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IMPACT OF AUDIT QUALITY ON EARNINGS MANAGEMENT OF LISTED DEPOSIT MONEY BANKS

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Abstract
The study examined the impact of audit quality on earnings management of listed deposit money banks in Nigeria for the period of 2012-2019 The study adopted correlational research design. The study used data extracted from annual reports of listed deposit money banks in Nigeria. The study was anchored on the agency theory to establish conceptual relationship between the variables. The population of the study comprised of the 14listed deposit money banks. The adjusted population was 12 listed deposit money banks in Nigeria. The data collected were analyzed with the aid of paneled regression. The findings revealed that there is positive and significant relationship between audit industry specialization and earnings management of listed deposit money banks. However, audit tenure has negative and significant relationship with earnings management of listed deposit money banks. Based on the findings, the study recommends that regulatory authorities in Nigeria such as SEC should come out with a policy that encourages audit firms in Nigeria to create departments within their firms that specialize along industry lines of companies listed on the Nigerian Stock Exchange (NSE)and that auditor tenure of three years and above for external auditors of public companies in Nigeria. This reinforces SEC (2014) code of corporate governance which states that Nigerian public companies can retain external auditors for a period of ten years consecutively, while disengaged auditors can only be reappointed after a period of seven years.

Keywords: Earnings management, Audit firm size, Audit industry Specialization and Audit tenure.

1. Introduction

In recent years, profit control activities within the Nigerian banking industry have been intensified to attract hapless creditors or to acquire undue rewards on an accounting basis by implementing an unrealistic scenario of manipulation in financial transactions. banking. These days, Nigerian banks have witnessed systematic economic irregularities that have contributed to the financial disaster of many banks, and acquisitions and mergers have marked a milestone in the history of the economic services industry within the country (Saleh, 2017).

Additionally, Nigerian commercial banks are guilty of intentionally selling off unethical company behavior and shady business practices. Certainly, the terrifying scale of these malpractices is an indictment against some of the commercial banks for failing to adjust their internal manipulation device and for circumventing their ethics, mainly in conflict of interest and handling of exclusive records. Unfortunately, the imperative Bank of Nigeria (CBN) is not doing enough to curb these malpractices (Thisday, 2018). In addition, the cases of fraud and counterfeiting registered through the Cash Deposit Banks (DMB) amounted to 25,029 at the end of December 2018, from 20,774 cases at the end of June 2018. In terms of the amount involved, the sum of N18.94 billion was recorded as fraud and counterfeiting cases in 2018 12 full months, with actual losses forecasted at N2.21 billion. This event is an indication that revenue management danger lurks. The implication of that is that there may be a continual rise of doubts in the minds of traders, shareholders, and other stakeholders about the reliability of corporate monetary reporting in Nigeria. While a management fails to achieve its financial goals, this could be a personal effect for them due to the fact that, in general, a company will reward its management with the help of the use of the monetary reward device (Stringer, Didham and Theivananthampillai, 2011).

Consequently, earlier researchers such as Beatty, Chamberlain, and Magliolo (1995) have shown that the provision for credit losses is one of the components of banks' earnings subject to manipulation. A provision for bad loans is an expense item that appears in the income statement and that reflects the current period of management's evaluation of the level of future credit losses. Based on the recognized risk of default on certain credit lines, specific provisions were made while general provisions were made based on the recognition of the fact that the performance of the credit line takes into account some risks of loss due to small let them be (CBN, 2010).

At any level within an entity, financial incentives are based directly or indirectly on accounting results. At some point, the motivation to increase personal profit may become a priority for management to manage profits (Othman & Zeghal, 2006). Profit management has been a concern of regulators and professionals because it erodes the quality of financial reporting and misleads users of financial statements by providing them with false information about the true operating performance of a company (Chen, Elder & Hsieh, 2007).

The literature indicates that audit quality is one of the effective mechanisms to control managerial opportunism. The accuracy of the audit is synonymous with the mutual ability to find a designated auditor and document a GAAP violation in the company's accounting framework. As a result, company regulations in various countries around the world make formal examination of public sector financial reports a legislative obligation for auditors of professional standards. Examples include trade rules in the United States, United Kingdom (United Kingdom), Germany, Japan, and Malaysia. Likewise, the CAMA Rules of article 357 of the Companies and Related Matters Law (CAMA) limit 20 LFN 2004.

The audit quality literature has documented a number of audit quality attributes that affect companies' profit management. Popular among these attributes are audit firm size, auditor industry specialization, and auditor tenure. The size of the audit firm is believed to affect the management of companies' results because large audit firms have more resources to acquire the latest audit technology than small audit firms (Sawan & Alsaqqa, 2013; Hosseinniakani, Inacio & Mota, 2014). Also, large audit firms have more clients and their total fees are spread across the many clients, making them less dependent on a single client. Large audit firms conduct more effective audits than small audit firms because they have greater wealth that is exposed to litigation risk in the event of audit failure (Dye, 1993). Industry specialization of auditors is another attribute of audit quality that the existing literature suggests could affect companies' earnings management practices. This is because specialized auditors in the industry are familiar with the business operations of the industry of their specialization and also possess industry-relevant experience and knowledge that enables them to audit companies in the industry more effectively than their counterparts (Minutti - Meza, 2013; Sarwoko & Agoes, 2014).
Furthermore, previous studies in this area from both developed and developing economies have produced inconsistent and sometimes contradictory empirical

evidence. While some of the studies documented a significant negative relationship, others suggested a significant positive relationship or no relationship between audit quality indicators, such as the size of the audit firm and the companies' earnings management. For example, Becker, Defond, Jiambalvo, and Subramanyam (1998) reported that the use of the six large audit firms (one of the indicators of audit quality) is associated with lower earnings management for a sample of firms. Americans. Similar findings include Piot and Janin (2005), Habbash (2010), Memis (2012), Okolie, Izedonmi and Enofe (2013) and Okolie (2014). In contrast, Yasar (2013), Pouraghajan, Tabari, Emamgholipour, and Mansourinia (2013) documented evidence suggesting that the Big 4 audit firms are not likely to be associated with lower firm earnings management. One of the reasons for the mixed empirical evidence could be the difference in the economic and legal conditions of the countries. However, most of these studies are carried out abroad. Given the disparities in the nature of the economies, the level of sophistication in monitoring mechanisms, and the litigation risks faced by external auditors, the Nigerian studies may produce different results.

Furthermore, the works of Leslie and Okoeguale (2013), for example, covered the period from 2005 to 2010. Hassan (2012) covered the period from 2008 to 2010, and Fodio (2013) covered the period from 2007-2010. These periods can be considered not too current as many activities have been carried out, including changes to the current corporate governance code of 2014 by the Nigerian Securities and Exchange Commission. Studies such as (Kingsley et al., 2016; Eriki & Omoye, 2014; Oba, Ibikunle & Fodio) on the management of profits in the Nigerian banking sector have considered the use of modified Jones models that are not useful in the financial sector without considering the most appropriate model, such as discretionary bad debt provision models.

It is in this context that the present study is set to fill the identified gaps in the audit quality and earnings management literature by broadening its analysis to cover the size of the audit firm, the industry specialization of auditors, and the auditors' permanence focusing on deposit money banks in Nigeria in view of their strategic importance to the nation's economy from 2012-2019. Therefore, the researcher hypothesized that the quality of the audit has a significant effect on the profit management of deposit money banks listed in Nigeria. The practical result of the study could be used by regulatory authorities such as the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN), among others, to strengthen existing regulatory policies that would improve audit quality and integrity. of the financial reports of companies listed on the NSE. This is important because most of the existing regulatory policies in Nigeria were adopted by developed countries with different economies and a sophisticated regulatory framework. The Financial Reporting Council of Nigeria (FRCN) would also benefit greatly from the findings and recommendations of this study.

The remainder of the article is organized as follows: Section 2 presents relevant existing studies. Section 3 analyzes the methodology used for the study. In section 4, the results of the data analysis are presented and discussed. Section 5 concludes the study by highlighting the finding and its policy implications.

2. Literature Review and Theoretical Framework

The debate on the relationship between audit quality and earnings management has attracted great attention from accounting researchers in both developed and developing economies. This is evident in the number of empirical studies conducted from both economies over the years.

2.1 Audit firm size and earnings management

Bisogno and DeLuca (2016), the largest audit firms are considered more independent for at least two reasons. First, due to the size of the firms, the audit fee generated by a particular client constitutes a smaller percentage of the firm's total revenue. Second, larger audit firms typically have many divisions to provide the services that clients need, and therefore the person who audits the client would be different from the person who provided non-audit services. Much work has been done reflecting the size of the audit firm and earnings management, for example, Aliyu, Musa and Zachariah (2015) examined the effect of audit quality (represented by the size of the audit firm). audit, joint audit and auditor's financial dependence, a measure of client importance.) on profit management of Nigerian listed money deposit banks. The discretionary provision earnings management approach for bad loans was estimated using the Beaver and Engel (1996) model, tested by researchers such as Fiechter and Meyer (2011). The study used a sample of seven (7) deposit money banks listed in the NSE for the period 2006 to 2013, while the data analysis was performed using the ordinary least squares (OLS) regression technique. The results of the data analysis indicated that both the size of the audit firm and the joint audit have a significant negative effect on the profit management of the Nigerian listed money deposit banks.

Zhou and Guan (2014) investigated the relationship between audit quality and earnings management of companies in China for the period 2008-2011. Discretionary accumulations were estimated using the modified Jones model for a sample of 4,640 firm-year observations. The study revealed that the size of the auditing company has a significant negative effect on earnings management in China, especially for companies with abnormal accumulations of increasing revenue. Given the different nature of the sampled companies in China, the results of the study are likely not applicable to money deposit banks in Nigeria due to sectoral and economic differences.

Molik, Mir, Mclver, and Bepari (2013) examined the effect of audit quality on the earnings management of Australian companies during the global financial crisis from 2006 to 2009. The earnings management represented by discretionary accruals was estimated using the Jones model (1991), the modified Jones model (Dechow, Sloan and Sweeney, 1995) and the modified Jones model adjusted for company performance (Kothari, Leone and Wasley, 2005) to improve robustness. Panel regression analysis was used as a data analysis tool for a sample of 149 companies. However, the study findings indicated that a negligible positive relationship was found between the size of the audit firm (represented by the Big 4) and the profit management of the firms.

2.2 Auditor industry specialist and earnings management

Specialized auditors possess industry-specific knowledge and experience that make them more effective in identifying accounting irregularities than non-specialist auditors. Industry auditors also invest more in relevant auditing technology than their counterparts (Tyokoso & Tsegba, 2015). Studies on industry specialization such as Hegazy (2015) examined the effect of audit firms' specialization on earnings management in Egyptian firms. A sample of seventy (70) auditors, comprising both specialist auditors and non-specialist auditors, were assigned a common task with equal time to perform under the supervision of an audit professor and three (3) practicing senior auditors. Findings at the end of the experiment indicated that specialized industry auditors do not constrain earnings management better than non-specialist auditors. However, the study is limited because even though Egypt and Nigeria are both developing economies, there are still differences that could make the study's findings not applicable to oil trading in Nigeria.

In addition, Karimi and Gerayli (2014) studied the relationship between audit quality (represented by auditor industry specialization and auditor tenure) and estimated earnings management through the modified 1991 Jones model of 91 listed companies. on the Tehran Stock Exchange (TSE) for the period 2008-2012. Evidence from the study indicated that industry specialization for auditors is associated with lower earnings management of companies listed on the TSE. Results are unlikely to apply to publicly traded money deposit banks in Nigeria due to industry differences.

Rohaida (2011) examined the association between audit quality (represented by audit fees, auditor specialized in the industry, size of the audit committee, independence of the audit committee, financial experience of the audit committee and meeting of the audit committee) and company earnings management in the UK. Earnings management, represented by discretionary accruals, was estimated using the 1991 modified Jones and Jones model and the Kothari, Lcone, and Wasley (2005) model. The results of the study showed that specialized auditors are associated with lower earnings management of the sampled companies for all earnings management measures.

2.3 Audit Tenure and Earnings Management

Auditors working with clients for a long time would likely have increased specific knowledge about their clients' activities, thus increasing earnings management and resulting in a positive association between auditor tenure and earnings management (Jenkins & Velury, 2008) studies on audit tenure and managerial earnings such as okeke-muogbo and egungwu (2019), examined the effect of audit tenure on the earnings management of listed non-financial companies in Nigeria. According to the objective of the study, the research question and the hypothesis were formulated and tested at the 5% level of significance. Secondary data was obtained from twenty-four (24) companies listed on the floors of the Nigerian stock exchange for the period 2007-2017 (11 years). The study adopted an ex post facto research design. The study findings indicated that audit tenure has a significant positive effect on the earnings management of listed companies in Nigeria.

Moeinadin, Heirany, and Moazen (2013) investigate the relationship between tenure and size of the audit firm and earnings management. The statistical population is made up of pharmaceutical companies listed on the Tehran Stock Exchange and the sample was selected from 25 pharmaceutical companies using the systematic elimination method. The temporal scope of this study is from 2005 to 2010. The objective of the present investigation is applied and is descriptive - correlational in terms of implementation and the data were analyzed using multivariate regression based on the panel data method. Although the research findings indicate that there is no relationship between auditor tenure and earnings management.

Similarly, Okolie (2014) investigated the relationship between audit quality and accrual-based earnings management of Nigerian companies. Using a sample of 57 nonfinancial companies listed in the NSE and the modified Jones model to measure discretionary accruals, the study documented a significant positive association between audit fees and discretionary accruals, and a negative association between holding of the audit and discretionary accruals of Nigerian companies.

This study therefore draws on agency theory to test the relationship between audit quality and the incidence of earnings management in listed deposit money banks in Nigeria.

The agency theory is based on the relationship between the principal (shareholder) and the agent (managers). The separation of ownership from management and control in modern day business corporations provides the basis for the function of agency theory. This separation provides the opportunity for an agent (manager) to be appointed to manage the daily operations of the. company. This relationship however, creates the potentials for conflicts of interests between the agent and principal, and requires monitoring costs associated with resolving these conflicts (Jensen &Meckling, 1976).

The main problem with agency theory is how to align the conflicting interests of managers with the interests of shareholders. Consequently, when managers have incentives to manage earnings, such as meeting or exceeding target earnings and performance-based compensation, they manipulate the company's reported earnings. This manipulation reduces the relevance and reliability of the reported accounting earnings and the financial statements in general. Therefore, agency theory suggests control mechanisms such as high-quality audits to reduce these conflicts and align the interests of managers with the interests of shareholders.
The selfish interest of managers therefore increases costs to the company, such as the costs of contract formation, losses due to decisions made by agents, and the costs of observing and controlling the actions of agents. In light of the above, shareholders cannot fully trust the managers. Consequently, the agency theory

suggests strict control of managers by shareholders or their representatives, such as external auditors, to protect the interest of shareholders from being compromised by the self-interest of the managers. The agency theory assumes that revenue management could be indicative of an agency problem and may be limited by follow-up mechanisms such as a high-quality audit. From the above, the agency theory explains better and clearer unethical practices in accounting and financial issues such as earnings management (ME). The agency theory is chosen because it better explains the motivation for earnings management and the association between audit quality as a monitoring mechanism and earnings management.

3. Methodology

The study adopted the correlational research design. The design is informed by the research paradigm which is the positivism approach. The population of the study comprised of all the fourteen (14) listed deposit money banks in Nigeria stock exchange (NSE) and three points filter were used as criterion to arrive at the adjusted population of twelve banks (12). The technique is based on these criteria:

i. The firm must be listed on the NSE one (1) year before 2009.
ii. Firm must not be delisted during the period of study
iii. Availability of data in the annual financial reports of the firms for the period under study i.e., 2012-2019.

The financial data used for the study is secondary in nature obtained from the annual reports. Panel regression analysis was employed based on the fact that the study involves the use of both time-series and cross sectional data, where the audit quality consists of audit firm size, audit industry specialization and audit tenure and as independent variables of the study. While earnings management is considered as dependent variable.

Variables Measurement and Model Specification

The dependent variable for this study is earnings management. The absolute value of discretionary accruals was used as the proxy for earnings management. Discretionary accruals were used as the proxy for earnings management because it best captures the earnings management practices of deposit money banks in Nigeria (Bello & Yero, 2011).

The measurement of the dependent and independent variables are provided in the table below. The study analyzed the Chang, Shen, & Fang, (2008) model of discretionary loan loss provision which was specifically built for banking sector. The model is shown below.

$DLLP_i /TAt\text{-}1 = LLP_{it}/TAt\text{-}1 – \{\alpha0\ 1/TAt\text{-}1 + \alpha1\ LCOi/TAt\text{-}1 + \alpha2\ BBAL_i/TAt\text{-}1\}$
Where:
DLLP = Discretionary loan loss provision
LLP = Loan loss provision
LCO = Loan Charge-off
BBAL = Beginning Balance of loan loss
TAt-1 = Lagged Total Assets
α0= Constant

Independent Variables
The Audit firm size is measured as dummy variable 1, if the firm is audited by a Big 4 auditor, 0 otherwise (Becker, 1998). Auditor industry specialization is measured as A dummy variable 1 if market size (MS) of the auditor ≥20 percent and 0 (Inaam, 2012). Finally, Audit firm tenure is measured Number of consecutive years the client has retained a particular audit firm. Dummy variable 1 for 3 years+, 0 otherwise (Inaam, 2012).

Model Specification
The model is stated below:
$DACit = \beta0 + \beta1AFSit + \beta2AISit + \beta3ADTit + \varepsilon it$
Where: DAC = discretionary accruals
AFS = audit firm size
AIS = auditor industry specialization
ADT = auditor tenure
β0 = constant of the model
β1 – β3 = coefficients of the study model
ε = error term

4. Data Presentation and Discussion
In this section, data collected in the course of carrying out the study were presented and discussed. The hypothesis formulates for the study was tested to determine the effect of audit quality on earnings management

Table 4.1 Descriptive Statistics

Variable	Mean	Std.Dev.	Min	Max
DAC	.023	.013	.001	.054
AFS	.533	.503	0	1
AIS	.5	.504	0	1
ADT	.617	.490	0	1

Source: Summary of Stata Output

The table indicated an average value of 0.023 for discretionary accruals. Since earnings management is measured by absolute value of discretionary accruals in this study, the value of 0.023 is an indication that sampled companies were involved in minimal earnings manipulations during the study period. The standard deviation of 0.013 shows low variability across the deposit money banks. The minimum and maximum values of discretionary accruals during the study period are 0.01 and 0.054 respectively. These values imply that some sampled companies were actually not involved in earnings manipulations during the study period while the highest manipulation of earnings by the sampled banks during the study period stood at 0.054. This further corroborates the inference of minimal manipulation of earnings earlier revealed by the mean of DAC.

The Table further revealed an average value of 0.533 for audit firm size. The value implies that 53% of the sampled deposit money banks was audited by the big 4audit firms in Nigeria (KPMG, PWC, Ernst and Young, Akintola Williams Delloitte) during the study period. This shows that the audit market in the sector is dominated by the big 4 audit firms in Nigeria and just a few non- big 4 audit firms audited listed deposit money banks in Nigeria. While the standard deviation of 0.503 shows moderate variability across the deposit money banks. The minimum and maximum values of audit firm size during the study period were zero (0) and one (1) respectively.

Similarly, the Table shows that auditor industry specialization had a mean value of 0.5 during the study period. This value implies that 50% of the sampled companies were audited by industry specialist auditors during the period of the study. The standard deviation of 0.504 indicates high variability across the deposit money banks. The minimum and maximum values of auditor industry specialization stood at zero (0) and one (1) respectively because the variable was measured by dichotomous numbers of one if the sampled b is audited by an industry specialist auditor and zero if otherwise.

Finally, the table indicated that auditor tenure had a mean value of 0.617 during the study period. This value indicates that 61.7% of the sampled deposit money banks retained their auditors for a period of three years and above. This shows that more than sixty percent of the audit firms in the sector enjoy long tenure which enables them to acquire client's specific knowledge and its financial reporting practices necessary for a more effective audit. The standard deviation of 0.490 shows low variability across the deposit money banks. The minimum and maximum values of auditor tenure during the study period are zero and one respectively in view of the fact that auditor tenure was measured by a dummy variable which takes a value of one for companies which retained their auditors for a period of three years plus and zero if otherwise.

Table 4.2 Correlation Matrix

Variables	(1)	(2)	(3)	(4)
(1) DAC	1.000			
(2) AFS	0.041	1.000		
	0.758			
(3) AIS	0.205	-0.198	1.000	
	0.116	0.129		
(4) ADT	-0.298*	0.054	-0.443*	1.000
	0.021	0.679	0.000	

* shows significance at the .05 level
Source: Summary of Stata Output

From the correlation matrix table 4.2, it can be seen that audit firm size (AFS) and audit industry specialization (AIS) are positively correlated with discretionary accruals (DAC) of the listed deposit money banks in Nigeria, implying that the variables move in the same direction with discretionary accruals (DAC). However, audit tenure (ADT) has negative correlation with discretionary accruals (DAC). The implication is that the above variables move in the opposite direction with the discretionary accruals (DAC). With respect to association among the independent variables themselves, the table reveals that AFS has positive relationship with audit tenure. However, there is negative relationship AFS and AIS. Finally, the table shows that AIS is negatively correlated with ADT. On the other hand, the relationship among the independent variables is too strong to warrant problem of multicollinearity.

Residual tests

To test for the existence of heteroskedasticity, the present study used Breuch Pagan/Cook-Weisberg. The study reveals that Chi2 of 0.45 with p-value of 0.0817, implying absence of heteroskedasticity and that the null hypothesis that the variance of the residual is constant (homoscedastic) is not rejected. The study conducted multicollinearity test to show the strength of relationship among the explanatory variables themselves, which may affect the result of the study. Variance inflation factor (VIF) was conducted and the values for all the variables are less than 10 and the tolerance values for all the variables are greater 0.10 (rule of thumb). This shows there is no multicollinearity problem. The hausman specification test was conducted to choose between the fixed and random effect model. The result of the hausman test revealed that the value of chi2 is 0.00 and the prob>chi 1.0000, the insignificant value as reported by the probability of chi2 indicates that the hausman test is in favor random effect model. Further to this, the Breusch and Pagan lagrangian multiplier test for random effect was conducted to choose between the random effect result and OLS regression. The result deduced from the test showed chi2 of 0.35 with the p-value of 0.2763. This implies that OLS regression is the best suitable to be interpreted in this study.

Table 4.3 Linear Regression

DAC	Coef.	St.Err.	t-value	p-value	Sig
AFS	0.070	0.082	0.85	0.397	
AIS	0.301	0.090	3.33	0.002	***
ADT	-0.011	0.003	-3.75	0.000	***
Constant	-0.185	0.048	-3.87	0.000	***

R-squared	0.240	Prob > F	0.001
Adj R-squared	0.199	Number of obs	54.000
F-test	5.884		

**** p<0.01, ** p<0.05, * p<0.1*

Author's computations generated with Stata 13 software

The cumulative correlation between the dependent variable and all the independent variables of 0.199 shows that audit firm size (AFS), audit industry specialization (AIS) and audit tenure (ADT) jointly explained 19.9% of discretionary accruals of listed deposit money banks in Nigeria and it is statistically significant at 1% with p-value of 0.001, while the remaining 80.1%

are caused by other factor not captured in the model.

Table 4.3 shows that audit firm size has positive and insignificant relationship with discretionary accruals as indicated with the coefficient and p-value of 0.07 and 0.397 respectively. Therefore, we fail to reject null hypothesis which states that audit firm size has no significant effect on discretionary accruals.

Table 4.3 also reported a beta coefficient of 0.301 with a p-value of 0.002 which is statistically significant at 5%. The result indicates that the specialization of the auditing industry could not restrict but rather increased the earnings management of the companies included in the sample during the study period. However, the result contradicts a priori expectations that predicted a negative relationship between specialized industry auditors and discretionary accruals by Nigerian-listed deposit money banks. Industry specialty auditors are expected to mitigate companies 'earnings management because they possess industry-specific experience of clients' business operations, which is supposed to make them more effective than non-industry specialty auditors. industry to mitigate profit manipulation companies. Specialty auditors also invest in up-to-date and industry-relevant auditing technology that enables them to conduct a higher quality audit than their counterparts. This provides evidence to reject the null hypothesis that the industry specialization of auditors does not have a significant effect on earnings management.

This finding is in line with that of Karimi and Gerayli (2014). However, the result contradicts the findings of Hegazy (2015) and Rohaida (2011) who found that specialized auditors are associated with lower earnings management of the sample companies for all earnings management measures.

Finally, Table 4.3 also reported a negative relationship between auditor tenure and earnings management that is significant at 1% based on a coefficient of -0.011 and a p-value of 0.000. This result supports a priori expectations that predicted a negative relationship between auditor tenure and earnings management of depository money banks in Nigeria. This result implies that the prolonged tenure of the auditor is associated with lower earnings management of the sampled companies in Nigeria. The outcome is expected because as the duration of the auditor-client relationship increases, it becomes more effective in detecting questionable client financial reporting practices as a result of the firm's specific knowledge of the business environment and financial reporting practices. of the customer you have purchased. On the basis of empirical evidence regarding auditor tenure, the third hypothesis of the study stating that auditor tenure does not have a significant effect on the earnings management of listed money deposit banks in Nigeria is rejected. The present result is consistent with the finding by Okolie (2014), who found a negative relationship between audit tenure and earnings management. However, the result contradicts the finding of okeke-muogbo and egungwu (2019), who found a positive relationship between audit tenure and earnings management.

5.0 Conclusion and Recommendations

Based on the result of data analysis and discussion, the study concludes that there is positive and significant relationship between audit industry specialization and earnings management suggesting that industry specialist auditors do not constrain but rather increases earnings management of sampled firms, while positive relationship between audit firm size and earnings management is not significant. However, the study concludes that there is significant and negative relationship between audit tenure and earnings management suggesting that auditor tenure constrains earnings management of sampled firms. In line with findings of this study, we therefore recommend that regulatory authorities in Nigeria such as SEC should come out with a policy that encourages audit firms in Nigeria to create departments within their firms that specialize along industry lines of companies listed on the Nigerian Stock Exchange (NSE). This is necessary despite the fact that there are relatively few companies listed on the NSE and irrespective of the significant positive relationship between auditor industry specialization and earnings management of sampled firms.

The study also recommends auditor tenure of three years and above for external auditors of public companies in Nigeria. This reinforces SEC (2014) code of corporate governance which states that Nigerian public companies can retain external auditors for a period of ten years consecutively, while disengaged auditors can only be reappointed after a period of seven years. Auditor tenure of at least three years would enable the auditor acquire client specific experience that could make him detect questionable financial reporting practices of the firm more easily than he was at the beginning of his audit engagement while an auditor tenure of less than three years could deny the auditor firm specific experience, thus resulting to increase in earnings management of firms.

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