**Effects of Auditor Regulations and Corporate Governance on Accounting Earnings Quality in Listed Deposit Money Bank of Nigeria**

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**Abstract**

Auditor regulation(AR) is concerned with ensuring that auditors follow best practice standard in conducting the auditing, competent, independent and capable of detecting significant errors in financial statement and reporting faithfully on them. Reports of prevalence of fraud, excessive earning management(EM) and other financial crises placed doubt in the financial statement and led to serious questions being asked of the audit profession and regulation. In this study, effects of audit fees(AFEE), audit firm size(AFS),and audit firm tenure (AFT) on accounting earnings quality (EQ) and extent at which board independence (BI), Board size (BS) Audit strength (AFSTH) and ownership structure (OS) influenced EQ in listed deposit money banks (DMBs) of Nigeria were examined. This study made use of secondary data obtained from annual reports and accounts of selected banks from 2013 to 2022. Purposive Sampling technique was adopted to select twelve (12) banks out of fifteen banks. Panel regression model was used to examine effect of ARV, CGV on EQ while multiple correlation was adopted to determine the joint relationship between AR, CG and EQ. Findings showed that AR and CG has significant effect on EQ. It is therefore recommended that regulatory authority should periodically review and update auditor regulations to align with international best practices and evolving financial reporting standards.

KEY WORDS: Auditor Regulations, Corporate Governance, Earning Quality, Deposit Money Banks

**1.1 Introduction**

Corporate scandals in the world created concern about the various types of financial practices carried out in organisations, thus, posing great concern to investors about the quality of financial reporting in organisations (Shiyanbola, Adegbie, and Salawu, 2020). According to Berndt and Leibfried (2007), corporate collapse around the world has shaken the confidence of stakeholders in financial reporting. The fall of companies in the world like Enron, Parmalet, Xerox, HealthSouth, Toshiba Corp, Lucent, Adelphia, Tyco, WorldCom, Maxwell pension scandals, Satyam, Reebok (Aggarwal, 2013; Agarwal & Chadha, 2005; Haat, Rahman &Mahenthiran, 2008; Reddy, Locke &Scrimgeour,2010; Surbakti, Shaari&Bamahros, 2017), has been attributed to poor accounting practices as a result of unethical conduct and misuse of power by both preparers of financial statements and auditors (Aggarwal, 2013); poor and weak corporate governance (Gaio&Raposo, 2014; Haat, Rahman &Mahenthiran, 2008). The accounting scandals evidenced in companies brings about the urgent need of the effectiveness of accounting standards, auditing processes and financial reporting practices so as to have accounting information that is reliable (Adeyemi&Asaolu, 2013).

The important aspect of financial reporting is its focus on the information needed by the external users for decision-making and satisfying the information needs with the financial reporting practices carried out in organisations (McNally, Eng&Hasseldine, 2012). Financial reporting is expected to provide useful information for decision-making of stakeholders and aims at ensuring the availability of fair information for effective allocation of scarce resources (Mohammadi, Heyrani&Golestani, 2013). However, the reliability of the information provided depends on various practices carried out by firms. Financial reporting is an essential aspect in accounting information system which gives important information for the decision making by stakeholders. Financial reporting aims at provision of reliable information for users’ decision-making (Majiyebo, Okpanachi, Nyor, Yahaya& Mohammed, 2018).

Evidence from the literature of accounting and auditing suggested two features that determine earnings quality which are Benefit decision concept and the relationship with economic earnings. In other words, high earnings quality indicates usefulness of earnings information for decision making of users and its consistency with economic profit of Hicks. People use information in different decisions; making it impossible to present a complete definition of earnings. Some financial analysts consider earnings quality as common and continuous, repeatable profit creating cash flow from operations. They believe that earnings quality is a figure between reported net profit and cash flows from operations minus non-repetitious figures (Jelodari&Kordshouli, 2016). According to Revsine, L., Collin, D. and Johnson, B. (1999), the stable earnings has high quality. Body (2002) defines earnings quality as the size we expect the reported earnings level is stable. MickHall.

Managers use earnings management to inflate the volume of reported earnings, for example, managers use different earning management method to meet the target to avoid reporting losses annually (Beyer, Cohen, Lys, & Walther, 2010). Usually, this kind of earnings management last for a short time, the subsequent period will go down, which cause a negative effect to the owners of businesses. A major strand of the earnings management literature examines managers’ use of discretionary accruals to shift reported earnings among fiscal periods (Bartov, Gul&Tsui, 2000). That is, managing earnings by manipulation of accruals, which has no direct cash flow consequences. This involved under provisioning for bad debt expenses and delaying asset write-offs (Roychowdhury, 2006). He added that managers also have incentives to manipulate real activities during the year to meet certain earnings targets. This manipulation affects cash flows and, in some cases, accruals.

Accounting standards allow for managerial discretion in the application of accounting methods used to report firm performance. When this discretion is used with the intent to manipulate reported results, it is called earnings management (Riahi-Belkaoui, 2004; Nigrini, 2005). Growing anecdotal and systematic evidence supporting the argument that earnings management is a common practice in firms (Richardson, 2000; Burgstahler and Eames, 2003). The earnings management is considered as imperative issue in literature and defined as the managers using the information asymmetry to intervene the financial statement preparation within legal scope and flexibility of Generally Accepted Accounting Principle (GAAP) (Degeorge et al., 1999; Burgstahler and Eames, 2003). The managers purposely select preferred accounting policy or arranged transactions to accomplish the business anticipations. Healy and Wahlen (1999) advocated the management applying the flexibility of financial report, designated accounting, and intended deals to modify the earnings of the financial statement. They try to misrepresent the perception of the operation performance for the interested parties. Or they design to influence the financial reporting figures to satisfy the manipulator self-benefits.

**1.2 Statement of the Problem**

The prevalence of fraud, excessive earnings management and other financial crimes in the country has to a great extent placed doubt in the financial statements, as well as the ability of these statements to perform their requisite functions (Ogoun and Perelayefa, 2020). In the light of the cost implications of frauds to the business, it has become essential to develop strategies that could help detect and even prevent this business fraud as could be observer Akinjobi&Omowumi (2010).

The view of Panchasara (2012) that corporate governance is about commitment to value and ethical business conduct. It is related with how an organization is managed, which includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders requires further empirical evidence of this nature in corporate governance performance impact. Timely and accurate disclosure of the financial information, performance, ownership and governance of the company is an important part of corporate governance. It improves public understanding of the structure, activities and policies of the organization. To this end, any firm with strong corporate governance structure has incentive to improve the quality of their financial reporting which calls for further investigation from the perspective of Nigeria.

A good number of studies have examined various aspects of corporate governance on financial reporting in the developed countries (Osma (2008) in United Kingdom, Visvanathan (2008), Zhao, Chen, Zhang and Davis (2012), and Ge and Kim (2013) in USA who studied corporate governance in relation to real activities manipulations). Some of the studies focused on a particular industry such as banks, insurance sectors, manufacturing sectors, food and beverages. In the developing countries, few empirical evidence exist, especially as it relates to Nigeria (Omoye and Eriki, (2014); Onuorah and Imene (2016); Salau and Ayoib, (2016); Uwuigbe, Uwuigbe and Daramola (2014) and Oladejo, Yinus, Shittu, and Rutaro (2021). Hence, the need to examine the joint relationship among the Auditor regulations, corporate governance and accounting earnings quality in listed financial firms in Nigeria

**1.3 Research Question**

The study was designed to provide answers to the following research questions:

1. What are the effects of audit fee, audit firm size and audit tenure on accounting earnings quality of selected DMBs in Nigeria?
2. To what extent do board independence, audit strength, board size and ownership structure influence on accounting earnings quality of selected DMBs in Nigeria?
3. What are the joint relationships between auditor regulations, corporate governance and accounting earnings quality in listed selected DMBs in Nigeria?

**1.4 Objectives of the Study**

The main objective of this study is to examine the effects of auditor regulations and corporate governance on accounting earnings quality in Nigeria. Specifically, the study seeks to achieve the following objectives:

1. to assess the effect audit fee, audit firm size and audit tenure on accounting earnings quality of selected DMBs in Nigeria
2. to examine the extent of board independence, audit strength, board size and ownership structure influence on accounting earnings quality of selected DMBs in Nigeria?
3. to determine the joint relationship between auditor regulations, corporate governance and accounting earnings quality of listed selected DMBs in Nigeria.

**1.5 Research Hypotheses**

In order to answer the research questions and achieve the purpose of the study, the following hypothesis were formulated and tested:

H01: Audit fee, audit firm size and audit tenure have no significant effects on accounting earning quality of listed selected DMBs in Nigeria,

H02: Board independence, audit strength, board size and ownership structure have no significant effect on accounting earnings quality of listed selected DMBs in Nigeria,

H03: There is no significant relationship between Auditor regulations variables, corporate governance and accounting earning of listed selected DMBs in Nigeria.

**1.6 Significance of the Study**

There exist few studies on the effect of corporate governance on accounting earning quality in the western world but there is scarce empirical evidence from the developing countries context, like Nigeria especially linking auditor regulations and corporate governance to accounting earnings quality of listed financial firms. Among these few studies are Drogalas, Arampatzis and Anagnostopoulous (2016) studied relationship between corporate governance, internal audit and internal committee in Greece, Gregory (2014) Assessing the measure of quality of earning in India, Jelodari and Kordshouli (2016) also survey the role of earning quality in accurately forecasting of operational and cash circulation of companies listed on Tehran stock exchange and so on.

In Nigeria however, authors like Oladejo, Akintude, Yinus, Akanbi and Olowokere (2021), Abubakar(2016), Miko and kamardin (2015), Ogoun and Perelayefa (2020) and Shiyanbola, Adegbie and Salawu (2020), all did extensive works on aspect relating to this study by investigating either corporate governance or audit regulations on accounting earnings, to the best of my knowledge, none has combined these two variables - auditor regulations and corporate governance variables – to determine their effect on accounting earnings quality of listed deposit money banks.

**2. Literature Review and Conceptual Explanation**

**2.1 The Concept of Auditing**

Auditing is an independent examination of the financial statement of n enterprise whether profit making or not, by an appointed auditor so as to enable him report whether in his opinion and according to the best of the information and explanation obtained, the statement is properly drawn up and give a true and fair view of the state of affairs of the enterprise at the end of the reporting period (Adedoyin and Adelabu, 2006)

**2.1.2 Audit Regulations**

Audit regulation, as with many other forms of regulation, consists of five general elements: the setting of standards, their formal adoption, their implementation in practice, the monitoring of compliance, and enforcement procedures. The regulation of audit is centrally concerned with the issue of ensuring that auditors follow best practice standards in conducting the audit, and are competent and independent; all of this being seen as essential in terms of auditors' capability to detect significant errors/omissions in financial statements and to report faithfully on them. (Humphrey and Loft, 2013).

**2.1.3 Auditor Regulations**

Auditor regulations are a set of rules and guidelines that govern the profession of auditing. These regulations ensure that auditors adhere to ethical and professional standards while conducting their work, ultimately enhancing the credibility and reliability of financial reporting. One widely recognized reference in this field is the International Standards on Auditing (ISA), which is issued by the International Auditing and Assurance Standards Board (IAASB). ISA provides comprehensive guidance on the responsibilities of auditors, the planning and execution of audits, and the reporting of audit findings.

**2.1.4 Corporate Governance**

The practice of corporate governance (CG) in organizations has developed rapidly in recent times, and its importance has been highlighted around the world. It has even been adopted by countries that have not yet regulated the adoption of CG in their organizations. The reason for the global interest in CG is that it underpins a company's operating framework. Therefore, the adoption and implementation of the QA practice is expected to benefit the owners, since they are committed to using the principles and mechanisms, which in the broadest sense amounts to an effective monitoring of the activities of a company, particularly when the principles of disclosure and transparency are adopted. (Grantham, (2020). Consequently, when adopting and implementing CG in companies, this decision can have a positive impact on decisions related to current investors, on the one hand, and potential investors on the other (Hebble and Ramaswamy, 2005). The bankruptcy and collapse of large US corporations such as Worldcom, Enron and Adolphia, and public awareness of these financial disasters has led investors to become increasingly aware of organizations that are known for having good QA practices to achieve and maintain a good reputation, since there is guidance for investors to prefer to invest in companies that adopt best QA practices In addition, as the information is available, shareholders and owners can access and evaluate decisions on a daily basis , in addition to the evaluation carried out by the analysts (Alabdullah, Yahya and Thurasamy 2014).

It is also important to bear in mind that the concept of corporate governance is framed within business ethics. Business ethics is the ethics applied to the organizational field, which refers to human quality, the excellence of people and their actions, within the framework of their work in them. Good business conduct practices are embodied in codes of ethics, which contemplate the set of values that are established in the same system or code in order to benefit the company as a whole. Thus, corporate governance framed within the area of business ethics is defined as the system by which companies are directed and controlled, Cadbury (1992) and embodied in the so-called codes of good governance.

**2.1.5 Accounting Earnings**

Accounting earnings, or net income, represent the amount of money gained or lost after all costs, depreciation, interest, taxes and expenses have been deducted from a company's total sales. In general, negative or low earnings might suggest a myriad of problems, ranging from insufficient gross profit margins to inadequacies in customer or expense management to unfavorable accounting methods.

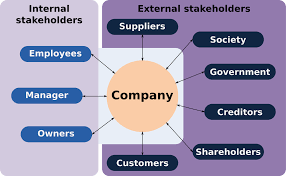
Changes in accounting methods can greatly influence accounting earnings, and in many cases these changes may have little to do with a company's actual operations. Some companies strive to minimize taxes and will therefore intentionally minimize their accounting earnings. Accounting earnings are some of the most closely followed numbers a company publishes. Care should be taken when comparing accounting earnings over time, as many companies and industries are cyclical and/or seasonal. As a result, comparisons are generally most meaningful between the same fiscal quarter in different years.

**2.1.6 Earning Quality**

The concept of earnings quality has been discussed widely, but there is still no agreement about its definition and measurement (Revsine et al., 2001, Penman and Zhang, 2002), making it an elusive concept (Siegel, 1982). In Siegel (1991) five elements, such as the degree to which the economic reality of the firm is reflected, are mentioned as characteristics that raise the quality of profits, and eleven other items, including estimated discretion, are mentioned as characteristics which lower quality. Francis et al. (2004) argue that there are seven attributes of earnings, such as accruals quality, persistence, predictability, smoothness, value relevance, timeliness, and conservatism, and examine their relationship with the cost of equity capital. Kothari (2001) mentions corporate evaluation by investors, and discretional management as relevant factors, and categorises arguments on earnings quality. Schipper and Vincent (2003) present the value relevance viewpoint, and an economics-based concept of income, examining attributes which specify earnings quality, such as time series properties of earnings, including persistence, predictive ability and variability, the qualitative characteristics of a conceptual framework, the relationships between income, cash, and accruals, and the implementation of decisions.

**Stakeholder Theory**

This study is underpinned on stakeholder theory. Stakeholder theory in literature is accredited to Edward Freeman who states that any identifiable group or individual who can affect the achievement of an organization's objectives, or is affected by the achievement of an organization's objectives is a stakeholder (Freeman & Reed, 1987). Stakeholder implies that it is not only the investors or the shareholders who are affected by the company's objectives. It then means that the achievement and misfortune of the organizations affect all the stakeholders. The stakeholders include (shareholders, employees, creditors, political groups, government, trade unions, communities, and customers). The number of stakeholders tends to have increased since the corporate governance became prominent following the collapse of some prominent and high-profile companies and the belief that firms with good and powerful corporate governance tend to perform better than firms with weak corporate governance. It then means that the success or failure of firms does not depend on stakeholders with explicit contracts and financial interest but it rather depends on all the stakeholders with explicit and implicit contracts. Stakeholder theory is attributed to Freeman *et al* (1987) who introduced it in 1984. Freeman contended that the firm exists primarily with the aim of serving and synchronizing the collective interests of those who benefit directly or indirectly from the activities of the firm (Schilling, 2000). The going concerning and corporate objective of profit maximization and long term sustainability of the firm require managers with more sensitive approach to ensure the interests and benefits of all the entire stakeholders (Schilling,2000). Stakeholder theory is relevant to this study as it relates to the complexities that arise between investors and managers who have more information about the company than the investors leading to information asymmetry, and the managers exploit this information gap to their personal advantage.



Stakeholder theory (adapted from Wikipedia)

**METHODOLOGY**

Qualitative research approach was employed for this study. The study area covered all listed deposit money banks through the floor of Nigeria exchange group. The study focused on twelve out of fifteen listed banks. Deposits Money Banks that were selected are: Access, FBN, Fidelity, FCMB, GTB, Stanbic, Sterling Bank, Union Bank, UBA, Unity bank, WEMA and Zenith bank Plc. Data were extracted from annual reports and accounts of the selected banks. The data were analysed using EVIEW 10 statistical analysis software. Objectives 1 and 2 were analyzed using Panel Least Squares Regression while correlation analysis was used for objective 3.

**RESULTS AND DISCUSSION**

**Data Presentation**

As stated earlier, data for the study were gathered through the use of secondary. The

research hypotheses for the study were tested at 95% confidence level (0.05) .The results on

objectives of the study were presented in table 1, 2 and 3

**Table 1: Panel Least Squares Regression**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dependent Variable: EQ | | |  |  |
| Method: Panel Least Squares | | |  |  |
| Date: 09/24/23 Time: 23:11 | | |  |  |
| Sample: 2013 2022 | | |  |  |
| Periods included: 10 | | |  |  |
| Cross-sections included: 12 | | |  |  |
| Total panel (balanced) observations: 120 | | | |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| AFEE | 3.41E-08 | 2.29E-05 | 0.001491 | 0.9988 |
| AFS | 0.000140 | 8.44E-05 | 1.659339 | 0.0397 |
| AFT | -0.000305 | 0.000155 | -1.970564 | 0.0125 |
| C | 558.1532 | 35.61231 | 15.67304 | 0.0000 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.751030 | Mean dependent var | | 552.2764 |
| Adjusted R-squared | 0.726488 | S.D. dependent var | | 276.8457 |
| S.E. of regression | 273.1545 | Akaike info criterion | | 14.09072 |
| Sum squared resid | 8655154. | Schwarz criterion | | 14.18363 |
| Log likelihood | -841.4431 | Hannan-Quinn criter. | | 14.12845 |
| F-statistic | 2.079284 | Durbin-Watson stat | | 2.500322 |
| Prob(F-statistic) | 0.016757 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Source: Researcher’s Computation from the EViews 10 Output 2023**

The results of a panel least squares regression analysis in table 1 revealed that the coefficient for AFEE is 3.41E-08, which is very close to zero (essentially zero when considering the scale of the variable). This suggested that auditor fees (AFEE) do not have a statistically significant effect on accounting earnings quality (EQ) because the associated p-value (0.9988) is much greater than the common significance level (e.g., 0.05). The coefficient for Audit Firm Size (AFS) is 0.000140, indicating that a unit increase in audit firm size leads to an increase of 0.000140 units in accounting earnings quality. This coefficient is statistically significant at the 0.05 level (p-value = 0.0397), suggesting that audit firm size has a positive impact on earnings quality.

The coefficient for Audit Firm Tenure (AFT) is -0.000305, indicating that a unit increase in audit firm tenure leads to a decrease of 0.000305 units in accounting earnings quality. Like AFS, this coefficient is statistically significant at the 0.05 level (p-value = 0.0125), suggesting that longer audit firm tenure is associated with lower earnings quality. The R-squared value is 0.751, which indicates that approximately 75.1% of the variance in accounting earnings quality (EQ) is explained by the independent variables included in the model (AFEE, AFS, AFT). This suggests that the model has a relatively good fit to the data. Adjusted R-squared is a modified version of R-squared that penalizes the inclusion of irrelevant variables. It is 0.726, which is slightly lower than the R-squared but still suggests a reasonably good fit. The F-statistic tests the overall significance of the model. The p-value for the F-statistic is 0.0168, which is less than the typical significance level of 0.05. This suggests that at least all the independent variables have a joint statistically significant effect on EQ.

**Table 2: Results of the Panel Lease Square Regression**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dependent Variable: EQ | | |  |  |
| Method: Panel Least Squares | | |  |  |
| Date: 09/24/23 Time: 23:33 | | |  |  |
| Sample: 2013 2022 | | |  |  |
| Periods included: 10 | | |  |  |
| Cross-sections included: 12 | | |  |  |
| Total panel (balanced) observations: 120 | | | |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| BS | 0.010000 | 1.08E-06 | 9285.591 | 0.0000 |
| BI | 2.09E-07 | 9.66E-08 | 2.162015 | 0.0327 |
| AFSTH | 8.82E-08 | 7.34E-08 | 1.202044 | 0.0218 |
| OS | -9.53E-08 | 1.60E-07 | -0.595014 | 0.5000 |
| C | -0.042759 | 0.077327 | -0.552960 | 0.5814 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.999999 | Mean dependent var | | 552.2764 |
| Adjusted R-squared | 0.999999 | S.D. dependent var | | 276.8457 |
| S.E. of regression | 0.314617 | Akaike info criterion | | 0.565852 |
| Sum squared resid | 11.38314 | Schwarz criterion | | 0.681998 |
| Log likelihood | -28.95114 | Hannan-Quinn criter. | | 0.613020 |
| F-statistic | 23035497 | Durbin-Watson stat | | 1.910900 |
| Prob(F-statistic) | 0.000000 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Source: Researcher’s Computation from the EViews 10 Output 2023**

The results of the panel data regression analysis were presented in table 2. The results revealed that the coefficient for Board Size (BS) is 0.010000. This suggests that for each unit increase in board size, the dependent variable Earning Quality (EQ) increases by 0.010000 units. The t-statistic is extremely high (9285.591), and the associated probability (Prob.) is 0.0000, indicating that the coefficient is highly statistically significant. This implies that board size has a significant positive impact on earnings quality. The coefficient for Board Independence (BI) is 2.09E-07 (approximately 0.000000209). This implies that for each unit increase in board independence, the dependent variable EQ increases by approximately 2.09E-07 units. The t-statistic is 2.162015, and the associated probability is 0.0327, indicating that the coefficient is statistically significant at a conventional significance level of 0.05. This suggests that board independence has a positive impact on earnings quality. The coefficient for Audit Firm Strength (AFSTH) is 8.82E-08 (approximately 0.000000088). This suggests that for each unit increase in audit firm strength, the dependent variable EQ increases by approximately 8.82E-08 units. The t-statistic is 1.202044, and the associated probability is 0.0218, indicating that the coefficient is statistically significant. This implies that audit firm strength has a positive impact on earnings quality. The coefficient for Ownership Structure (OS) is -9.53E-08 (approximately -0.0000000953). This implies that for each unit increase in ownership structure, the dependent variable EQ decreases by approximately 9.53E-08 units. However, the t-statistic is -0.595014, and the associated probability is 0.5000, indicating that the coefficient is not statistically significant. In other words, ownership structure does not appear to have a statistically significant impact on earnings quality in this model.

The R-squared value is very close to 1 (0.999999), indicating that the model explains nearly all the variation in the dependent variable EQ, suggesting an excellent fit. That is nearly all the variation in EQ can be explained be all the dependent variables. The F-statistic is extremely high (23035497), and the associated probability (Prob(F-statistic)) is 0.000000, indicating that the overall model is highly statistically significant.

**Table 3: Results of Correlation Analysis**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Covariance Analysis: Ordinary | | |  |  |  |  |  |  |  |
| Date: 09/30/23 Time: 07:59 | | |  |  |  |  |  |  |  |
| Sample: 2013 2022 | |  |  |  |  |  |  |  |  |
| Included observations: 120 | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Correlation | |  |  |  |  |  |  |  |  |
| Probability | EQ | BS | BI | AFSTH | OS | AFEE | AFS | AFT |  |
| EQ | 1.000000 |  |  |  |  |  |  |  |  |
|  | ----- |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| BS | 0.999999 | 1.000000 |  |  |  |  |  |  |  |
|  | 0.0000 | ----- |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| BI | -0.034917 | -0.035137 | 1.000000 |  |  |  |  |  |  |
|  | 0.7050 | 0.7032 | ----- |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| AFSTH | 0.188999 | 0.188878 | -0.014722 | 1.000000 |  |  |  |  |  |
|  | 0.0387 | 0.0388 | 0.8732 | ----- |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| OS | -0.176764 | -0.176718 | 0.080400 | -0.048227 | 1.000000 |  |  |  |  |
|  | 0.0134 | 0.0535 | 0.3827 | 0.6009 | ----- |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| AFEE | 0.411764 | 0.011760 | 0.009275 | -0.036116 | -0.076846 | 1.000000 |  |  |  |
|  | 0.0085 | 0.8986 | 0.9199 | 0.6953 | 0.4042 | ----- |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| AFS | 0.238277 | 0.138323 | 0.075049 | 0.140534 | 0.069746 | -0.001437 | 1.000000 |  |  |
|  | 0.0320 | 0.1319 | 0.4153 | 0.1258 | 0.4491 | 0.9876 | ----- |  |  |
|  |  |  |  |  |  |  |  |  |  |
| AFT | -0.168834 | -0.168799 | 0.092873 | -0.061911 | 0.991718 | -0.066160 | 0.067887 | 1.000000 |  |
|  | 0.0253 | 0.0653 | 0.3130 | 0.5017 | 0.0000 | 0.4728 | 0.4613 | ----- |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

**Source: Researcher’s Computation from the EViews 10 Output 2023**

The results of the correlation analysis were presented in table 3 The results showed there is an extremely strong positive linear relationship between Earning Quality (EQ) and Board Size (BS) with a positive correlation coefficient of 0.999999 and p-value=0.0000. This suggests that as the board size increases, the earning quality tends to increase almost perfectly, and this relationship is statistically significant. It also revealed that there is a very weak negative linear relationship between Earning Quality (EQ) and Board Independence (BI) with a negative coefficient of -0.034917 and a p-value = 0.7050. The negative sign suggests a very slight inverse relationship, but the correlation is not statistically significant at a conventional significance level (p > 0.05). There is a weak positive linear relationship between Earning Quality (EQ) and Audit Firm Strength (AFSTH) with a positive correlation of 0.188999 and p-value = 0.0387. As audit firm strength increases, earning quality tends to increase, and this relationship is statistically significant at 5% level of significance. There is a weak negative linear relationship between Earning Quality (EQ) and Ownership Structure (OS) with a negative correlation coefficient of 0.176764 and p-value = 0.0134. As ownership structure changes, earning quality tends to decrease slightly, and this relationship is statistically significant at 5% significant level.

There is a moderate positive linear relationship between Earning Quality (EQ) and Audit Firm Fee (AFEE) with a positive correlation coefficient of 0.411764 and p-value = 0.0085. As audit firm fees increase, earning quality tends to increase, and this relationship is statistically significant at 5% level of significance. There is a moderate positive linear relationship between Earning Quality (EQ) and Audit Firm Size (AFS) with a positive correlation coefficient of 0.238277 and a p-value = 0.0320. As audit firm size increases, earning quality tends to increase, and this relationship is statistically significant. There is a moderate negative linear relationship between Earning Quality (EQ) and Audit Firm Tenure (AFT) with a negative correlation coefficient of -0.168834 and a p-value = 0.0253. As audit firm tenure increases, earning quality tends to decrease moderately, and this relationship is statistically significant

The correlations and their associated p-values of the variables in the results suggest that in the context of the Banking Sector of Nigeria, several variables are related to Earning Quality (EQ), and some of these relationships are statistically significant. Notably, board size, audit firm strength, ownership structure, audit firm fee, audit firm size, and audit firm tenure appear to have significant relationships with earning quality, whereas board independence does not have a statistically significant relationship. These findings have provided valuable insights into the joint relationship between auditor regulations, corporate governance, and earnings quality in the Nigerian banking sector.

**CONCLUSION AND RECOMMENDATIONS**

The study concluded that, within the Nigerian Banking Sector, several critical determinants significantly influenced earnings quality (EQ). These determinants encompass audit firm characteristics, corporate governance variables. Here are the key conclusions drawn from the findings: Auditor fees were determined to have no statistically significant impact on EQ in this context. The study revealed that fluctuations in auditor fees do not exert a substantial influence on EQ within the Nigerian Banking Sector, aligning with prior research in this area. In contrast, audit firm size emerged as a pivotal factor positively affecting EQ. Larger audit firms were associated with higher EQ, emphasizing the importance of audit firm attributes and capabilities in enhancing financial reporting quality. Prolonged audit firm tenure was found to negatively relate to EQ. As audit firm tenure increased, EQ tended to decrease. These findings raise concerns about the potential adverse effects of extended auditor-client relationships on financial reporting quality. It therefore recommended that:

Regulatory authorities should periodically review and update auditor regulations to align with international best practices and evolving financial reporting standards. More so,

Encourage the rotation of audit firms at regular intervals to mitigate any potential complacency or bias that may arise from long-standing auditor-client relationships.

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