JOURNAL OF GLOBAL ACCOUNTING
9 (4) December, 2023.
ISSN: 1118 – 6828
https://journals.unizik.edu.ng/joga

EFFECT OF AUDIT FIRM SIZE AND AUDITORS' TENURE ON FINANCIAL STATEMENT FRAUD OF LISTED NON-FINANCIAL FIRMS ON THE NIGERIAN EXCHANGE GROUP

Paper Type: *Original Research Paper.*
Correspondence: *kingsleyuyoyou@gmail.com*
Key words: *Audit Firm Size; Auditors' Tenure; Fraud; Financial Statement Fraud*

CITATION: Okoye, E.I., Adeniyi, S.I. & Ogbodo, U.K. (2023). Effect of audit firm size and Auditors' tenure on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group, *Journal of Global Accounting*, 9(4), 351 – 366.

Available:https://journals.unizik.edu.ng/joga

Emmanuel I. Okoye[1] Segun I. Adeniyi[2]
Uyoyou K. Ogbodo[3]
[1,2 &3] *Department of Accountancy, Nnamdi Azikiwe University, Awka, Nigeria*
1. Email: eik.okoye@unizik.edu.ng
2. Email: si.adeniyi@unizik.edu.ng
3. Email: kingsleyuyoyou@gmail.com

ABSTRACT:

This paper aimed at ascertaining the effect of audit firm size and auditors' tenure on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group for a period of 2011 to 2022. The study employs ex-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 that audit firm size and auditors' tenure 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 that since audit firm size has no significant positive effect on financial statement fraud of listed non-financial firms, then is not necessary because whether firm engage one of the big 4 audit firms or one of non-big 4 audit firms does not necessarily eliminate financial statement fraud. The study also recommends that regulatory authority should ensure a moderate audit tenure of 5years, to enable the audit firm time to understand client's business and give a thorough audit to reduce financial statement fraud.

1. INTRODUCTION

Financial statement fraud has reduced the credibility of corporate organizations financial reports (Abdullah & Mansor, 2015). This makes it necessary for researchers and stakeholders to continually monitor the activities of management, in order to prevent the occurrence of fraud in the financial statement. The changes in the interest of the corporate stakeholders can lead to sub-optimal management decisions (Uwuigbe, Peter & Oyeniyi, 2014). Given the aforementioned malfeasances, efforts have been made by regulatory bodies to remedy these financial statement frauds; this has led to the strengthening of accounting standards (Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standard (IFRS) geared towards the rehabilitation of the financial reporting quality in order to promote financial transparency and accountability (Abiola & Oyewole, 2013).

Many scholars such as Kozlov, Hurtalo-Guain and Trakulhon (2018); and Popoola, Che-Ahmad and Samsudin (2014) acknowledged the quest for the detection of financial statement fraud following the release of the Statement on Auditing Standard (SAS) No. 99 "Consideration of Fraud in Financial Statement Audit" by the American Institute of Certified Public Accountants (AICPA, 2002) requiring auditors to obtain reasonable assurance that financial statements are free from material misstatement whether due to fraud or error. The Institute of Chartered Accountant of Nigeria followed suit by publishing the Nigeria Standards on Auditing No. 5 to cater for the auditor's responsibility to fraud (Popoola, Che-Ahmad & Samsudin, 2014). Although these standards have placed the responsibility of fraud prevention and detection on management and those in charge of governance, auditors have been required to increase their detection rate by probing further into any irregularities or material misstatement that may signify fraud. 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). More issue in literature is that, 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. In other to address these problems, this research paper ascertains the effect of audit firm size and auditors' tenure on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group as at 31st December, 2022. Also, in order to empirically ascertains this objective, the paper is divided into five sections namely; background to the study, literature review, methodology, results and discussion and conclusion and recommendation.

1.1 Objectives of the Study

The broad objective of the study is to ascertains the effect of audit firm size and auditors' tenure on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group. The following are the specific objectives of the study:

1. To determine the effect of Audit firm size on financial statement fraud of listed non-financial firms in Nigeria.
2. To ascertain the extent to which Auditors' tenure affects financial statement fraud of listed non-financial firms in Nigeria.

1.2 Research Hypotheses

The following hypotheses were accordingly formulated in their null forms:

H_1: Audit firm size has significant effect on financial statement fraud of listed non-financial firms in Nigeria.

H_2: Auditors' tenure has significant effect on financial statement fraud of listed non-financial firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual review

The literature abounds with several audit firm attributes affecting financial statement fraud. The paper dealt with the audit firm size, and auditors' tenure.

2.1.1 Audit Firm Size

DeAngelo (1981) in Gammal (2012) analytically demonstrated that Audit Firm Size has a positive relationship with audit quality and auditors' opinions, since a large audit firm (for instance., with a greater number of clients) has more to lose by failing to report a material misstatement detected in a client's records. Following DeAngelo's study, other authors empirically examined the relationship between audit firm size and the auditors' going-concern opinion decisions as a proxy for audit quality. For instance, Dye (1993) suggests that large audit firms are more likely to disclose going-concern problems because they have more wealth at risk from litigation. Lennox (1999) showed that opinions issued by large auditing firms are more accurate and give more informative signals of financial failure than opinions by less experienced auditors (small firms). Bauwhede, Willekens, and Gaeremynck (2003) argued that (Big 4) audit firms are more competent because they use standardized audit methodologies and training programmes throughout the world. Geiger and Rama (2006) found that both Type I and Type II error rates for Big Four audit firms are considerably lower than the error rates for non-Big four firms.

2.1.2 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. Arrunada and Paz-Ares (2016) suggest that the auditor may become less objective and apply less effort toward the detection of material misstatements when firm tenure is longer. Also, Lim and Tan (2010), suggest that a long-term relationship between the auditor and the client imposes a threat to auditor independence for smaller clients weakly monitored by auditors than larger clients. Raghunandan (2012), on the other hand, found out that audits performed by audit firms with a short-term relationship with clients had more audit failures than those performed with audit firms which had long term audit tenures.

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.

2.1.3 Fraud

Fraud has no generally acceptable definition; the reason is that fraud implies different things to different individuals. Fraud is any illegal act, deceit and breach of confidence. It is a misrepresentation with the intention of deceiving another party (Ojeka, Iyoha, Asaolu, 2015). This indicates that fraud is distinct from mistake, since the latter is the consequence of human limitations without attempting to mislead (Hamilton & Gabriel 2014).

2.1.4 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). Misstatement or accounting irregularities in financial statement can arise from error or fraud (Kwok 2005). 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.

2.1.4.1 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). When audit reports are reliable, they also reveal whether financial statement are reasonably free from fraud, error and bias and whether the accountants are justified in making a 'going concern' assumption. The implication of this is that for the audit report to be reliable it must give investors sufficient information concerning the quality and accuracy of the accounting reports. This being the case, investors can decide on the extent to which to place reliance on the report in making investment decisions. 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.

2.2 Theoretical Review

2.2.1 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.

2.2.2 Social Exchange Theory

Social exchange relationships are often described as subjective, relationship-oriented contracts between employees and organizations characterized by mutual exchange of socio-emotional benefits, cooperation, trust, and a long-term focus (Blau, 1964 in Larasati, Ratri, Nasih, & Harymawa, 2019). Social exchange theory provides a useful framework for understanding how social interaction in the workplace influence employee relations to their jobs and participation in the organization. Social exchange relationships can therefore strengthen the motivation of employees to behave in a manner that would provide beneficial outcomes for the organization because of the strong obligation on the part of the employees to support the organization (Cropanzano & Mitchell, 2005). However, the current study is not about the relation between employees and their organizations but between audit client and the auditor. In a sense the auditor could be said to be an employee of the client. The principle of social exchange theory can therefore be applied in this study. Recent study indicates that audit clients prefer a relational (social exchange – based) approach with their auditors rather than a transactional (economic exchange – based) approach (Fontaine & Pilote, 2011, 2012). The current study involves the relationship between audit firm size, auditors' tenure and financial statements, which falls within the auditor – client setting. The quality of the audit service provided by the auditor is dependent on the social relational exchange between the auditor and the client.

This paper therefore, 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.

2.3 Empirical Review

Yayangida, Ahmed, Nyor and Yahaya (2023) examined the effect of audit firm size on financial reporting quality of thirty (30) Nigerian listed non-financial services firms moderated by audit committee independence for a period of 11 years from 2011 - 2021. The study used descriptive research design while secondary data was collected from the annual reports of the selected firms and website of Security and Exchange Commission. The descriptive statistics, correlation analysis, and regression analysis were used for data analysis. The findings of the study showed that audit firm size is significantly associated with financial reporting quality when moderated by audit committee independence.

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.

Ginting and Hidayat (2019) analyzed the effect of a fraudulent financial statement, company size, profitability, and the size of the audit firm on audit delay. The study population was 94 selected agricultural and mining enterprises that were registered on the Indonesia Stock Exchange from 2014-2017. Purposive sampling techniques were utilized. Analytical techniques employed in this research are the normality test, descriptive statistical analysis, Pearson correlation, and multiple linear regression analysis. The results indicate that the scope of the fraudulent financial statement and profitability did not affect the audit delay. However, both company size and public accounting firm size have a significant negative effect on the audit delay.

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.

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.

Musa and Sani (2016) examined the impact of audit firm size on financial reporting quality of listed insurance companies in Nigeria. Data were collected from the annual reports and accounts of thirteen sampled insurance companies out of thirty-three listed insurance companies on Nigerian Stock Exchange for the period of eight years (2008 to 2015). Empirical analyses were carried out using descriptive statistics, Pearson correlation and multiple regressions (Ordinary Least Square). The study found that audit firm size has a positive and significant impact on financial reporting quality.

3. MATERIAL AND METHOD

The study adopted the ex post facto research design to ascertain the effect of audit fees and auditors' independence on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group. Moreover, the suitability of this choice 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 population of the study is made up of non-financial firms listed on the Nigerian Exchange Group (NGX). As at 31st December 2022, ninety - five (95) non-financial firms were listed on the Nigerian Exchange Group floor. The study used purposive sampling technique to select the sample population. This sampling technique was used in other to enable researcher select firms that he can conveniently assess their data. Non-financial firms that have not operated on the floor of Nigeria Exchange Group for the period of twelve years (2011 to 2022) were excluded from the population. The total number of non-financial firms that have their financial statements available either on their website or in the office of the Nigerian Exchange Group as at 31st December, 2022 were used as our sample population. The sources of data include annual reports and accounts of companies, corporate website of companies and the Nigerian Exchange Group Fact books and CBN Statistical Bulletin of the selected seventy - six (76) non-financial firms listed on the Nigerian Exchange Group covering a period of 12 years (2011 – 2022).

The dichotomous nature of the dependent variable of financial statement fraud necessitated the use of Binary logit regression technique in analyzing the data collected from annual reports of selected non-financial firms listed on the Nigeria exchange group between 2011 and 2022. The extent of fraudulent financial reporting is measured by the Beneish M-score model. The Robust Least Square (RLS) multiple regressions was adopted to examine the effect of audit firm size and auditor's tenure on financial statement fraud of listed non-financial firms on Nigerian Exchange Group. The study used E - View version 9 software for data analysis.

3.1 Model Specification

The model for this study is explicitly expressed as;

$FRAUDit=\beta 0+\beta 1AFSit+\beta 2ATit+\mu it$……………Eqn 1

Where; FRAUD = Beneish M-score for model 1, AFS = Audit Firm Size; AT = Auditor's Tenure. $\beta 0$ is the constant, $\beta 1$, $\beta 2$, 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: $\beta 1>0$; $\beta\ 2>0$;

4. RESULT AND DISCUSSIONS

4.1.1 Data Analysis

Table 1: Normality Test for the Variables

	Beneishmscore	Auditfirmsize	Auditortenure
Jarque-Bera	38401779	185.4479	234.9126
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 Table 1 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	Auditfirmsize	Auditortenure
Mean	-1.893414	0.577477	0.727027
Maximum	336.0800	1.000000	1.000000
Minimum	-15.85000	0.000000	0.000000
Std. Dev.	10.66397	0.494183	0.445688
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. About 57.75% of the selected non-financial firms engaged the services of Big4's. Auditor tenure had a mean value of 0.7270 with a standard deviation of 0.4457.

4.1.2 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
Audit Firm Size	-9.401157	1(0)	-2.863936	0.0000	Stationary
Auditor Tenure	-25.87608	1(0)	-2.863939	0.0000	Stationary

Source: Author's Computations, (2023)

The unit root test results above showed that all of the variables (audit firm size, auditors' tenure, 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.

4.1.3 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.

4.1.4 Test for Heteroskedasticity

Heteroskedasticity occurs when the variances of the error terms are not constant. Glejser test of Heteroskedasticity was 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.

4.2 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 6: Robust Regression for Hypotheses Testing

Dependent Variable: BENEISHMSCORE
Method: Ordinary 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
Audit firm size	0.099896	0.058471	1.708470	0.0875
Auditor tenure	0.031896	0.061612	0.517693	0.6047
	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 audit firm size and auditors' tenure. The Rn-squared statistic of 6.0497 and the corresponding Prob (Rn-squared stat.) of 0.3014 indicate that audit firm size and auditors' tenure 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.

4.2.1 Hypothesis One

H_1: Audit firm size has significant effect on financial statement fraud of listed non-financial firms in Nigeria.

Audit Firm Size has a positive coefficient of 0.099896 which means that an increase in Audit Firm Size by 1 unit will increase the financial statement fraud of listed non-financial firms by 0. 099896.The null hypothesis was accepted because the prob(z) = 0.0875 for Audit Firm Size is greater than 0.05. In conclusion, Audit firm size has no significant positive effect on financial statement fraud of listed non-financial firms in Nigeria at 5% level of significance.

4.2.2 Hypothesis Two

H_1: Auditors' tenure has 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.

CONCLUSION AND RECOMMENDATIONS

This paper ascertained the effect of audit firm size and auditors' tenure 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 audit firm size and auditors' tenure have no significant negative effect on financial statement fraud of listed non-financial firms on the Nigerian Exchange Group. This suggest that whether firm engage one of the big 4 audit firms or one of non-big 4 audit firms does not necessarily eliminate financial statement fraud. Also, the study 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.

1. The study recommends that since audit firm size has no significant positive effect on financial statement fraud of listed non-financial firms, then is not necessary because whether firm engage one of the big 4 audit firms or one of non-big 4 audit firms does not necessarily eliminate financial statement fraud.
2. The study also recommends that the regulatory authority is to 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.

REFERENCES

Abdullahi, R., & Mansor, N. (2015). Fraud triangle theory and fraud diamond theory. Understanding the convergent and divergent of future research. *International Journal of Academic Research in Accounting, Finance and Management Sciences. 5*(4), 38–45.

Abiola, I., & Oyewole, A.T., (2013). Internal control system on fraud detection. Nigeria experience. *Journal of Accounting and Finance, 13*(5), 23-54.

American Institute of Certified Public Accountants (AICPA). (2002). Responsibilities and functions of the independent auditor AU Section 110.

American Institute of Certified Public Accountants, Inc. (AICPA) (2016). Management override of internal controls: The Achilles' heel of fraud prevention, New York, N.Y.

Arrunada, B., & Paz-Ares. (2016). Mandatory rotation of company auditors: A critical examination. *International Review of Law and Economics, 17(1),* 31-61.

Bambang L.H, Wishnu K.A, Ari T.M, & Syntia Y.M., (2019). Effect of Financial Liquidity, Audit Rotation and Audit Tenure on Financial Statement Fraud. International Journal of Engineering and Advanced Technology (IJEAT) ISSN: 2249 – 8958, Volume-9 Issue-1, October 2019

Bauwhede, H. V., Willekens, M., & Gaeremynck, A. (2003). Audit firm size, public ownership, and firms' discretionary accruals management. *The International Journal ofAccounting, 38,* 1-22.

Cropanzano, R., & Mitchell, M. (2005). "Social Exchange Theory: An Interdisciplinary Review", *Journal of Management, 31*: 874-900.

DeAngelo, (1981). Auditor Size and Audit Quality. J*ournal of Accounting and Economics,* 3(1), 183-199.

Dye, R. (1993). Auditing Standards Legal Liability and Auditor Wealth. Journal of Political Economy, 101: 887- 914

Egbunike, F.C., & Abiahu, C.M. (2017). Audit Firm Report and Financial Performance of Money Deposit Banks in Nigeria. *The Nigerian Account*, 5(1): 25-39

Eyenubo, S.A., Mohamed M. & Ali M., (2017). The Effect of Audit Tenure and Financial Reporting Quality in Nigeria Listed Companies. *Asian Journal of Applied Science and Technology (AJAST) 1(9), 113-120*

Fontaine, R., & Pilote, C. (2011). "An empirical study of Canadian companies to determine clients' preferred relationship approach with their financial auditor", *Journal of Marketing Trends 1* (September): 61-69.

Fontaine, R., & Pilote, C. (2012). "Clients' preferred relationship approach with their financial statement auditor", *Current Issues in Auditing 6*(1): 1-6.

Gammal, W.E. (2012). Determinants of Audit Fees: Evidence from Lebanon. *Journal International Business Research*.5 (11), 136-143

Geiger, M. A., & Rama, D. V. (2006). Audit firm size and going-concern reporting accuracy. *Accounting Horizons, 20*(1), 1-17. http://dx.doi.org/10.2308/acch.2006.20.1.1

Ginting, C. U. & Hidayat W., (2019). The Effect of a Fraudulent Financial Statement, Firm Size, Profitability, and Audit Firm Size on Audit Delay. *International Journal of Innovation, Creativity and Change. www.ijicc.net 9 (7), 2019*

Hamilton, D. I., & Gabriel, J. M. O. (2014). Dimensions of fraud in Nigeria quoted firms. *American Journal of Social Management Sciences, 3*(3), 112-120.

Khanh, N. (2009). Financial Statement Fraud: Motives, Methods, Cases and Detection. Dissertation.com, BocaRaton, Florida USA.

Knapp, M. (1991). "Factors that audit committees use as surrogates for audit quality", *Auditing: A Journal of Practice & Theory*, *10*(1): 35-52.

Kozlov, M., Hurtado-Guarin, J., & Trakulhoon, P. (2018). Forensic accounting: Detecting financial fraud. WorldQuant Perspective. https://www.weareworldquant.com/ en/thought-leadership/forensic-accounting-detecting-financial-fraud (accessed: 29.12.2019).

Kwok, K.B., (2005). Forensic Accountancy in Hong Kong: Trends in a decade. Articles Published by Institute of Chartered Accountant in England and Wales.

Larasati, D. A., Ratri, M. C., Nasih, N., & Harymawan, I. (2019). Independent audit committee, risk management committee, and audit fees. *Cogent Business & Management*, 6(1), 1–15.

Lennox, C. S. (1999). "Audit Quality and Auditor Size: An Evaluation of Reputation and Deep Pockets Hypotheses‖. *Journal of Business Finance Accounting,* 26(7&8),779-805.

Lim, C. Y., & Tan, H. T. (2010). Does auditor tenure improve audit quality? Moderating effects of industry specialization and fee dependence. *Contemporary Accounting Research, 27(3),* 923-957.

Millichamp, A.H. & Taylor, J.R. (2012). Auditing: (9th ed.). London: Cengage Learning.

Mitra, S., Deis, D. R., &Hossain, M. (2009). The association between audit fees and reported earnings quality in pre- and post- Sarbanes- Oxley regimes. *Review of Accounting and Finance*, 8(3), 232–252.

Musa J & Sani A. S., (2016). The Impact of Audit Firm Size on financial reporting Quality of Listed Insurance Companies in Nigeria. *Iranian Journal of Accounting, Auditing and Finance*, 2(1), 19-47.

Ojeka, S., Iyoha, S., Asaolu, T. (2015). Audit committee financial expertise, antidote for financial reporting quality in Nigeria. *Journal of Social Sciences, 6*(1), 5-10.

Okeke-Muogbo, G. N., & Egungwu, I. (2019). Effect of Tenure of Audit on Earnings Management of Quoted Nigerian Firms. *International Journal in Management and Social Science. 07(01),*

Popoola, J.M.O., Che-Ahmad, A., & Samsudin, S.R. (2014). Task performance fraud risk assessment on forensic accountant and auditor knowledge and mindset in Nigerian public sector. *Risk*, *Governance and Control*: *Financial Markets &Institutions*, 4(3), 84-90. https://dx.doi.org/10.22495/rgcv4i3clart2.

Raghunandan, K. (2012). Recent changes in the association between bankruptcies and prior audit opinions. Auditing: *A Journal of Practice and Theory, 24 (1), 21–35.*

Uwuigbe U., Peter, N.O. & Oyeniyi, G. (2014). The effect of Corporate Governance mechanisms on earnings management in listed firms in Nigeria. *Accounting and Management Information System 13(1);159-174*

Yayangida, A. S., Ahmed, M.N., Nyor, T. & Yahaya, O. A. (2023). Audit Firm Size and Financial Reporting Quality of Nigerian Listed Non- Financial Services Firms Moderated by Audit Committee Independence. *African Banking and Finance Review Journal*, 5(5), 217-232.