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**OPTIMIZING AUDIT TENURE THROUGH EFFECTIVE BOARD GOVERNANCE:
EVIDENCE FROM LISTED NIGERIAN FIRMS**

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Abstract

This study examined the impact of board governance characteristics on audit tenure among listed Nigerian firms. Specifically, it investigates how board, audit and firm characteristics influence the duration of auditor engagement. The study used descriptive statistics, and a random-effects generalised least squares (GLS) regression model on 33 nonfinancial firms within a ten-year period (2014-2023) in Nigeria to analyse its data. The results reveal that the Wald chi2 statistic of 21.40, with a p-value of 0.0032, demonstrates that the independent variables collectively have a statistically significant effect on AUDT. When analysed individually, the analysis reveals that AUDS has a significant negative relationship with audit tenure, indicating that larger audit committees are associated with shorter audit tenures. This suggests that larger audit committees may enhance oversight functions, prefer periodic auditor rotation to maintain independence and ensure high audit quality. In contrast, other governance variables, such as BSIZ, BMET frequency, BODI, and BREM, do not have statistically significant effects on AUDT. The findings highlight the crucial role audit committees play in optimising audit tenure and enhancing corporate governance practices. The study recommends strengthening audit committees, adopting and enforcing regular auditor rotation policies, and enhancing board governance practices to improve auditor independence and the overall quality of financial reporting. These recommendations should aim to promote transparency and effectiveness in corporate governance within Nigerian listed firms.

Keywords: *Audit Committee, Board meeting, Board Independence, Auditor Tenure, Board Remuneration.*

Introduction

Corporate governance plays a pivotal role in shaping the strategic direction and accountability mechanisms of firms, particularly in emerging markets such as

Nigeria, where corporate scandals and financial misstatements have heightened the need for effective oversight. Among the various components of corporate governance, the board of directors and its associated committees are critical in safeguarding shareholder interests, ensuring management accountability, and promoting transparency. In the audit process, board committee oversight is particularly critical. While longer audit tenure (AUDT) can lead to greater familiarity and efficiency, it may also increase the risk of complacency and reduce auditor independence (Haruna, Bala & Bello, 2022). Conversely, shorter tenures may enhance independence but could compromise the depth of the auditor's understanding of the firm's operations and risks (Liu, Zhao, Tian, & Xie, 2021). To this end, Widmann, Follert, and Wolz, (2021) suggested that optimising audit tenure is essential for maintaining a balance between these competing thoughts, thereby ensuring reliable and transparent financial reporting. Importantly, most of the literature acknowledges that low audit quality may result from auditors' failure to maintain their independence, professional judgement, and professional scepticism. However, studies (Komal, Ye and Salem, 2022; Alodat, Al Amosh, Khatib & Mansour, 2023) have shown that companies can exert a significant level of influence on auditor selection and retention. This decision is largely influenced by the governance structure, and the firm's relationship with its owners as directors are largely responsible for selecting the appropriate auditor and making other audit retention decisions. The Nigerian corporate environment provides a unique context for this study because of its distinct regulatory landscape and evolving corporate governance practices (Bereprebofa & Sinebe 2022; Hossain, Hasan & Hasan, 2024). This study specifically examines key governance attributes such as board size (BSIZ), board meeting (BMET), board independence (BODI), board remuneration (BREM), audit committee size (AUDS), and audit committee tenure (AUDT) and their role in optimising corporate governance performance.

Research Gap

While previous studies have extensively examined board characteristics and audit committees' functions in various aspects of corporate governance, there remains a notable gap in the literature regarding the specific impact of governance attributes on audit tenure, especially in emerging markets such as Nigeria. Much of the existing research has focused on developed economies where regulatory environments, corporate governance standards, and market dynamics differ significantly from those in Nigeria. This geographic and contextual discrepancy limits the applicability of such findings to Nigerian firms, where corporate governance practices are still evolving and often face unique challenges such as weaker regulatory enforcement, higher levels of corruption, and limited market transparency. This study addresses these gaps by focusing specifically on the Nigerian context and considering a broader range of board and audit committee characteristics where the need for robust oversight mechanisms is critical to fostering investor confidence and ensuring sustainable economic growth.

Literature Review

Conceptual review of Audit Tenure

Audit tenure refers to the length of time an audit firm has continuously served as the auditor to a company. The duration of this relationship is a critical element of corporate governance, as it can impact both the independence and quality of the audit. Proponents of longer audit tenures argue that extended periods allow auditors to gain a deeper understanding of a company's operations, leading to more effective and efficient audits (Sinebe, 2020a; Jadiyappa, Hickman, Kakani & Abidi, 2021; Daryaei, Balani & Fattahi, 2024). However, opponents suggest that long tenures may impair auditor independence due to the development of close relationships with management, potentially resulting in less rigorous audits (Garcia-Blandon, Argiles & Ravenda, 2020). For example, the measurement of the quality of audits, such as abnormal accruals, changes in working capital accounts over time, discretionary loan loss provisions, and the probability of a small positive earnings benchmark being met by a small positive income, should affect earnings management. Almarayeh, Abdullatif and Aibar-Guzmán, (2022) argued that tenured managers avoid tailoring earnings management to the demands of the securities market and may be better at managing earnings relative to auditors. Daoust and Malsch (2020) also examined what happens to the client's earnings management after the audit fee reaches a nonincreasing range due to the long-term auditor-client relationship, and their results show that when the tenure premium of the Big 4 auditing firms reaches the nonincreasing range, the earnings management level of the client companies is increases, and the abnormal audit fees will also increase significantly.

Board Size and Audit Tenure

The size of a company's board can have a significant effect on its governance practices and oversight capabilities as larger boards may benefit from a wider range of expertise and perspectives, which can enhance oversight and decision-making quality (Kaabi, 2023). However, previous studies have shown mixed results concerning the impact of the BSIZ on audit tenure. According to a study conducted by Okolo and Sinebe, (2025), there is evidence that larger boards tend to prefer longer audit tenures. This preference may be attributed to their inclination to rely on existing auditor connections to minimise uncertainty. In contrast, other studies like Masmoudi, (2021) argue that smaller boards, with more streamlined decision-making processes, may prefer shorter audit tenures to ensure continuous auditor independence and objectivity.

Board Meetings and Audit Tenure

BMET are vital aspects of board oversight functions. The frequency and effectiveness of these meetings are often used as proxies for board diligence and commitment to governance (Vafeas, 1999). A greater number of BMET may indicate more proactive governance, which can influence audit tenure. Prior research has shown that frequent BMET are associated with shorter audit tenures, as active boards may seek to regularly evaluate and rotate auditors to maintain independence and ensure fresh perspectives (Paolone, Pozzoli, Cucari, & Bianco, 2023). Conversely, some studies suggest that frequent meetings may lead to longer audit tenures due

to increased interaction and familiarity between the board and the auditor ((Sun & Bhuiyan, 2020; Alhababsah & Ismail. 2023)

Board independence and Audit Tenure

The BODI is widely considered a cornerstone of efficient corporate governance. Independent directors are required to provide neutral scrutiny and operate in the best interests of shareholders (Olagunju, Oluwakayode, Adenle & Bamigboye, 2024). As observed in prior research, boards with a greater share of independent directors are more likely to advocate for shorter audit tenures to safeguard auditor independence and prevent conflicts of interest (Agyei-Mensah, 2018). However, other studies have reported no significant relationship between the BODI and audit tenure, suggesting that other factors may also play a critical role (Haruna, et al., 2022).

Board Remuneration and Audit Tenure

Board remuneration is another critical factor that can influence corporate governance and audit practices. Compensation structures can impact directors' motivations and alignment with shareholder interests (Sarhan & Al-Najjar, 2023; Ekokotu, Sinebe & Eyenubo, 2024). The relationship between board remuneration and audit tenure remains underexplored in the literature. Some studies indicate that higher remuneration levels may lead to longer audit tenures, as well-compensated boards might favour stability and continuity in auditor relationships (Jayeola, Olugboyega, Adekunle & Olympus, 2020). Other studies (Focke, 2022; Stephen, Sinebe, Mokobia, Agbogun & Ighoroje, 2024) suggest that competitive remuneration may encourage boards to prioritize auditor independence and seek regular auditor rotations.

Audit Committee Meetings and Audit Tenure

The frequency of audit committee meetings, which play a critical role in reviewing the financial reporting process and ensuring the accuracy of financial statements, is commonly used as a measure of a committee's diligence and effectiveness (Sinebe & Okolo, 2022). Some existing studies suggest that more frequent audit committee meetings are associated with shorter audit tenures, as diligent committees are more likely to advocate for periodic auditor rotations to maintain independence (Blay, Hoeyi, Badu & Jibril, 2014). However, other studies (Sinebe & Henry, 2023; Olagunju, et al. 2024) have shown that frequent meetings may not necessarily lead to shorter tenures, as audit committees may also value the continuity and institutional knowledge of long-serving auditors.

Firm Size, Firm Age and Audit Tenure

Alabdullah and Ahmed (2020) suggested that firm size and firm age are important contextual factors that can influence corporate governance practices and audit tenure. Larger firms may have more complex operations, which can impact the length of auditor relationships. Previous studies have shown that larger firms tend to have longer audit tenures due to the increased challenges and costs associated with changing auditors (Daoud, 2020; Salman & Setyaningrum, 2023; Sinebe, 2021). However, other research suggests that larger firms may also be more likely to rotate auditors to ensure independence and compliance with regulatory requirements

(Bereprebofa, Sinebe & Akpotu, 2023; Salman, et al., 2023). Similarly, firm age can influence audit tenure, as older firms with established governance practices may favour longer auditor relationships to benefit from continuity and familiarity (Daoust, et al., 2020; Horton, Livne, & Pettinicchio, 2021; Sinebe, 2020). Conversely, younger firms may prefer shorter tenures to leverage fresh insights and enhance auditor independence (Jeroh, Okolo & Sinebe, 2022; Sinebe 2022).

Theoretical Review

Resource Dependence Theory

Pfeffer (1978) posited that firms rely on external resources for their survival and performance, and that boards can help reduce this dependence by leveraging their networks, expertise, and connections. In the context of audit tenure, resource dependence theory suggests that board characteristics such as board size, board diversity, and board expertise can influence the auditor-client relationship. Larger boards with diverse expertise and connections can provide valuable resources to a firm, potentially leading to longer audit tenures. This is because a well-resourced board may prefer the stability and continuity of a long-standing auditor relationship, which can help the firm maintain consistent financial reporting and audit quality (Mahenthiran, Palavecinos, & De La Fuente-Mella 2020; Paolone, et al., 2023; Sinebe, 2023a). Additionally, a knowledgeable and well-connected board may feel confident in managing potential risks associated with longer audit tenures, such as reduced auditor independence.

Stakeholder theory

Stakeholder theory broadens the focus of corporate governance beyond mere shareholders to include a broader array of stakeholders, such as employees, consumers, suppliers, and the community (Freeman & Phillips, 2002). Stakeholder theory suggests that decisions regarding auditor relationships should consider the potential impact on all stakeholders, not just shareholders, in the context of audit tenure (Akther & Xu, 2020; Akan, Sinebe & Bereprebofa, 2023). For example, longer audit tenures may benefit stakeholders by providing continuity and stability in financial reporting, which can enhance stakeholder trust and confidence in the firm. However, if long tenures compromise auditor independence and lead to questionable financial reporting, stakeholders could be negatively affected. Therefore, board governance practices that emphasise stakeholder interests, such as BODI and regular audit committee meetings, may favour shorter audit tenures to ensure transparency and accountability in financial reporting (Alhababsah, et al., 2023; Sinebe & Jeroh, 2023).

Conceptual Model

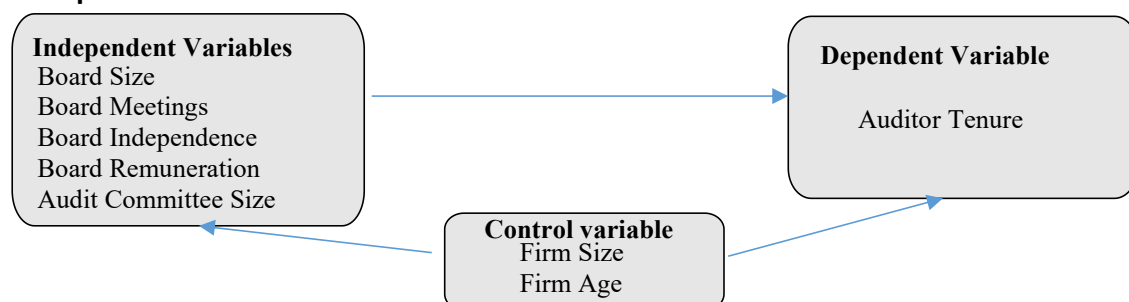


Figure 1: Authur's conceptual model, 2025.

Empirical Review

In a study by Judge, Goodson and Stefaniak, (2024), it was found that exposing an audit firm's long tenure in the report enhances investors' judgments that the firm's independence was harmed during auditing. However, a partner rotation disclosure in the audit report moderates the effect of long tenure disclosure, preventing investors from perceiving enhanced independence degradation when lengthy firm tenure is reported. This outcome is mitigated by partner rotation disclosure. The findings could help regulators understand the effects of their disclosure mandate and audit firms by limiting the implications of such effects.

Sarhan et al. (2022) examined the impact of firm governance and ownership structure on corporate social responsibility performance. It uses a UK dataset of FTSE 350 nonfinancial listed corporations from 2002 - 2016. The results show that corporate governance has a beneficial effect on corporate social responsibility, whereas institutional and management shareholdings are negatively associated with performance. The study also reveals a substitutive link between institutional holdings and corporate governance standards and a complementary link between management shareholding and governance standards. The findings support the emphasis on creating successful pay policies and practices in the UK Corporate Governance Code, highlighting the importance of effective corporate governance.

Jayeola et al. (2020) examined the impact of audit committee (AC) diligence on corporate performance in Saudi Arabia, with a focus on the moderating effects of family ownership. The study also revealed that higher AC meetings and attendance led to negative business performance, contradicting existing research. The findings also support socioemotional wealth theory, which states that family owners prioritise addressing their family's emotional demands over company performance. The findings can guide policymakers in creating efficient governance structures that reflect the cultural and social traditions of business activities in a region.

Hypotheses for the Study

H₀₁: The BSIZ has no significant effect on audit tenure in Nigerian listed firms.

H₀₂: The frequency of BMET does not significantly affect audit tenure in Nigerian listed firms.

H₀₃: BODI has no significant influence on audit tenure in Nigerian listed firms.

H₀₄: There is no significant relationship between BREM and audit tenure.

H₀₅: The size of the audit committee (AUDS) does not significantly impact audit tenure in Nigerian listed firms.

Research methodology

This study used an ex-post facto research design to test hypotheses with secondary data from a study population of thirty-three (33) nonfinancial Nigerian firms between 2014 and 2023. The descriptive statistics were used to describe the data, whereas the correlation test was used to ascertain the degree of relationship among the variables. The coefficients were estimated via a random regression model, while diagnostic tests were also conducted to ensure the validity of the model, which included tests for multicollinearity and heteroscedasticity via relevant statistical software.

Model Specification

The econometric term of the study is as follows:

Effective Board Governance = F(BSIZE, BMET, BODI, BREM, AUCS, AUDT, FSIZ, FAGE)

$$EBG_{it} = \alpha_0 + \alpha_1 BSIZE_{it} + \alpha_2 BMET_{it} + \alpha_3 BODI_{it} + \alpha_4 BREM_{it} + \alpha_5 AUCS_{it} + \alpha_6 AUDT_{it} + \alpha_7 FSIZ_{it} + \alpha_8 FAGE_{it} + U_{it} \quad (I)$$

α is the intercept term.

$\alpha_0, \alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5, \alpha_6, \alpha_7$ and α_8 are the coefficients for the respective variables.
 U_{it} is the error term.

Variable and Measurements

S/no	Acronym	Variable	Measurement
1		Board size	measured as the total numbers of all directors of a company including the Chairman +Vice Chairman +CEO/Managing director + Executive Directors +Non-Executive Directors or Independent Directors but excluding the company secretary.
2	BMET	Board Meetings	measured as the number of the board meetings held by the board of directors in a year.
3	BODI	Board Independence	measured as the non-executive board of directors divided by total board size (%).
4	BREM	Board remuneration ratio	measured as total director remuneration divided by sales or revenue (%).
5	AUCS	Audit committee size	measured as is the total directors and non-directors in the audit committee.
6	AUDT	Auditors' tenure	measured as dummy where is computed as "1" is assigned to companies that use external auditor that have stayed for 3 years and "0" for auditors with less than 3 years of engagement.
7	FSIZE	Firm size	measured as natural log of total asset.
8	FAGE	Firm Age	measured as number of years a company is trading in the stock exchange.

Analysis Results and Discussion of Findings

Descriptive statistics

Table I: Summary of descriptive statistics

STATS	AUDT	BSIZ	BMET	BODI	BREM	AUDS	FSIZE	FAGE
MEAN	.7424	9.776	4.642	67.74	1.045	5.848	7.088	23.26
MIN	0	4	1	0	.0062	4	5.2473	2
MAX	1	19	15	94.44	17.59	9	9.1811	46
MEDIAN	1	9	4	70	.3689	6	7.035	24
SD	.438	2.948	1.24	15.97	2.016	.753	.765	13.03
N	330	330	330	330	330	330	330	330

Source: Researcher's regression output, 2024.

The statistics in Table I above provide a description of the data used in the study. AUDT, a binary variable, has a mean of 0.7424, a minimum of 0, a maximum of

1, a median (p50) of 1 and a standard deviation (SD) of 0.438. The mean value of approximately 0.74 indicates that most firms in the sample have a longer audit tenure, with a median value of 1, supporting this observation, and a standard deviation of approximately 0.44. The predominance of long audit tenures (as indicated by a mean closer to 1) suggests that many firms prefer to retain their auditors for extended periods. This could reflect confidence in the auditor's ability to provide effective oversight but may also raise concerns about auditor independence over time. BSIZ has a mean value of 9.776, a minimum of 4, a maximum of 19, a median of 9, and a deviation of 2.95. The data reveal that the average BSIZ is approximately 10 members, with a range from 4 - 19 members, whereas the standard deviation of approximately 2.95 indicates moderate dispersion in the BSIZ across the firms. The data suggest that most firms have moderately sized boards and audit committees, with a strong presence of independent directors.

However, the wide range of board remuneration indicates variability in how boards are compensated, which could influence governance quality and effectiveness. BMET has a mean of 4.642, a minimum of 1, a maximum of 15, a median of 4, and a standard deviation of 1.24. This means that on average, boards meet approximately 4.6 times per year, and the number of meetings ranges from 1 to 15. This finding indicates that while some boards meet less frequently, others do so more frequently. The relatively low standard deviation of approximately 1.24 suggests that the number of BMET is fairly consistent among firms. The BODI has a mean of 67.74, a minimum of 0, a maximum of 94.44, a median of 70, and a standard deviation of 15.97. This shows that the average number of independent directors on boards is approximately 67.7%, with a range from 0% (no independent directors) to approximately 94.4%. The median value is close to the mean, at 70%, suggesting a generally high level of BODI in most firms. The standard deviation of approximately 16% indicates moderate variability in the proportion of independent directors across firms. BREM has a mean of 1.045, a minimum of 0.0062, a maximum of 17.59, median 0.37, and a standard deviation of 2.016.

The statistics indicate that the mean board remuneration score is approximately 1.045, with a wide range from near zero to 17.59. The median value is significantly lower than the mean, indicating a skewed distribution, with a few firms having significantly higher remuneration than others. The high standard deviation also reflects the variability in board remuneration practices. The AUDS has a mean of 5.848485, a minimum of 4, a maximum of 9, a median of 6 and a standard deviation of 0.753. We observe that the average AUCS is approximately 5.85 members, with sizes ranging from 4 - 9. The median is 6, suggesting that most firms have audit committees of similar sizes. The low standard deviation of approximately 0.75 indicates that there is little variation in AUCS among firms. FSIZE has a mean of 7.088, a minimum of 5.2473, a maximum of 9.18, a median of 7.035, and a standard deviation of 0.765. This indicates that the study FSIZE, measured in logarithmic form, has a mean value of approximately 7.08. The range of 5.25 - 9.18 indicates some variability in the sample's FSIZEs. A standard deviation of approximately 0.76 suggests moderate dispersion in FSIZEs. FAGE, represented by FAGE, shows that the mean approximately 23 years, with a minimum of 2 years and a maximum of 46 years. At 24 years, the median is very close to the mean, indicating that most firms

are well-established. The standard deviation of approximately 13 years reflects a significant variation in FAGE within the sample. These insights are crucial for understanding how board governance can be optimised to enhance audit practices and promote overall corporate governance effectiveness.

Correlation analysis

Table II: Summary of the Pearson correlation analysis results

	AUDT	BSIZ	BMET	BODI	BREM	AUDS	FSIZE	FAGE
AUDT	1.0000							
BSIZ	-0.0049	1.0000						
BMET	-0.0414	0.1692	1.0000					
BODI	-0.0247	0.1279	0.0464	1.0000				
BREM	0.1228	-0.1659	-0.0970	0.0825	1.0000			
AUDS	-0.1648	0.2846	0.1600	0.0250	-0.2107	1.0000		
FSIZE	0.0916	0.0663	-0.1261	-0.1137	0.0295	0.1165	1.0000	
FAGE	0.0986	-0.1195	0.0286	-0.1479	0.2774	0.1950	0.2063	1.0000

Source: Researcher's regression output, 2024.

Table II displays a summary of the correlation matrix. The test results indicate that BREM is positively correlation with AUDT (0.1228), suggesting that higher board remuneration might be slightly associated with longer audit tenure, although the relationship is weak. BREM shows a weak negative correlation with BSIZ (-0.1659) and AUDS (-0.2107), suggesting that higher board remuneration might be slightly associated with smaller boards and smaller audit committees. The weak positive correlation between board remuneration and AUDT could indicate that better-compensated boards may have longer audit relationships, possibly due to stronger oversight or better alignment of auditor and board interests. However, the negative correlations with BSIZ and AUDS might suggest that higher remuneration is associated with smaller governance structures, which could impact governance dynamics and audit quality. AUDS has a negative correlation (-0.1648) with AUDT, indicating that larger audit committees might be associated with shorter audit tenures, but again, the relationship is weak.

AUDS has a moderate positive correlation with BSIZ (0.2846), indicating that larger boards are likely to have larger audit committees, and a weak negative correlation with BREM (-0.2107), suggesting that larger audit committees might be slightly associated with lower board remuneration. BMET has a low positive correlation with BSIZ (0.1692), indicating that firms with larger boards may have more frequent BMET, but the relationship is weak. The BODI has low correlations with all other variables, suggesting minimal linear relationships. The highest correlation is with the BSIZ (0.1279), but this is still weak. The moderately positive correlation between the BSIZ and AUDS suggests that firms with larger boards tend to have larger audit committees, which might enhance oversight and governance quality. FSIZE has low correlations with all variables, with the highest being FAGE (0.2063), indicating that older firms tend to be slightly larger in size. FAGE shows low to moderate correlations with other variables, with the highest being with BREM (0.2774), suggesting that older firms might have slightly higher board remuneration. The low correlations between FSIZE and FAGE with other governance variables suggest that these firm characteristics may not have a strong direct influence on

governance practices or AUDT, although older firms might slightly favour higher board remuneration, suggesting that the impact of these governance characteristics on audit tenure may not be straightforward or directly linear.

Results of the Multicollinearity Test

Table III: Variance inflation factor (VIF) analysis (VIF) test Results

VARIABLE	BSIZ	BMET	BODI	BREM	AUDS	FSIZE	FAGE	MEAN VIF
VIF	1.17	1.08	1.07	1.22	1.25	1.09	1.28	1.17
1/VIF	0.8512	0.9281	0.9312	0.8226	0.7974	0.9135	0.7796	

Source: Researcher's regression output, 2024.

The Variance inflation factor (VIF) is a measure that helps detect multicollinearity among the independent variables in a regression model. A VIF greater than 10 is generally considered indicative of high multicollinearity, which may warrant further investigation or corrective measures. However, the study VIF values are well below 2, with the highest being 1.28 for FAGE. Given the low degree of multicollinearity, the results from the regression analysis discussed previously (showing that AUDS significantly affects AUDT while other variables do not) are robust.

Breusch and Pagan Lagrangian multiplier test

Table IV: Other Diagnostic Tests

Breusch and Pagan Lagrangian Multiplier test	
Decision rule	If p -value is statistically significant, then reject Ho and accept HA
Result	chibar2(01) = 0.88, Prob > chibar2 = 0.1747
Hausman Test	
Decision rule	If p -value is statistically significant, then reject Ho and accept HA
Result	Wald chi2(7) = 21.40, Prob>chi2 = 0.0032

Source: Researcher's regression output, 2024.

From our analysis, we observe that the FE chi2 statistic is 1.60 with a p-value of 0.9785, a larger p-value (greater than 0.05), which suggests that we fail to reject the null hypothesis. This suggests that the random effects (RE) model with a chi2 statistic of 0.88 and a p -value of 0.1747 is preferable for this dataset because it is more efficient (i.e., it has smaller standard errors), and there is no evidence of systematic differences in the coefficients estimated by the two models.

Hypotheses testing

Table V: Summary of random effect regression model result

AUDT	COEF.	STD.ERR.	z	P> z
BSIZ	.0103484	.0086291	1.20	0.230
BMET	-.000248	.0196312	-0.01	0.990
BODI	-.0006089	.0015649	-0.39	0.697
BREM	.0130955	.0128775	1.02	0.309
AUDS	-.1200814	.0351253	-3.42	0.001
FSIZE	.0496741	.0320204	1.55	0.121
FAGE	.0037913	.0020489	1.85	0.064
_CONS	.9320025	.3167065	2.94	0.003

OBS	330
Wald chi2(7)	21.40
Prob > chi2	0.0032

Source: Researcher's regression output, 2024.

Table V displays the results of the random-effects GLS regression model. This model operates under the assumption that the individual effects are randomly distributed and have no correlation with the explanatory variables. According to our analysis, the R-squared (within) is 0.0644, the R-squared (between) is 0.0007, and the R-squared (overall) is 0.0594, with a Wald chi2(7) of 21.40 and Prob > chi2 of 0.0032. The overall R-squared value of 0.0594 indicates that approximately 5.94% of the variance in audit tenure is explained by the model, suggesting a modest fit. The within-group R-squared of 0.0644 reflects the model's explanatory power on the basis of within-group variability (across fiscal years). While the R-squared value of 0.0007 indicates negligible explanatory power for differences between fiscal years, the Wald chi2 statistic of 21.40, with a p-value of 0.0032, demonstrates that the independent variables collectively have a statistically significant effect on audit tenure at the 1% significance level. Individually, the BSIZ coefficient is 0.0103484, with a p-value of 0.230, indicating that it has no significant effect on AUDT (Younas, UdDin, Awan & Khan, 2021; Ludwig, & Sassen, 2022).

The BMET coefficient of -0.000248, along with a p-value of 0.990, indicates that there is no statistically significant correlation between BMET and audit tenure (Haruna, et al., 2022; Sinebe & Akpomiemie, 2023). The BODI coefficient is -0.0006089, with a p-value of 0.697, suggesting that the BODI has no significant effect on audit tenure (Sinebe, 2023b; Nguyen & Huynh, 2023). Similarly, the coefficient for BREM is 0.0130955, but it is not statistically significant (p = 0.309), indicating that it does not have a significant effect on audit tenure (David, & Festus, 2023; Nasta, Magnanelli, & Ciaburri, 2024). On the other hand, the AUDS coefficient is -0.1200814, which is statistically significant at the 1% level (p = 0.001). This suggests a negative relationship between AUDS and AUDT (Alawaqleh, Almasria & Alsawalhah, 2021; Salehi, Zimon, Tarighi & Gholamzadeh, 2022), indicating that larger audit committees are associated with shorter audit tenures, likely due to enhanced oversight and a preference for periodic auditor rotation to ensure independence. This finding supports the notion that larger audit committees may promote shorter audit tenures, potentially due to more rigorous oversight and a desire for auditor rotation to maintain independence.

Conclusion

The results indicate that audit committee size (AUDS) has a significant negative effect on audit tenure, suggesting that firms with larger audit committees tend to have shorter audit tenures. This could be due to enhanced oversight and a preference for periodic auditor rotation to ensure independence and maintain audit quality. Conversely, other governance variables such as board size (BSIZ), board meeting frequency (BMET), board independence (BODI), and board remuneration (BREM) do not have statistically significant relationships with audit tenure. The findings underscore the importance of audit committee characteristics in shaping audit tenure and highlight the critical role that audit committees play in promoting auditor independence and enhancing the quality of corporate governance. Effective

audit committees can provide robust oversight and advocate for regular auditor rotation, which helps to optimise audit tenure and prevent the potential risks associated with excessively long auditor-client relationships.

Recommendations

On the basis of the findings of this study, several recommendations can be made to improve corporate governance practices and optimise audit tenure in Nigerian listed firms:

1. Firms should consider enhancing the size and expertise of their audit committees. This can lead to shorter, optimal audit tenures that promote auditor independence and improve audit quality.
2. To avoid potential threats to auditor independence associated with long audit tenures, firms should adopt policies that mandate the regular rotation of auditors. This practice can prevent the development of overly close relationships between auditors and management.
3. Given the limited explanatory power of the model, future research could explore additional variables that may influence audit tenure, such as firm-specific characteristics, industry effects, or macroeconomic factors in relation to further research.

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