Impact of Auditor's Independence on Earnings Management of Listed Deposit Money Banks in Nigeria

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ABSTRACT

This research investigates the impact of auditor's independence on earnings management in listed deposit money banks in Nigeria. Utilizing a correlational research design, the study explores the relationships between auditors' independence, measured by audit firm specialization, audit fee, and audit firm size, and earnings management, proxied by accrued earnings. Secondary data from the annual reports and accounts of twelve selected banks over ten years (2013-2022) were analyzed using fixed effect estimation. The findings reveal that audit fee, audit size, and audit tenure positively influence earnings management. The positive coefficients suggest that higher audit fees, larger audit sizes, and longer audit tenures are associated with increased discretionary accruals. However, non-significant p-values caution against accepting these associations at the 5% level. The coefficient of determination (R^2) indicates that the chosen variables collectively explain 27.26% of earnings management, offering some explanatory power to the model. In conclusion, the study recommends listed deposit money banks to prioritize engagement with Big 4 Audit Firms and carefully consider audit fee structures. Regulatory bodies, particularly the Central Bank of Nigeria, are advised to enhance surveillance, particularly in the realm of auditor remunerations. The research underscores the need for caution in interpreting the identified associations and highlights avenues for future research, including incorporating control variables and addressing potential endogeneity concerns for a more nuanced understanding of the relationship.

Keywords: Audit Fees, Auditor's independence, Earnings Management, Firm Size, Audit Firm Specialization.

INTRODUCTION

Banks play a crucial role in fostering economic growth and development by gathering savings from surplus units and directing them towards deficit units for productive investments. Additionally, they manage the payment and settlement system and execute the government's monetary policy. Bukhtiarova, et al. (2023), views banks as the central nervous system of the economy within the financial system. To ensure efficiency and safeguard against crises, the banking sector adheres to rigorous regulations and supervision, with financial statement audits being a key mechanism for control and assurance of the safety of public funds.

The introduction of auditing as a control and quality assurance measure emerged in response to the separation of ownership and control in the modern corporate world. Auditors, acting independently, verify financial statements prepared by management (agents) in the absence of the principal. This verification lends credibility to accounting information, enhancing its integrity, as emphasized by Qader and Cek (2023). Auditing, according to them, minimizes information asymmetry and safeguards the interests of principals, including investors, creditors, suppliers, employees, and the general public. It provides reasonable assurance that management-prepared financial statements are free from material misstatements, thus contributing to the realization of auditors' independence.

Dekeyser, et al. (2023), equates audit quality with auditor independence, viewing it as a measure of the auditor's ability to reduce noise and enhance accuracy in accounting data. A high-quality audit fosters the perception that auditors are objective, increasing the likelihood of reporting errors, misstatements, and intentional misstatements in financial statements or earnings management (Hussain, et al., 2023). Earnings management involves managers using judgment in financial reporting and structuring transactions to manipulate financial reports, either to mislead stakeholders about the company's economic performance or to influence contractual outcomes based on reported accounting practices (Mangala & Singla, 2023).

Existing research highlights that the magnitude of audit fees stands out as the most pivotal factor capable of compromising both audit quality and auditor independence (Hamza and Damak-Ayadi, 2023). Al Radhi and Abdulahad (2023) assert that certain attributes of audits can positively influence audit quality, enhancing the likelihood of identifying and reporting intentional material errors and misstatements in financial statements. These attributes include the size and experience of the auditor, auditor remuneration, and the provision of joint audit services.

In the Nigerian context, however, there is a noticeable absence of significant research on these factors within the banking sector, particularly focusing on deposit money banks. This gap forms the basis for the investigation in this study. The research poses the following questions: How do the size, experience, of auditors' impact Earnings Management in Nigerian deposit money banks? What is the influence of auditor remuneration on Earnings Management in Nigerian deposit money banks? What is the effect of joint audit services on Earnings Management in Nigerian deposit money banks? In light of the research problem, the objective is to investigate the relationship between the auditors' independence and Earnings Management of Listed Deposit Money Banks in Nigeria

Aligned with the study's problem and objectives, this research question is formulated:

What is the nature and extent of the relationship between auditors' independence and earnings management among listed Deposit Money Banks in Nigeria?

Consequently, the null hypotheses for examination are as follows:

There is a significant negative relationship between the level of auditors' independence and the occurrence of earnings management in listed Deposit Money Banks in Nigeria.

This study holds significance as it delves into the impact of auditor independence on Earnings Management within the listed deposit money banks of Nigeria. Consequently, the research is poised to provide valuable insights and benefits to various stakeholders, including existing and potential shareholders, auditors, depositors, creditors, management teams, regulatory bodies, researchers, and professional organizations. The scope of this investigation is confined to deposit money banks listed on the Nigerian Stock Exchange (NSE) encompassing a span of ten years (2013-2022). This timeframe is strategically chosen as it immediately follows the banking sector consolidation, marked by intense regulations and reforms. It is also a period that witnessed banking crises, largely attributed by NDIC to unethical and unprofessional practices. practices.

LITERATURE REVIEWS

Audit Firm Independence

Independent auditors are those who are not influenced by anyone else during the auditing process. The auditor's independence is defined by Rick, Roger, Arnold, and Philip (2004) as the ability to conduct audit tests, interpret the results, and certify the audit report of a corporation from an impartial standpoint. Auditor independence, according to Bahram (2007), is defined as the ability to maintain an impartial and unbiased mental attitude during an audit. According to Arens, et al., (2011), Apart from the client's best interests, audit independence necessitates a sense of duty. Members are obligated to be self-sufficient due to long-standing norms. Others' ideas of what true independence should look like give the impression of independence, but the reality is completely different. Most of the audit function's usefulness is lost if consumers assume auditors are client supporters when they are actually independent. Danescu and Spatacean (2018) described the concept of auditors' independence as the ability to maintain an objective and impartial mental attitude throughout an audit. Audit independence requires an attitude of responsibility separate from the client's interest. Also, the auditor must maintain an attitude of healthy professional skepticism. Chung, et al., (2021) viewed auditors' independence as the auditors' ability to maintain mental attitude objectively and impartially in the interest of the client in conducting the audit, analyzing the results and attesting to the audit report without influence.

The independence of the audit firm for the purposes of this study is proxy with audit fee. Dakhlallh, Rashid, and Wan (2021) argued that the level of audit fees could affect the independence of public accountants' because the big fee may make accounting firms become reluctant to oppose the will of the management, while small audit fee can limit the time and cost required to perform complete audit procedures that will produce quality audit. Audit fee is a key determinant of audit quality. According to Chen, Cheng, and Wang (2015), independent auditors tend to provide a monitoring that is very effective in richer information environment. In other words, audit independence leads to richer information that is deviod of manipulations by managers. Audit independence provides a framework for effective monitoring which leads to reduce earnings management (Idris, Siam, & Nassar, 2018).

Audit Fees

This is the amount auditors are paid for their professional services, which is determined by elements such as the complexity of the services, the level of experience, and so on. Agoes (2012) defined audit fees as the amount charged that is determined by a number of factors, including the complexity of the services provided, the risk of the assignment, the level of expertise required to execute the services to a proficient level, the cost structure of the firm, and other professional considerations. When auditors and management debate over the audit fees that should be paid for the work done, there is a chance that a clear mutual concession will be made, lowering the quality of the audited financial statements (Hoitash,et al., 2017).

Audit Tenure

Audit tenure is the span of time the auditor conducting a statutory audit of a company will spend before a new audit firm is engaged. Medhat, Guindy, and Basuony (2018) argued that the longer the auditor is contracted to audit the lower the audit quality as a longtime relationship with client may lead to compromise. Hence, the auditor may fail to maintain a professional attitude. Audit firm tenure is one of the indexes that is expected to constrain earnings management, unlike the proposition that longer auditor tenure impairs auditor independency because of the prior knowledge about the firm's accounting information and the close relationships with the management or owners; whereas auditors experience and knowledge about the client with the length of the audit tenure may lead to higher audit quality (Garcia-Bladon, Argiles-Bosch, & Ravenda, 2020).

Earnings management

Earnings management is a misleading instrument used by the company to falsify its financial statements, which reflects the financial strength and success of the company in a false way, not in the best interests of other parties. It is the purposeful modification of financial data to make it appear like it is allowed under Generally Accepted Accounting Principles (GAAP) (Siddhath, 2011). Rahman, Muniruzzaman, and Sharif (2013) considered earnings management as the alteration of earnings reported through the use of diverse accounting techniques. It is the improper application of discretionary judgment to restructure financial transactions in order to deceive stakeholders or sway the outcome of their agreements, as opined by Ishaku, Dandago, Muhammad and Barde (2019). Accounting scandals have generated a number of concerns regarding the audit committee's function and its efficacy in limiting earnings management. The high-profile incidents of financial slip and fraud in companies such as Skye Bank in 2018, Intercontinental Bank Plc in 2009, Afribank Nigeria Plc in 2009 and Cadbury Nigeria Plc in 2006, have cast doubt on the financial reporting quality of Nigeria's listed corporations.

Empirical Reviews

Earnings Management, as elucidated by Roshan et al. (2023), involves the deliberate suppression of fluctuations around a perceived normal level of earnings for a firm. Garanina (2023) offers a distinct perspective, defining it as a strategic intervention in the financial reporting process, encompassing disclosure management. Shah and Wan (2023) characterize Earnings Management as the systematic selection of accounting measurements or reporting rules, following a specific pattern to present income with reduced deviation from the trend.

Al-Begali and Phua (2023) characterize Earnings Management as any managerial action impacting reported income without providing genuine economic advantages to the organization, and may, in the long term, be detrimental. Similarly, Healy and Theresia Dwi Hastutiet al. view it as the use of managerial judgment in financial reporting and transaction structuring to manipulate financial reports, either to mislead stakeholders about the company's economic performance or influence contractual outcomes dependent on reported accounting numbers.

Cook (2023) defines Earnings Management as any effort to manipulate financial accounting reports to a predetermined desired level. He associates Earnings Management with recent corporate failures and the erosion of investor confidence in financial reports and auditors. In the context of this study, Earnings Management encompasses both intentional and unintentional actions taken by managers that influence reported earnings and mislead users of accounting information.

Regarding auditor independence, Manap et al. (2023) highlight it as the auditor's execution of work with a heightened level of independence and objectivity, emphasizing the ability to resist client pressures. Kallunki et al. (2019) define audit quality as the measure of an auditor's capability to reduce noise and enhance accuracy in accounting data. Hasibuan and Pangaribuan (2023) posit auditor's independence as the likelihood that an auditor will not issue an unqualified report for statements containing errors, whether intentional or inadvertent.

In contrast, Manap et al. (2023) offer a definition of auditor's independence focusing on the precision of information reported by auditors. In this context, auditor's independence encompasses the auditor's capability to identify a breach (auditor competence) and their readiness to report such a breach (auditor independence). According to Hussain et al. (2023), a deficiency in independence within an audit engagement heightens the perception that auditors are less objective and, consequently, less inclined to report identified misstatements.

According to the Institute of Chartered Accountants of Nigeria (ICAN), auditor independence is categorized into two components: independence of mind and independence in appearance, both of which an auditor must uphold while rendering a professional opinion. Independence of mind, as defined by the institute, pertains to the mental state that allows the formulation of an opinion without being influenced by factors that might compromise professional judgment. It enables individuals to act with integrity, exercise objectivity, and maintain professional skepticism. On the other hand, independence in appearance involves avoiding situations and conditions of such significance that a reasonable and informed third party, possessing knowledge of all pertinent information, including applied safeguards, would reasonably conclude that the firm's integrity, objectivity, or professional skepticism has been compromised.Top of Form

In this research, audit quality is perceived as the condition where the auditor is not under the influence or control of the entity's management through any method. It denotes the auditor's capability to impartially identify and report errors and misstatements in financial statements, encompassing instances of Earnings Management.

The literature presents inconclusive findings concerning the associations between auditors' independence and earnings management. For instance, in the case of audit firm size and experience, the Big 4 has commonly been the focus of auditors' independence investigations (Al Natour, Al-Qadi, Meqbel, Zaidan, Al-Mawali, and Al-Okaily, 2023). According to Rahman et al. (2023), larger audit firms like the Big 4 are considered less financially dependent on any single client, reducing the likelihood of succumbing to client pressure to overlook accounting irregularities. However, Hansen (2023) argues that the Big 4 auditors have more at stake in the event of a scandal, given that their brand names and reputations hold greater value compared to smaller audit firms.

Chen, Elemes, and Lobo (2023), as well as Le and Moore (2023), have noted that companies associated with Big 4 firms tend to exhibit improved accrual quality, often indicated by lower absolute values of discretionary accruals. Furthermore, these companies are less inclined to engage in earnings management, as evidenced by minimal increases in accruals and modest positive changes in earnings. In contrast, Bratten, Larocque, and Yohn (2023) report that clients of Big 4 firms experience a more substantial stock market response to an earnings surprise, and analyst forecasts are generally more accurate. This suggests that higher audit quality contributes to more informative earnings disclosures and better-informed analysts.Top of Form

Elder and Yebba (2023) discovered that reports from Big 5 auditors exhibited more noncompliance with federal regulations in the form of findings and questioned costs compared to those from non-Big 5 auditors. However, upon adjusting for the number and extent of errors identified by the auditor, they observed that larger auditors were less prone than smaller auditors to issue qualified reports on an organization's compliance with federal regulations. Additionally, larger auditors were less likely than non-Big 5 auditors to report significant deficiencies in internal control.

In a separate study, Sani et al. (2023) investigated the impact of auditors' independence on earnings management through discretionary accruals. They found that clients of Big 6 auditors had lower discretionary accruals than clients of non-Big 6 auditors.

Previous research has indicated a positive association between auditors' independence and audit firm size (e.g., Shemshad and Karim, 2023; Charles and Maccarthy, 2023; Rahman, Zhu, and Jiang, 2023). Chen, Elemes, and Lobo (2023) argue that the size of an audit firm is positively correlated with audit quality, with many studies employing size (Big 8/6/5 vs. non-Big 8/6/5) as the proxy for auditor independence (Chen et al., 2023; Oladipo, Lekan, and Alani; Zhou and Saleh, and Ragab, 2023; Verma, Dawar, and Chaudhary, 2023). Numerous studies in the audit quality domain suggest that when accounting firm size serves as an indicator of audit quality, higher audit quality is linked to reduced information asymmetry and elevated information quality.

Mnif and Slimi (2023) uncovered a negative association between auditors' independence and income-increasing discretionary accruals, suggesting that high auditors' independence correlates with reduced information asymmetry. Chen et al. (2023) noted that clients of Big 8 firms exhibit higher earnings response coefficients (ERCs), reflecting the coefficient on earnings derived from regressing stock returns on reported earnings. Additionally, the perceived audit quality of larger accounting firms has been demonstrated to be higher than that of smaller firms, making size a potential proxy for perceived audit quality.

Empirical studies on joint audits have presented mixed findings. Huynh et al. (2023) expressed the view that recent literature advocates for a joint auditors approach to ensure objective financial reporting, asserting that the appointment of joint auditors can enhance financial report quality by minimizing earnings management. According to Hamza and Damak-Ayadi (2023), audits conducted by two Big 4 audit firms yield the highest-quality financial reports within their framework, while the lowest quality occurs when a single non-Big 4 audit firm is responsible for the audit engagement. Khan et al. (2023) propose that joint audits are consistently perceived as providing higher quality reports than audits conducted by single Big 4 auditors. In line with the framework presented by Chen, Elemes, and Lobo (2023), a substantial body of prior empirical studies has consistently documented a positive relationship between auditor size and various proxies for audit quality.

AbuRaya (2023) conducted a study exploring the ramifications of France's mandatory joint audit requirement on earnings quality. The findings indicated that Big 4 auditor-pairs were linked to lower levels of income-increasing abnormal accruals. In France, companies audited by one or two Big 4 auditors exhibited a lower likelihood of having income-increasing abnormal accruals compared to other firms. Notably, firms audited by two Big 4 auditors were even less prone to income-increasing accruals. The study also revealed that Big 4 auditors paired with non-Big 4 auditors were associated with lower levels of income-increasing abnormal accruals, albeit to a lesser extent. The conclusion drawn was that a pecking order could explain the observed patterns concerning earnings quality and auditor-pair choice.

Jemaa, Jeppesen, and M'hirsi (2023) investigated the impact of audit tenure on both audit costs and audit quality in Denmark during the mandatory audit tenure (2005-2009). Firms that continued to opt for joint audits after the 2005 regulation change incurred significantly higher audit fees compared to those voluntarily choosing a single auditor. The study did not find a significant relationship between voluntary joint audits and total fees. Additionally, audit quality, measured by abnormal accruals, did not exhibit significant differences between joint and single audit firms. Similarly, AbuRaya (2023) examined the impact of joint auditor pairs in France on financial reporting quality, measured by the degree of earnings conservatism. The evidence suggested that Big 4–Big 4 auditor pairs were not associated with earnings conservatism, whereas Big 4–non-Big 4 auditor pairs exhibited conservatism.

Studies on auditor remuneration and earnings management have yielded inconclusive findings. Le and Moore (2023) and Egbunike et al. (2023) found a negative relationship between audit fees and earnings quality, indicating an enhancement in the quality of financial reporting. Conversely, Hossain and Wang (2023) reported a positive association between financial reporting quality (discretionary accruals) and audit fees, challenging the belief that audit fees erode independence. Additionally, audit fees are considered a measure of audit quality. Some researchers behind these studies suggest that higher audit fees reflect additional audit effort, leading to a higher level of auditors' independence quality (Ahmad, 2023). Early studies by Lai (2023) and Quick, Toledano, and Toledano (2023) discovered "knowledge spillovers," indicating transfers of knowledge between non-audit and audit services. Abdullatif, Alzebdieh, and Ballour

(2023) found a positive association between audit fees and qualified audit opinions, implying that additional audit effort results in more accurate audit opinions. Consequently, these studies suggest that audit firms receiving higher fees provide higher actual and perceived audit quality, contributing to greater earnings quality for a firm.

THEORETICAL REVIEWS

This study is grounded in two overarching theories: agency theory and opportunistic Earnings Management theory. According to the agency theory perspective, an agency relationship is conceptualized as a contract wherein one or more individuals (the principal(s)) enlist the services of another person (the agent) to act on their behalf, involving the delegation of decision-making authority to the agent. Given that both parties aim to maximize utility, there is a legitimate concern that the agent may not consistently act in the best interests of the principal. To mitigate potential divergences, the principal can establish appropriate incentives for the agent and incur monitoring costs designed to curtail any deviant activities by the agent, as outlined by Smaili et al. (2023).

The roots of opportunistic Earnings Management theory can be traced back to Sari et al. (2023), who posited that managers strategically manipulate accruals to influence bonus income. For example, managers may defer income through accruals when bonus targets for a given period cannot be met or when bonuses have already reached their maximum levels. Conversely, they can accelerate income in other periods, as noted by Nygård and Undall (2023). Havrykiaka (2023) further emphasizes that managers might employ accruals to shift earnings over time with the goal of maximizing long-term bonus income.

DATA AND METHODOLOGY

The research design employed in this study is correlational, aiming to explore the relationship between Auditors' Independence and Earnings Management in listed deposit money banks in Nigeria. This design is chosen for its effectiveness in investigating associations between multiple variables, aligning with the primary objective of the study. The study utilizes secondary data sourced from the annual reports and accounts of the selected banks over a period of ten years (2013-2022). The population comprises all 14 banks listed on the Nigerian Stock Exchange as of December 31, 2022. Due to data availability and accessibility considerations during the study period, two banks are excluded, resulting in a sample size of twelve (12) banks for analysis. The research collected data on Earnings Management proxy by Accrued earnings and Auditors' Independence proxy by Audit firm specialization, Audit fee and Audit Firm Size.

Variables Measurement

The measurements of the variable of the study are stated in table 1 below;

Table 1: Variable measurement

Variables	**Measurement**
Earnings Management	Measured as Absolute Discretionary Accrual (DAC) of the Modified Jones model.
Audit Firm Size	Defined as the large global audit firm (Deloitte, PWC, Ernst & Young and KPMG).Measured by dichotomous variable („1" if a bank is audited by any of the big4 and „0" otherwise)

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Audit fee	Measured as the monetary compensation paid by a client company to its externalauditors for the services rendered during an audit engagement
Audit Tenure	The length of time an audit firm has been engaged to audit a specific company'sfinancial statements.

MODELS SPECIFICATION

The model used to examine the impact of Auditors' Independence on Earnings Management.

The model is mathematically expressed as follows:

EMG_{it} = f (AUD IND) i

$EMG_{it} = \gamma_0 + \gamma_1 AUDT_{it} + \gamma_2 AUDF_{it} + \gamma_3 AUDS_{it} + \mu_{it}$……………………………………ii

Where:

EMG_{it} **=** Earnings Management of bank I in year *t*

$AUDT_{it}$ = Audit Tenure of bank I in year *t*

$AUDF_{it}$ = Audit fee of bank I in year *t*

$AUDS_{it}$ = Audit firm size of bank I in year *t*

Intercept/slope= γ0, and coefficients = γ1, γ2, andγ3

Residual/error term = μ_{it}

Therefore, the linear regression model above is analyzed using Eviews 10 statistical package.

DISCUSSION OF FINDINGS

Table 4.1

Descriptive statistics Impact of Auditor's independence on Earnings Management of Listed Deposit Money Banks in Nigeria

	EMG	AUDF	AUDS	AUDT
Mean	0.057387	19.40477	0.633333	3.608333
Median	0.025842	19.43143	1.000000	4.000000
Maximum	0.665491	20.88868	1.000000	4.000000
Minimum	0.000216	17.98990	0.000000	3.000000
Std. Dev.	0.087793	0.758061	0.483915	0.490169
Skewness	3.744575	0.000518	-0.553372	-0.443877
Kurtosis	22.31913	1.989813	1.306220	1.197027
Observations	120	120	120	120

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Table 4.1 provides a summary of the descriptive statistics for all dependent and independent variables. It displays the total number of observations, mean, median, standard deviation, minimum and maximum values for each variable, as well as the number of observations, mean, and median.

The descriptive statistics reveal key insights into the distribution and central tendencies of the variable "EMG" (Earnings Management) in the context of assessing the impact of Auditor's independence on Listed Deposit Money Banks in Nigeria. With a mean (average) of 0.057387 and a median (middle value) of 0.025842, the data suggests a relatively consistent level of earnings management across the observed sample. However, the presence of outliers is indicated by a notably higher maximum value of 0.665491. The standard deviation of 0.087793 reflects a moderate degree of variability in EMG values. The positive skewness (3.744575) indicates a rightward skew in the distribution, implying a concentration of lower values with a tail of higher values. Moreover, the high kurtosis (22.31913) suggests heavy tails and potentially extreme values.

The mean auditor fee is 19.40477, with a median of 19.43143, indicating a relatively symmetrical distribution. The range, represented by the maximum (20.88868) and minimum (17.98990) values, is relatively narrow, suggesting a concentration of observations within this range. The standard deviation (0.758061) is relatively low, indicating a limited degree of variability in auditor fees. The skewness (0.000518) is close to zero, suggesting a nearly symmetrical distribution, and the kurtosis (1.989813) indicates that the distribution has a moderate peak and tails. Overall, the statistical profile of AUDF suggests a stable and less variable distribution of auditor fees with a slight positive skew.

The descriptive statistics for the variable "AUDS" offer insights into the distribution and central tendencies of auditor size within the specified context. With a mean of 0.633333 and a median of 1.000000, the data suggests some asymmetry, possibly indicating that a significant portion of observations falls below the mean. The minimum value of 0.000000 and the maximum value of 1.000000 indicate a binary nature or a limited range for the variable. The standard deviation of 0.483915 is relatively moderate, suggesting a degree of variability in auditor size across the observed cases. The negative skewness (-0.553372) indicates a slight leftward skew, implying a concentration of larger auditor size values. Additionally, the kurtosis of 1.306220 suggests a distribution with moderate peak and tails. Overall, these statistics suggest that auditor size is not evenly distributed, with a tendency toward larger values.

The mean auditor tenure is 3.608333, and the median is 4.000000, suggesting a distribution that is slightly left-skewed. The tenure values range from a minimum of 3.000000 to a maximum of 4.000000, indicating a relatively narrow range in the dataset. The standard deviation of 0.490169 is moderate, reflecting a degree of variability in auditor tenure across the observed cases. The negative skewness (-0.443877) further supports the leftward skew, suggesting a concentration of longer auditor tenures. Additionally, the kurtosis of 1.197027 indicates a distribution with a moderate peak and tails. Overall, these statistics suggest that auditor tenure is not evenly distributed, with a tendency toward longer tenures.

With 120 observations in the dataset, it is crucial to acknowledge these statistical characteristics when interpreting the relationship between Auditor's independence and Earnings Management in Nigerian Deposit Money Banks. Further statistical analyses, such as regression or hypothesis testing, may be warranted to derive more specific conclusions regarding this relationship.

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Fixed Effect Estimation Model

Table 4.2

Dependent Variable: EMG

Method: Panel Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.264587	0.421146	-0.628256	0.5312
AUDF	0.013227	0.021255	0.622280	0.5351
AUDS	0.010080	0.035850	0.281173	0.7791
AUDT	0.016332	0.015031	1.086559	0.2797
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.272667	Mean dependent var		0.057387
Adjusted R-squared	0.175689	S.D. dependent var		0.087793
S.E. of regression	0.079709	Akaike info criterion		-2.104398
Sum squared resid	0.667121	Schwarz criterion		-1.755962
Log likelihood	141.2639	Hannan-Quinn criter.		-1.962897
F-statistic	2.811641	Durbin-Watson stat		1.609762
Prob(F-statistic)	0.001343			

The results obtained using fixed effect are presented in table 4.2, the estimated coefficient of 0.013227 indicates that Audit fee has positive influence on the earnings management of listed deposit money banks on the Nigeria Stock Exchange. The implication of this is that higher Audit fee leads to higher earnings management in terms of Discretionary Accrual, this is related with the work of Chen, Elemes, and Lobo (2023), and Le and Moore (2023). The related p value of 0.5351, however, indicates that at the 5% level, the positive effect of the Audit fee on earnings management of listed deposit money banks on the Nigeria Stock Exchange (0.5351> 0.05). This positive coefficient indicates that, on average, an increase in audit fees is associated with a corresponding increase in earnings management. Such a relationship might imply that higher audit fees could be linked to increased scrutiny and oversight, leading to greater managerial discretion in financial reporting, this is related to the work of (Ahmad, 2023).

The estimated coefficient of 0.010080 indicates that Audit Size has positive influence on the earnings management of listed deposit money banks on the Nigeria Stock Exchange. The implication of this is that higher Audit Size leads to higher earnings management in terms of Discretionary Accrual, this is related with the work of Chen, Elemes, and Lobo (2023), and Le and Moore (2023). The related p value of 0.7791, however, indicates that at the 5% level, the positive effect of the Audit Size on earnings management of listed deposit money banks on the Nigeria Stock Exchange (0.7791 > 0.05). This relationship might be interpreted in the context of larger audit sizes potentially providing more resources, expertise, or oversight, allowing for increased managerial discretion in financial reporting practices. However, it's crucial to exercise caution in drawing causal conclusions, as correlation does not necessarily imply causation. Other unobserved factors could contribute to the observed association.

The estimated coefficient of 0.016332 indicates that Audit Tenure has positive influence on the earnings management of listed deposit money banks on the Nigeria Stock Exchange.The implication of this is that higher Audit Tenure leads to higher earnings management in terms of Discretionary Accrual. The related p value of 0.2797, however, indicates that at the 5% level, the positive effect of the Audit Tenure on earnings management of listed deposit money banks on the Nigeria Stock Exchange (0.2797> 0.05). The interpretation could be that longer audit tenures might lead to a greater level of familiarity and potentially a more collaborative relationship between auditors and management, providing management with increased opportunities for discretion in financial reporting. However, it's important to approach this conclusion with caution, as correlation does not imply causation. Other factors not considered in the model may contribute to the observed association. To strengthen the validity of these findings, additional analyses incorporating control variables, addressing potential endogeneity concerns, and considering broader contextual factors arerecommended for a more nuanced understanding of the relationship. This is related to the work of Jemaa, Jeppesen, and M'hirsi (2023)

Additionally, the test's coefficient of determination (R2) result of 0.272667 showed that the index of the auditor's independence explained 27.26% of the earnings management of listed deposit money banks on the Nigeria Stock Exchange, supporting the claim that these variables were effective predictors of the earnings management. The Durbin-Watson statistic, calculated with a value of 1.609762, suggests evidence of positive autocorrelation in the model's residuals. The lower-than-expected value indicates that the residuals may be positively correlated with each other, which could compromise the model's reliability. Positive autocorrelation can affect the precision of coefficient estimates and potentially lead to erroneous conclusions. Further diagnostics and potentially adjusting the model may be necessary to address this autocorrelation issue.

CONCLUSION AND RECOMMENDATIONS

Based on the comprehensive data analysis and examination of the research hypotheses this study has investigated the relationship between Auditors' Independence and Earnings Management in listed deposit money banks in Nigeria using a correlational research design. The fixed-effect estimation results indicate that Audit Fee, Audit Size, and Audit Tenure have positive influences on earnings management, as evidenced by their respective coefficients. However, the non-significant p-values for Audit Fee, Audit Size, and Audit Tenure suggest caution in accepting these associations at the 5% level. The coefficient of determination (R2) reveals that the chosen variables collectively explain 27.26% of earnings management, providing some explanatory power to the model. The presence of positive autocorrelation in the model's residuals, as indicated by the Durbin-Watson statistic, raises concerns about potential issues with the model's reliability. Top of Form

Drawing from these findings and conclusions, the study puts forth recommendations for listed deposit money banks to prioritize engagement with Big 4 Audit Firms and to carefully consider Audit Fee structures. Furthermore, regulatory bodies such as the Central Bank of Nigeria (CBN) are advised to enhance surveillance, particularly in the realm of auditor remunerations.

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