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Audit Firm Rotation and Quality of Audit Report in Nigerian Deposit Money Banks (DMBS).

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ABSTRACT

To enhance the independence of an external auditor the necessity for audit firm rotation could not be push aside. Audit firm rotation increased the objectivity, independence and contribute to professional competency of auditors in a matter of audited financial reports. This paper examined audit firm rotation and quality of audit report in deposit money banks in Nigeria for the period 2004-2023. To investigate the objective, an ex-post facto research design was adopted to collect time series data from the 14 quoted DMBs selected for the study. The data were collected from the various annual reports of the selected DMBs. The descriptive statistics and inferential statistics of panel regression analysis were employed for the study. The result of the panel analysis revealed that audit firm rotation had a significant positive effect on the quality of the audit report. The author concluded that audit firm rotation enhanced the quality of audit report in the Nigerian Deposit Money Banks (DMBs).

Key words: Audit Firm Rotation, Audit Quality, Auditor Independence, Auditor Tenure

1. Introduction

According to the International Federation of Accountants as cited in Sabo and Alfred (2020), **several** institutions have yet to implement audit rotation, tenure and fees to ensure the independence of external auditors. This gives excessive power to the directors. Therefore, bank directors have the authority to appoint, reappoint, and dismiss their external auditors, as well as establish the fees of the external auditors using the Auditor General's standards as a reference. The issue is that the directors are executives of the organization who are also in charge of managing cash, budgeting, spending, contract granting, and financial statement preparation. The same persons who are now in charge of rendering stewardship accounts are also in charge of hiring and firing external auditors who will examine their own activities' accounts. This goes against the fundamental ideals of public accountability, and it might jeopardize their capacity to communicate their audit opinion.

Concerns on audit quality have grown in prominence, owing in part to the high-profile financial reporting scandals that have rocked big firms. Following these scandals, an expectation gap in the quality of audit reports has been identified, since many users of certified financial statements have different expectations of the audit function than what it provides. Long-term audit firm tenure has been related to the problem's bane, which has also been tied to creative accounting. To further establish this, several studies have been carried out over the years. However, the findings reported are mixed. Emmanuel and Segun (2015), Wiyantoro and Usman (2018) and Zvi and Jing (2018) and Muslim, Syamsuri and Muhammad (2020) that failure of client companies to abide by the rule of audit firm rotation led to audit negligence. However, Julia, Adam and Tjandrakirana (2018) and Buntara and Adhariani (2019) reported that audit rotation had a positive and significant impact on audit quality.

With this in mind, Ojo (2022) argued that in order for companies and intuitions not to jeopardy the quality of its stewardship reporting the need for the organization to rotate the statutory audit becomes necessary. This according to the author enhanced the quality of the audit report. It also served as a check and balance on the successive audit works, thus, ensuring that the same audit quality was maintained by the audit firms that were engaged by the company. Adekunle and Ogunmakinwa (2022) posited that the idea of audit firm rotation is a new thing in the context of Nigeria, since the same big- 4 audit firms are continually engaged by the financial institutions especially deposit money banks in Nigeria. This according to the authors cast a great doubt on the quality of audit work done by the big-4 since despite the audit firms' capacity some of the DMBs they audited had folded –up. This according to Ogunbanjo (2023) necessitate the need for external auditor rotation. External audit firm rotation brings sincerity, probity and accountability in the quality of the audit assignment carried out by an audit firm. It helped to preserve and protect the external auditors from being entangled in the vested interest of its client company, thus, saving the auditor objectivity, professionalism, faire view and independence in a matter of the audit financial statement. On this note, Akingbaade (2022) posited that the lacked of audit form rotation in DMBs in nigeria has been depriving the bank to sustain quality audit

report. This has been traced by Ojo, Ashiru and Folakemi (2022) to ineffectiveness of audited companies and institutions to appreciate the need for sustain audit quality and the inability of the external audit firm to see beyond financial gain. The necessity for the external audit rotation must begin from the first audit firm engaged by a company. The implication of this was that the succeeding audit firm must be ready to exist once its audit tenure was over. Thus, allowing the coming audit firm to be able to look at and verify its work. This reassured the shareholders of the client company that the former audit firm had done its bit regarding expressing opinions independence of the directors of the company. This enhanced audit quality and added meaningfully to the capacity of a company management in getting the node of the shareholders for continuing.

The works of Ojo (2022), Adekunle and Ogunmakinwa (2022) and Ogunbanjo (2023) found a positive relationship between audit firm rotation and audit quality by using descriptive research design to gather primary source of data for their studies. This present study intends to address the gap in past works by examining the effect of audit firm rotation on quality of audit report using an-ex-post facto research design that may enable the researcher to drawn-up data from the published financial statement DMBs in Nigeria from the period 2004-2023. To empirically, examine the objective, the study is divided into five parts, introduction, literature review, methodology, results and discussion and conclusions and recommendations.

2. Literature Review

This section focuses on the conceptual, theoretical framework and empirical review of literature.

Conceptual Review

Meaning and Definition of Audit Firm Rotation

The public accounting profession has an essential role in the business world, especially as an independent party with the competence and is trusted to provide assurance services. One of the services provided by a public accounting firm is a financial audit (general audit). The audit's objective is to increase the confidence of users of financial statements by gathering sufficient audit evidence to conclude whether the financial statements are prepared, in all material, following the reporting framework. Public accountants express an opinion that the financial statements are fairly presented, in all material respects, of the entity's financial position at the end of the period and its results and cash flows for that period (Astro, Taufiq & Tertiarto, 2019). The professional code of ethics for Public Accountants (Abata & Abuh, 2019) requires the rotation of engagement partners and audit firms' personnel who are responsible for the engagement, for a predetermined period.

According to Leposo (2019), audit rotation refers to the act of changing the ultimate responsible external auditor of a given firm. Accordingly, mandatory audit partner rotation regulations only require the key audit partner(s) to rotate after a certain period in the position. Practically this means that audit firms can deploy the same audit team except for the key audit partner. However, the rotation of the audit partner can sometimes lead to a change of auditing firm. Such rotations are referred to as audit firm rotations. In the view of Stakebrand (2016), audit firm rotation is thought to decrease the risk of audit firms colluding with a client, while audit partner rotation is argued to improve the independence of the auditor as there is less time to As defined by Odia (2015), audit rotation requires a specific limitation to the period of an auditing firm to be allowed in performing audit service for their clients. The auditing firm has to be switched after a certain period in order to secure the independence quality, trust of the audit service quality. Auditors changing rule is expected to be a solution for the potential over-familiarity issue in audit service. This statement was reinforced by Stakebrand (2016) that auditor's rotation is one of the effective corporate governance measures. Audit rotation in auditing world, there has been debate on the extent to which audit rotation influence audit quality. Of recent, auditors had been blamed for their role in notable corporate scandals in Nigeria such as Cadbury Nigeria Plc (2006), Intercontinental Bank Plc (2009), African Petroleum Plc (2009), Afribank Plc (2009) etc. The criticism had raised lots of questions regarding audit rotation and audit quality. According to Astro, Taufiq and Tertiarto (2019), the relationship that exists between audit (Martani, Rahmah, Fitriany & Anggraita, 2021) while others such as Abata and Abuh (2019); Astro, Taufiq and Tertiarto (2019) conclude otherwise.

Conceptualize Audit Quality

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. More so, 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. 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.

Determinants of Audit Quality

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. 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.

Until the late twentieth century, the professional services sector was controlled by eight networks, dubbed the "Big 8" for their dominance. They are Arthur Andersen, Arthur Young, Coopers & Lybrand, Deloitte Haskins & Sells, Ernst & Whinney, Peat Marwick Mitchell, Price Waterhouse Coopers, and Touche Ross.

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.

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.

It must be noted that this study considers only the big-4 and earnings management as measurement of audit quality. More so, there are other control variables that may be used but moderating the relationship between audit quality and audit firm rotations. These are discussed below.

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 and Alfred (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. More so, the authors further

asserted that larger firms are usually more diversified in nature, benefit from the economy of scale, have more capacities and resources. Also, larger firms have economy of scale in monitoring the top management. On contrary, a large firm could be less efficient as a result of the difficulties in controlling the efficiency of the operational activities by the managers with the firm's growth (Tamrat, 2015).

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).

Conceptual Model of the Study

The relationship between auditor's independence assurance and audit quality was depicted thus:



Source: Researcher's Design, 2024.

Theoretical Framework

This study was theoretically underpinned with Stakeholders' theory, inspired confidence theory, Agency theory, Credibility theory, Contingency theory and signaling theory, This theory was established by Spence (1973) based on the utilization of information to gain advantage or benefit, especially in a corporation organization. Signaling theory posits that the agent convincingly delivers some vital information about himself or the firm to another entity, usually the principal, to get a particular type of response from the recipient. In relation to the study, signaling theory affirms that the manager of a bank can send signals to investors and even members of the general public different signals by carrying out some actions, to elicit a particular reaction from the recipient, which may benefit the firm. Some of these signals are evidenced in the audited reports of the firm.

Signaling theory highlights the significance of communication processes in a firm including the interpretation of the information (Weichieh, Peng, Weiqiang, & Yan-Leung, 2014). For instance, the way investors would treat the audited reports of a firm would differ from the way a customer would treat it. The investors would rather focus on reports like dividends per share or earnings per share, while the customer would focus on reports like return on assets or cash ratio. This is because the audited reports mean different things to different users, and the way they interpret the message also differs. Signaling theory believes that firms with good performance are inclined to make their audited reports more readily (Sattar, Javeed & Latief, 2020). For them to prepare their audited reports, firms need auditors who can properly carry out that function. And by employing auditors with strong independence, a firm is sending the signal that its performance can be seen as true and fair. This invariably increases their reputation as the prospective investors would consider such signals in choosing where to invest.

This theory has high relevance to the study since it preaches that hiring an auditor produces a positive impact on the quality of reports a firm would produce. However, it has been criticized based on some limitations. Firstly, the theory admits that signals are passed as well as the medium, but it did not properly explain how they are interpreted by various users (Ching & Gerab, 2017). Another critic of this theory is that its establishment was based on deductions not empirical research so it might not be relevant in all countries, and to all investors or creditors. The theory also failed to recognize the impact of social factors like trust, goodwill and family heritage among others in explaining how users might interpret signals.

This theory finds relevance to the study in different ways. Firstly, its assertion that hiring auditors to evaluate the published reports of a firm improves the quality of the report is true. Also, its assertion that the level of independence of the auditor who is hired by a firm to audit their statement is another signal that holds. This theory creates a link between the independent variable, auditor independence assurance, and the dependent variable, quality of audit report because it believes that hiring an independent auditor increases the quality of report of the firm, which is a factor most stakeholders would examine.

Empirical Review

The review of past but relevant works to the paper are discussed in this section.

Listya and Siregar (2020) analyzed the effect of audit rotation and audit fee policy toward audit quality. The study used was path analysis with a sample of twenty manufacturing companies in Indonesia Stock Exchange during 2015-2019. The analysis results prove that the audit rotation and audit fee policy significantly affect the audit quality through the lowballing audit.

In Indonesia, Martani, Rahmah, Fitriany and Anggraita (2021) examined the effect of audit tenure and audit rotation on audit quality. The regression results show that the relationship between the tenure of auditor and audit quality is not significant. Audit firm rotation positively impacts audit quality, and the positive impact is lower in Big 4. In non-Big 4, audit partner rotation has no effect on audit quality, but audit firm rotation could improve audit quality. Meanwhile, in Big 4, audit partner rotation is sufficient to improve audit quality because they have sufficient partners to perform a quality review.

Kriti Bahaswa and Abhishek (2019) focused on the effect of audit firm rotation on audit quality. Secondary data obtained for the period of 10 years, between 2009 to 2018, were analyzed using regression analysis. Abnormal Working Capitals Accruals (AWCA) has been used as proxy for audit quality. The regression result showed that Audit firm rotation has an insignificant but positive relation with AWCA. Thus, in Bhutan audit firm rotation does not affect audit quality for non-financial public companies, which are in tune with prior studies. Further, it was observed that there is an insignificant relation between AWCA and all control variables with the exception of growth

In the Netherlands, Stan (2018) examined how audit quality was determined in practice. Thematic analysis was the preferred method of data analysis. From the findings there was enough evidence to show that client familiarity played a role for independence, while there seemed no indication of client size and quasi rents playing a role. Further analysis showed that the most decisive factor for auditor capabilities was found to be experience. Additionally, client characteristics and working systematically and structured influenced audit quality.

In Nigeria, Odia (2015) theoretically studied auditor tenure, auditor rotation and audit quality. Based on the literatures reviewed, the results of the subject matter under review have been mixed and inconclusive. Therefore, it is concluded that the mixed evidence and the recent regulatory changes on auditor rotation provide opportunities for future studies on auditor tenure, auditor rotation and audit quality. Stakebrand (2016) carried out a study in Europe to examine the influence of auditor rotation on audit quality. The study used Mixed-effect multilevel regression analyses. Among the outcome of the analysis, it was revealed that a positive significant relationship exists between the subject matter.

3. Methodology

This study was conducted in Nigeria, among deposit money banks. An ex-post facto research design was adopted for this study since it is considered suitable for a study with a quantitative dataset. The design 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 (2023), there were 21 Deposit Money Banks in Nigeria (see Appendix). The sample size covered all the quoted Deposit Money Banks in Nigeria and this was achieved using purposive sampling technique. According to the information gathered from Nigeria Stock Exchange, there are 14 quoted banks in Nigeria. (See Appendix II). 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 2004-2023.

Model Specifications

To empirically examine audit firm rotation and 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 objectives of this study. The modifications are stated thus:

- (i) 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 study of Babatolu, Aigienohuwa and Uniamikogbo (2016) measured auditors' independence with audit fee, Audit firm rotation and audit tenure, this study added additional two metrics and they were audit report lag and non-audit service fee.

(iii) The model was controlled with board independence, financial leverage and audit client firm size.

Model II:

 $BIG-4_{it} = f(AUT_{it}, AUF_{it}, AUF_{it}, ASF_{i}, AUL_{i}, BOI_{i}, FIL_{i}, ACS_{i})$(3.1) The linear representation of the model is given thus:

Model II:

 $EAM_{it} = f(AUT_{it}, AUF_{it}, AUR_{it} ASF_i AUL_i BOI_i FIL_i ACS_i)....(3.6)$

The linear representation of the model is given thus:

Where:

TNE = Total Number of Staff in Audit Team

BIG-4: Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers

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, Measurements, Sources and A-priori Expectation

Table 1 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 Uniamikogbo (2016) Sabo and Alfred (2020)		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.	In days. The total number Chang and Yong (2015) book the external auditors to be audit process.	
	Dependent			
6	BIG-4	Audit quality is equal to one (1) if a company is audited by one of the Big 4 audit firms and zero (0) if otherwise	Salawu, Okpanachi, Yahaya and Dikki (2017).	
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 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: Author's Computation, 2004. *** 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 apart from 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. 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.

Model I: Analysis of the effect of auditor's Firm Rotation and audit report quality of Deposit Money Banks in Nigeria (Earning Management).

Table 3 Results of Regression Estimate and Diagnostic Tests of model II

Dependent Variable: EAM

	(1)	(2)	(3)	(4)
VARIABLES	OLS	FE	RE	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	F(8,256) = 33.43	Wald $chi^2(8) = 18.49$	Wald $chi^{2}_{(8)} = 46.03$
	Prob > F = 0.00	Prob > F = 0.009	$Prob>chi^2 = 0.0178$	$Prob>chi^2 = 0.0000$
Pesaran CD Test	-	0.516 {0.6043}	-	-
Hausman Test	-	Chi2(8) = 19.04	-	-
		Prob>chi ² =0.0146		
Breusch-Pagan LM Test	-	-	$chi_{(01)}^2 = 96.50$ 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 II: Analysis of the effect of auditor's Firm Rotation and audit report quality of Deposit Money Banks in Nigeria (BIG 4).**

Table 4: 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 5: 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: Data Analysis (2022)

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.

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