

Audit committee attributes, audit quality and performance of oil and gas companies

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Abstract

Purpose: This study examines the audit committee attributes, audit quality, and financial performance of listed oil and gas companies in Nigeria.

Research methodology: Audit committee attributes were measured by audit committee size, audit committee independence, and audit committee financial expertise, and audit quality was measured by audit fees charged by an external auditor. Financial performance is measured in terms of earnings per share. The researcher used secondary data extracted from the ten listed oil and gas firms annual reports, and the accounts were analyzed using Panel Least Square.

Results: This study reveals a positive and statistically significant relationship between audit committee independence and earnings per share. It also shows that audit quality moderates audit committee attributes significantly and increases firm performance. This study recommends that maintaining high audit quality within the audit committee is crucial for a firm if it aims to offer increased assurance to investors and stakeholders concerning the precision and dependability of its financial statements.

Limitations: This study was limited to listed oil and gas companies in Nigeria ranging from 2016-2022.

Contribution: This study examined factors that can moderate the relationship between audit committees and the financial performance of listed oil and gas companies in Nigeria. One such factor is audit quality, which can potentially enhance or diminish the impact of audit committee effectiveness on financial performance. No study conducted in Nigeria has examined this relationship specifically in the oil and gas sector. This knowledge gap served as the rationale for conducting this study.

Keywords: *Audit committee attributes, Financial Performance, Moderating the Effect of Audit Quality*

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1. Introduction

The performance of an organization's finances is extremely important. It significantly influences the growth of the company and the value it provides to its shareholders. Management's effectiveness and efficiency can be seen in an organization's financial performance. Therefore, the Company and Allied Matters Act (CAMA, 2004) mandates the preparation of essential financial statements to assist users in making informed decisions. According to Wakaba (2014), the main purpose of establishing an audit committee is to enhance the quality of auditing and question the board of directors, thus improving performance. The term 'firm performance' refers to measuring the outcomes of a company's policies and operations in monetary terms. These outcomes are reflected in performance indicators, such as earnings per share, return on assets, return on equity, and return on capital employed. This study adopts earnings per share (EPS) as a measure of financial performance.

The concepts of corporate governance and company performance continue to attract significant interest because corporate scandals still occur, undermining the trustworthiness of many investors and consequently affecting the country's economy (Al-ahdal & Hashim, 2022). During major corporate scandals, such as Enron and WorldCom, it was widely believed that weak corporate governance systems were the primary cause, and there was a need for substantial improvements to regain investor confidence (Baatwah et al., 2015). One significant reform in corporate governance was the strengthening of audit committees, which acted as a protective barrier against managerial misconduct by the board of directors and shareholders (Al-ahdal & Hashim, 2022; Baatwah et al., 2015). However, empirical evidence of the impact of audit committees on company performance has produced inconsistent results (Javeed et al. 2021).

This study used audit committee size, audit committee independence, audit committee financial expertise to proxy for the effect of the audit committee on financial performance. These attributes are overemphasized to influence the effectiveness of audit committee in discharging their responsibilities.

Audit quality can strengthen the influence of audit committees on company performance because higher audit fees may indicate a higher-quality audit, as more resources and expertise are often required to conduct a thorough examination of a company's financial statements. A high-quality audit can provide greater assurance to investors and stakeholders regarding the accuracy and reliability of financial information, thus positively impacting a company's reputation and potentially attracting more investors. This has been overlooked in previous studies.

Thus, this study introduces a moderating effect of audit quality, proxied by audit fees, on the effect of the audit committee on the financial performance of listed oil and gas companies in Nigeria. The oil and gas industry is one of the most significant sectors in Nigeria's economy, contributing significantly to its Gross Domestic Product (GDP). Industry growth and development depend largely on investors' confidence in the financial information provided by listed oil and gas firms. Hence, this study examines the moderating effect of audit quality on the relationship between audit committees and financial performance of listed oil and gas companies in Nigeria. This study is limited to listed oil and gas companies in Nigeria, and the study population consisted of all listed oil and gas companies in Nigeria ranging from 2016-2022.

The choice for these periods was the result of instances of unaccounted oil revenues and financial mismanagement within the corporation in 2017 after the Nigerian government launched an investigation into the operations of the Nigerian National Petroleum Corporation (NNPC). The Petroleum Industry Bill (PIB) was signed into law in 2020. This legislation introduced comprehensive reforms in the Nigerian oil and gas industry, including the establishment of an audit committee.

Studies on the role of audit committees in developing economies using the oil and gas sector are limited, as greater emphasis has been placed on sectors such as manufacturing, food and beverages, and the non-financial sector. Additionally, there is a scarcity of literature specifically exploring the impact of the audit committee attributes and audit quality on financial performance in emerging economies such as Nigeria. Existing studies in this area provide contradictory findings regarding the relationship between audit committees and financial performance.

The broad objective of this study is to examine the effects of the audit committee attributes and audit quality on the financial performance of listed oil and gas companies in Nigeria. Specifically, this study ascertains the effects of audit committee size, audit committee independence, audit committee financial expertise, audit quality, and the moderating effect of audit quality on the relationship between audit committee attributes and financial performance of listed oil and gas companies in Nigeria. The remainder of this paper includes a literature review, methodology, results, discussions, and conclusions and recommendations.

2. Literature review

2.1 Audit Committee Size and Financial Performance

CAMA 2020, as amended, provides that the Audit Committee of a public company should have five members: three shareholders and two non-executive directors with at least one member belonging to a professional body in Nigeria. Regarding the size of audit committees, resource dependence theory posits that larger audit committees have a more positive impact on a firm's progress and development. According to this theory, a larger audit committee provides its members with greater opportunities to contribute valuable resources such as experience and expertise, thereby enhancing the effectiveness of the committee in overseeing management and ensuring high-quality monitoring. Cadbury (1992), Smith (2003), and Sarbanes and Oxley (2002) specified that an audit committee should consist of at least three members. While Buchalter and Yokomoto (2003) suggested that audit committees ideally have three to five members, the actual number may vary depending on the company's size.

Various studies have suggested a positive relationship between a firm's board size and its performance (Alqatamin, 2018; Javeed et al., 2021; Zraiq & Fadzil, 2018). Dalton et al., (1999) have confirmed that larger audit committees have a stronger monitoring process, leading to improved performance. Mohd Saleh et al., (2007) emphasized that audit committees with more members are likely to possess diverse skills and knowledge, enhancing their ability to monitor effectively. However, Al-Matari et al. (2012) found a negative association between audit committee size and firm performance, while Qeshta et al. (2021) reported that audit committee size had an insignificant effect on firm performance. Similarly, Al-ahdal and Hashim (2022) did not find a significant association between audit committee size and firm performance.

The argument presented above generates the following hypothesis used for this study.

H₀₁: Audit committee size has no significant effect on the financial performance of Nigerian listed oil and gas companies.

2.2 Audit Committee Independence and Financial Performance

Independence is widely recognized as one of the crucial characteristics of an effective audit is frequently cited in the current literature and corporate governance guidelines. The prevailing belief is that independent external members make better monitors of management as they are not financially or personally connected to the company's executives (Sarbanes and Oxley, 2002). AC independence of an audit committee is considered essential for enhancing its effectiveness in supervising the financial reporting process (Baxter & Cotter, 2009). Independent directors are seen as decision experts with good decision-making abilities (Abbott et al., 2004; Beasley, 1996). Consequently, independent audit committees are expected to reduce financial misconduct (Abbott et al. 2004).

Thus, researchers have investigated the impact of audit committee independence on various aspects, such as financial reporting quality (Xie et al., 2003), internal control systems (Goh, 2008), and audit quality (DeFond et al., 2005). However, the relationship between AC independence of an audit committee and firm performance remains uncertain, based on prior research. Some studies suggest a positive association between a firm's performance and the proportion of non-executive directors in its audit committee. For instance, Chan and Li (2008) argue that audit committee independence positively influences a company's performance measured by "Tobin's Q." Ameer et al. (2010) also found that companies with external directors on their audit committees tend to perform better than those with a majority of internal executives and affiliated non-executive directors. Similarly, Al-Mamun et al. (2014) and Javeed et al. (2021) demonstrated positive associations between audit committee independence and firm performance.

Conversely, some studies suggest a potential negative association between the percentage of independent non-executive directors on the audit committee and firm performance. Ben Barka and Legendre (2017), De Jong et al., (2005), and Franks et al., (2001) argue that such independence could be detrimental to a firm's performance. However, Al-Matari et al. (2012) did not find a significant association between audit committee independence and firm performance in their study of non-financial firms in Saudi Arabia. Qeshta et al. (2021) and Al-ahdal and Hashim (2022) also reported no significant

association between audit committee independence and firm performance. Divergent views on the association between audit committee independence and financial performance, as stated above, are a result of the diversity of domains and the geographical locations of the researchers.

The argument presented above generates the below hypothesis used for this study:

H₀₂: Audit committee independence has no significant effect on the financial performance of listed oil and gas companies in Nigeria.

2.3 Audit Committee Financial Expertise and Financial Performance

The significance of financial literacy and expertise among AC members of an audit committee is clearly demonstrated by various recommendations and regulations. The Blue-Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees in 1999 suggests that each audit committee should have at least one financial expert. The Sarbanes-Oxley Act of 2002 established new rules requiring at least one financially knowledgeable director to be present on the audit committee. Furthermore, according to the New York Stock Exchange (NYSE)-registered company manual, all members of the audit committee should possess financial competence. Having audit committee members with financial and accounting knowledge enhances their understanding of auditing issues, risks, and appropriate audit measures to address and identify these issues and risks (DeZoort and Salterio, 2001).

Several empirical studies have reported the positive impact of audit committee financial expertise. For instance, Krishnan and Visvanathan (2008) find that companies with audit committee financial expertise exhibit lower earnings management. Goh (2008) found no association between the AC's financial expertise of the audit committee and material internal control weaknesses. Other studies have also supported the benefits of having financial expertise on the audit committee in various company outcomes (Abbott et al., 2004; DeFond et al., 2005; DeZoort & Salterio, 2001; Xie et al., 2003). Audit committee financial expertise has also been linked to firm performance, although the evidence is not entirely conclusive. Some studies such as those by Javeed et al. (2020), Findyhyllam (2022), a findy et al., (2020), found positive associations between financial expertise and firm performance. However, several other studies including those by Al-Maet al. (2012), Al-Mam andn et al. (2014), Qeshta et al. (2021) et al. I-ahdala findim (2022), found no significant influence of audit committee financial expertise on firm performance. The Provision of CAMA 2020, as amended in Nigeria, provides that an audit committee must have at least one member with financial literacy in accounting or other related disciplines, as well as possessing membership in any professional accounting body in Nigeria.

The argument presented above generates the below hypothesis used for this study:

H₀₃: Audit committee financial expertise has no significant effect on the financial performance of listed oil and gas companies in Nigeria.

2.4 Audit Quality and Financial Performance

The audit provides credibility to the financial reporting process by engaging in assurance activities to determine whether the financial statements are fairly presented in accordance with the applicable financial framework. Audit quality is the ability of an auditor to commit to his/her responsibility to perform a qualified audit. In this case, audit quality improves the auditor's performance in the independence of financial statements through the discovery, reporting, and opinion of deviations found in clients' accounting systems. If accounting information is of low quality, it triggers serious economic problems and leads to high levels of future management fraud (Herdiansyah & Kuntadi, 2022). Therefore, audit quality plays an important role in the audit process (Wardani and Waskito, 2022). Audit quality occurs when the auditor meets generally accepted audit standards. These standards include professional qualities, such as competence, independence, reporting requirements, and evidence. Meanwhile, users of financial statements consider audit quality to increase performance if the auditor believes that financial statements do not contain material misstatements or fraud (Meidona & Yanti, 2018). Audit quality refers to an auditor's ability to assess financial statements to disclose mistakes. It is crucial to make every activity of audit quality beneficial for upgrading personal abilities in making the statement of accounting information and eliminating untrusted information (DeAngelo, 1981; Mgbame et al., 2012). Jusoh and Ahmad (2013) reveal that audit quality influences firm performance, and higher audit quality alleviates agency costs. This adds to the credibility of financial statements and

increases their performance. Conversely, Rashid et al. (2021) state that audit quality does not significantly affect firm performance. To ensure audit quality, they are typically conducted in adherence to statutory legislation and international auditing standards.

DeAngelo (1981), as cited in Soyemi et al., (2020), defines audit quality as the dual possibilities of auditors detecting material misstatements during the audit engagement and reporting them through an audit report. The former refers to auditors' competence, whereas the latter pertains to auditor independence. Given the unobservable nature of audit quality, researchers often face challenges in measuring audit quality directly and instead rely on proxies such as the presence of Big4 audit firms (Ezejiofor & Erhirhie, 2018; Soyemi et al., 2020), auditor independence (Phan et al., 2020), audit fees (Enekwe et al., 2020; Soyemi, 2014), auditor specialization (Soyemi et al., 2021), and audit committee attributes (Ogbodo & Akabuogu, 2018), among others. Al-Ansi (2022) examined the moderating effect of audit quality on the impact of audit committee characteristics and performance of Saudi Arabia financial companies. This study was executed on 44 unique financial companies listed in the Saudi Arabia capital market, Tadawul, over the period 2016-2018, resulting to 132 observations. Using pooled panel data regression, the results indicate that audit committee independence, expertise, size, and meetings significantly impact financial companies' performance. The results also reveal that BIG4 audit firms significantly moderate the effects of audit committee size and meetings on company performance. However, the results show that BIG4 audit firms do not moderate the effects of audit committee independence and expertise on firm performance. Prior studies on the moderating effect of audit quality on audit committees and performance proxied audit quality using the Big 4. This study examines the effect of audit fees as a proxy for audit quality on the relationship between audit committee and financial performance.

The argument presented above generates the below hypothesis used for this study:

H₀₄: Audit quality has no significant effect on the financial performance of Nigerian listed oil and gas companies.

2.5 Moderating Effect of Audit Quality on Audit Committee and Financial Performance

This study explored the moderating effect of audit quality on the relationship between audit committees and financial performance. External auditors and audit committees are recognized as the primary entities responsible for overseeing financial reporting and ensuring accurate firm performance (Al-ahdal & Hashim, 2022). However, existing evidence on the impact of audit committee characteristics yields mixed results and suggests that audit committees may not always protect shareholders' interests or improve firm value. Conversely, limited research on the influence of audit quality on firm performance suggests a positive association (Al-ahdal & Hashim, 2022; Al-Mamun et al., 2014; Rahman & Ali, 2006). Consequently, Al-ahdal and Hashim (2022) proposed that external auditors who perform their duties professionally and appropriately have the potential to enhance firm performance. As a result, this study assumes that audit quality, as indicated by affiliation with big4 audit firms, could moderate the impact of audit committee characteristics on firm performance since examining inconsistent results for well-established effects is best explored through moderator analysis (Javeed et al., 2021). Most studies have proxy audit quality with the Big 4, however this study seeks to proxy audit quality with audit fees. The argument presented above generates the below hypothesis used for this study:

H₀₅: Audit quality has no significant effect on the relationship between audit committees and financial performance of listed oil and gas companies in Nigeria.

2.6 Theoretical Framework

Agency theory provides theoretical justification for the creation of audit committees. According to agency theory, shareholders and debt holders act as principals who seek to maximize utility from management by acting as their agents (Kalbers & Fogarty, 1998). Assuming economic self-interest, there is the possibility of opportunistic actions by the agent that are detrimental to the principal. Shareholders are unable to witness management's actions directly, since ownership and management are separated (Jensen & Meckling, 1976). These measures are intended to minimize managers' opportunistic behavior or align managers' and shareholders' incentives (Dellaportas et al., 2005). An illustration of this type of corporate governance oversight is the audit committee. These committees

play a significant role in the decision-making process for internal board oversight (Kalbers and Fogarty, 1998). In areas with high agency expenses, Bradbury (1990) states that audit committees will be voluntarily recruited to enhance the quality of information flows between the principal and agent. The importance of audit committees as tools for enhancing the caliber of a company's financial performance has been generally acknowledged.

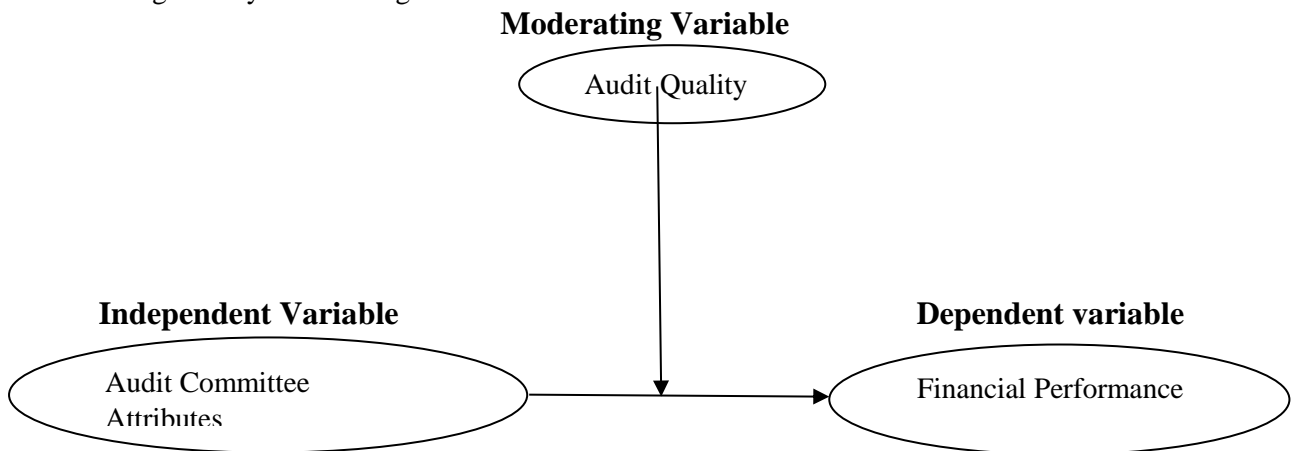


Figure 1. Conceptual Framework of the Study
Source: Researchers' compilation, 2023.

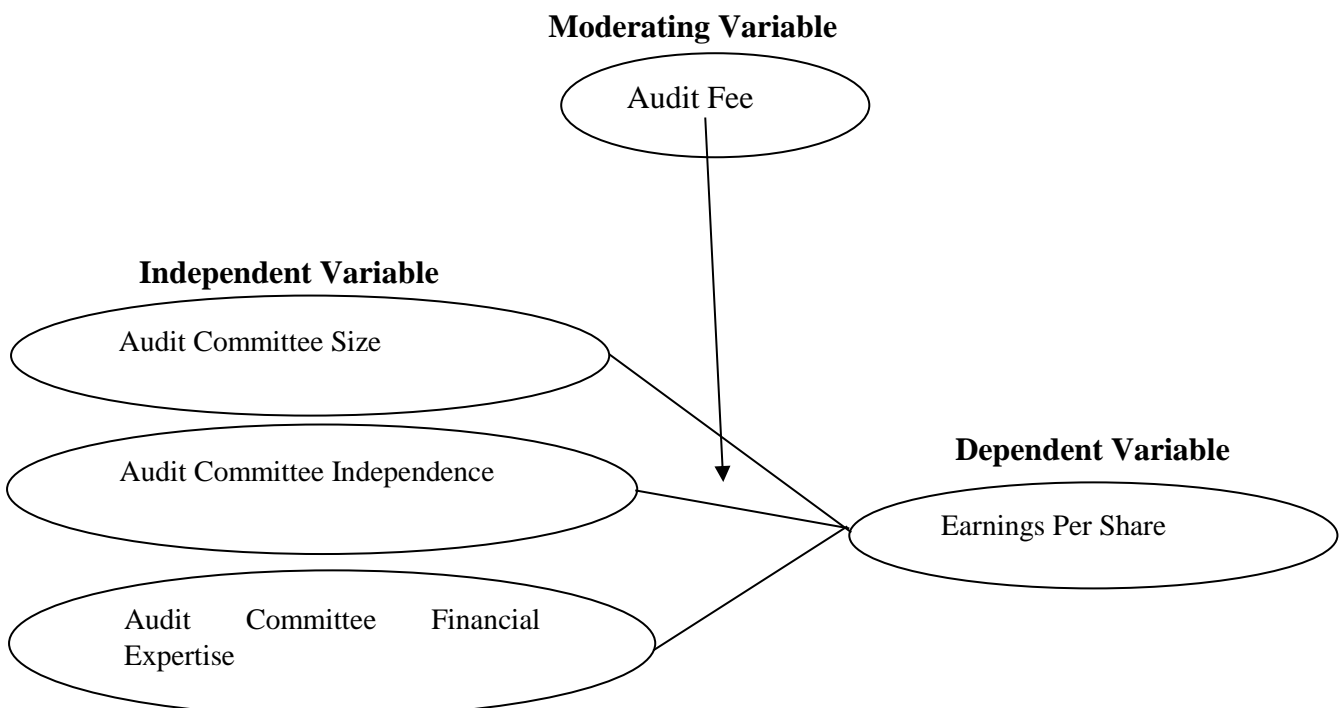


Figure 2. Conceptual Framework of the Study with Study Variables
Source: Researchers' compilation, 2023.

3. Research methodology

This study adopted a correlational research design to examine the effects of the audit committee attributes, audit quality, and financial performance of listed oil and gas companies in Nigeria. Panel data were used because of the nature of the stated model variables for multiple regression analysis, as the time and cross-sectional effects of the data were analyzed in this study. Secondary data were obtained from the annual reports of 10 listed oil and gas companies on the floor of the Nigerian Exchange Group (NGX) between the periods of 2016-2022. The data were analyzed using the panel least-squares estimation method. The panel data regression model takes the following form:

$$EPS_{it} = \beta_0 + \beta_1 ACS_{it} + \beta_2 ACI_{it} + \beta_3 ACFE_{it} + \varepsilon_{it} \dots\dots\dots \text{Model 1}$$

$$EPS_{it} = \beta_0 + \beta_1 ACS_{it} + \beta_2 ACI_{it} + \beta_3 ACFE_{it} + \beta_4 AUF_{it} + \varepsilon_{it} \dots\dots\dots \text{Model 2}$$

$$EPS_{it} = \beta_0 + \beta_1 ACS_{it} + \beta_2 ACI_{it} + \beta_3 ACFE_{it} + \beta_4 AUF_{it} + \beta_5 ACS_{it} * AUF_{it} + \beta_6 ACI_{it} * AUF_{it} + \beta_7 ACFE_{it} * AUF_{it} + \varepsilon_{it} \dots\dots\dots \text{Model 3}$$

3.1 Variables and Measurement

Audit committee attributes such as Audit Committee Size (ACS), Audit Committee Independence (ACI), and Audit Committee Financial Expertise (ACFE) were used for this study to measure the independent variable, while (EPS) was used to measure the dependent variable. Audit fees (AUF) were used as moderating variables to measure Audit Quality.

Table 1. Measurement of Variables

Variables	Indicator	Measurement	Study Replicate
Earnings Per Share (Dependent variable)	EPS	Net profit after tax divided by number of outstanding shares	Zrai q and Fadzil (2018)
Audit Committee Size (Independent variable)	ACS	Number of audit committee members	Awwad et al., (2020)
Audit Committee Independence (Independent variable)	ACI	Proportion of independent directors to audit committee size	Rahman and Ali (2006); Zábojníková (2016)
Audit Committee Financial Expertise (Independent variable)	ACFE	Proportion of audit committee members with financial expertise to the total number of audit committee members	Rahman and Ali (2006); Oroud (2019)
Audit Fees (Moderating variable)	AUF	Natural logarithms of audit fees as charged by external auditor	K. Soyemi, O. V. Afolabi, and I. F. Obigbemi (2021)

Source: Researcher's Compilation, 2023

4. Result and discussion

To verify whether there was evidence of multicollinearity, we used the Variance Inflation Factor (VIF). A VIF above 10 indicates that multicollinearity is harmful (Gujarati and Porter, 2009). The outcome shows that 1.57 is the maximum VIF and 1.01 is the lowest VIF, both of which are less than 10, indicating the absence of multicollinearity.

Table 2. Descriptive Statistics (Observation=70)

Variable	Mean	Std. Dev.	Min	Max
EPS	.25501	2.232215	-7.43	5.77
ACS	5.285714	.8365363	3	6
ACI	.3947619	.135149	.1666667	.8

ACFE	.3157143	.3130017	0	1.75
AUF	4.407613	.7876265	2.389166	5.929419

Where: EPS=Earnings Per Share; ACS=Audit Committee Size; ACI=Audit Committee Independence
ACFE=Audit Committee Financial Expertise; AUF=Audit Fee.

Source: Stata Computation Output, 2023

Table 2 summarizes the descriptive statistics of the dependent, independent, and moderating variables. This table shows the directions of the variables used in this study. The descriptive results show that the average EPS for oil and gas sector companies in Nigeria is .25501, with a standard deviation of 2.232215, which indicates a variation with the mean because the standard deviation is greater than the mean. This also implies that the average EPS of oil and gas companies varies significantly between companies and years. This is supported by the level of the differences between the minimum and maximum values which are -7.43 and 5.77 respectively. The Table also shows that the average ACS is 5, whereas the maximum and minimum are 6 and 3, respectively. It can be assumed that the data variation of the number of ACS members is large, which can be confirmed by the standard deviation, which has a value of .8365363. The findings also imply that the average ACI is .3947619, whereas the minimum and maximum proportions of independent non-executive directors are .1666667 and .8, respectively. The findings also revealed that the average of ACFE is .3157143, whereas the minimum and maximum number of audit committee members with financial expertise are 0 and 1.75, respectively. Furthermore, the AUF depicts an average of 4.407613, whereas the minimum and maximum values of the logarithm of audit fees charged by the external auditor are 2.389166 and 5.929419, respectively.

Table 3. Correlation Matrix for Audit Committee Attributes and Financial Performance with Moderator

Variables	EPS	ACS	ACI	ACFE	AUF
EPS	1.0000				
ACS	0.1793	1.0000			
ACI	0.0199	0.2572	1.0000		
ACFE	0.0633	-0.6173	-0.0622	1.0000	
AUF	-0.0208	-0.3193	-0.1125	0.5026	1.0000

Where: EPS=Earnings Per Share; ACS=Audit Committee Size; ACI=Audit Committee Independence
ACFE=Audit Committee Financial Expertise; AUF=Audit Fee.

Source: Stata Computation Output, 2023

The correlation matrix checks for multicollinearity and explores the association between each explanatory variable and dependent variable. Table 3 presents the Spearman rank-order correlation matrix of the variables used in this study. Earnings Per Share (EPS) is positively correlated with audit committee size, audit committee independence, and audit committee financial expertise, but negatively correlated with audit fees. This implies that an increase in the size, independence, and financial expertise of an audit committee could result in an increase in the financial performance of listed companies. Conversely, an increase in audit fees can result in a decrease in the financial performance of listed companies.

Table 4. Regression Results

Variables	Coefficients	Std. Error	T	p>t
Constant	4.586802	.3479109	13.18	0.000
ACS	-.0055545	.0056983	-0.97	0.333
ACI	2.533642	.6713583	3.77	0.000
ACFE	-.82903	.4247692	-1.95	0.055
AUF	-.9833685	.0744756	-13.20	0.000
ACS*AUF	.2173781	.0042236	51.47	0.000
ACI*AUF	-.5722721	.1502677	-3.81	0.000
ACFE*AUF	.1819247	.0750271	2.42	0.018
Number of Obs.				

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F(7,62)= 668.84
Prob>F= 0.0000
R² = 0.9869
Adjusted R²= 0.9855
Root MSE= .10089

Source: Stata Output, 2023.

Table 4 depicts a panel ordinary least squares regression analysis conducted to test the significance of the moderating effect of audit quality on the relationship between the audit committee and the financial performance of listed oil and gas companies in Nigeria. The coefficient of constant represents the intercept term in the regression model. In this case, it is 4.586802, indicating that when all independent variables are zero, the expected value of the EPS is 4.586802. The p-value of 0.000 is less than 0.05, suggesting that the intercept is statistically significant. An R² of 0.9869 indicates that approximately 98.69% of the variance in the dependent variable (EPS) can be explained by the independent variables included in the model. The adjusted R-squared value of 0.9855 is the coefficient of determination, which explains the variation in the dependent variable due to changes in the independent variables.

The coefficient of audit committee size is -.0055545, indicating that a one-unit increase in audit committee size is associated with a decrease of .0055545 units in EPS (assuming that all other variables are held constant). The p-value of 0.333, which is greater than the alpha level of 0.05, indicates that there is insufficient evidence to establish a significant relationship between ACS and EPS. Hence, the null hypothesis is accepted. The coefficient of audit committee independence was 2.533642, suggesting that a one-unit increase in audit committee independence is associated with an increase of 2.533642 units in EPS. However, the p-value is 0.000, which suggests that the coefficient is statistically significant, indicating that there is strong evidence to reject the null hypothesis of no significant relationship between the ACI and EPS. The coefficient of audit committee financial expertise is -.82903, indicating that a one-unit increase in audit committee financial expertise is associated with an increase of .82903 units in EPS. Although the p-value was 0.055, which is close to the threshold of 0.05, it did not reach statistical significance. This suggests that there is insufficient evidence to conclude that ACI has a significant relationship with EPS. The coefficient for audit fees is -.9833685, indicating that a one-unit increase in audit fees is associated with an increase of .9833685 units in EPS. However, the p-value is 0.000, which suggests that the coefficient is statistically significant, indicating that there is strong evidence to reject the null hypothesis of no significant relationship between the AUF and EPS.

The coefficient of ACS*AUF is .2173781, indicating that the interaction between ACS and AUF has a positive effect on EPS. A one-unit increase in the interaction term was associated with an increase of .2173781 units in EPS. The p-value 0.000 suggests that the coefficient is statistically significant, indicating strong evidence to reject the null hypothesis of no relationship between the interaction term and EPS. The coefficient for ACI*AUF is -.5722721, suggesting that the interaction between ACI and AUF has a negative effect on EPS. A one-unit increase in the interaction term was associated with a decrease of .5722721 units in EPS. A p-value of 0.000 indicates that the coefficient is statistically significant, providing strong evidence to reject the null hypothesis of no relationship between the interaction term and EPS.

In conclusion, the coefficient for ACFE*AUF is .1819247, indicating that the interaction between ACFE and AUF has a positive effect on EPS. A one-unit increase in the interaction term is associated with an increase of .1819247 unit in EPS. The p-value of 0.018 suggests that the coefficient is statistically significant, indicating that there is strong evidence to reject the null hypothesis of no relationship between the interaction term and EPS.

5. Conclusion

This study examines the moderating effect of audit quality on the relationship between audit committees and the financial performance of listed oil and gas companies in Nigeria. Based on the analysis conducted on the data obtained, the following conclusions were drawn:

Audit committee size and financial expertise have a positive and significant influence on the financial performance of listed oil and gas companies in Nigeria. The study also found a negative but significant influence on the relationship between audit committee independence and financial performance. In addition, the study finds a negative but significant influence on the relationship between audit quality and financial performance. Furthermore, it was also found that higher audit quality can strengthen the audit committee thereby enhancing the financial performance of the firm.

This study recommends that maintaining high audit quality within the audit committee is crucial for a firm if it aims to offer increased assurance to investors and stakeholders concerning the precision and dependability of its financial statements.

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