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EXTERNAL AUDIT ATTRIBUTES AND INCOME SMOOTHING OF LISTED BANKS IN NIGERIA

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ABSTRACT

The present study seeks to examine the effect of external audit attributes on income smoothing-INSM in listed deposit money banks in Nigeria covering a study period of ten (10) years spanning from 2012 to 2021 over ten (10) banks. The regressed is income smoothing measured by loan loss provision while the regressor is external audit attributes measured by Audit Firm Size (AFS), Non-audit Service Fees (NASF), Audit Tenure (ATN), and Joint Audit (JOA). The study covered ten selected deposit money banks listed on the Nigerian Exchange Group (NEG) as at 31st December 2021 while data were collected from the annual reports of the selected banks. Further, the ex-post facto research design was used and emphases were laid on banks' data. The study adopted panel data multiple regression estimation technique while data were analyzed through the Eviews-9 statistical package for data analysis. The study reported that, Audit Firm Size (AFS) exerted a negative significant effect on INSM of listed deposit money banks in Nigeria. Meanwhile, Non-audit Service Fees (NASF) and Audit Tenure (ATN) exerted a positive significant effect on INSM of listed deposit money banks in Nigeria. However, Joint Audit (JOA) exerted a negative yet minimal effect on ISMN of quoted banks in Nigeria in. Hence, the paper concludes that, external audit attributes have mixed effects on ISMN tendencies of bank managers in Nigeria. As such, bank owners must ensure that they engage the services of credible auditing firms with track

records of delivering reports that show the actual situation of the bank. Meanwhile, the Financial Reporting Council (FRC) should have stiffer penalty for bank managers/auditing firms caught engaging in the act of ISMN.

Keywords: External Audit Attributes, Audit Firm Size (AFS), Non-audit Service Fees (NASF), Audit Tenure (ATN), and Joint Audit (JOA), Income Smoothing.

INTRODUCTION

The concept of audit quality and income /earnings smoothing remains one of the most debatable construct since the fall of the high profile giant companies at the dawn of the century in the west (Enron, WorldCom) coupled with the audit failures as in the case of Enron, WorldCom, ImClone Systems Incorporation Global Crossing, and Tyco International. Evidently, academics traced the falls to the ISMN of some managers. To further this, Friska (2019) documents that, to restrain the rise in vicious corporate collapses and to assure the integrity of auditors, audit quality codes of best practice should be developed. As such, it is therefore paramount to examine the concept of external audit quality since the audits quality/opinions.

Sequel to the above, the Company and Allied Matters Act (CAMA) of 2004 in Nigeria stressed the need for quoted companies to use the services of external auditors. As espoused by Egolum (2021), external auditors help to reduce audit quality issues. Similarly, Madhuri and Vaidya (2022) defined an external audit is one of the main forms of audits wherein an auditor/auditors work over the financial reports to check that the company is functioning in the right manner. Consequently, the hallmark of external audit quality is targeted at ensuring that the probability of material misstatements is kept to a manageable level.

Various measures of external audit quality as espoused in the studies of Egolum (2021); Obaidat (2017); Hohenfels (2016); Apandi (2018) include audit firm size, audit fee, audit tenure, and joint audit. Specifically, audit firm size accounts for the size of the external auditing firm. It is a known fact that, firms audited by the big4s (Deloitte, PWC, Ernst & Young and KPMG) are less likely to be engaged in ISMN than firms audited by small auditing since the former has stronger available capital and research institutes, as well as superior technology and more talented staff to conduct large-scale company audits (Khaled, & Zalailah, 2020). Again, audit fee (remuneration) be it audit and non-audit services fees affect ISMN. Furthermore, audit tenure otherwise known as audit rotation in this case accounts for as the agreed period of engagement between the client and the external auditor. Meanwhile, joint audit is where two different audit firms jointly form an opinion of a client’s financial statements of which they are also jointly liable for the issued audit opinion (Apandi, 2018). Consequently, a firm’s ability to smoothen its income/earning is dependent on its external audit attributes.

The term ISMN according to Ozili and Outa (2019), is a vital earnings management technique that can be either "artificial" or "absolute," with real smoothing involving decisions that affect cash-flow and dissipate firm value at obvious costs. Also, ISMN refers to changing of expenses and revenue for the purpose of presenting deceitful imprint that a firm has stable earnings. ISMN/profit flattening is a profit manipulation approach adopted by management (Bora, & Saha, 2016). Justifiably, managers are forced to manage the results to prove good performance records to shareholders and other financial statement users. Hence, if ISMN can only be curbed, if external audit quality is considered (Ndubuisi, & Ezechukwu,, 2017). Little wonder why Obaidat (2017) noted that high audit quality should be associated with high information quality of financial statements because financial statements audited by high-quality auditors should be less likely to contain material misstatements and consequently reduce earnings management.

The rationalization which informed the study is borne out of the fact that, despite the fact that the audit quality and ISMN has gotten huge scholarly attention since the collapse of giant accounting firms in the worlds in early, even till date, accounting scholars are yet to come up with a universal measure of both constructs. Arguably, two views on how audit quality should be measured. The first viewpoint hold to use direct measures like bankruptcy, financial reporting compliance with GAAP, desk review, quality control review and Security and Exchange Commission performance meanwhile the second perspective use indirect measures like audit fees, auditor tenure, audit size, industry expertise, economic dependence, reputation and cost of capital. In the case of ISMN, diverse parameters such as loan loss provision-LLP, small profit, discretionary accrual, understatement of liabilities, overstatements of assets amongst others have been used.

More so, two streams also exist within the confine of the individual measures of external audit quality. For example, it has been argued that firms with larger sizes i.e. firms audited by the big4s (Deloitte, PWC, Ernst & Young and KPMG) are less likely to be engaged in income smoothing than firms audited by small auditing firms (Khaled, & Zalailah, 2020). Again, large fees are paid to non-audit services, make auditors more economically dependent on their clients (Kimeli, 2016). However, another school of thought hold that, the tendency to smooth income is not a function of the non-audit fee but a product of other factors such as the disposition of the auditor. More so, the higher the auditor tenure, the higher the tendency for the auditor to be engages in ISMN (Hohenfels, 2016). Alternatively, shorter auditor tenure reduce INSM tendencies of managers (Olarinoye & Ahmad, 2016). Lastly, Joint audit has the capacity to reduce ISMN but not in all cases. This is because joint audit could reduce big audit firms and allowing small audit firms to collaborate with big audit firms, resulting in the emergence of new generation of big audit firm. However, extant empirical studies on the subject matter in the Nigerian context are relatively few.

Arising from these contending issues alongside the dearth of literature, the present study examined the effects of external audit attributes on ISMN of quoted banks in Nigeria. Consequently, the paper seeks to primarily:

1. Examine the effect of Audit Firm Size (AFS) on loan loss provision-LLP of listed banks in Nigeria.
2. Evaluate the effect of Non-audit Service Fees (NASF) on loan loss provision-LLP of listed banks in Nigeria.
3. Investigate the effect of Audit Tenure (ATN) on loan loss provision-LLP of listed banks in Nigeria.
4. Discuss the effect of Joint Audit (JOA) on loan loss provision-LLP of listed banks in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

According to Egolum (2021), an external audit is an audit of a company's financial records done by independent auditors with sole intent to carefully examine the validity of the company's financial records so as to determine if there is any misstatement due to fraud, error, or embezzlement and then report the same to the company's stakeholders. In a nutshell, according to Madhuri and Vaidya (2022), in which an auditor/auditors check the accounting books so as to determine if the report is in accordance with auditing principles or not.

In like manner, Anwar and Chandra (2017) define ISMN is the reduction of income fluctuations from year to year by transferring income from the years of high earnings to the periods that are less favorable. Chhabra (2016) defined ISMN is a deliberate attempt made a try to reduce the management of abnormal variations in the company's profits in order to achieve a normal level for the company. Similarly, Ratnaningrum (2016) defines that ISMN involves banks' management desire to reduce reported earnings to match the desired target either artificial (artificial smoothing), and in real terms (real smoothing). This action has been considered a common action performed by the management company.

Audit Firm Size (AFS) and Income Smoothing (INSM)

One of the most debatable issues within the confine of the auditing profession lies on the nexus between audit firm size and ISM. Specifically, there exist two schools of thought in this respect. The first school of thought championed by Sumiadji, Chandrarin and Subiyantoro (2019); Donatella, Haraldsson and Tagesson (2018) hold strongly that, major audit firms (i.e. Big 4 or Big 5 or Big 6) are more conservative than small auditing firms. This signals that a less likely to be involved in the ISMN process than smaller audit firms. The implication of this assertion is that, both audit firm size, & INSM moves in a non-linear fashion such that, the higher the audit firm size, the lower the tendency for the auditing firm to smoothing their income/profit. However, the second school of thoughts championed by empiricists like hold Hamm (2017) strong assertion that, the tendency of a large audit firm to prove to the public that, they are financial stable whereas they are not in reality may prompt such firms to be engage in the ISMN process. Hence, it is possible for both audit firm size and ISMN to move in a linear fashion such that, the larger the auditing firm size, the higher the tendency to smoothing income/net profit.

Audit Service Fees and Income Smoothing (INSM)

As in the case of the nexus between AFS and INSM, are the streams of arguments between audit fees and INSM. The first line of argument championed by Mokoaleli-Mokoteli and Latridis (2017) argued that, huge audit fees paid to auditors may increase audit quality which invariably reduces ISMN (Kimeli, 2016). To further buttress this, Oladipupo and Monye-Emina (2016) and Olarinoye and Ahmad (2016) reported that, audit fees impair audit independence, disrupt corporate governance mechanisms and at the same time encourages ISMN.

Auditor Tenure and Income Smoothing

Over time, there seems to be two conflicting line of thought as to whether audit tenure or rotation increase the tendencies for an auditing firm to be engage in ISMN or not. Firstly, scholars like Hohenfels (2016) argued that, the higher the auditor tenure, the higher the tendency for the auditor to be engage in ISMN. This is premised on the fact that, the desire of an auditor to stay relevant in a company may make the auditor to confirm to illicit business activities thereby impairing the audit quality. Alternatively, as auditor tenure increases, the auditor should become better at recognizing material misstatements by gaining experience and better insights into the clients' business strategies and internal financial reporting process (Olarinoye & Ahmad, 2016). As such, this major argument therefore calls for auditor rotation on a regular basis.

Joint Audit (JOA) and Earnings Smoothing

As in the case of the argument as to whether joint audit increase INSM or reduce it, there exist also a strong debate between joint audit and INSM. The 1st school of thought championed by Oladipupo, and Monye-Emina (2016) and Olarinoye and Ahmad (2016) argued that the practice of joint audit could increase audit quality thereby lowering ISMN for the following reasons. Justifiably, joint audit could reduce INSM. Conversely, joint audit approach may become a ceremonial process such that, if the same two (2) audit firms participate in the audit of the same clients, an informal agreement may occur between them where each reviews the financial may adversely affect the accuracy and quality of the audit evidence (Lopes, 2018; Hamm, 2017).

Theoretical Review

The agency theory was used to underpin the study. Further, the agency theory assumes that the auditor's ability and freedom to make a sound assessment may be impaired. There is the possibility of a moral hazard if the auditor and management collaborate. Since an auditor's compensation is not fully transparent for the capital market, incurring the risk of hidden actions, there is a danger of biased judgment by the auditor and untruthful reporting on the outcome of the audit. Specifically, one or more of these attributes may spur ISMN of a firm's financial information (Glaum, Keller, & Street, 2018).

Empirical Review

Egolum (2021) evaluated the effect of external audit characteristics on the earnings management of 17 listed consumer goods firms in Nigeria between 2010 and 2019 using the logistic regression analysis technique. The study affirmed that higher auditor independence has a significant likelihood of reducing managers ISMN activities in Nigeria.

Sumiadji, Chandrarin, and Subiyantoro (2019) examined the effect of audit quality on earnings quality in Indonesia. The data set consists of 116 annual reports of manufacturing companies listed on the Indonesia Stock Exchange between 2011 and 2014. Two analysis techniques, confirmatory factor analysis and multiple regression analysis, were considered. The study affirmed that auditor size and audit tenure influence earning quality, but audit specialization does not.

Similarly, Donatella, Haraldsson, and Tagesson (2018) examined the effects of audit firms and audit costs and fees on municipalities' probability of applying earnings management in their annual accounts. The study affirmed that earnings management increased if audit costs or fees increased.

Dada (2018) examined the effect of auditor rotation, auditor independence, and audit fees on audit quality in Lagos State. The researchers discovered that a small audit firm's tenure would improve the auditor's independence by avoiding strong personal associations between auditors and management.

Zayol and Kukeng (2017) evidenced that client importance, audit tenure, auditor independence, non-audit services, and client affiliation influenced the selected firms' audit quality.

Hamm (2017) provides evidence that managers use real activity earnings management (RAM) to smooth earnings in addition to accrual management, but there is no prior evidence on whether smoothing using RAM improves earnings informativeness.

Mokoaleli-Mokoteli and Latridis (2017) studied the effect of Big 4 auditing companies, earnings manipulation, and earnings conservatism among South African listed companies. The study affirmed that companies audited by Big 4 auditing firms presented timelier recognition of losses, lowers earnings manipulation. The findings also show that conditional conservatism reduces unconditional conservatism.

Lastly, Enegbe and Atu (2016) reported that board size and audit firm type are major earnings management predictors, but firm size, return on assets, and earnings management are not earnings management predictors for the 30 selected quoted companies in Nigeria from 2007–2014.

METHODOLOGY

The study adopted an ex post facto research design. The justification for the use of ex-post-facto research design is the fact that the design is suitable for a variable that inherently cannot be manipulated or because its manifestation has already occurred. The study population covered all twenty-two all the DMBs listed on the Nigerian Exchange Group as of December 31, 2021. Evidently, 8 out of the 22 listed DMBs have international authorization, 11 have national authorization, and 3 have regional authorization. In addition to the fact that the population includes all the twenty-two DMBs listed on the NEG as of December 31, 2021, ten (10) banks were conveniently chosen from the population, which then formed the sample size. The following DMBs formed the sample size: GT Bank, First Bank of Nigeria, UBA, Zenith Bank., Access Bank., Union Bank of Nigeria, Fidelity Bank., FCMB., Eco Bank, & Stanbic IBTC Holding.

Data was sourced using secondary sources of data collection, specifically the annual reports of the banks under investigation. The variables extracted include audit service fees, audit firm size, audit tenure, joint audit, asset tangibility, and loan loss provision. The time frame for the study was between 2011 and 2021. Meanwhile, the study adopted the panel data. This is with a view to determining the effect of external audit characteristics on the ISMN of listed banks in Nigeria. Meanwhile, various pre-tests considered are descriptive statistics, correlation analysis, VIF, Stability test, Ramsey Reset Test, & Heteroskedasticity test.

This study modified the models of Uchenna (2021) and Mohammed (2018). Specifically, the model of Uchenna (2021) is specified as:

$$SMLPROFIT = \pi 0 + \pi 3AUDTEN + \pi 4JOINTAUD + \pi 6ASSETTAN + \mu t \text{-------------------------} 1$$

Where:

smlprofit = Small Profit

audten = Audit Tenure

jointaud = Joint Audit

assetan = Asset Tangibility

Meanwhile, the Mohammed (2018) model is stated as:

$DACit = \beta_0 + \beta_1 LAFEEit + \beta_2 ASIZEit + \varepsilon it$---2

Where:

1. DAC = Estimated discretionary accruals (Modified Jones model).
2. β = Constant.
3. LAFEEit = Audit fees
4. ASIZEit = Audit firm size.

$LLPit = \beta_0 + \beta_1 NAFS_{it} + \beta_2 ASF_{it} + \beta_3 ATN_{it} + \beta_2 JOAit + \varepsilon it$----------------------------------3

Where:

LLP = Loan loss Provision at time t

AFS_{it} = Audit Firm Size at time t

$NASF_{it}$ = Non-audit Service Fees at time t

ATN_{it} = Audit Tenure at time t

JOA_{it} = Joint Audit at time t

$\beta_{1-}\ \beta_4$ = Parameter Estimates

β_0 = is the individual effect taken to be constant over time and specific to the individual cross- sectional unit i.

Table 1

Operationalization of Study Variables

Targeted Variable	Denotation	Measure	Aprioiri Expectations
Loan Loss Provision	LLP	Annual Amount Kept for LLP as a proportion of aggregate loans by Targeted Banks as a measure of ISMN.	Nil
Audit firm size	AFS	If Auditor is big 4 (Deloitte, PWC, Ernst & Young and KPMG) = 1, else 0 (Kimeli, 2016).	Negative
Non-audit Fees	NASF	Non-statutory audit fees paid for auditing annual accounts of parent companies and consolidated accounts. Audit fees do not include fees for auditing annual reports of branches and subsidiaries (Kimeli, 2016)	Positive
Audit Tenure	AUT	If an external auditor have audited the company up to 2 years and above = 1, else 0 (Hohenfels, 2016)	Negative
Joint Audit	JOA	If two big audit firm audit a particular bank, it is scored 1 otherwise 0 (Olarinoye and Ahmad, 2016)	Positive

Researcher's Compilation (2022)

RESULTS AND DISCUSSIONS

This section contains presentation and analysis of data obtained from the annual reported of the selected banks in Nigeria with a view to test the hypothesis. First, the sourced data was analyzed using descriptive statistics, correlation analysis alongside some robustness check. They are in table 2 and table 3:

Table 2

Summary of Descriptive Statistics

	LLP	AFS	NSAF	ATN	JOA
Mean	0.167366	1.000000	15767.12	0.960000	0.930000
Median	0.048350	1.000000	14659.33	1.000000	1.000000
Maximum	0.961400	1.000000	51079.10	1.000000	1.000000
Minimum	0.001100	1.000000	10088.30	0.000000	0.000000
Std. Dev.	0.251676	0.000000	5042.101	0.196946	0.256432
Observations	100	100	100	100	100

Source: Econometric Views Version 9.0 (2022)

Table 2 represents the descriptive statistics of the 10 observed banks listed on the Nigerian stock exchange. The average audit fee paid by a bank in Nigeria is ₦15,767.12 million with some Banks paying a minimum of ₦10,088.30 million and others a maximum of ₦51079.10 million. The Big4 audit firms in Nigeria are characterized with having more and better resources, thereby capable of providing better audit service than the non-big 4 audit firms. All the banks are being audited by Big4 audit firms in Nigeria. This is because both the Maximum/Max. & minimum/Min value are estimated at 1.000000.

Furthermore, on the overall, joint audit have a mean value of 0.930000, Maximum/Max. & minimum/Min values of 1.000000 and 0.00000 respectively. However, Most of the external auditors of the targeted banks were retained. Furthermore, the LLP ratio had an average value of 0.167366, Maximum/Max. & minimum/Min values of 0.961400 and 0.001100

In terms of degree of variation, the mean values of LLP are lower than its standard deviation values signaling that it has a high volatility. However, the mean values of AFS, NSAF, ATN, and JOA are higher than its standard deviation values signaling that they clustered around their volatility.

Table 3

Summary of Correlation Analysis

	LLP	AFS	NASF	ATN	JOA
LLP	1.000000				
AFS	-0.732623	1.000000			
NASF	0.581756	0.443045	1.000000		
ATN	0.616715	0.333750	0.215043	1.000000	
JOA	-0.528181	0.260899	0.248874	0.081385	1.000000

Source: Econometric Views Version (2022)

The correlation coefficient for all the study variables reported that audit firm size denoted by AFS had a negative coefficient value of -0.732623 signaling that audit firm size is negatively correlated with income smoothening parameter denoted by LLP and that such relationship is strong. Meanwhile, joint audit with a negative correlation coefficient of -0.528181 signals that Joint Audit is negatively correlated with income smoothening parameter denoted by LLP and that such relationship is moderate. However, both audit tenure and non-statutory audit fees are positively correlated with income smoothening and that such relationship is moderate since it is within the benchmark value of accepting that the correlation is moderate. Lastly, the result further revealed that none of the independent variables reported high correlation with each other. This suggests the possibility of no multi-collinearity problem.

Regression Result

Here, both the Breusch Pagan and Hausman test were used to test the model. While the Breusch Pagan test was used to choose between the Pooled Ordinary Least square and the Panel data regression (Random Effect) model, the Hausman test was used to choose between the Random Effect and Fixed Effect Model. The rule here is that if the p-value of the Breusch Pagan test is less than 5%, we will conclude that the Panel estimate is preferred while if its p-value is greater than 5%, we will conclude that the Pooled Ordinary Least square is most efficient. More so, if the p-value associated with the Chi-square of the Hausman test is less than 5%, we will conclude that the Fixed Effect Model estimate is preferred while if its p-value is greater than 5%, we will conclude that the Random Effect Model is most preferred.

Furthermore, the Cross sectional dependence test was used to further reaffirm the appropriateness of the regression result. In the light of these, both the regression results and robustness estimates are presented below:

Table 4

Panel Regression Estimates and Robustness Check

Dependent Variable: LLP
Method: Panel EGLS (Cross-section random effects)
Date: 17/07/22 Time: 05:57
Sample: 2012 2021
Periods included: 10
Cross-sections included: 10
Total panel (balanced) observations: 100
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Decison
C	1.916820	0.683758	2.803362	0.0059	
AFS	-0.568420	0.116261	-4.889160	0.0164	Significant
NASF	0.794558	0.265626	2.991262	0.0034	Significant
ATN	0.486210	0.215477	2.256435	0.0264	Significant
JOA	-0.059288	0.133194	-0.445121	0.6571	Insignificant
	Effects Specification				
			S.D.	Rho	
Cross-section random			22.18782	0.5140	
Idiosyncratic random			21.57480	0.4860	
	Weighted Statistics				
R-squared	0.591659	Mean dependent var		8.111515	
Adjusted R-squared	0.560337	S.D. dependent var		22.00637	
S.E. of regression	21.33214	Sum squared resid		52786.99	
F-statistic	8.504589	Durbin-Watson stat		1.660921	
Prob(F-statistic)	0.000000				
	Unweighted Statistics				
R-squared	0.526072	Mean dependent var		28.83183	
Sum squared resid	91553.71	Durbin-Watson stat		1.784664	

Robustness Check

	Cross-section	Time	Both
Breusch-Pagan	81.09780	1.105300	82.20310
	(0.0000)	**(0.2931)**	**(0.0000)**

Correlated Random Effects - Hausman Test

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	**1.405309**	**4**	**0.8433**

Source: Econometric Views Version 9.0 (2022)

Results in Table 4 revealed that the estimated coefficient of the Hausman test shows insignificant with the P-value of 0.8433. This suggests the acceptance of random effect model for investigating the effect of external audit attributes on ISMN of deposit money banks in Nigeria. To be able to choose between Random effect Model and Pooled OLS, however, the result for the Breusch-Pagan LM confirms that the best model is Random effect as its P-value was significant (P-value < 0.05). Therefore, the Random Effect model is used for the analyses. More so, the result shows that there is a presence of cross-sectional dependence of the estimates for the 10 sampled deposit money banks. By implication, the 10 sampled deposit money banks may have common heterogeneous factors that determine their performance in Nigeria.

Sequel to the above, the Random effect model as presented in table 4 above was used for the analysis. Specifically, the value of the co-efficient of determination, R^2 is 0.591659 which indicates the model was able to only 0.591659 variations in the independent variable. Meanwhile, the model is free from serial correlation since the Durbin Watson statistics 1.784664 is within the tolerance value of between 2 to 4. Finally, the F-statistic value of the model which stood at 8.504589 (0.0000) suggests that on the overall external audit quality has a high statistical significant effect on ISMN in the Nigerian banking industry. However, the individual results are tested in the next sub-section.

Discussions

The regression result in table 4 reported that Audit Firm Size (AFS) has an estimated that a negative coefficient value of -0.568420 signaling that 1% rise in Audit Firm Size (AFS) has the capacity to reduce the likelihood of ISMN by a significant value of 56.84%. This result is in tandem with the Apriori expectation of this study stated in section three. This reveals that both Audit Firm Size (AFS) and ISMN (LLP). In terms of statistical significant, it passed the test if statistical significant since its p-value estimated at 0.0164 is lesser than 5% significant level but greater than 95% confidence level. The policy implication here is that, banks audited by the big fours are most likely to reduce INSM than banks audited by small auditing companies. Justifiably, large audit firms are assumed to perform more powerful tests. This result is in line with the findings of Enegbe and Atu (2016) whom discovered that, a negative significant relationship exist audit firm size and earnings management.

Additionally, **t**he result showed that non-statutory statutory audit services have a direct effect on the ISMN (LLP) of DMBs in Nigeria. This implies that, if the fee given to external auditors for the services which they render to the bank is increased by 1%, it will increase the likelihood of bank managers' desire of engaging in ISMN by 79.46%. In line with the argument raised by Chu and Hsu (2018), non-audit services harm earning quality before the Act but do not produce any definitive results of non-audit services delivery impacts audit quality. In another development**,** Dada (2018) claimed that the provision by auditors of non-audit services to their clients would create economic ties between them. Therefore, this could undermine an audit quality. However, Zayol, and Kukeng (2017) reported that non-audit services (NAS) reduces ISMN tendencies.

Following the results obtained from this study, it is evident that audit tenure has a positive significant effect on ISMN (LLP) of banks in Nigeria. This implies that, a unit rise in audit rotation/tenure will increase ISMN (LLP) by a significant value of 0.486210. The argument here is that, longer audit tenure could be a threat to independence which is hinged on the fact that longer union between the client and the auditor may raise too much familiarity which could threaten "honest neutrality" as opined by Egolum (2021). According to Hohenfels (2016), the desire of an auditor to stay relevant in a company may make the auditor to confirm to illicit business activities thereby impairing the audit quality. Similar to the findings of this study is the case of Wilson, McNellis and Latham (2018) which examined the effect of audit rotation on audit quality and discovered that compulsory auditor replacement has its drawbacks in that increased audit tenure decreases audit risks due to broad and in-depth client business knowledge and related risks. To further buttress the latter assertion, However, Ndubuisi, Okere and Obi (2017) reported that client size, audit fee, leverage ratio and audit tenure reveal a joint significant association with the quality of audit. Also, indicates that audit fee particularly has an impact that is significant and positively associated.

Lastly, it is observed that joint auditor has a significant likelihood of reducing ISMN. This is evident from the variable of joint auditor with coefficient = 2.164, z-statistics = 2.40 and Probability z = 0.016. The result is not however surprising on the following assertions. Oladipupo, and Monye-Emina (2016) & Olarinoye and Ahmad (2016) argued that the practice of joint audit could increase audit quality thereby lowering ISMN for the following reasons. However, the findings refuted the claim that, championed by Egolum (2021) that, joint audit is important because long-running intimacy with the client by two auditors can erode independence hence ISMN becomes inevitable.

CONCLUSIONS AND RECOMMENDATIONS

Arising from the widespread failure in financial disclosure, there has been an intense desire of regulatory bodies to improve financial information quality by ensuring that the likelihood of ISMN is reduced to its barest minimum. It is on this premise that the present study seeks to examine the effects of external audit attributes on ISMN in listed deposit money banks in Nigeria. Further, the ex-post facto research design was used and emphases were laid on banks' data from 2012 to 2020- that is a period of ten (10) years in all. The study adopted panel data multiple regression estimation technique while data were analyzed through the Eviews-9 statistical package for data analysis. Following the results obtained and discussed in earlier sections and in relation to the critical review of past literatures, it is pertinent to conclude that, on the overall, external audit attributes have mixed effects on ISMN tendencies of bank managers in Nigeria in the periods under investigation. Hence, the paper made the following submissions:

i. Bank owners must ensure that they engage the services of credible auditing firms with track records of delivering reports that show the actual situation of the bank. Meanwhile, the FRC should have stiffer penalty for bank managers/auditing firms caught engaging in the act of ISMN.
ii. Owners and other stakeholders of deposit money banks should strictly adhere to the corporate governance code with regards to the use of external audit services are promptly paid in order to ensure that they oversee the operations, financial and non-financial affairs of the directors and management in their best interest.
iii. Serious attention should be given to issues that tend to improve compliance to audit tenure system in Nigeria.
iv. Less effort should be geared towards engaging policies that will discourage joint audit practices since joint auditing will likely lead to reduce ISMN behavior of bank managers as evidenced from the study.

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