consequential to numerous corporate failures in Nigeria in which banks are not spared. Literature has shown that external auditor attributes are major determinant to the quality of audit work done which enhances the confidence and reliability of the user of financial statements (Dijeh, Ofor & Odubuasi, 2022). Moreover, Odubuasi, Ofor and Okoye (2020) reported that inadequate risk framework in Nigerian banks was part of the major cause of wider arrays of accounting irregularities in 2009, and excessive taking of risk, inadequate administration of loan portfolios and distorted credit management were predominant in Nigerian banks as also reported (Ahmed, Abdullahi, Mohamed & Umar, 2018). Yet, the statutory audit exercise would be conducted and unqualified report issued, only for some of the banks to land into crises months after it received clean bill of health from external auditors. That undermines audit quality and audit quality could be enhanced and uphold when certain features of external auditors and maintained. Oyedokun, Okwuosa and Isah (2019) highlighted that audit quality could be seen from the independency of the external auditor engaged to do the audit assignment, the size of the firm, experience they have got in the industry would expand their knowledge of the industry and their peculiar risk. They also added that external audit function should enforce confidence through the objective opinion on the financial statement prepared by management (Oyedokun, Okwuosa, & Isah, 2019).

Earnings management portends the efforts to manipulate the financial statements in a way that it would not reflect the fundamental values of the organisation (Chu, Dechow, Hui, & Wang, 2019). Earnings management has turn to central issue amongst the researchers and practitioners as it is instrumental to transmogrification of accounting information which might lead the users of accounting information to taking wrong economic decision of the firm. Scott (2012) posited that earnings management could be carried through the practice of income smoothing and income maximization mainly to make the firm have a desired attracting look. However, earnings management does not only occur as a result of opportunistic behaviours of the management but also because of the weak institutional and statutory supervision and monitoring that come from the exercises of external auditors amongst other corporate governance mechanisms. These observed corporate governance lapses have been identified as the cause of the financial crises across the globe (Odubuasi, Ofor & Ugbah, 2022). In Nigeria for instance, financial crises have affected some banks like Oceanic bank, Savanna bank, spring bank in some years back, and it calls to questioning the attributes of the external audit that can guarantee the quality of audit report capable of reducing and to some extent eliminating earnings management in financial statements of banking sector. Among the studies that have been undertaken in this area, Alhadab and Al-Own (2017); Erasmus and Akani (2021) did investigate audit quality and market values of banks in Nigeria; Ab-hamid, et al. (2018) worked on audit quality and earnings management from on banks in five Asian countries; whereas Eriabie and Dabor (2017); Jayeola, Taofeek and Toluwalese (2015); Aliyu, Usman and Zachariah (2015) did undertake audit quality and earnings management on Nigerian banks. However, among the studies reviewed, those that were underpinned on Nigeria banks been old and needed to be revalidated using current empirical experience to know if the result would be the same. This gap in knowledge heralds us to investigate the effect of audit quality on earnings management of banks in Nigeria. The study therefore set the following specific objectives as to;

1. To investigate the effect of Big4 audit firms on earnings management of banks in Nigeria
2. To investigate the effect of audit fee on earnings management of banks in Nigeria
3. To investigate the effect of audit tenure on earnings management of banks in Nigeria
4. To investigate the effect of joint audit on earnings management of banks in Nigeria

1.0 Hypotheses

The study established four hypotheses in line with the objective which are presented in their null forms as follows;

1. Big4 audit firms have no significant effect on earnings management of banks in Nigeria
2. Audit fee has no significant effect on earnings management of banks in Nigeria
3. Audit tenure has no significant effect on earnings management of banks in Nigeria
4. Joint audit has no significant effect on earnings management of banks in Nigeria.

The study result will be beneficial to shareholder, investors and the public who will realize and be intimated with the combination of the external audit attributes that can subdue the inclusion of excessive income smoothing in financial statements of the banks. The study is structured in such that next section contains discussed related literature, following it is methodology, section four houses data analysis and result interpretation, while the last is conclusion and recommendation.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual review

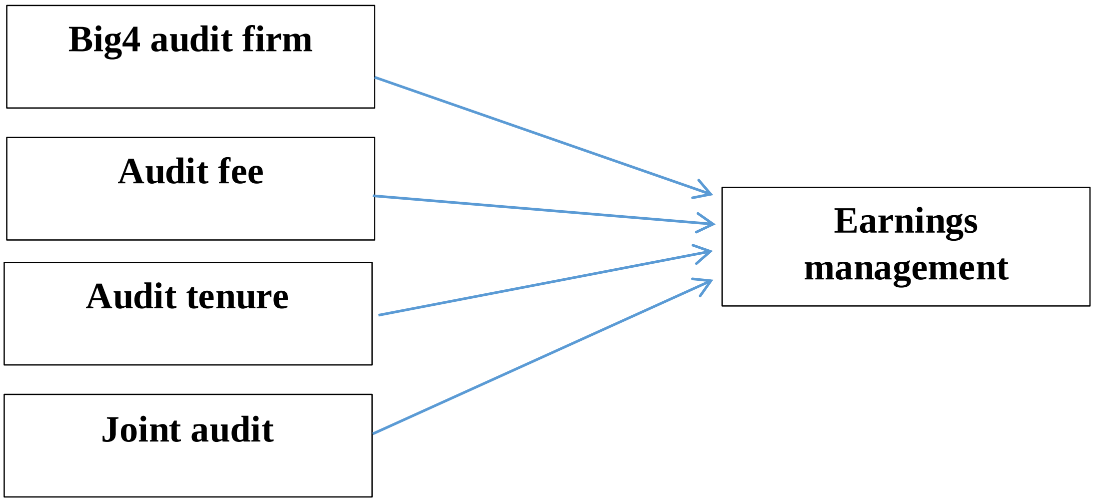
Earnings Management: Earning management is the use of accounting technique to produce financial statements that present an orderly positive view of company's business activities and financial position. Earnings management is a purpose intervention in the external financial reporting process, with the intent of obtaining some private gain (Schipper, 1989). Bello (2010) sees earnings management as any attempt to cook or doctor financial accounting statement of a given desired level. In banks earnings management are conducted under discretionary loan loss provisions and security gains and losses to manage earnings and capital levels. Anandarajan, Hassan and McCarty (2007) examined the use of loan loss provision in Australian banks for earnings management and enticing future intentions of potential higher earnings to investors. They discovered that banks use loan loss provisions for earnings management but not for signaling future intensions of higher earnings.

Big4 audit firm: - Big4 signifies the size of audit firm that is engaged in the audit exercise. In Nigeria, the Big4 audit firms are Price Water Cooper (PWC), KPMG, Deloitte, and Ernest &Young (EY). Moreover, because of the reputation that the big four audit firms had gained overtime, they are believed to protect their integrity by avoiding possible scandals that may arise from their audited report by producing a quality audit. Hence, Brenda and Ann (2005) posited that Big four audit firms had discovered more earnings quality than small audit firms, thereby makes their clients less likely to engage in earnings management. In all these, Big four stands to be an audit attribute that will ensure that quality financial reporting is produced. Literature had established relationships between audit firm size and financial reporting quality. For instance; DeAnglo (1981) maintained a strong stand that Big4 audit firms are globally widespread and do not depend on one client for its income, therefore could not be pressured by any client to yield to allowing financial manipulations.

Audit fee: - Audit fee is the total emolument paid to the independent auditor that was engaged with the audit assignment of the enterprise. Audit fee is instructed by the professional accounting body in Nigeria to be charged on a designed professional scale. And the amount charged for an audit exercise has direct effect on the quality of audit that will be done by the auditor. In effect, Frankel, Johnson and Nelson (2002) noted that a professionally calculated audit fee reflects the quality and depth of audit services which the auditor has signed to undertake in the organisation. Nonetheless, extremely high audit fee could impede the independence of the auditor, which will undermine the audit quality of the organisation. On the other hand, abnormally low audit remuneration has the tendency to impair the quality and depth of services expected of the auditor and in that case, given room for acceptance of earnings management contained in the financial statements.

Audit tenure: - Audit tenure measures the external auditors that have spent three years and above in the audit of the client business. Chung and Kallapur (2003) purport that prolonged audit tenure will reduce the independence of the auditor, because he must have familiarized himself with the client's staff and may not be willing to disclosure certain misrepresentation found in the financial statement. Nevertheless, Ling and Nopmanee (2015) in their opinion portray that extended periods of audit engagement provides the auditor with the avenue to familiarize with the clients business, enhance his expertise and improves his expertise for better performance that will lead to better audit quality.

Joint audit: - In a joint audit assignment, the auditors engage in joint planning, joint field work and cross review by each of the audit firms. Hence, we say that joint audit is where audit firms are appointed to share responsibility for a single audit engagement in order to produce a single audit report. Following this, PwC (2011) defines joint audit as a method where two independent audit firms work together to issue one audit opinion to a firm. In effect, Lobo, Paugam, Zhang, and Casta (2017) maintain that a joint audit is not a double audit in which each auditor can duplicate its counterparts work, but where each auditor is required to verify the work of other auditor in the pair, in order to sign a single audit report and be jointly liable legally to the audit report of the engagement.



Conceptual Framework

2.2 Theoretical review

2.2.1Stakeholder-agency theory

The separation of ownership and control in modern corporations, with information unevenness, give rise to opportunistic actions of the manager who may have different purpose from the owner. In this case the manager is the agent while the owner is the principal. Earning management is the process through which managers of banks are after their own benefit at the expense of the company and shareholders. This resulted to agency problem due to inaccurate financial information given by managers to shareholders. Shareholders may make non-optimal operational and financial decision, this represent the agency cost created by earnings manipulation Clarkson (1994), stakeholders are group of people that bears risks resulting from investment in form of human and financial resources in a firm. As managerial decisions directly impact on not only the stakeholders groups, managers can be viewed as not only agent of shareholders but the agent of other stakeholders Jon, (1995). In this case the problem associated with agency theory lies between managers and other stakeholders due to managerial zeal for their own gains in decision making process while top stakeholders-agency-cost of earnings management from different perspectives find long-term negative consequence of earning management to stakeholders and the company itself as well. Generally, firms with large discretionary accruals will subsequently experience significant negative abnormal returns Sloan (1996) while earnings management activities that are not optimal corporate responses to economic circumstances will ultimately endanger company's once earnings manipulation is suspected by stakeholders, the firm will immediately lose value on the stock market.

2.3 Empirical Review

Ab-hamid, et al (2018) Analyzed the effect of earnings management on banks efficiency in five (5) Asian countries, namely Indonesia, Malaysia, Philippines, Thailand and Singapore they made use of ten (10) sampled banks in these countries listed above. The researchers used secondary data from the annual report of these sampled banks. Stochastic frontier was used to weigh the cost efficiency reviewed in each of those countries. Panel data analysis was done and the findings showed that increase in earnings management practices reduces banks efficiencies' significantly.

Aliyu, Usman and Zachariah (2015) Examined the impact of audit quality on earnings management 0f listed deposit money banks in Nigeria. The objective was to investigate the relationship between audit quality and earnings management in Nigerian deposit money banks. The population of the study consisted of all listed deposit money banks in Nigeria as at 31st December 2015 with a sample of thirteen (13) listed deposit money banks. The researcher used secondary data extracted from the annual report of the sample banks. The researcher used the general least (GLS) regression technique of data analysis. They concluded that audit quality has significant impact on earnings management of listed bank deposit money bank in Nigeria.

Uyagu and Dabor, (2021) reviewed the impact of earnings management and corporate social responsibility. The study adopted the ordinary least square multivariate regression technique. The population consisted of all quoted manufacturing firm was used. The researcher focused on issue reliability of financial statement and contribution to corporate social literature. The result showed that there is a positive relationship between corporate social responsibility and earning management.

Alhadab and Al-Own (2017) investigated the relationship between audit quality and market value of quoted banks in Nigeria. The population comprises of fourteen (14) quoted banks in Nigeria. Secondary data was obtained from audited annual financial report of quoted banks in Nigeria from 2006-2019. They adopted judgmental sampling technique to select twelve banks as sample size. Data was analyzed using statistical package for social sciences version 20. They conclude by affirming that audit quality improves market value of quoted banks in Nigeria and recommends that bank management should adopt audit fees, audit tenure and audit firm size as audit quality strategies and utilize the best option that improve market value.

Erasmus and Akani (2021) examined audit quality and market value of quoted banks in Nigeria. The objective of the study was to investigate the relationship between audit quality and market value of quoted banks in Nigeria. To achieve this objective, they used theoretical, conceptual and empirical literature on audit quality and market value was also reviewed. The population of the study consisted of fourteen (14) quoted banks in Nigeria with a sample size of twelve (12) banks.

Secondary data was used to obtain information from audited financial report of quoted banks in Nigeria from 2006-2019. Finding shows that audit fees have negative and insignificant impact on market price per share

Eriabie and Dabor (2017) analyzed audit quality and earnings management in quoted Nigerian banks. The objective of their study was to know the impact of audit quality on earnings management eighteen (18) banks quoted on the stock exchange as at December 2010 were used as sample size. They drew their data from international financial reporting standard (IFRS) and financial report of eighteen (18) banks for period of 2005 to 2010. Conclusively, the study showed the inconclusiveness of the relationship between audit quality and earning management. They recommended that auditor change should not be ceremonial but based on fact of in efficiency and audit fee from each auditor client should be monitored to enforce the five per cent (5%) maximum from each client as suggested by ICAN code of ethics.

Chadegani (2011) reviewed a paper on audit quality. The objective of the paper was to review empirical studies over the past decade from all over the world in order to assess what researchers have done about audit quality issue and identify gaps in the literature for further studies. The methodology employed was to study into seven groups, using director indirect measure of audit quality and others. The study concluded that the users of financial statements perceived audit reports to have absolute assurance that company financial statements has no material misstatements and do not perpetrate fraud.

Jayeola, Taofeek. & Toluwalese, (2015) examined the effect of audit quality and earnings management among Nigerian listed deposit money banks. The objective of the study was review the relationship between audit quality and earnings management in Nigerian listed deposit money banks. The researcher used longitudinal research design for the study. Secondary data used covered the period 2005-2014. The researcher used fifteen (15) deposit money banks listed on Nigerian stock exchange as at 2016 as its population with a sample of six (6) banks which were randomly selected. The result of the study showed that a significant positive relationship existed between audit independence and earnings management. The study concluded that lengthy audit tenure were some of the style adopted by banks managers to influence auditors objectively in the course of audit assignment and recommended that lengthy audit tenure be discouraged.

In summary, literature reviewed show that studies were done on audit quality and market valuation of banks in Nigeria (Alhadab & Al-Own, 2017; Erasmus & Akani, 2021); banks in five countries was also investigated for the relationship between earnings management and audit quality (Ab-hamid, et al., 2018) while others did research on audit quality and earnings management of Nigerian banks (Eriabie & Dabor, 2017; Jayeola, Taofeek. & Toluwalese, 2015; Aliyu, Usman & Zachariah, 2015). However, the studies that investigated Nigerian banks were undertaken very long time ago and much can be done to understand the recent relationships between the two variables in banking sector of Nigerian economy. Therefore, our study is set to fill this gap in literature by using an empirical data of most recent 2021 financial year for the study.

3. METHODOLOGY

The study adopted ex-post facto research design since the information used were extracted from audit report of some banks in Nigeria. The population comprises of the fourteen (14) deposit money banks quoted on the Nigeria exchange group. Purposive sampling technique was employed to select only the banks that have been in operation from 2012 to 2021, and whose financial statements are available to the public. Twelve banks formed our sample size as they happened to be the only ones that measured up with our criteria. The selected banks include: Access Bank Plc., GT Bank Nigeria Ltd, Fidelity bank, First Bank Nigeria Plc., FCMB, Stanbic IBTC Bank, Sterling Bank, Union Bank, Unity Bank, United Bank for African, WEMA Bank, and Zenith Bank. Secondary data was extracted from the annual reports of the banks from 2012 to 2021. Analysis was done with Descriptive statistics correlation and regression analysis, though the regression assumption tests were conducted.

3.1 Model specification:

The model was adopted from the study of Dijeh, Ofor and Odubuasi (2022) as presented below

$EARNMGT_{it} = \beta_0 + \beta_1 BIG4_{it} + \beta_2 AUDFE_{it} + \beta_3 AUDTE_{it} + \beta_4 JAUDT_{it} + \varepsilon_{it}$--------equ (1)

Where;

EARNMGT = Earnings management of firm *i* in year *t;* BIG4 = Big4 audit firm of firm *i* in year *t;* AUDFE = Audit fee of firm *i* in year *t;* AUDTE = Audit tenure of firm *i* in year *t;* JAUDT = Joint audit of firm *i* in year *t;* INDAUD = Industry specialised audit of firm *i* in year *t;* ε_{it}= Stochastic variable (Error term); β_0 = Intercept/ Constant; $\beta_1, \beta_2, \beta_3, \beta_4$ = Parameters or coefficients of determination.

Variable specification

Variables/ specifications	Expected signs	Measurements	Authors
Earnings Management (EARNMGT)		Proxied by discretionary accruals computed using modified Jones Model by Dechow et al. (1995)	Hussaini and Gugong (2015); Olthof (2017)
Big4 audit (BIG4)	-	Dummy variable assign 1 when audit firm is Big4 otherwise 0	Umaru (2014); Olthof (2017)
Audit fee (AUDFE)	+	Log of total amount of remuneration paid to the audit firm for audit work done as reported in the financial statement.	Rashid, Ibrahim and Othman (2012)
Audit tenure (AUDTE)	+	Dummy variable where 1 is assigned for not more than 6 year tenure otherwise 0	Olthof (2017)
Joint audit of firm (JAUDT)	-	Audit by two audit firms were assigned "1", otherwise "0"	Umaru (2014)

Source: Researchers' compilation 2022

4. DATA ANALYSIS AND INTERPRETATION

4.1 Descriptive statistics

The descriptive statistics result provides evidence on the mean distribution, maximum, minimum, standard deviation, median and the count of the data collected which span from 2012 to 2021.

Table 4.1 - Descriptive Statistics

stats	EARNMGT	BIG4	JAUDT	AUDTE	AUDFE
mean	-.7905	.8715596	.0917431	.7431193	5.476667
p50	-.58	1	0	1	5.49
max	10.02	1	1	1	7.07
min	-4.86	0	0	0	4.81
sd	1.766932	.3361249	.2899963	.4389311	.3668245
N	120	109	109	109	120

Source: Stata 14 output

From table 4.2.1 above, it is seen that the average earnings management (EARNMGT) is -0.79, minimum of -4.86 and maximum of 10.02, with standard deviation of 1.7. The result shows that the data is too dispersed since the standard deviation is higher than the mean value of the EARNMGT. It displays the variability of the earnings management practices by the banks sampled. The table shows that 87% of the audit services within the firm-year period were done by the Big4 audit firms (BIG4). The standard deviation of 0.33 shows that there is commonness on their engagement of Big4 audit firms by money deposit banks in Nigeria. More so, Audit tenure (AUDTE) has mean value of 0.74 which implies that, 74% of the external audit firms has rendered services for more than three years to their clients in the Nigerian banking sector. And the standard deviation of .44 signifies that it is a common practice among the banks in Nigeria to have external auditors spend more than three years rendering independent audit service to the banks. Joint audit (JAUDT) has a mean value of 0.09, signifying that out of the total 120 firm year observations, only average of 9% of the periods had banks engaged joint auditor to carry out the audit engagement within the sector. The standard deviation of 0.28 implies that the banks have varied disposition to the use of joint audit services. Finally, log of audit fee (AUDFE) has mean value of 5.4, minimum of 4.81, maximum of 7.07 and standard deviation of 0.36.

4.2 Normality tests

The study used skewness and kurtosis test to assess the normality distribution of the data generated and to know if there is an outlier in the data.

Table 4.2 Skewness and kurtosis test

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	------ joint ------ adj chi2(2)	Prob>chi2
EARNMGT	20	0.0000	0.0000	58.10	0.0000
BIG4	109	0.0000	0.0004	41.29	0.0000
JAUDT	109	0.0000	0.0000	57.02	0.0000
AUDTE	109	0.0000	0.0194	18.38	0.0001
AUDFE	120	0.0072	0.0096	11.75	0.0028

Source: Stata 14 output

The normality result in table 4.2.2 above provides that the joint probability of EARNMGT= 0.000, BIG4= 0.000, JAUDT= 0.000, AUDTE= 0.000, AND AUDFE = 002, hence, are not normally distributed since their joint probability value is less than 5% critical value. Therefore, it becomes imperative that Spearman rank correlation will be applied on assessing the correlations among the variables.

Table 4.3 Correlation Matrix

	EARNMGT	BIG4	JAUDT	AUDTE	AUDFE
EARNMGT	1.0000				
BIG4	-0.1974*	1.0000			
JAUDT	0.0535	-0.5429*	1.0000		
AUDTE	-0.1135	-0.1002	0.1141	1.0000	
AUDFE	-0.5116*	0.4142*	-0.1167	0.1045	1.0000

Source: Stata 14 output

The correlation table above shows negative and low relationship between earnings management and Big4 audit firms (EARNMGT/BIG4= -0.17). The result implies that the increased use of Big4 audit firms will force the reduction in manipulating accounting figures to obtain a desired result. Again, the table shows that earnings management and joint audit (EARNMGT/JAUDTE=0.05) has very low and positive relationship. It also shows low and negative relationship between earnings management and audit tenure (EARNMGT/AUDTE= -0.113), which indicates opposite movement. Hence the more years the external auditors spend above three years, the more they understand the business of the client and impair the inclusion of earnings management. Finally, audit fee has strong and negative correlation with earnings management of banks in Nigeria (AUDFE/EARNMGT= -0.511). Meanwhile the relationships which earnings management has with both Big4 and audit fee are significant, which draws our attention that the two variables may have effect on earnings management. From the correlation table, we have no variables that have strong relation among themselves since no one has correlation coefficient of 0.7. But to put the doubt to rest, we conducted variance inflation factor to test for high correlation among the variables.

Table 4.4 Variance Inflation Factor

Variable	VIF	1/VIF
BIG4	1.82	0.549183
JAUDT	1.47	0.679205
AUDFE	1.31	0.762195
AUDTE	1.04	0.959797
Mean VIF	1.41	

Source: Stata 14 output

From the table 4.4 above, it is shown that the mean VIF is 1.41. It is however, the rule of VIF to place a benchmark mean of 10 for acceptance level. Hence it is assumed that any result that produces mean VIF above 10 has a case of high correlation among the independent variables. Since our result is 1.41, which is far lesser than acceptable level of 10, we conclude that there is no presence of multicollinearity in our data.

4.5 Heteroscedasticity Test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of EARNMGT

chi2(1) = 2.41

Prob > chi2 = 0.4000

Source: Stata 14 output

Heteroscedasticity test has a decision rule that there is no heteroscedasticity if the probability value is greater than the critical value at 5% level. The table 4.5 above indicates that probability value of 0.4 is greater than the critical value of 0.05.

Therefore, we conclude that there is no heteroscedasticity, which means there is a constant variance.

Table 4.6- Ordinary Least Square Regression result

Source	SS	df	MS		
				Number of obs =	109
				F(4, 104) =	9.98
Model	100.514244	4	25.1285611	Prob > F =	0.0000
Residual	261.973518	104	2.51897614	R-squared =	0.2773
				Adj R-squared =	0.2495
Total	362.487763	108	3.35636817	Root MSE =	1.5871

EARNMGT	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
BIG4	-1.397907	.6131134	-2.28	0.025	-2.613734	-.1820805
JAUDT	-1.004326	.6390092	-1.57	0.119	-2.271506	.2628528
AUDTE	-.0297355	.3551519	-0.08	0.933	-.7340151	.6745441
AUDFE	-2.236977	.5440978	-4.11	0.000	-3.315943	-1.158011
_cons	12.72747	2.728149	4.67	0.000	7.317451	18.13749

Source: Stata 14 Output

The result from table 4.6 above provides reports of ordinary least square regression (OLS) result of the data analysis. The F-statistics is 9.98 and the P-value of 0.000 which is less than the critical value of 0.05, indicates that the model is valid and good for making inferences. The R^2 of 0.277 indicate that the model can explain 27.7% of the variations in earnings management of banks in Nigeria studied while the remaining 72.3% is contained in the factors outside our model.

Test of hypotheses and discussion of results

Hypothesis one- Big4 audit firms have no significant effect on earnings management of banks in Nigeria.

The results on table 4.6 shows that Big4 audit firms (BIG4) has coefficient of -1.397, which indicates that the increase in the usage of Big4 audit firms by one unit, will amount to decrease in earnings management of bank in Nigeria by 1.39 units, and the lesser the usage of Big4 audit firms for audit exercises in Nigerian banking sector, the more will the reported earnings management be. Moreover, the P-value of 0.025 which is less than the critical value of 0.05 indicates that, Big4 audit firms has significant effect on earnings management of the Nigerian banking sectors. Sequel to these findings we accept alternate hypothesis and conclude that Big4 audit firms has statistical significant effect on earnings management of banks listed on the Nigerian stock exchange group. The result nevertheless contradicts the finding made by Dijeh, Ofor and Odubuasi (2022) that audit type measured by Big4 has positive and no significant effect on the financial reporting quality of insurance firms in Nigeria.

Hypothesis two – Audit fee has no significant effect on earnings management of banks in Nigeria

The result shows that audit fee (AUDFE) has a coefficient -2.23. This indicates that audit fee has negative impact on earnings management of banks in Nigeria exchange group. The result implies that a unit increase on the amount paid to the external auditors would lead to 2.23 units decline on the earnings management in financial statements of banks in Nigeria if other variables are held constant. The probability value (P>/t/= 0.000) indicates that the engagement of Big4 audit firm for statutory audit exercise has strong influences the earnings management of the banks in Nigeria significantly. Therefore, we accept alternate hypothesis that posits that Big4 audit firm has statistical significant effect on earnings management of banking sector in Nigeria. This study result is in corroboration with the findings of Dijeh, Ofor and Odubuasi (2022) who found that audit fee has negative statistical significant effect on financial reporting quality of insurance sector at 1% level. Also in agreement with Jayeola, Taofeek and Toluwalese (2015) that posit significant relationship between audit independence and earnings management in Nigerian banks.

Hypothesis three – Audit tenure has no significant effect on earnings management of banks in Nigeria

The result on table 4.6 above also shows that audit tenure (AUDTE) has a regression coefficient -0.029. That implies that audit tenure (auditors spending more than three years in rendering audit assignments to one client) has negative effect on the earnings management of banks in Nigeria. It makes it obvious that auditors gain more experience of the client business as well as expand his knowledge and skill, to understand the possible key areas of manipulation by the management, and possibly stop them, in that case will be impeding on the earnings management of the banks. The P statistics (P>/t/= 0.933) indicates that audit tenure is not affecting earnings management of Nigerian banking sector significantly. Therefore, we accept null hypothesis which says that audit tenure does not have significant effect on earnings management of banks listed on Nigeria exchange group. The result totally agrees with the findings from the study by Dijeh, Ofor and Odubuasi (2022), which maintains that audit tenure has inverse and no significant effect on the financial reporting quality of insurance firms in Nigeria.

Hypothesis four - Joint audit has no significant effect on earnings management of banks in Nigeria.

The result in table 4.6 further provides that joint audit (JAUDT) with a regression coefficient of -1.004 implies that, the joint audit service has inverse effect on earnings management of the Nigerian banks sampled from 2012 to 2021 financial years. In effect, the more the banks employ the services of two auditors as joint audit engagement, the lesser their diligence and that paves way for greater non discovery of included earnings management in the financial statements of listed Nigerian banks. This result is possible since the one of the firms might be relying on the other for efficiency; in that way undermine the reason for the joint exercise. The P statistics with the value of 0.11 indicates that joint audit has no significant effect on earnings management of listed deposit money banks in Nigeria. Based on the forgoing, we accept null hypothesis and conclude that joint audit exercise has no significant effect on earnings management of listed banks on the Nigerian exchange group. The result of this study supports the findings in both direction and magnitude of the study by Dijeh, Ofor and Odubuasi (2022), that joint audit has negative and no significant effect on the financial reporting quality of insurance firms listed on Nigeria stock exchange group.

5. CONCLUSION AND RECOMMENDATIONS

The study has successfully completed the quest to ascertain the effect of certain external auditor attributes that can boast audit quality and how they influence earnings management of listed banks on the Nigeria exchange group. The attributes considered are audit fee, Big4 audit firms, audit tenure and joint audit, and their influence on earnings management which we measured with modified Jones model. Data from the annual reports were put to use which has been proved to be more reliable and the study span from 2012 to 2021 financial years. Ordinary least square regression estimation was used and the result confirmed some research outcome of most recent literature in insurance industry by Dijeh, Ofor and Odubuasi (2022).

The study recommends in line with the findings that;

1. The banks should be encouraged to adhere completely the use of Big4 audit firms to tackle profusely all manners of earnings management in the financial statements of the banks.
2. Additionally, regulatory bodies should establish an improved audit-fee computation template to help eliminate audit fee undercharges that generates too many inefficiencies in the audit output.
3. The auditor could be allowed to continue his audit engagement in a firm for more than three years as that helps them understand better the nature of the clients business as well as expand his skills for better dealing with earnings management. Meanwhile audit tenure is not a strong determinant of earnings management.
4. Finally, the use of joint audit services would be made a choice for the banks in Nigeria since it made just little or minor contribution to improvement of financial reporting quality.

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