EFFECT OF AUDITORS' TENURE AND AUDITOR INDUSTRY SPECIALIZATION ON FINANCIAL STATEMENT FRAUD OF LISTED NON-FINANCIAL FIRMS ON THE NIGERIAN EXCHANGE GROUP

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Abstract
This paper aimed at ascertaining the effect of auditors' tenure and auditor industry specialization on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group for a period of 2011 to 2022. The study employsex-post facto design and secondary data. The population consisted of ninety-five (95) non-financial firms listed in the Nigerian Exchange Group as at December, 2022. The final sample consisted of seven-six (76) non-financial firms selected using purposive sampling. We applied Robust least square regression analysis in addition to the application of Beniesh M-score model to proxy the likelihood of financial statement fraud where applicable, via the E-view 9 software for the panel data in order to determine the relationship between the variables.Findings from this study indicated thatauditors' tenure and auditor industry specialization have no significant positive effect on financial statement fraud of non-financial firms listed on the Nigerian Exchange Group.On the basis of the above findings, we recommended thatregulatory authority should ensure a moderate audit tenure of 5years, to enable the audit firm have time to understand client's business and give a thorough audit to reduce financial statement fraud. The study also recommended that since auditor industry specialization has no significant effect on financial statement fraud of listed non-financial firms, then regulatory bodies should enforce compliance on auditing guidelines by audit firms whether industry specialist or non-industry specialist auditors in other to reduce financial statement frau
***Keywords**: Auditors' Tenure; Auditor Industry Specialization; Fraud; Financial Statement Fraud*

Introduction
The variation in the outlook of corporate organizations in terms of sizes, activities and articulate presentation of their financial statement does not connote the presence or absence of fraud. Investor's evaluation, compensation to managers and meeting contractual obligation depends on the earnings numbers being reported in the published annual reports of a firm (Ohidoa, 2021). Various decisions of a firm ranging from investment, financing, dividends or liquidity decisions depend on their earnings metrics. Even, the establishment and implementation of uniform financial reporting has not stopped the existence of fraudulent practices in corporate organizations. This was evidenced in the media report in the early 1990s and 2000s, where rampant shareholder unrest was at its peak. (Abdullah & Mansor, 2015). The financial statement is expected to provide stakeholders with timely and reliable

information, which is expedient for effective and efficient decision making. Being the tools used by management of corporate organization for reporting and communicating financial performance, the stakeholders do expect a zero level of manipulation in the preparation, presentation and reporting of financial statement. However, Alaryan (2015) opined that the reverse is the case in most corporate organizations, as records of manipulation occur in financial statement of companies with the aim to mislead users. This was evidenced in the cases of accounting and financial scandals such as: Enron (2001), WorldCom (2004), Cadbury (2006), Parmalat (2003) and Xerox (2002), that led investors to discredit financial statement information and central to these issues were corporate governance failure (Klein, 2008). These scandals were usually caused by the conflict of interest inherent in the relationship between the principals and the managers. These resulted in huge losses of stakeholders' funds in the collapsed firms. The role of financial statement fraud on the output and growth of non-financial firms in Nigeria has raised a lot of concerns, despite the fact that most of all these financial statements are audited by registered accountants/auditors in Nigeria; managements have always found loopholes in perpetrating financial statement fraud. Over the past few years, corporate failures observed in Nigeria have continued to raise burning question on the relevance and reliability of audit reports, especially where shareholders interest is not protected (Egbunike & Abiahu, 2017).However, financial statement frauds in Nigeria have not been resolved in a way that can boost investors' confidence; also, the public confidence has waned as a result of lack of check and balances in the political terrain and poor corporate governance practice. Also, lack of consensus among contemporary scholars about audit firm attributes and financial statement fraud generates academic debate and when effort had been made to resolve this argument empirically, the results appear more perplexing, hence the desirability of study in this area. To this end, the paper ascertains the effect of auditors' tenure and auditor industry specializationon financial statement fraud of listed non-financial firms on the Nigerian Exchange Group as at 31st December, 2022. The following null hypotheses will guide this study: Auditors' tenure does not have significant effect on financial statement fraud of listed non-financial firms in Nigeria.; Auditor's specialization does not have significant effect on financial statement fraud of listed non-financial firms in Nigeria.

Literature Review
Conceptual Review

Auditors' Tenure
The Cohen Commission (AICPA 2016) mentioned that a new auditor brings a fresh perspective to the audit. Audit tenure is the duration or length of the auditor-client relationship. A rather too long association between the auditor and his client may

constitute a threat to independence as personal ties and familiarity may develop between the parties, which may lead to less vigilance on the part of the auditor.

Sarbanes-Oxley Act commonly known as the SOX Act (2012), found it unlawful for a lead audit partner and reviewer of a registered public auditing firm to conduct audit of client if he has ever been involved in each of the five (5) previous audits of the same client. This Act however falls short of requiring audit firm rotation. It has been thought firms may go ahead and require audit firm rotation especially in cases where there is a change of the lead audit partner. Certainly, long audit tenure has been indicated as a devising factor that may have facilitated the many emerging corporate scandals. Knapp (1991) shared a similar opinion on the connection between audit tenure and competence with the US audit committee. They agreed that there are high chances that an auditor in the first year of his mandate will detect anomaly and that the ability to detect error decreases gradually, reaching its weakest level after 20 years of engagement hence negating the association of audit tenure with quality.

Auditor industry specialization

Auditor industry expertise encompasses the development of constructive ideas to help clients create added value and provision of novel perspectives/solutions for some issues with which clients may face in the scope of their industries. For auditors to be known as industry experts, they should recognize and well understand particular issues of the respective industry, identify key organizations operating in the industry, and know how particular issues of the industry may affect different sectors across the industry (Kend, 2008).

Although a great deal of attention has been dedicated to the subject matter of audit industry expertise within the recent years, a universal measure of audit industry expertise is yet to be developed (Neal & Riley, 2004). There are two preliminary criteria to recognize an auditor as one with industry expertise: Market share approach (Balsam et al., 2003; Dunn & Mayhew, 2004), and portfolio share approach (Krishnan, 2003). In addition, Neal and Riley (2004) proposed a new combined measure expressed as a function of market share and portfolio share.

Market share approach represents an auditor of industry expertise in terms of an audit institution which has made itself distinctive of its competitors in terms of its market share in a certain industry. This approach assumes that, one can achieve a measure of knowledge and industry expertise of audit institutions serving a certain industry, by observing their relative market shares in that industry. Accordingly, the institution with larger market share of a certain industry is supposed to enjoy a greater deal of knowledge and expertise within the scope of that industry.

Portfolio share approach considers, for each audit institution, relative distribution of audit services over different industries. Put it simply, every audit institution has clients which together form its portfolio. The industry with the largest number of clients within the portfolio of an audit institution may represent the audit institution's industry of expertise. This approach relies on how important is each industry within the client portfolio of the auditor (Krishna, 2003).

The third measure for industry expertise is the combined measure proposed by Neal and Riley (2004). This measure combines the market share and portfolio share measures together.

Fraud

Fraud has no generally acceptable definition; the reason is that fraud implies different things to different individuals. Fraud is the intentional misrepresentation, concealment, or omission of the truth for the purpose of deception/manipulation to the financial detriment of an individual or an organization which also includes embezzlement, theft or any attempt to steal or unlawfully obtain, misuse or harm the asset of the organization. This indicates that fraud is distinct from mistake, since the latter is the consequence of human limitations without attempting to mislead (Hamilton & Gabriel 2014).

Financial Statement Fraud

Fraudulent financial reporting is an intentional misstatement or omission of amounts or disclosures with the intent to deceive others. Financial statement fraud is the deliberate fraud committed by management that injures investor and creditors with materially misleading financial statement (Khahn 2009). Financial accounting fraud consists of financial information falsification, by distorting entries in accounting records thus misleading stakeholders. It is therefore important to differentiate between financial statement error and financial statement fraud. Financial statement error refers to unintentional misstatement in financial statement, including the omission of an amount or a disclosure.

Reliability and Credibility of Financial Statement.

Reliability of audit report has to do with a condition in which the investors and all the company stakeholders consistently find the audit reports and opinion about a company's financial statements and position to be both dependable and credible (Mitra, Deis & Hossain 2009). Mitra, Deis and Hossain (2009) contend that the immediate objective of an audit is to improve the reliability of information. Improvement in the reliability of corporate disclosure minimizes the risk that an investor or creditor will make a poor decision simply because the information is inaccurate or wanting in quality. The higher the quality of information that investors and creditors use for the assessment of economic risk is, the better will be their chances of making sound decisions; their information risk becomes lower. According to Saputra (2015), this information risk perceived by investors and creditors is reflected in the hurdle rates of the firms. Both suppliers and users of capital benefit from reliable corporate disclosure. Knechel, Krishman, Pevzner, Shechik and Velury (2012) recognize the fact that the way in which audit independence improves the reliability of information used for investment and credit decision is well understood both in theory and practice. Credibility of financial statements refers to the extent to which investors rely on the information reported in financial statements as a result of the faith or trust the investors have in the financial statements presented to them.

Theoretical Review

This section focuses on the review of theories that are related to the study.

Theory of Inspired Confidence/Rational Expectations Theory

Theodore Limperg of the University of Amsterdam in 1926 propounded a theory, known as the Theory of Inspired Confidence, which ultimately transformed into theory of rational expectations. The theory asserts that the worth of the auditors' report is a function of the auditor technical know-how, auditor independence and his professional competence. Generally speaking, this theory is a non-static theory which presupposes that as the business community evolves, so also the demand it put on the auditors' function (Millichamp & Taylor, 2012). Limperg proposed that the work performed by the auditor ought to be guided by the realistic expectation of the users of audit reports and the expectation should not be dashed by the auditor. In the other hand, auditors should not give auditee unrealistic hope that cannot be attained. Limperg‘s theory states that the usefulness of the auditor‘s opinion is based on the general understanding the society has about the usefulness of audit. Limperg stresses the social usefulness of auditors in meeting societal expectations for reliable financial information. The auditor must meet the expectations of the rationally well knowledgeable layman but should not create unrealistic expectations that cannot be justified by the work carried out. The auditor thus has a broader duty to society than a mere a watchdog for the shareholders (Millichamp& Taylor, 2012). Limperg‘s Theory dwells majorly on demand and the supply of audit services.

The Agency Theory

The Agency Theory is based on the relationship between the principal (owners) and the agent (managers) (Jensen & Meckling, 1976). The separation of ownership from management in modern corporations provides the context for the function of the agency theory. Modern organizations have extensively strewn ownership, in form of shareholders, who are not usually involved in the management of their companies (Patton, 1990). In these situations, an agent is appointed to oversee the daily operations of the company. This separation of ownership from control generates conflicts of interests between agents and principals, which result in costs associated with resolving these conflicts (Jensen & Meckling, 1976; and Eisenhardt, 1989).Thus, the key dilemma indicated by agency theory is ensuring that managers pursue the interests of shareholders and not only their own interests. Eisenhardt (1989) elucidates that agency problems start when "The goal of the principal and agent conflict, and it is difficult and costly for the principal to verify what the agent is actually doing". Controversy occurs because principals are unable to monitor the performance of agents (Jensen & Meckling 1976). Agency theory simply recognizes that the proclivity of agents, in this case, the directors or managers of the business, is to act rather more in their own interests than those of their employers and the shareholders.

This paper is anchored on theory of inspired confidence. The theory explained that the link between audit firm attributes and financial statement fraud is thought to be indirect because the auditor thus has a broader duty to society than a mere a watchdog for the shareholders. The theory of inspired confidence addresses both the demand and supply for audit services. Accountability in the non-financial firms may be realized through the issuance of periodic financial reports concerning the financial performance of various listed non-financial firms in Nigeria.

However, since this information provided by the management may be biased and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information in order to reduce financial statement fraud in the industries. Theory of inspired confidence provide a link between the users of information requirement for credible and reliable audit report and the capability and capacity of the audit processes to meet those needs.

Empirical Review

Okoye, Ajala and Adeniyi (2023) examined the impact of auditor's specialization and ascertaining the non-audit services on the audit quality of non-financial firms listed in Nigeria. A population of ninety-five (95) non-financial firmslisted on Nigeria stock exchange was limited to sixty-seven (67) firms using a purposive sampling technique for a period of 2011-2020.The study used an ex post facto research design. The method of data analysis was ordinary least square (OLS) multiple regression. The findings of the study revealed that auditor's specialization has a significant positive effect on audit quality, while non-audit services have no significant positive effect on the audit quality of non-financial firms listed on the Nigerian Exchange Group.

Okeke-Muogbo and Egungwu (2019) examined the effect of audit tenure on earnings management of quoted non-financial companies in Nigeria. Secondary data were obtained from twenty-four (24) firms quoted on the floors of the Nigerian stock exchange for the period, 2007-2017 (11years). The study adopted ex-post facto research design. In the analysis of data, the study employed Hausman specification test to test between the fixed and random effects since data for the study involved panel data. The white test (homoskedasticity test) was also conducted to check for constant variation of the disturbance term or whether the variance of the error term is not constant. The findings indicated that audit tenure, has a significant positive effect on earnings management of the Nigerian quoted companies.

Bambang, Wishnu, Ari, and Syntia (2019) analyzed the effect of financial liquidity, audit rotation and audit tenure on financial statement fraud. Population determined is a manufacturing company with a food and beverage subsector listed on the Indonesia Stock Exchange period 2013-2018. The sample selection is done by purposive sampling technique, the sample results that meet the criteria are 78 samples. The research method used is multiple linear methods, where the results of the research partially show that the liquidity financial variable does not significantly affect fraudulent financial statements, variable audit rotations significantly influence fraudulent financial statements, and variable audit tenure does not significantly influence financial statement fraud.

Hegazy and Hegazy (2018) investigated the effect of industry specialization on the audit quality and earnings quality. The study examines the relation between industry specialization and earnings quality, financial reporting quality, and audit quality. The research posits that industry specialization constrains earnings management. In addition, it hypothesized a positive relationship between industry specialization and financial reporting quality. An experiment was conducted in an audit firm with international affiliation in Egypt to test the research hypotheses. The results revealed that there is no significant difference between industry specialist auditors and non-specialists in constraining earnings management. In addition, the study furtherrevealed that financial reporting quality was significantly higher when specialists conducted the audit. The findings provide empirical evidence consistent with the hypothesis that auditor industry specialization improves audit quality.

Eyenubo, Mohamed and Ali (2017), conceptualized the effect of audit firm tenure and financial reporting quality. There have been conflicting results from prior studies. One school of thought is of the view that the longer the audit tenure it may cause intimacy between the auditor and the client that will reduces the readiness of auditor to qualify audit report. On the other hand, the contrary view is that the longer the audit firm tenures it will bring familiarity with the operations and accounting system thereby enhancing the audit quality. This paper suggested that the audit firm tenure should be moderate between the range of one and three years.

Syahril and Mekha (2015) determined whether audit firm size and auditor industry specialization have significant influence on audit quality in Indonesian State-Owned Enterprises (SOEs). The research was conducted on 36 SOEs by using 108 financial statements of years 2010-2012. It found out that both audit firm size and auditor industry specialization have insignificant influence on audit quality of SOEs in

Indonesia. The findings of the present research were inconsistent with the earlier researches conducted on some listed firms that had found that both audit firm size and auditor industry specialization have significant influence on audit quality.

Odia (2015) examined the effect of auditor tenure, auditor rotation on audit quality. This study was done based on theoretical review. From researches reviewed, long term auditors tend to be better than new auditors and thereby provide no support of audit rotation. It also found that short audit tenure associates with low quality of audit while long tenure audit results in high audit quality. The study also revealed that when the cost of switching or changing auditors and consequences of low balling are considered, decisions about audit rotation will not be favourable in enhancing audit quality.

Methodology

This study adopted*ex-post facto*research design. The choice of Ex-post factor design was based on the fact that the design allows researchers to establish the time sequence of the variables on the basis of logical considerations. This is appropriate for a developing economy like Nigeria, and also, it is adequate enough to validly capture any behavioural change contrary to a cross-sectional design method usually associated with most studies in this area both in developed and developing economies.

The study is made up of 95 five (95) non-financial firms listed on Nigeria stock exchange as at 31stDecember, 2022. Purposive sampling techniques was used to select seventy-six (76) non-financial firms as our sample size. Secondary data was used for the study. The sources of secondary data used for the study include annual reports and accounts of companies, corporate website of companies and the Nigerian Sock Exchange Fact books. We applied correlation and robust least square regression analysis in addition to the application of Beneish M-score model to proxy financial statement fraud likelihood via E - View 9 software for data analysis.

Model Specification

The model for this study is explicitly expressed as;

FRAUD = *f(Auditors' Tenure, Auditor Industry Specialization, μ)* ……. **equation 1**

FRAUDit=β0+β1ATit+β2AISit+μ**it……………Model 1**

Where; FRAUD = Beneish M-score for model 1, AT = Auditor's Tenure; AIS = Auditor Industry Specialization.

β0 is the constant, β1, β2, are the coefficients of the explanatory variables for the model; μ is the error term that captures the stochastic variables in the model; i = is the collection of the firms; and t = is the time factor. The *apriori* expectations are stated as: $\beta 1>0$; $\beta\ 2>0$;

Results and Discussion

Table 1: Normality Test for the Variables

	Beneishmscore	Auditortenure	Auditorspecialization
Jarque-Bera	38401779	234.9126	38405.14
Probability	0.000000	0.000000	0.000000
Observations	912	912	912

Source: Author’s Computations, (2023)

The Jarque-Bera test in the study indicated whether the residuals are normally distributed. The results in Table1 showed that the probability values of the Jarque-Bera statistic for the three variables are 0.000, 0.000 and 0.0000. The null hypothesis posits that the residuals are normally distributed while the alternate hypothesis says otherwise. The alternate hypothesis that the residuals are not from normal distribution was accepted since the p-values are all less than 5%. Summarily, the OLS assumption of normality of residuals was not satisfied, possibly because of presence of outliers.

Table 2: Descriptive Statistical Analysis

	Beneishmscore	Auditortenure	Auditorspecialization
Mean	-1.893414	0.727027	0.031532
Maximum	336.0800	1.000000	1.000000
Minimum	-15.85000	0.000000	0.000000
Std. Dev.	10.66397	0.445688	0.174828
Observations	912	912	912

Source: Author’s Computations, (2023)

The mean value of Beneish m-score was shown to be -1.893414 with a standard deviation of 10.66397. If the Beneish M-score of a non-financial company is greater than -2.22, there is a likely probability of profit manipulation. Therefore, the average value of Beneish m-score = -1.893414 implies that there is a very low possibility for profit manipulation amongst listed non-financial firms in Nigeria from 2011 to 2022. However, the standard deviation of 10.66 indicates that the Beneish M-score of the selected firms are widely dispersed. The lowest Beneish m-score of the firms under study was -15.85 while the highest Beneish m-score attained was 336.08.Auditor tenure had a mean value of 0.7270 with a standard deviation of 0.4457. The proportion of auditors’ industry specialization over the years amongst the selected firms was 3.15% with a standard deviation of 0.1748.

Unit Root Test

Augmented Dickey-Fuller (ADF) was deployed to examine the Unit Root Test Results of the data. Table 3 shows the test results below.

Table 3: Summary of Unit Root Test Results Using Augmented Dickey-Fuller

Variables	T-ADF	Lag Length	Test critical values:@ 5% Level	Prob.	Remark
Beneishmscore	-33.54533	1(0)	-2.863936	0.0000	Stationary
Auditor Tenure	-25.87608	1(0)	-2.863939	0.0000	Stationary
Auditor Industry Specialization	-10.92117	1(0)	-2.863939	0.0000	Stationary

Source: Author's Computations, (2023)

The unit root test results above showed that all of the variables (auditors' tenure, auditor industry specialization and Beneish m-score) are stationary at 5% levels of significance. Hence, since all the variables are stationary, the null hypothesis is rejected while the alternate hypothesis was accepted, which indicates that the variables are stationary or got no unit root. The decision rule is to reject the null hypothesis and accept the alternate hypothesis if T-ADF is more than the critical using absolute values.

Test for Serial Correlation

There are a number of classical assumptions of least square regression one of which is that residuals should not be correlated across time. Breusch–Godfrey test for serial correlation was used in assessing the serial correlation of the regression model. Table 4 shows the result of the Breusch–Godfrey test for serial correlation.

Table 4: Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.067159	Prob. F(2,1102)	0.9351
Obs*R-squared	0.135276	Prob. Chi-Square(2)	0.9346

Source: Author's Computations, (2023)

The test for autocorrelation was performed to establish whether the residuals are correlated across time. The null hypothesis is that no first order serial /auto correlation exists. Based on the findings, the observed probability chi square = 0.9351 was not significant at 5% level of significance. Hence, the null hypothesis was accepted implying that there was no presence of first order serial correlation. Therefore, the assumption of no autocorrelation was satisfied.

Test for Heteroskedasticity

Heteroskedasticity occurs when the variances of the error terms are not constant. Glejser test of Heteroskedasticitywas carried out as reported in Table 5 below.

Table 5: Heteroskedasticity Test: Glejser

F-statistic	1.650089	Prob. F(5,1104)	0.1440
Obs*R-squared	8.233750	Prob. Chi-Square(5)	0.1438
Scaled explained SS	21.94379	Prob. Chi-Square(5)	0.0005

Source: Author's Computations, (2023)

The null hypothesis of homoscedasticity is rejected if the Prob. (Chi-square) is greater than 5% level of significance. The results indicated that the observed probability chi square significance of 0.1440 was not significant hence the null hypothesis of existence of homoscedasticity is accepted. Therefore, the issue of Heteroskedasticity does not exist in the model since the variances of the error terms are constant. Also, the assumption of no Heteroskedasticity was as well satisfied.

Test of Hypotheses

The data used in the study did not satisfy the normality assumption of OLS. Spurious regression coefficients would be produced by OLS if there are outliers in the residuals. Thus, to avoid producing spurious regression coefficients, Robust Least Square regression technique was used to estimate the test results from which hypotheses testing was done.

Table 4.6: Robust Regression for Hypotheses Testing

Dependent Variable: BENEISHMSCORE
Method: Robust Least Squares
Sample: 1 912
Included observations: 912
Method: MM-estimation
S settings: tuning=1.547645, breakdown=0.5, trials=200, subsmpl=912,
refine=2, compare=5
M settings: weight=Bisquare, tuning=4.685
Random number generator: rng=kn, seed=793000606
Huber Type II Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-2.808661	0.158199	-17.75395	0.0000
Auditor tenure	0.031896	0.061612	0.517693	0.6047
Auditorindustryspecialization	0.141470	0.144239	0.980800	0.3267

Robust Statistics

R-squared	0.003137	Adjusted R-squared	-0.001378
Rw-squared	0.007320	Adjust Rw-squared	0.007320
Akaike info criterion	1561.657	Schwarz criterion	1594.115
Deviance	1029.478	Scale	0.814435
Rn-squared statistic	6.049710	Prob(Rn-squared stat.)	0.301412
Non-robust Statistics			
Mean dependent var	-1.893414	S.D. dependent var	10.66397
S.E. of regression	10.70869	Sum squared resid	126602.4

Source: Author's Computations, (2023)

The R_w^2value of 0.007, shows that about 1% variation in financial statement fraud (proxy by Beneish M- model) is explained by systematic changes in the auditors' tenure and auditor industry specialization. The Rn-squared statistic of 6.0497 and the corresponding Prob (Rn-squared stat.) of 0.3014 indicate that auditors' tenure and auditor industry specialization have no significant predictive relationship with financial statement fraud. This is because the Prob (Rn-squared stat.) of 0.3014 is greater than 0.05.

Hypothesis One

H_1: Auditors' tenure has significant effect on financial statement fraud of listed non-financial firms in Nigeria.

H_0: Auditors' tenure has no significant effect on financial statement fraud of listed non-financial firms in Nigeria.

Auditors' tenure has a positive coefficient of 0.031896 which means that an increase in Auditors' tenure by 1 unit will increase the financial statement fraud of listed non-financial firms by 0.031896. The null hypothesis was accepted because the prob(z) = 0.6047 for Auditors' tenure is greater than 0.05. In conclusion, Auditors' tenure has no significant positive effect on financial statement fraud of listed non-financial firms in Nigeria at 5% level of significance.

Hypothesis Two

H_1: Auditor industry specialization has significant effect on financial statement fraud of listed non-financial firms in Nigeria.

H_0: Auditor industry specialization has no significant effect on financial statement fraud of listed non-financial firms in Nigeria.

The regression coefficient showed that Auditor industry specialization has a positive coefficient of 0.141470. This implies that an increase in Auditor industry specialization by 1 unit will increase the financial statement fraud of listed non-financial firms by 0.141470. The null hypothesis was accepted because the prob(z) = 0.3267 for Auditor industry specialization is greater than 0.05. In conclusion, Auditor industry specialization has no significant effect on financial statement fraud of listed non-financial firms in Nigeria at 5% level of significance.

Conclusion and Recommendations

This paper ascertained the effect of auditors' tenure and auditor industry specialization on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group from 2011 to 2022. The findings of the study revealed that auditors' tenure and auditor industry specialization have no significant positive effect on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group .This suggest that audits performed by audit firms with a short-term relationship with clients had more audit failures while auditor may become less objective and apply less effort toward the detection of material misstatements when firm tenure is longer, hence auditors' tenure must be moderate in order to avoid unnecessary interfering of the audit firm with the business of its client. The study also suggest that auditor industry specialization does not statistically eliminate financial statement fraud of listed non-financial firms in Nigeria as compared to non-specialist auditors.

The study recommends thatregulatory authority should ensure a moderate audit tenure of may be 5years, to enable the audit firm time to understand client's business, give thorough audit and reduce financial statement fraud. The study also recommends that regulatory bodies should enforce compliance on auditing guidelines by audit firms whether industry specialist or non-industry specialist auditors in other to reduce financial statement fraud.

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