International Journal of Innovative Finance and Economics Research 12(2):110-119, April-June, 2024
© SEAHI PUBLICATIONS, 2024 www.seahipaj.org ISSN: 2360-896X

Audit Industry Specialisation And Quality Of Financial Report Of Listed Firms In Nigeria

Dr Tonye Ogiriki[1]; Eddo Zipamone Pabraebiowei[2]

Department Of Accounting
Faculty Of Management Sciences
Niger Delta University, Wilberforce Island, Bayelsa State, Nigeria
08038822558 Pabraebi@yahoo.com

ABSTRACT
The study examined audit industry specialization and the quality of financial reports of listed oil and gas firms in Nigeria. Ex-post-facto design was adopted. Two hypotheses were formulated and tested at a 0.05 level of significance. The analysis used secondary data from publicly available financial information from eight (8) oil and gas companies selected at random from 2015 to 2022. The collected data was examined using E-views version 9 using the ordinary least square regression approach. Listed Nigerian oil and gas companies' discretionary accruals and revenue growth rate were positively and significantly impacted by audit industry specialisation, according to the research.. It was recommended among others that regulatory authorities should enhance oversight mechanisms to ensure compliance with auditing standards and promote audit quality among audit firms operating in the Nigerian oil and gas sector.
Keywords: Audit Industry Specialization, Quality Financial Reporting, Oil and Gas Sector

INTRODUCTION

The audit industry is vital in guaranteeing the accuracy, reliability, and transparency of financial reporting for listed firms in Nigeria. With the increasing complexity of business operations and evolving regulatory landscape, audit firms are increasingly specializing in specific industries to enhance the accuracy of financial statements. Industry specialization refers to the focus of audit firms on serving clients within particular sectors, leveraging specialized knowledge, expertise, and resources to provide tailored audit and assurance services (Adeyemi & Fagbemi, 2018). Industry specialization among audit firms in Nigeria has become more pronounced in recent years, driven by factors such as the diversification of the economy, regulatory reforms, and the growing demand for sector-specific expertise (Olufemi, 2020). Firms specializing in industries such as banking, telecommunications, oil and gas, and manufacturing have emerged to meet the unique needs and challenges faced by companies operating in these sectors (Olorunniwo et al., 2019).

The standard of financial reports from publicly traded companies in Nigeria is intricately linked to the industry specialization of audit firms. Specialized audit firms possess in-depth knowledge of industry-specific regulations, accounting practices, and operational dynamics, enabling them to conduct more effective audits and provide valuable insights to stakeholders (Alabi et al., 2021). Research has shown that industry-specialized audit firms tend to exhibit higher audit quality and greater financial reporting reliability compared to non-specialized firms (Al-Matari et al., 2020).

The audit industry ensures the reliability and transparency of financial reporting, particularly for listed firms operating in the oil and gas sector in Nigeria. As one of the cornerstone industries of the Nigerian economy, the oil and gas sector attracts significant attention from investors, regulators, and other stakeholders, necessitating high-quality financial reporting to support informed decision-making and maintain investor confidence. Against this backdrop, audit industry specialization has emerged as a

strategic imperative, with audit firms increasingly focusing on serving clients within specific industries to enhance the quality and relevance of audit services (Olorunniwo et al., 2019). The oil and gas sector in Nigeria, audit industry specialization assumes heightened significance due to the sector's unique characteristics, including complex operating environments, regulatory frameworks, and financial reporting requirements. Specialized audit firms bring industry-specific knowledge, expertise, and insights to bear on the audit process, enabling them to better understand the intricacies of oil and gas operations, accounting practices, and regulatory compliance issues (Adelopo et al., 2021). By aligning their resources and capabilities with the needs of oil and gas clients, specialized audit firms can deliver more tailored and effective audit services, thereby enhancing the quality and reliability of financial reports for listed firms in the sector (Adeyemi & Fagbemi, 2018).

However, while audit industry specialization holds the promise of improved audit quality and financial reporting reliability, it also raises certain challenges and considerations specific to the oil and gas sector in Nigeria. The sector's dynamic nature, characterized by fluctuating commodity prices, regulatory changes, and geopolitical risks, presents auditors with unique challenges in assessing the fair presentation of financial information and evaluating the adequacy of internal controls (Alabi et al., 2021). Furthermore, the complexity of oil and gas operations, including exploration, production, refining, and distribution activities, requires auditors to understand industry-specific accounting standards and methods of valuation (Okoli et al., 2018).

In light of these considerations, the relationship between audit industry specialization and the quality of financial reports for listed firms in the oil and gas sector in Nigeria warrants careful examination. By investigating factors such as the concentration of audit services, audit firm expertise, regulatory compliance, and audit outcomes, this research seeks to provide insights into the dynamics shaping audit quality and industry specialization within the Nigerian oil and gas industry (Afolabi et al., 2019). The study's results holds implications for policymakers, regulators, audit firms, and other stakeholders seeking to enhance financial reporting reliability and transparency in Nigeria's oil and gas sector, thereby fostering investor confidence and promoting sustainable economic development.

Statement of Problem

The oil and gas sector in Nigeria represents a critical component of the nation's economy, attracting significant investment and contributing substantially to government revenue. Given the sector's importance, the quality and reliability of financial reporting among listed firms operating within this industry are of paramount concern. However, the audit industry faces challenges in ensuring the adequacy and effectiveness of audit services, particularly in the context of industry specialization. While specialized audit firms may possess industry-specific knowledge and expertise, concerns arise regarding their ability to maintain audit objectivity and independence, especially when serving clients in the oil and gas sector (Adelopo et al., 2021).

Furthermore, the dynamic nature of the oil and gas industry presents unique complexities and risks that may impact the quality of financial reports. Fluctuations in commodity prices, regulatory changes, and geopolitical uncertainties pose challenges for auditors in assessing the accuracy and completeness of financial disclosures. Moreover, the complexity of oil and gas operations, including exploration, production, refining, and distribution activities, requires auditors to possess specialized skills and knowledge to effectively evaluate the fair presentation of financial information and the adequacy of internal controls (Okoli et al., 2018).

In addition, the concentration of audit services within a few specialized firms may limit competition and choice for listed firms in the oil and gas sector, potentially compromising audit quality and the reliability of financial reporting. Concerns regarding auditor independence, conflicts of interest, and regulatory compliance further underscore the need for comprehensive research to examine the relationship between audit industry specialization and the quality of financial reports among listed firms in the Nigerian oil and gas sector. Addressing these challenges requires a nuanced understanding of the dynamics shaping audit quality, industry specialization, and financial reporting practices within the context of the Nigerian oil and gas industry.

Aim and Objectives of the Study

The study examined "audit industry specialization and the quality of financial reports of listed oil and gas firms in Nigeria". Specifically, the study achieved the following:

1. Determine the effect of the audit industry specialization on the discretionary accruals of listed oil and gas firms in Nigeria.
2. Determine the effect of the audit industry specialization on the revenue growth rate of listed oil and gas firms in Nigeria.

Research Questions

1. What is the effect of the audit industry specialization on the discretional accruals of listed oil and gas firms in Nigeria?
2. What is the effect of the audit industry specialization on the revenue growth rate of listed oil and gas firm in Nigeria?

Hypotheses

$H0_1$: "Audit industry specialization has no significant effect on the discretional accruals of listed oil and gas firms in Nigeria."

$H0_2$: "Audit industry specialization has no significant effect on the revenue growth rate of listed oil and gas firms in Nigeria."

LITERATURE REVIEW

Conceptual Review

Audit industry specialization refers to the strategic focus of audit firms on serving clients within specific industries, leveraging specialized knowledge, expertise, and resources to provide tailored audit and assurance services (Adeyemi & Fagbemi, 2018). This specialization enables audit firms to develop a deep understanding of industry-specific regulations, accounting practices, and operational dynamics, thereby enhancing their ability to conduct effective audits and provide valuable insights to stakeholders (Al-Matari et al., 2020). Industry specialization can encompass various sectors, including banking, telecommunications, oil and gas, manufacturing, and healthcare, among others, reflecting the diverse needs and challenges faced by businesses operating in these industries (Olorunniwo et al., 2019).

By focusing on specific industries, audit firms can align their resources and expertise to address the unique complexities and risks inherent in each sector, thereby enhancing audit quality and the reliability of financial reporting (Okoli et al., 2018). Specialized audit teams can develop industry-specific audit methodologies, tools, and techniques tailored to the particular needs and characteristics of clients within each industry, leading to more efficient and effective audit processes (Alabi et al., 2021). Industry specialization fosters closer collaboration and knowledge sharing among audit professionals, enabling firms to stay abreast of emerging industry trends, regulatory developments, and best practices, further enhancing their ability to deliver high-quality audit services (Afolabi et al., 2019).

Discretionary Accruals

Discretionary accruals serve as a measure of the quality of financial reports for listed firms in Nigeria, offering insights into the extent of earnings management and the reliability of reported financial performance. Discretionary accruals represent accounting adjustments made by management that are subject to managerial discretion, reflecting the degree to which reported earnings deviate from underlying economic reality (Alabi et al., 2021). High levels of discretionary accruals may indicate aggressive earnings management practices aimed at manipulating reported earnings to meet market expectations or conceal financial weaknesses (Okoli et al., 2018). Conversely, lower levels of discretionary accruals suggest greater earnings quality and transparency, reflecting more conservative accounting practices and a closer alignment between reported earnings and economic fundamentals (Adeyemi & Fagbemi, 2018). Therefore, analyzing discretionary accruals provides valuable insights into the quality of financial reports for listed firms in Nigeria, aiding investors, regulators, and other stakeholders in assessing the reliability and trustworthiness of reported financial information.

Revenue Growth Rate

The revenue growth rate serves as a fundamental measure of the quality of financial reports for listed firms in Nigeria, reflecting the underlying business performance and the reliability of reported revenue figures. The revenue growth rate is a measure of a company's capacity to increase sales and extend its market presence. It is calculated as the percentage change in revenue over a certain time (Olorunniwo et al., 2019). Consistent and sustainable revenue growth suggests strong business fundamentals, effective sales strategies, and market competitiveness, enhancing the credibility of reported financial performance (Adeyemi & Fagbemi, 2018). Conversely, volatile or erratic revenue growth patterns may raise concerns about the quality of financial reporting, signaling potential issues such as revenue recognition manipulation, inadequate disclosure, or business uncertainty (Alabi et al., 2021). Therefore, analyzing revenue growth rate provides valuable insights into the quality and reliability of financial reports for listed firms in Nigeria, aiding investors, analysts, and regulators in evaluating the firm's growth prospects and financial health.

Theoretical Review

The following theories were reviewed to understand better the audit industry specialization and quality financial report of listed oil and gas firms in Nigeria.

1) Reputation Rationale Theory

Reputation Rationale Theory posits that auditors are motivated to maintain their reputation for delivering high-quality audits to protect their brand image and attract clients (Palmrose & Scholz, 2024). In the context of audit expertise and the quality of financial reports of listed insurance firms in Nigeria, the Reputation Rationale Theory suggests that audit firms with strong reputations are more likely to invest in resources and expertise to conduct thorough and effective audits. These audit firms recognize that maintaining their reputation for delivering reliable audits enhances their credibility and competitiveness in the market, leading to increased client retention and new client acquisitions (Oyedokun, 2020). Consequently, audit firms with strong reputations are incentivized to allocate resources to recruit and retain skilled professionals, invest in training and development programs, and implement robust quality control mechanisms to ensure the integrity and accuracy of financial reporting by listed oil and gas firms in Nigeria.

Reputation Rationale Theory suggests that the reputation of audit firms influences stakeholders' perceptions of audit quality and the reliability of financial reports. Investors, regulators, and other stakeholders place trust in audit firms with established reputations for delivering high-quality audits, viewing their audit opinions as credible and reliable indicators of financial statement accuracy (Palmrose & Scholz, 2024). In the Nigerian context, where concerns about audit quality and financial reporting reliability persist, the reputation of audit firms assumes heightened importance in reassuring stakeholders about the integrity of financial reports issued by listed oil and gas firms (Adeniji, 2018). Therefore, audit firms with strong reputations are better positioned to influence stakeholder perceptions positively, fostering trust and confidence in the financial reporting process and promoting the stability and credibility of the Nigerian oil and gas market.

2) Lending Credibility Theory

Lending Credibility Theory posits that auditors may compromise their independence and professional judgment to maintain or enhance their relationship with client firms, thereby lending credibility to potentially unreliable financial reports (Watts & Zimmerman, 1986). In the context of audit industry specialization and the quality of financial reports of listed oil and gas firms in Nigeria, Lending Credibility Theory suggests that auditors may face pressure to prioritize client interests over audit quality to preserve lucrative audit engagements (Oyedokun & Aremu, 2019). This pressure may manifest in various forms, such as client demands for leniency in audit procedures, fee pressures, or the fear of losing clients due to rigorous audit scrutiny (Abbott et al., 2013). Consequently, auditors may be inclined to compromise their expertise and independence, leading to suboptimal audit outcomes and potentially unreliable financial reports issued by listed oil and gas firms.

Lending Credibility Theory highlights the importance of regulatory oversight and governance mechanisms in mitigating the risks associated with auditor-client relationships. Effective regulatory oversight, robust corporate governance structures, and stringent audit standards are essential for preserving the autonomy of auditors and the upkeep of accurate financial reporting in the Nigerian (Adeniji, 2018). Regulatory authorities play a critical role in enforcing compliance with auditing standards, monitoring audit quality, and holding audit firms accountable for upholding professional integrity (Olaniyan & Adesola, 2021). Strong corporate governance practices, such as the establishment of independent audit committees and the rotation of audit partners, help mitigate the influence of client pressures on auditor independence, thereby safeguarding the credibility and reliability of financial reports issued by listed oil and gas firms in Nigeria.

Empirical Review

Kantudu (2022) conducted an assessment of the impact of audit committees on financial reporting within the Nigerian context. The research utilized data spanning from 2011 to 2019, sourced from 41 companies that are not involved in financial services and are listed on the Nigerian Stock Exchange. To address potential endogeneity and heteroskedasticity concerns, the study employed the "Generalized Method of Moments (GMM)" technique, known for its robustness in such situations. The results revealed a notable negative correlation between the size of audit committees, as well as the inclusion of shareholders and financial experts within these committees, and earnings management. This relationship translated into a reduction in discretionary accruals and an enhancement in financial reporting quality. Importantly, the study's findings remained robust even when considering unobserved heterogeneity, a facet that previous research often overlooked. Therefore, the implications of this study suggest that forthcoming corporate governance reforms should acknowledge and sustain these endeavors in order to uphold and further improve financial reporting quality in Nigeria.

Nwanyanwu (2017) using data from auditing companies, investigated the impact of audit quality methods on financial reporting in Nigeria. Data collection was conducted through a questionnaire, and subsequent analyses encompassed univariate, bivariate, and multivariate approaches employing descriptive statistics, the Pearson Product Moment Coefficient of Correlation, and stepwise multiple regression. The results revealed a notably strong positive correlation between the dependability of financial reporting and a number of audit quality indicators, such as auditor independence, technical competence, and engagement performance. Particularly, auditor independence emerged as the most influential factor, explaining 47.9% of the variability in the reliability of financial reports. Moreover, the regression model that only examined auditor independence showed the greatest degree of dependability in financial reporting. For this reason, auditor independence was identified as a critical element of audit quality that positively impacted financial reporting, even in the presence of technical training, proficiency, and engagement performance.

Daferighe (2019), motivated by the failures and corporate collapses seen in the banking industry despite obtaining clean audit reports, investigated the effect of audit quality on the financial reports of Deposit Money Banks (DMBs) in Nigeria.. Employing an ex-post-facto methodology, the study utilized descriptive and inferential statistics to analyze data from a purposive sample of 10 DMBs over a 14-year period, resulting in 140 data points. The main sources of data were the notes to the financial statements and content analysis of publicly available annual reports and accounts. With the use of linear multiple regression and Pearson Product-Moment Correlation, the results showed that while audit fees and auditor tenure had little impact (3.4%, 3.3%), they showed a strong correlation with the amount of discretionary accruals of DMBs in Nigeria. Furthermore, a positive mutual association of 85.8% was found between financial reporting and audit quality. However, it was noted that auditor tenure had a greater impact on discretionary accruals compared to audit fees. Recommendations included strengthening financial reports through regulatory measures such as establishing optimal non-discretionary accrual levels and enhancing oversight of DMB management to mitigate the risk of bank failures despite clean audit reports. Moreover, auditors of DMBs in Nigeria were advised to conduct Earnings Quality Assessment (EQA) and issue

"Integrated Audit reports," which incorporate EQA and Internal Control Reports alongside standard annual audit reports, to address potential threats to financial report integrity.

Research Gap

The issue of audit characteristics and financial reports has been comprehensively studied. However, It is noteworthy that no study seems to investigate the impact of audit industry specialisation on the quality of financial reports of particular companies operating in Nigeria's oil and gas sector. This paper addresses this empirical gap by establishing the relationship between industry specialization on the quality of financial reports of selected firms in the oil and gas sector in Nigeria.

METHODOLOGY

In conducting the study, a "ex-post facto research design" was used. In ex-post facto investigations, observers are unable to directly affect independent variables since their manifestations are either essentially unmodifiable or have already occurred. Owing to the nature of this study, no variables have been altered.. The study's population consists of all eight Nigerian Exchange Group listed oil and gas companies as of December 31, 2022. In other to ensure data accuracy and reliability, a census survey technique was employed to select all the listed companies in the oil and gas sector from 2015 to 2022. They are Nigerian National Petroleum Corporation (NNPC), Seplat Petroleum Development Company Plc, Total Nigeria Plc, Oando Plc, Conoil Plc, Forte Oil Plc (Now Ardova Plc), Eterna Plc, Japaul Oil & Maritime Services Plc and Capitoil Plc.

Model of Specification

The model's functional form definition is provided below.

The functional form of the linear regression models is as follows:

(DAC, RGR) = f (AIS)

Where:

QFR = Quality Financial Reporting

DAC = Discretionary Accruals

RGR = Revenue Growth Rate

AIS= Audit Industry Specialization

In econometric form, this equation may be rewritten as follows:

$DAC_{it} = a_o + a_1 AIS_{it} + \mu$ …… (1)

$RGR_{it} = a_o + a_1 AIS_{it} + \mu$……. (2)

Where ao = "Autonomous or intercept" a_1 & a_2 = "Coefficient for parameter" AIS μ = "Stochastic variable or error term."

$TACCit /Ait\text{-}1 = \beta 1\ 1/Ait\text{-}1 + \beta 2\ (\Delta REVit - \Delta ARit)/Ait\text{-}1 + \beta 3\ PPEit /Ait\text{-}1 + Eit$

Where TACCit = "total accruals for firm i in year t"

Ait-1 = "total assets for firm i in year t-1 "

ΔREVit = "change in net revenues for firm i in year t"

ΔARit = "change in accounts receivables for firm i in year t"

PPEit = "gross property, plant and equipment for firm i in year t"

Eit = "error term (discretionary accruals for firm i year t)"

β1, β2 and β3 = "firm specific parameters."

$DACCit = TACCit/ Ait\text{-}1 – \beta 1\ 1/Ait\text{-}1 + \beta 2\ (\Delta REVit - \Delta ARit)/Ait\text{-}1 + \beta 3\ PPEit/Ait\text{-}1$

S/N	VARIABLE	MEASUREMENT	TYPE
1	Audit Industry Specialization (AIS)	The number of clients served by the auditor within the specific industry in a year. It is expressed as a percentage	Independent Variable
2	Discretionary Accruals (DAC)	What separates the non-discretionary component from total accruals is typically estimated using a regression model or other statistical methods. This work uses the Modified Jones Model to quantify discretionary accruals..	Dependent Variable
3	Revenue Growth Rate (RGR)	The percentage increase in a company's total sales or income over a specific period, typically compared to the same period in the previous year.	Dependent Variable

Source: Researcher's Compilation (2024)

Using E-VIEWS version 9, the ordinary least squares approach was used to analyse the data. The research assessed, from 2015 to 2022, the influence of audit sector specialisation on the quality of financial reporting of listed oil and gas companies using the adjusted coefficient of determination (adj. R2) as the unit. If the p-value is less than 0.05, the null hypothesis is rejected; if not, it is accepted.

Result and Analysis

Table 2: Descriptive Statistics of Data

	DAC	RGR	AIS
Mean	146.6964	42.46429	46.73214
Median	61.50000	42.00000	43.00000
Maximum	605.0000	43.00000	73.00000
Minimum	6.000000	42.00000	29.00000
Std. Dev.	166.8207	0.503236	9.120389
Skewness	1.438157	0.143223	1.314355
Kurtosis	2.976723	1.020513	3.240479
Jarque-Bera	21.53005	9.334315	19.71411
Probability	0.000021	0.009399	0.000052
Sum	8215.000	2378.000	2617.000
Sum Sq. Dev.	1530604.	13.92857	4574.982
Observations	56	56	56

E-VIEWS OUTPUT (2024)

DAC had an average value of around 146.6964. The mean values of AIS and RGR were 46.7 and 42.46429, respectively. This indicates the average DAC and RGR rating for all listed Oil and Gas firms is roughly 42.46 and 147 in between 2015 and 2022. The outcome of the descriptive statistics indicates that all the variables are positively skewed. Skewness is another significant statistic that quantifies the asymmetry of the distribution of series around their mean. The data are skewed to the right, as shown by the positive skewness values; this indicates that the right tail is longer than the left tail. Finally, the

Jarque-Bera (JB) test indicates that all of the variables are normally distributed and do not include any outliers or extreme values.

Results of Diagnostic Statistics

The coefficients of skewness and kurtosis indicate whether the data series' distribution is normal. The skewness coefficients for all the variables under investigation are less than or close to figure one. With a Kurtosis coefficient of less than or around three, the kurtosis coefficient offers an additional degree of assurance that each of the explanatory variables has a normal distribution.

Table 3: Correlational Matrix of the Variables

	DAC	RGR	AIS
DAC	1		-
RGR	0.3232	1	
AIS	0.8020	0.5530	1

E-VIEWS OUTPUT (2024)

The table above revealed that DAC and RGR had a positive, strong relationship with AIS respectively. The research found no perfect correlation between the two explanatory variables when looking for multi-collinearity, hence there is no issue of multi-collinearity among the variables.

Hypothesis Testing

$H0_1$: "Audit firm industry specialization has no significant effect on the discretional accruals of listed oil and Gas firms in Nigeria."

Table 4: Regression Analysis on DAC and AIS

Dependent Variable: DAC
Method: Panel Least Squares
Date: 03/28/24 Time: 11:21
Sample: 2015 2022
Periods included: 8
Cross-sections included: 7
Total panel (balanced) observations: 56

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-300.9734	1926.197	-2.156253	0.0000
AIS	-1.505778	2.506483	-2.600754	0.0002

R-squared	0.137796	Mean dependent var	146.6964
Adjusted R-squared	0.129645	S.D. dependent var	166.8207
S.E. of regression	169.2754	Akaike info criterion	13.15301
Sum squared resid	1518671.	Schwarz criterion	13.26152
Log likelihood	-365.2844	Hannan-Quinn criter.	13.19508
F-statistic	3.208225	Durbin-Watson stat	0.347372
Prob(F-statistic)	0.012685		

By using an R-squared value adjusted to 0.137600, the dependent variable's variation may be explained by 13.7 percent. The hypothesis that all regression coefficients are zero is rejected (p.<. 05) based on the F-statistic of 3.208. F-statistics and an adjusted R2 for the regression model indicate that it fits well and can account for variations in the DAC. The t-statistic and coefficient for our variable of interest, AIS, were both positive [t-statistic (2.60), p (0.002 < 0.05)]. We reject the null hypothesis. Therefore, the discretionary accruals of listed oil and gas corporations in Nigeria are significantly impacted by the sector specialisation of audit firms.

H0$_2$: "Audit industry specialization has no significant effect on the revenue growth rate of listed oil and Gas firms in Nigeria."

Dependent Variable: RGR
Method: Panel Least Squares
Date: 03/28/24 Time: 11:21
Sample: 2015 2022
Periods included: 8
Cross-sections included: 7
Total panel (balanced) observations: 56

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-300.9734	1926.197	-2.156253	0.0000
AIS	12.19938	45.42617	3.268554	0.0003

R-squared	0.117796	Mean dependent var	146.6964
Adjusted R-squared	0.109645	S.D. dependent var	166.8207
S.E. of regression	169.2754	Akaike info criterion	13.15301
Sum squared resid	1518671.	Schwarz criterion	13.26152
Log likelihood	-365.2844	Hannan-Quinn criter.	13.19508
F-statistic	3.208225	Durbin-Watson stat	0.347372
Prob(F-statistic)	0.012685		

Positive coefficient and t-statistic [t-statistic (-3.26), p (0.003 < 0.05)] were associated with our variable of interest, AIS. The null theory is disproved. Thus, the pace of revenue growth of Nigerian listed oil and gas companies is significantly influenced by the specialisation of the audit business.

DISCUSSION OF FINDINGS

Findings from research hypothesis 1 revealed that audit firm industry specialization has a significant effect on the discretional accruals of listed oil and Gas firms in Nigeria. This implies that Industry specialization fosters closer collaboration and knowledge sharing among audit professionals, enabling firms to stay abreast of emerging industry trends, regulatory developments, and best practices, further enhancing their ability to deliver high-quality audit services. This finding is in agreement with Kantudu (2022) and Daferighe (2019) who reported a positive and significant effect between audit board members financial expertise on financial report of firms listed.

Findings from research hypothesis 2 revealed that Audit industry specialization has a significant effect on the revenue growth rate of listed oil and Gas firms in Nigeria. This implies that revenue growth rate provides valuable insights into the quality and reliability of financial reports for listed firms in Nigeria, aiding investors, analysts, and regulators in evaluating the firm's growth prospects and financial health. This finding is supported by the finding of Kantudu (2022) and Daferighe (2019).

CONCLUSION AND RECOMMENDATIONS

The study examined audit industry specialization and quality financial reporting of listed oil and gas firms in Nigeria. Audit industry specialization ensures the quality and reliability of financial reports issued by listed oil and gas firms in Nigeria. This study has established that audit industry specialization (measured as the number of clients served by the auditor within the specific industry in a year) have a positive and significant effect on and quality financial reporting of listed oil and gas firms in Nigeria.

Based on the conclusion, the following recommendations were given:

1. Regulatory authorities should enhance oversight mechanisms to ensure compliance with auditing standards and promote audit quality among audit firms operating in the Nigerian oil and gas sector. This

may involve conducting regular inspections, imposing sanctions for non-compliance, and providing guidance on best practices for auditors and oil and gas firms.

2. Audit firms and oil and gas companies should prioritize investment in continuous professional development programs to enhance the technical skills and industry knowledge of auditors. By providing training on emerging regulatory requirements, industry trends, and advanced auditing techniques, audit professionals can better address the complexities of oil and gas accounting and reporting standards.

REFERENCES

Abbott, L. J., Parker, S., Peters, G. F., & Raghunandan, K. (2023). The association between audit committee characteristics and audit fees: A meta-analysis. Auditing: *A Journal of Practice & Theory, 32*(1), 1-32.

Adegbite, E., Amaeshi, K., & Nakajima, C. (2019). Multiple influences on corporate governance practice in Nigeria: Agents, strategies and implications. *International Business Review, 28*(1), 101-113.

Adelopo, I., Eke, E., & Ajibolade, S. (2021). Industry specialisation, audit quality and audit pricing: Evidence from Nigeria. *International Journal of Accounting & Information Management*. *10*(4), 661-682

Adeniji, A. A. (2018). Corporate governance, audit quality and firm value: Evidence from Nigeria. *Accounting and Finance Research, 7*(3), 192-203.

Adeyemi, S. B., & Fagbemi, T. O. (2018). Industry Specialization, Audit Quality, and Financial Performance: Evidence from Nigeria. *Journal of Accounting and Auditing: Research & Practice, 20*(1), 1-12.

Afolabi, M. A., Olayinka, O. O., & Olabode, M. O. (2019). Impact of audit firm specialisation on audit quality: evidence from Nigeria. *Journal of Accounting in Emerging Economies, 9*(3), 398-415.

Alabi, O. J., Okolie, A. O., & Egbide, B. C. (2021). Impact of Industry Specialization on Audit Quality: Evidence from Nigeria. *International Journal of Accounting, Finance, and Economics, 6*(1), 25-41.

Al-Matari, E. M., Aburime, T. U., Olowookere, E. I., & Abdulazeez, H. (2020). Industry specialization, audit quality, and firm performance: evidence from Nigerian listed firms. *Journal of Accounting in Emerging Economies, 10*(4), 661-682.

Daferighe, K. T., (2019). Audit judgment: Expertise and task complexity. Auditing: *A Journal of Practice & Theory, 34*(1), 131-147.

Kantudu, J., (2022). Audit firm expertise, audit quality and earnings management of listed deposit money banks in Nigeria. *Accounting and Finance Research, 9*(1), 192-203.

Nwanyanwu, B. (2017). Audit quality and financial performance of listed deposit money banks in Nigeria. *Journal of Finance and Investment Analysis, 7*(2), 126-137.

Ogunleye, E. O., & Adebisi, J. F. (2020). Auditor's report and financial reporting quality: Evidence from Nigeria. *Journal of Economics and Business Management, 2*(1), 35-46.

Okoli, J. O., Osamwonyi, I. O., & Ezeani, N. S. (2018). Industry Specialization of Audit Firms and Audit Quality: Evidence from Nigeria. *International Journal of Academic Research in Accounting, Finance, and Management Sciences, 8*(1), 173-183.

Olaniyan, R. A., & Adesola, W. (2021). Audit quality and financial performance of listed deposit money banks in Nigeria. *International Journal of Accounting and Financial Management Research, 11*(1), 48-59.

Olorunniwo, F., Ojo, O., & Olowe, T. (2019). Industry Specialization of Audit Firms and Audit Quality: Evidence from Nigeria. *Journal of Finance and Accounting, 7*(5), 187-195.

Olufemi, A. (2020). Audit Firm Specialization and Audit Quality in Nigeria. *Journal of Accounting, Business and Finance Research, 5*(2), 108-116.

Oyedokun, G. (2020). Audit firm expertise and earnings management of listed deposit money banks in Nigeria. *International Journal of Accounting and Financial Reporting, 10*(3), 143-155.

Oyedokun, G., & Aremu, M. A. (2019). Audit firm characteristics and financial performance of listed manufacturing firms in Nigeria. *Journal of Finance and Accounting, 7*(5), 171-181**.**

Palmrose, Z. V., & Scholz, S. (2024). The circumstances and legal consequences of non-GAAP reporting: Evidence from restatements. Contemporary Accounting Research, 21(1), 139-180.

Watts, R. L., & Zimmerman, J. L. (1986). *Positive accounting theory*. Prentice-Hall.