Innovations

Audit Committee and Earnings Quality Reporting of Listed Oil and Gas Firms in Nigeria

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Abstract
The study examines the effect of audit committee on earning quality reporting of listed oil and gas firms in Nigeria. The population of the study consists of eleven (11) oil and gas companies listed on the Nigerian Exchange Group (NXG) as at 31st December, 2022. The sample of eight listed companies was made from the population between 2013 and 2022. Secondary source of data was used to obtain ten (10) year audited financial statements. The study employed correlation and ordinary least square regression statistical technique in analyzing the obtained data. The findings revealed a significant relationship between audit committee and earnings quality reporting of the listed oil and gas firm in Nigeria. It is therefore recommended that the board should try and maintain the board size and the existing proportion of audit committee accounting expertise members while the number of female directors represented in the audit committee should be reduced.
Key words: *Audit, Committee, Earning, Quality, Reporting, Nigeria*

1.0 Introduction

1.1Background to the Study

Earnings quality reporting by companies enables market participants respond positively as it helps to bridge the information asymmetry and overall transparency of the firm. For instance, as asserted by Kirschenheiter and Melumad (2002) quality reported earnings by companies can be used by investors in the stock market to assess the performance, predict future earnings and estimate the investment risk or credit risk. Firms report earnings in their financial statements and the standard provided how earnings are derived, measured and accounted for. Hence, quality financial reporting has significant value relevance to investors according to Ibrahim

(2017) because it influences their investment decisions. Quality earnings reporting in the financial statements can be influenced by many factors such as audit quality and audit committee mechanisms.
The company's audit committee is formed to align with the Companies and Allied Matter Act CAMA (2004) (as amended), Section 359(3) which stated all public companies must have an audit committee which is to serve as a mechanism to help view the company's position in a detached and dispassionate manner and to liaise effectively between the main board and the external auditors. The audit committee is importance in improving financial reporting quality and according to Galal, et al (2022) it is one of the most important components of corporate governance systems and a strong instrument for managing and controlling management. Audit committee is a crucial component of the corporate governance system for internal business board monitoring and decision-making. The audit committee as a monitoring tool among the corporate governance helps to remove information gaps between management and stakeholders because one of its main duties is to regularly monitor the management's opportunistic actions (Li, et al., 2012). Therefore, audit committee is established specifically to improve the quality of financial reporting practices and earning by overseeing the financial reporting process and to monitor managers' tendencies to manipulate earnings.
Despite the fact of these roles expected the audit committee to plays particularly to act as an arbiter between external auditors and management, its utility value especially with respect to enhancing the information value, credibility of financial accounts and as well as increasing earnings quality remain suspect (Okaro, 2001). Therefore, this study examined the effect of audit quality and audit committee on quality earnings reporting in Nigerian listed oil and gas industries.

1.2 Statement of the Problem

In spite of several negative impacts of earnings manipulations on stakeholders, there have been an elevated concerns about the reliability and credibility of financial reports that call to question the role audit committee plays by standing in position between auditors and management in enhancing earnings quality reporting by companies. Consequently, lots of empirical research has been indicated on the effects of audit committee and audit quality on earnings quality reporting by companies. The companies and allied matters actprovides that every public company shall establish an audit committee. The committee is to comprise of an equal no of directors and representative of the shareholders of the company subject to a maximum number of 6 members. The committee is expected to examine the auditor's report and make recommendation there on to the AGM. However, it has been a great concern to various stakeholders that despite the continuous input of the committee to audit report, there has been complain on the quality of earning reporting by many troubled business concerns.It was clearly observed on the empirical studies reviewed in line with the specific objectives that both in Nigeria and outside Nigeria inconsistence, mixed and controversial evidence are indicated among prior studies. It was also observed that little empirical evidence has been indicated on the effect of audit committee on earnings quality reporting both in Nigeria and outside Nigeria. Apart from the fact that most of these studies are foreign based, documented inconsistent and mixed findings which may be due to jurisdictional and sectoral differences, in Nigeria particular, scarcity of empirical evidence in the oil and gas industries is observed. Therefore, the study intends to fill this gap in the body of knowledge by attempting to investigate the effects of audit committee on quality earnings reporting in the context of listed oil and gas industries in Nigeria. Over the years there have been some studies that examined the issue of audit committee and quality earnings reporting. However, most of these studies are foreign baseddocumented with inconsistent and mixed findings which may be due to jurisdictional and sectoral differences (Hwang & Lin, 2008; Soliman&Ragab, 2014; Idris, 2019; Hasan1, et al., 2019; Bala, et al., 2022). The Nigeria circumstance revealed scanty and not recent studies on this subject matter especially as it relates to oil and gas sector of Nigeria economy. It is against this backdrop that this study intend to address this gap by examine the effect of audit committee on earnings quality reporting of listed oil and gas firms in Nigeria.

1.3 Objectives of the Study

This study broadly aimed to investigate the effect of audit committee on earnings quality reporting of listed oil and gas industries in Nigeria. This study specifically examined:

i. the effect of audit committee size on accrual component of listed oil and gas industries in Nigeria.

ii. the extent to which audit committee accounting expertise has affected accrual component of listed oil and gas industries in Nigeria.

iii. the effect of audit committee gender diversity on accrual component of listed oil and gas industries in Nigeria.

1.4 Research Hypotheses

$H0_1$: There is no significant relationship between audit committee size and accrual component of listed oil and gas industries in Nigeria.

$H0_2$: There is no significant relationship between audit committee accounting expertise and accrual component of listed oil and gas industries in Nigeria.

$H0_3$: There is no significant relationship between audit committee gender diversity and accrual component of listed oil and gas industries in Nigeria.

2.0 Literature Review

2.1 Conceptual review

2.1.1 Audit Committee

Tracing the historical background of audit committee in Nigeria, according to Atu (2014), the provision on the establishment of Audit Committees in Public Companies in Nigeria was further boosted in 2003 by the Code of Best Practices of Corporate Governance in Nigeria, issued by the Securities and Exchange Commission, which was applicable to all public companies in Nigeria. Audit committee is among corporate governance mechanism established and responsible to the board of directors or commissioners to help perform the duties and functions of the board. In Nigeria, according to Ekumankama and Uche (2009) a new requirement in the Nigerian Companies and Allied Matters Act (CAMA) of 1990 is the introduction of audit committees as an additional layer of control and certification in the bid to make annual accounts of public corporations more acceptable and reliable. The audit committee was introduce under the circumstances that the ability of external auditors to remain truly independent, especially if there is need to express reservations about management's accounting policies, is whittled down. Audit committee can be described in many ways and according to Hasan, et al (2019), the measurement includes audit committee independence, audit committee financial expertise, audit committee meetings, and audit committee size. This is discussed as follows:

2.1.1.1 Audit Committee Size

According to Garcia,et al (2012), audit committee size is a very important attribute for monitoring earning management by managers of companies and it is related to high earning quality. The audit committee is also important in the company due to its monitoring role in the supervision of management actions and the controlling of discretionary behavior (Beasley, 1996).According to Vafeas (2005), the average size of audit committee is three (3) to four (4) any sizethat is too small or too large can affect the director performance and monitoring effectiveness. In addition, according to Hwang and Lin (2008), since the primary role of the audit committee is to help ensure high quality financial reporting by the firm, therefore a properly structured and functioning audit committee is expected to reduce opportunistic earnings management.

2.1.1.2 Audit Committee Accounting Expertise

Accounting experts in audit committees became imperative according to Ojeka, et al(2016)after its inclusion in the SEC Code of 2011. Accounting experts in audit committees is defined according to Ojeka et al. (2021) as an audit certified public/chartered accountant or has worked either in public accounting or for a public company as the chief financial officer or controller. According to Detthamrong et al.(2017), audit committee accounting expertise is a sub-committee of the board of directors acting independently in the preparation of financial reports and accurate disclosure in compliant with reporting standards with internal control system and strong enough audit standards.

2.1.1.3 Audit Committee Gender Diversity

This is defined as the number of female representative in the board of directors in the audit committee. It was revealed by Abdullah, et al. (2015) cited in Zango, et al. (2016) that shareholders prefer female audit committee members as they aid in creating economic value of information. The appointment of female audit committee members according to Zalata, et al. (2018) is likely to improve the audit committee independence and eventually improve shareholders wealth. It was also observed by Akhor and Oseghale (2017) that female directors sitting on the audit committee board have higher expectations regarding their responsibility and role on the board, which brings about better monitoring of the board.

2.1.2 Control Variables

2.1.2.1 Firm Size

Company size may be divided into big and small and Sulistyanto (2008) argued that the large companies will be more considered by the outsiders than smaller companies where the manager of large companies tend to have the motivation to be involved in earnings management and prefer to prioritize the interests of shareholders. Large companies have a more effective internal control system and corporate governance than the small companies, which leads to the reliability of its financial statements to the public (Warfield, et al., 1995). The larger firms like banks are the most likely to be monitored by industry analysts. As a consequence, they will be less incited to artificially increase income using accrual components (Cornett, et al., 2009).

2.2 Theoretical Review

The theories that served as the bedrock for this study are theory of inspired confidence and agency theory. In addition, other related to this are signaling theory and resource dependence theory.

2.2.1 Agency Theory

This theory was propounded by Jensen and Meckling (1976) and it was described as a contract under the relationship between principal (owners) and agent (manager), which one or more principals engage another person (agent) to perform some services on their behalf which involves delegating some decision-making authority to the agent. They argued that an audit firm acts as a good corporate governance mechanism to reduce agency costs and to provide oversight by mitigating the opportunistic behavior of managers. Audit committee is said to be efficient if it has the skills enabling it to perform the supervision of internal audit and control, external audit and financial statements (Kalbers& Fogarty in Zgarni et al., 2018). The existence of an audit committee on the board also enhances the quality of financial statements by reducing agency problems between managers and shareholders (Klein, 2002).

2.2.2 Theory of Inspired Confidence

This a theory propounded by Limperg Institute in Netherlands in 1985 and the theory states that the auditor, as a confidential agent, derives his broad function in society from the need for expert and independent examination as well as the need for an expert and independent judgment supported by the examinations. Since this confidence determines the existence of the process, a betrayal of the confidence logically means a termination of the process or function. Carmichael (2004) in discussing the social significance of the audit stated that when the confidence that society has in the effectiveness and quality of the audit process and audit report is misplaced, the value relevance of that audit is destroyed. Therefore, reasonable quality assurance to the stakeholders are expected to be maintained by the auditors and along with financial reporting, corporate governance and regulations, support confidence in the capital markets which in turn suggests a positive association between audit quality and earnings quality of the company.

2.2.3 Resource Dependence Theory

This theory was introduced by Aldrich and Pfeffer in 1976 and developed by Pfeffer and Salancik in 1978 (Davis & Cobb, 2009). The basic assumption of resource dependency theory is that a manager tries to ensure that the organization survived (Pfeffer&Salancik, 1978) by disclosing information of social responsibility activities to the stakeholders. Resource dependence theory further assumed that the audit committee's role is essential to the governance instruments that help a company achieve its predetermined goals (Cohen, et al.,2007). These goals could be achieved by giving appropriate supervision, which is anticipated to lessen agency glitches (Bala, et al.,2022). According to proponents of the resource dependence perspective, audit committee is the most productive members of the board because they are best in place to help detect every abnormality behavior practices by management as well as reviewing the audit report, thus they require a high level of accountability and confidence (Badolato, et al., 2014). Hence, it is anticipated that having more audit committee member among the board component will raise the likelihood that managers will be unable to engage in earnings management that will lower earnings quality.

2.2.4 Signalling Theory

This theory was established by Akerlof in 1970. He pointed out the issue of information asymmetry among the parties involved in a business transaction that led to adverse selection. Zhen, et al., (2005), states that signal theory based on earnings management was a financial communication tool. Arya, et al., (2003) further observed that companies had the incentives to use earnings management/creative accounting to communicate internal information to users. Hence, the level of confidence and trust users have on the financial reports can be induced by informational creative accounting. Signalling theory suggests that companies with quality earnings reporting use financial information disclosure to send signals to the market.

2.3 Empirical review

2.3.1 Audit Committee and Earnings Quality Reporting

How the audit committee's characteristics affect earnings management in Egypt was investigated by Galal et al (2022) and the study used a sample of 80 non-financial Egyptian companies listed on the Egyptian Stock Exchange for the eight financial years from 2012 to 2019. Panel data regression was used in the archival modeling study while multiple regression models were used to test the relationship among the variables. The result provided evidence that audit committee size, audit committee expertise and audit committee gender have a significant negative relationship on earnings management. Also, there was no significant relationship between audit committee meetings and earnings management, audit committee independence has a positive and significant relationship with earnings management.

Fourteen (14) listed oil marketing companies that had consistently published their audited annual financial reports from 2011 to 2020 was used by Orbunde, et al. (2021) to investigate the effect of audit quality proxied by audit firm size, auditor industry specialization, auditor tenure, and audit committee financial expertise on earnings management represented by accrual components of listed oil marketing companies in Nigeria. In addition, the study also examined the effect of the interaction between audit committee financial expertise and auditor industry specialization on earnings management of sampled firms. Pooled Ordinary Least Square (OLS) regression technique was used by the study to analyse data and the findings indicated that audit committee financial expertise was positively and significantly associated with earnings management, thus suggesting that increase in this explanatory variable leads to increase in earnings management and decrease earnings quality.

Ngo and Lee (2021) examine the impact of audit committee characteristics on income management of companies listed on the Stock Exchange of Vietnam and the research data was collected from all 745 listed companies on Vietnam's stock market over four years, from 2015 to 2018. The study used regression in analyzing obtained data and the results showed that the size and expertise of the audit committee are inversely related to the accrual components representing earning management. At the same time, the research results also identify a positive relationship between firm size and earning management, and the inverse relationship between financial leverage, net cash flow from operating operations and earning management.

The effects of audit committee characteristics on earnings' quality was examined by Hamdan (2020) and the study covered a sample of 23 industrial firms from the Gulf Cooperation Council (GCC) financial markets during the period of 2014-2018. The study measured earnings quality using DeAngelo (1981) model and accrual accounting and used panel fixed-effect regression approach. The result showed that bigger audit committees with more independence are more likely to be associated with earnings quality in GCC industrial firms. Furthermore, the study found that the audit committee diligence/meetings have no impact on earnings quality.

Al-Absy, et al. (2020) showed that the audit committee in which the chairman of the board is a normal member will have a significant effect on larger accrual components. From there, they recommend policy-makers, stakeholders and researchers on the audit committee chair's influence to limit the management of earnings and, therefore, need to add policies to improve audit committee independence.

Januarti, et al. (2020) carried out a study on the relationship between the performance of an audit committee and the number of audit fees has found that the size and frequency of the independent audit committee's meetingshave a positive effect on audit fees; in the audit committee's expertise gas was hardly affected. This study suggests thatan increase in the number of independent audit committee members and the frequency of audit committee meetingswill result in higher quality financial statements despite higher audit fees.

Sae-Lim and Jermsittiparsert, (2019) investigate the relationship between the audit committee and earnings quality. The audit committee plays an important role in the improvement of earnings quality. The study showed that the audit committee does not allow management to get involved in earnings management and examine all the activities of management thoroughly to ensure better earnings quality.

The impact of board and audit committee characteristics on accruals and real earnings management practices in Pakistan was examined by Saleem, et al. (2019). The study was based on data collected from 235 non-financial firms listed on Pakistan Stock Exchange (PSX) from 2008 to 2015 and the data was analysed with panel data estimation. It was indicated by the analysis that CEO duality was positively related with accruals earnings management, board independence was negatively related with accruals earnings management, board activity and audit committee independence ware positively related with real earnings management.

Soliman and Ragab (2014) examined the association between the audit committee effectiveness, audit quality and earnings management practices of more active 50 Egyptian companies listed on the Egyptian Stock Exchange of the nonfinancial sector during the period 2007-2010. After controlling for size, leverage and cash flow from operation activities, the results of univariate and multivariate analyses indicated in the study that audit committees independence; experience of audit committee members; audit committee meetings; and audit quality have significant negative association with accrual components as a proxy for earnings management.

On the other hand, no significant relationship was found by the study between audit committees size and the level of accrual components.

Atu, et al. (2013) carried out their research on the role of Audit committee in enhancing financial reporting in Nigeria which has now become a very important issue in the accounting profession in light of the various accounting scandals. The study covered sample size of 50 respondents was selected. The data was analyzed using the Z-Test with the computer software known as SPSS and it was found out that audit committee report in the financial statement significantly affects the quality of financial reporting, the qualification of audit committee members, according to users' perception, adds to the quality of the financial statement and audit committee multiple directorship had positive effect on the function of the audit committee.

Nelson and Devi (2013) investigated the relationship between audit committee expertise and financial reporting quality and the study covered samples of 300 firms that were ranked by highest market capitalisation. In total, four types of expertise are developed based on academic qualification, professional qualification and work experience and the result of the data analysed indicated presence of non-accounting experts and accounting experts is significant to reduce themagnitude of earnings management. Other than that, leverage and firms size are also found to be significant in the study.

3.0 Methodology

3.1 Research Design

This study utilized historical data collected from one sector, that is oil and gas sector industries in Nigeria and examined the effect of audit quality and audit committee on earnings quality reporting in Nigeria. Based on this, this study adopted longitudinal research design. Another reason for choosing this design is that it aimed at measuring the effect of one variable on another in which the variables are not altered by this study. The population of this study consists of a total of eleven (11) oil and gas companies listed on the Nigerian Exchange Group (NXG) as at 31st December, 2022. The sample size of this study is based on the total population of eleven (11) listed oil and gas industries in Nigeria as at 31st December, 2022. This study adopted a judgmental sampling technique to select eight (8) listed companies with complete data between 2013 and 2022. Secondary source of data was used to obtain ten (10) year audited financial statements.

3.2 Model Specification

This study adapted DeAngelo (1981) model, using Accrual Component (AC) of earnings. Inasmuch as earnings management and earnings quality is a two-sided coin, according to Hamdan (2020), this model compares the components of earnings in one year to the accruals of the previous year as an estimation of normal accruals.

The basic model:

$AC_{it} = NPAT_{it} - CFO_{it}$ ---3.1

Where:
AC_{it}= the accrual components or accrual component of earnings in year t for firm i representing the earning quality;
$NPAT_{it}$ =net operating profit after interest and tax in year t for firm i;
CFO_{it} = cash flow from operating activities in year t for firm i.
$AC_{it} = \beta_{0it} + \beta_1 ACS_{it} + \beta_2 ACAE_{it} + \beta_3 ACGD_{it} + \beta_4 FS_{it} + e_{it}$……………………………..3.2
Where;
AC = Accruals component representing earnings quality.
ACS= Audit Committee Size.
ACAE= Audit Committee Accounting Expertise
AGD= Audit Committee Gender Diversity.
FS = Firm Size
β_0 = Constants
β_1, β_2, β_3, β_4= Regression Coefficients
e= error term

3.3 Measurement of Variables

The variable, symbol, type of variable, measurement of variables used in the model and source are presented in this section as showed in Table 3.1 below.

Table 3.1 Measurement of Variables

Variable	Proxy	Variable Type	Measurement of Variable	Source
Earnings Quality Reporting.	Accrual component (AC)	Dependent Variable	This is measured as the difference between the change in net operating profit after interest and tax and the change in cash flow from operating activities from year t-1 (the previous year) to year t (the current year).	Hamdan (2020)
Audit Committee	Audit Committee Size (ACS)	Independent Variable	This is measured by the members of that committee elected by board of directors.	Hamdan (2020).
	Audit Committee Accounting Expertise (ACAE)	Independent Variable	This is measured by the number of audit committee members with relevant accounting qualifications.	Ojeka, et al. (2021)
	Audit Committee Gender Diversity (ACGD)	Independent Variable	This is measured by the number of female members in the audit committee.	Ojeka, et al. (2021)
Firm Size.	FS	Control Variable	This is measured by natural logarithm of average total assets for the firm.	Kasim, et al. (2018)

Source: Researcher's Compilation (2023).

3.4 Data Analysis Techniques

This study analysed data with descriptive statistics and this are presented in tables form. In addition, this study employed correlation and ordinary least square regression statistical technique which includes Pooled OLS estimate, Fixed Effect estimate, and the Random Effect estimate to test the significant effect of the variables.

3.5 A priori Expectation

Based on the literature reviewed, this study expected positive effect of audit quality and audit committee on quality earnings reporting. Hence, the a priori expectation is represented thus: $\beta1, \beta2, \beta3, \beta4 > 0$.

4.0 Results and Discussion

4.1 Data Analysis

In this section, the descriptive statistic, correlation statistic and regression analyses are presented.

4.1.1 Descriptive Statistic

Table 4.1

	AC	ACAE	ACS	ACGD	FS
Mean	0.0017	1.8875	5.0750	1.1500	6.3212
Median	0.0100	2.0000	5.0000	1.0000	5.7750
Maximum	0.2300	3.0000	6.0000	2.0000	9.0100
Minimum	-0.4153	1.0000	4.0000	0.0000	4.2200
Std. Dev.	0.0800	0.6161	0.7593	0.6384	1.6974
Skewness	-2.0430	0.0673	-0.1246	-0.1351	0.2757
Kurtosis	12.9578	2.6036	1.7638	2.4126	1.4684
Jarque-Bera	386.181	0.5842	5.3007	1.3935	8.8324
Probability	0.0000	0.7467	0.0706	0.4982	0.0121
Sum	-0.1353	151.000	406.000	92.000	505.695
Sum Sq. Dev.	0.5051	29.9875	45.5500	32.200	227.615
Obs.	80	80	80	80	80

Source: Researcher Compilation (2023)

Table 4.1 presented the descriptive statistics and it showed that the earnings quality reporting with accrual component of the listed oil and gas industries has a mean value of 0.0017, standard deviation of 0.0800, maximum and minimum values stood at 0.2300 and -0.4153 respectively indicating that some of the sampled companies reported low accrual component.

the explanatory variables, audit committee proxy with audit committee size of the listed oil and gas industries has a mean value of 5.0750, standard deviation of 0.7593, maximum and minimum values stood at 6.0000 and 4.0000 respectively. Audit committee proxy with audit committee accounting expertise of the listed oil and gas industries has a mean value of 1.8875, standard deviation of 0.6161, maximum and minimum values stood at 3.0000 and 1.0000 respectively indicating that some of the sampled companies have an average of two (2) persons having accounting and finance knowledge among the members in the audit committee. Audit committee proxy with audit committee gender diversity of the listed oil and gas industries has mean value of 1.1500, standard deviation of 0.6384, maximum and minimum values stood at 2.0000 and 0.0000 respectively indicating that non o the sampled companies as no female director among the audit committee.

Lastly, the control variable, firm size has mean value of 6.3212, standard deviation of 1.6974, maximum and minimum values stood at 9.0100and 4.2200 respectively.

4.2 Pearson Correlation Matrix

Table 4.2

Variables	AC	ACAE	ACS	ACGD	FS
AC	1	0.141869	-0.08651	-0.15388	-0.17389
ACAE	0.141869	1	-0.1982	0.043445	-0.33282
ACS	-0.08651	-0.1982	1	-0.10183	0.384364
ACGD	-0.15388	0.043445	-0.10183	1	0.28698
FS	-0.17389	-0.33282	0.384364	0.28698	1

Source: Researcher Compilation (2023)

Pearson correlation results are presented in Table 4.2 and the result provided some preliminary insight into the nature and direction of the association between the audit quality (proxy with audit fees, audit size, and audit tenure), audit committee (proxy with audit committee size, audit committee accounting expertise and audit committee gender diversity) and earnings quality reporting (proxy with accrual component). The result of the association between audit committee size and accrual component is negative with correlation coefficient of -0.08651 suggesting that an increase in the number of audit committee would lead to decrease in accrual component of the listed oil and gas industries in Nigeria. Similarly, the result of the association between audit committee gender diversity and accrual component is negative with correlation coefficient of -0.15388 suggesting that an increase in the number of female directors serving in the audit committee would lead to decrease in accrual component of the listed oil and gas industries in Nigeria. However, the result of the association between audit committee accounting expertise and accrual component is positive with correlation coefficient of 0.141869 suggesting that an increase in the number of board of directors that have accounting and finance knowledge in the audit committee would lead to increase in accrual component of the listed oil and gas industries in Nigeria.

The control variable, the result of the association between firm size and accrual component is negative with correlation coefficient of -0.17389 suggesting that an increase in the size of the firm would lead to decrease in accrual component of the listed oil and gas industries in Nigeria.
Lastly, the result showed that the correlation coefficient between the explanatory variables (ACS, ACAE, ACGD and FS) and the dependent variables (AC) are ranged between 0.5, 0.1 and 0 suggesting that there are no serial correlations between the independence variables. This agrees with Peck, et al (2015) who stated that serial correlation existed between the variables when correlation values are between 1, 0.8 and 0.5.

4.3 Regression Result

Under this model, the study tested the effect of audit committee on earnings quality reporting. The result of the Pooled OLS, FE Model and RE Model is presented in Table 4.4 as followed:

Table 4.3 Dependent Variables: AC

		Pooled OLS		Fixed Effect		Random Effect	
S/N	Series	Coefficient	Prob. Value	Coefficient	Prob. Value	Coefficient	Prob. Value
1	C	0.03049	0.7054	0.26497	0.2307	0.03049	0.7864
2	ACS	-0.00075	0.0025**	-0.01292	0.0089**	-0.00075	0.0493*
3	ACAE	0.017262	0.0003**	0.014761	0.0538*	0.017262	0.0504*
4	ACGD	-0.01634	0.0477*	-0.0247	0.0012**	-0.01634	0.1012
5	FS	-0.00399	0.5429	-0.0102	0.7908	-0.00399	0.4624
6	R-squared	0.058731		0.174636		0.058731	
7	Adjusted R-squared	-0.00487		0.026809		-0.00487	
8	S.E. of regression	0.080158		0.078884		0.080158	
9	Sum squared resid	0.475471		0.416923			
10	Log likelihood	91.504		96.76017			
11	F-statistic	0.923448		1.181355		0.923448	
12	Prob(F-statistic)	0.000765		0.004447		0.000765	
13	Durbin-Watson stat		1.879612		2.308146		1.879612
				Chi-Sq. Statistic	Prob. Value		
14	Hausman Test			9.074124	0.1061		

Source: Researcher's compilation (2023) using E-views 9.0. Note: ** and * denote significant at 1% and 5% respectively.

Table 4.3 provided the result of Pooled OLS, FE model, RE model and the RE result is interpreted as followed:
The RE model showed that the effect of audit committee size (ACS) on accrual component (AC) is negative and significant with coefficient value of -0.00175 and probability value of 0.0493 (i.e., P-Val. <5%). This suggests that an increase in the size of the audit committee of the sampled companies would result to significant decrease in accrual component at 5% level of significance. Also, the effect of audit committee accounting expertise (ACAE) on accrual component (AC) is positive and significant with coefficient value of 0.027262 and probability value of 0.0504 (i.e., P-Val. <5%). This suggests that increase in the proportion of the members of board of directors represented in the audit committee with accounting and finance knowledge would result to significant increase in accrual component at 5% level of significance. Furthermore, the effect of audit committee gender diversity (ACGD) on accrual component (AC) is negative and insignificant with coefficient value of -0.01634 and probability value of 0.1012 (i.e., P-Val. > 5%). This suggests that increase in the number of female directors amongst the audit committee of the sampled companies would result to decrease in accrual component and this decrease is not significant at 5% level of significance. Also, the effect of firm size (FS) on accrual component (AC) is negative and insignificant with coefficient value of -0.00399and probability value of 0.4624 (i.e., P-Val. > 5%). This suggests that increase in the size of the firm would result to increase in accrual component but the increase is not significant at 5% level of significance.
To test whether the model is properly specified, the result of the Durbin-Watson statistic indicated that RE model is 1.879612. Therefore, since result of Durbin-Watson statistic is less than two (2) or approximately two (2), is suggest that the model is appropriately specified in this study. The F-statistics value of 0.923448 with a probability value of 0.000765 suggests a significant linear relationship between the explanatory variables (ACS, ACAE, ACGD and FS) and dependent variable (AC). This indicates that the model specified in this study is appropriate.Table 4.3 also showed that R-square for the RE is 0.058731suggesting that 6% of the systematic variation in dependent variable (accrual component) cannot be explained by other variables on the assumption that the study did not considered heterogeneity effect across the sampled companies.

4.2 Test of Hypotheses

4.2.1 Null Hypothesis One (H_{01}): There is no significant relationship between audit committee size and accrual component of listed oil and gas industries in Nigeria.

The Random Effect Model in Table 4.3 suggested that the effect of audit committee size (ACS) on accrual component (AC) is negative and significant with coefficient value of -0.00175 and probability value of 0.0493 (i.e., P-Val. < 5%) thereby rejecting the null hypothesis. In addition, this result disagreed with the a priori expectation of positive effect of audit committee size on accrual component.

4.2.2 Null Hypothesis Two (H_{02}): There is no significant relationship between audit committee accounting expertise and accrual component of listed oil and gas industries in Nigeria.

The Random Effect Model in Table 4.3 suggested the effect of audit committee accounting expertise (ACAE) on accrual component (AC) is positive and significant with coefficient value of 0.027262 and probability value of 0.0504 (i.e., P-Val. < 5%). The study therefore, rejects the null hypothesis but agreed with the a priori expectation of positive impact of audit committee accounting expertise on accrual component.

4.2.3 Null Hypothesis Three (H_{03}): There is no significant relationship between audit committee gender diversity and accrual component of listed oil and gas industries in Nigeria.

The Random Effect Model in Table 4.3 suggested that the effect of audit committee gender diversity (ACGD) on accrual component (AC) is negative and insignificant with coefficient value of -0.01634 and probability value of 0.1012 (i.e., P-Val. > 5%) thereby accepting the null hypothesis.which stated that the effect of audit committee gender diversity on accrual component of listed oil and gas industries in Nigeria is not significant. Moreover, the result disagreed with the a priori expectation of positive impact of audit committee gender diversity on accrual component.

Result Discussion

4.3.1 Audit Committee Size and Accrual Component

The result obtained showed that the effect of audit committee size (ACS) on accrual component (AC) was negative and significant. This implies that an increase in the size of the audit committee of the sampled companies would result to significant decrease in accrual component.

This finding disagreed with the agency theory postulated that the cause of agency problem is the principals cannot monitor the daily activities of the agents and ensure that they work under the interests of shareholders. This finding also disagreed with Galal et al (2022) and Sae-Lim and Jermsittiparsert, (2019) who reported that audit committee size reduces earnings management activities and in turn increases the earnings quality reporting of the firms but agreed with the work of Idris, et al. (2018) who reported from industrial firms listed on Amman Stock Exchange (ASE), that increase in audit committee size would have adverse reduction on earnings management in turn, increase earnings quality of the sampled companies.

4.3.2 Audit Committee Accounting Expertise and Accrual Component

The result obtained revealed positive and significant impact of audit committee accounting expertise (ACAE) on accrual component (AC) This implies that increase in the proportion of the members of board of directors represented in the audit committee with accounting and finance knowledge would result to significant increase in accrual component. This finding agreed with the agency theory but disagreed with the finding of Galal et al (2022) and Orbunde, et al. (2021) who reported that audit committee financial expertise was positively and significantly associated with earnings management.

4.3.3 Audit Committee Gender Diversity and Accrual Component

The result showed that the effect ofaudit committee gender diversity (ACGD) on accrual component (AC) was negative and insignificant. This implies that increase in the number of female directors amongst the audit committee of the sampled companies would result to decrease in accrual component. This finding disagreed with the agency theory and some past studies such as Galal et al (2022) who reported from non-financial Egyptian companies listed on the Egyptian Stock Exchange that audit committee gender diversity had a significant negative relationship on earnings management which in turn increases earnings quality reporting of the firm.

5.0 Summary and Recommendations

This study mainly investigates of audit committee on earnings quality reporting of listed oil and gas industries in Nigeria. The study specifically examined the effect of audit committee size, audit committee accounting expertise and audit committee gender diversity on accrual component. This study covered the period between 2013 and 2022 leading to a total period of ten (10) years. The data obtained from audited report of the companies were analysed with Ordinary Least Square (OLS) regression statistical techniques. The findings revealed a significant relationship between audit committee and earnings quality reporting of the listed oil and gas firm in Nigeria. It is therefore recommended that the board should try and maintain the board size and the existing proportion of audit committee accounting expertise members while the number of female directors represented in the audit committee should be reduced.

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