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AUDIT COMMITTEE CHARACTERISTICS AND AUDIT QUALITY: EXPLORATORY AND EMPIRICAL ANALYSIS IN NIGERIAN OIL SECTOR

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ABSTRACT: *This paper examined audit committee characteristics on audit quality in Nigeria, for 10 years spanning from 2009-2018. Specifically, this study assessed the effect of audit committee size on audit quality in the oil and gas sector and examined the effect of audit committee meetings on audit quality in the oil and gas sector. The study adopted an expo-facto research design and the population covered all the 12 listed Oil and Gas sectors; out of which, 10 firms were selected through a random sampling technique. The study used secondary data, sourced from the published financial reports of the sampled firms covering the period of 2009-2018. Through logistic regression, it was discovered that audit committee size exerted a positive significant effect on audit quality of firms in the oil and gas sector in Nigeria and that audit committee meeting exerts a positive but insignificant effect on audit quality of firms in the oil and gas sector in Nigeria. It was concluded that audit committee has a statistically significant effect on audit quality in Nigeria. Thus, it was recommended that emphasis and focus should be placed on the size of the audit committee to improve audit quality and that modalities surrounding the meetings of the committee members should be revisited. Also, adequate supervision and monitoring should be ensured in every meeting of the committee members.*
KEYWORDS: audit committee characteristics, audit quality, oil and gas sector

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INTRODUCTION

The significance of the oil and gas sector to the healthiness of Nigeria cannot be overstressed. The sector appears to contribute significantly to the growth and development of the nation. According to the available data on the website of the Nigeria Stock Exchange (NSA), there are 12 listed firms in the oil and gas sector. Like any other company, these companies have shareholders through which the needed capital is raised. The pooled funds are used for operational activities with a singular aim of making profit through which shareholders' dividends are ascertained. It then follows that the management of an organization is expected to judiciously utilize the available resources for the continuity of the entity. One of the means through which the management of an organization communicates its effectiveness and efficiency to shareholders is audited financial reports. The audited financial report is an assurance given to the shareholders that the financial report reveals the true financial state of the organization. Through this, shareholders make an informed decision about their investments. Ilaboya and Ohiokha (2014) opined that the relevance of audit quality to financial reporting is indispensable. Perception of audit quality can depend very much on whose eyes one looks through. Users, auditors, regulators and other stakeholders in the financial reporting process may have very different views as to what constitutes audit quality, which will influence the type of indicators one might use to assess audit quality.

Nuraddeen and Hasnah (2015) regarded audit quality as the ability of auditors to identify and bring to light material misstatements and manipulations in reported net income. DeAngelo in Asiriuwa, Aronmwan and Uwuigbe (2018) observed that in the light of audit quality, an auditor is expected to ascertain a material problem within an organization's accounting system and also to reveal such problem. Deductively, this means that the work of an auditor is in two folds; to determine and to report. These two processes must be appreciated in the quest for audit quality. For an auditor to discover a violation of the accounting system, he must be qualified and capable. More so, for an auditor to report on financial issues, he must also be capable (integrity and independence) (Asiriuwa, Aronmwan & Uwuigbe, 2018). Thus, an unqualified auditor or an incapable auditor may not be able to produce quality audits. Over the years, there has been an increasing argument on the relevance of auditors to satisfy the true and fair view of the financial report. In the opinion of Akhidime (2015), the argument is based on the collapse of companies that are declared fit and solvent by auditors before their sudden downfall. For example, in the United States of America (USA), organizations like Enron, WorldCom, Bernie Madoff scandals, Tyco International Ltd, Lehman Brothers, and Adelphia Communications Corporation collapsed because of poor audit practices. HIH Insurance Ltd in Australia and Parmalat crises in Italy were credited to fraudulent activities that could not be declared by the auditors. The United Kingdom (UK) has its share of corporate fraud. Bank of Credit and Commerce International (BCCI) and Polly Peck in the UK have considerably affected many investors.

In Nigeria, failures of City Express Bank Limited, Lead Bank Plc, Societe Generale Bank of Nigeria Plc, Trade Bank Plc, Metropolitan Bank Limited, Hallmark Bank Plc., Intercontinental Bank Plc, Oceanic Bank Ltd, Bank PHB, etc. whose licenses were revoked by the Central Bank of Nigeria (CBN) in 2006 except for the licenses for Intercontinental Bank Plc, Oceanic Bank Ltd, Bank PHB that were revoked in 2011 seem to be connected to fraudulent activities. The collapse of these firms was occasioned by poor audit engagement (Asiriuwa, Aronmwan & Uwuigbe, 2018). Mgbame, Eragbhe, and Osazuwa (2012) recapped that the intermittent discourse on the efficacy of audit quality is because of the continued global financial reporting scandals that appear to be a repeated issue and has greatly affected the view and reaction of accounting information users to the relevance of auditors to the financial report. In a bid to correct the menace and restore the significance of auditors in the accounting field, corporate governance has been identified as the way out. Corporate governance is the way and manner in which an organization is managed. Corporate governance is full of mechanisms capable of checkmating all the activities of every member of the board of directors. The seemingly possible effect of corporate governance on audit quality endanger the

Nigerian government to come up with different codes of corporate governance which are not limited to Security and Exchange Commission (SEC) Code as amended by the 2011 SEC code and 2009 National Insurance Commission Code of Good Corporate Governance for the Insurance Industry (Akpan, 2015). Companies and Allied Matters Act (2004 as amended) provides for the establishment of the audit committee, which is one of the mechanisms of corporate governance, in terms of the rules and standards, composition and operations of this committee.

Audit committee is one of the major operating committees of companies' board of directors that is in charge of overseeing financial reporting and disclosure (Bansal & Sharma, 2016). An audit committee assists the board of directors to fulfill its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control system, and risk management system as well as its internal and external audit functions (Dabor & Dabor, 2013). Its role is to provide advice and recommendations to the board within the scope of its terms of reference. In Nigeria, section 359(3) and (4) of the Companies and Allied Matters Act requires every public traded firm to establish an audit committee. It is part of their responsibility to assist in the oversight of the integrity of the company's financial statements, compliance with legal and other regulatory requirements, assessment of the qualification of independence of external auditors and performance of the company's internal audit function as well as that of external auditors (Nasser, 2015). It is also meant to establish an internal audit function and ensure that there are other means of obtaining sufficient assurance of regular review or appraisal of the system of internal controls in the company, oversee management's process for the identification of significant fraud risks across the company and ensures that adequate prevention, detection, and reporting mechanisms are in place (Rohaida, 2011).

Statement of the Problem

Organizations appear to play a major part in the development of the state. This underpins thorough supervision and monitoring by appropriate agencies of the government to ensure strict adherence to ethical codes and conduct. However, in the context of Nigerian firms in the oil and gas sector, there seem to be issues ranging from market abuses, internal control failures, false disclosures, misstatement in financial statements, transactions not conducted at arm's length and audit committee lapses stemming from poor board oversight. In the opinion of Chukwu and Nwabochi (2019), most audit failures are engendered by the ineffectiveness and inefficiency of the audit committee, which is one of the mechanisms of corporate governance. As a lot of corporate scandals have been experienced in other sectors of the economy, oil and gas are not left out. For example, the US$1.1 billion Malabu Oil Scam, 21 Oil Subsidy Cabals, the Capital Oil and Gas saga, NNPC/CBN unremitted revenue scandal, African Petroleum NGN12billion scam and the recent one that involved the group managing director of Oando Plc, Jubril Adewale Tinubu and his long time deputy, Omamofe Boyo of OandO Plc. All these scandals appear to have their root in audit failures stimulated by the lapses of the audit committee. The multiplier effect is not only felt on the investors, fraudulent activities distort the growth and development of the state. A lot of studies have been carried out on audit committee characteristics such as Dabor and Dabor (2013), Temple, Ofurum and Egbe (2016), Adeyemo Eriabie, Adetiloye and Egbide. (2016), Chukwu and Nwabochi (2019), Temple (2019) and Odjaremu and Jeroh (2019). However, most of these studies centered on how quality financial reporting could be stimulated. However, there are few studies on audit committee characteristics and audit quality in Nigeria such as Ilaboya and Ohiokha (2014), Akhidime (2015) and Asiriuwa *et al.* (2018). Using a similar method of analysis, logistic regression, these studies reported mixed findings. While Asiriuwa *et al.* (2018) reported a mixed effect of audit committee characteristics on audit quality, Akhidime (2015) reported a positive effect and the findings reported by Ilaboya and Ohiokha (2014) are mixed. The disaggregated findings render this study inconclusive and therefore constitute one of the motivations for this present study.

Consequently, the period covered by previous studies leaves a gap to be filled. For instance, the study of Ilaboya and Ohiokha (2014) covered 2007 to 2012, Akhidime (2015) covered 2005-2009 and Asiriuwa *et al.* (2018) covered 2012-2014. It is not only that the periods covered by these studies are too short, findings reported might not be relied upon given the intermittent change of the government policies. In the same vein, none of the available studies in this context has attempted to resolve it in listed oil and gas companies in Nigeria. This is worrisome as Chazan in Ayodele (2015) noted that the oil and gas sector has the highest fraudulent activities in Nigeria and this has discouraged foreign investors who may not be willing to play the prevalent game in the sector. Based on the identified gaps, this present study intends to examine audit committee characteristics and audit quality in Nigeria, particularly in the oil and gas sector.

Research Objective

The main objective of this study was to examine audit committee characteristics and audit quality in Nigeria. Specifically, this study:

i. assessed the effect of audit committee size on audit quality in the oil and gas sector
ii. examined the effect of audit committee meeting on audit quality in the oil and gas sector

Research Questions

The following questions are raised and to be answered in the course of this study:

i. what is the effect of audit committee size on audit quality in the oil and gas sector?
ii. what is the effect of audit committee meeting on audit quality in the oil and gas sector?

Research Hypotheses

The following hypotheses are formulated and tested at 5% significant level:

H_{01}: there is no significant effect of audit committee size on audit quality in the oil and gas sector;
H_{02}: there is no significant effect of audit committee meetings on audit quality in the oil and gas sector.

Significance of the Study

Since the primary aim of every study is to push forward the frontiers of knowledge and push back the frontiers of ignorance, it is expected that the findings of this study would help the government, management of firms, regulatory agencies and scholars at large. Being one of the largest sectors contributing to the economic activities of the nation, the findings of this study might help the government to know the extent to which its policies on corporate governance could affect audit practices in the corporate world. This might cause a new, friendly modalities necessary for sound monitoring and supervision of the oil and gas sector.

Scope of Study

The focus of this study is on audit committee characteristics and audit quality in Nigeria, particularly in the oil and gas sector. Oil and gas is considered because none of the available studies in this context has attempted to resolve it in listed oil and gas companies in Nigeria, based on the available literature. The study intends to cover 10 years, spanning from 2009-2018 and this is hinged on the identified gap that periods covered by past studies are too short and no longer recent.

LITERATURE REVIEW

Conceptual Review

Audit Committee

An audit committee is a committee of an organization's board of directors which is responsible for oversight of the financial reporting process, selection of independent auditor and receipt of both internal and external audit results. According to Ahmed (2018), audit committee referred to a group of people selected from members of the board of directors who are responsible for retraining the independence of auditors. Also, Bala (2014) viewed audit committee to compose of non-executive directors in an establishment. From the definitions above, it can be deduced that the main purpose of audit committee is the improvement of audit work thereby increasing the quality of financial reporting. Audit committee is one of the major operating committees of a companies' board of directors that is in charge of overseeing financial reporting and disclosure (Bansal & Sharma, 2016). An audit committee assists the board of directors to fulfill its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control system, and risk management system as well as its internal and external audit functions (Dabor & Dabor, 2013). Its role is to provide advice and recommendations to the board within the scope of its terms of reference.

Audit Committee Characteristics

The indispensability of audit committee members to audit quality in organizations cannot be overstressed because of their oversight function and ability to checkmate the activities of principal officers. Audit committee characteristics are numerous, however, based on the gap created for this study, features such as audit committee size and audit committee meetings are considered.

Audit Committee Size

The issue of earnings management has invariably led to the course of action by management to institute audit committee which has been regarded as an integral part of improving the quality of financial reporting. An audit committee is a sub-committee of the board that specializes in and responsible for ensuring the accuracy and reliability of the financial statements provided by management (Majiyebo, Okpanachi, Nyor, Yahaya & Mohammed, 2018). This has seriously stimulated regulators' attention all over the world to formulate laws and/or review policies on improving the monitoring functions of the audit committee (Asiriuwa, Aronmwan, Uwuigbe & Uwuigbe, 2018).Following the legal requirements of Nigeria, section 359 (6) of the Companies and Allied Matters Acts CAMA (1990), laws of the federation of Nigeria, the functions of audit committee are to review the audited and unaudited financial statements as well as other special investigation of the company in accordance with the legal requirement and agreed ethical practices and to ensure that the company maintains an effective system of accounting and internal control as well as to review the scope and results of external auditors thereby reaffirming their objectivity. Most of the regulations including that of Nigeria require the provision of an equal number of shareholders and directors to run the audit committee (Hussaini & Adam, 2014).

As highlighted earlier, section 359(6) of the Companies and Allied Matters Act CAMA requires every public company to have an audit committee which shall have a maximum of six members of equal representation by three shareholders and three directors (Bala, 2014).

As stated by Temple *et al* (2016), the magnitude of the committee is the sum of memberships of the group chosen by the governing bodies. Where a large audit committee member exists, possible challenges emanating from financial reporting tasks likely have the likelihood of being exposed and settled. This depends on the situation where a considerable number of the size of the committee raises the available means to the committee and enhances the superiority of control, as previous studies have shown that audit committee size affects corporate disclosure (Majiyebo *et al.,* 2018).

Audit Committee Meeting

In Nigeria, the audit committee is considered as a committee of representatives of both directors and shareholders charged with the responsibility to review the annual statements before being submitted to the board of directors (Enofe, Nbgame, Okunega & Edia 2013). An active audit committee is expected to provide a monitoring mechanism that can improve the reliability and financial reporting of the company (Gabriella, 2016). To achieve this, the audit committee must meet frequently. According to Ibrahim, Alkasim, Udoh, and Onipe (2019), every member of the audit committee are expected to attend board meetings, as such attendance gives them the opportunity of knowing the issues being faced by the company and empowers them to effectively perform their functions. The audit committee meeting ensures that there are intensity and effectiveness to incorporate monitoring of the operation of the management (Araoye & Olatunji, 2019). Meeting attendance allows members to interact among themselves thereby creating and strengthening cohesive bonds that will engender mutual understanding for a strategic decision that will contribute to improved managerial performance (Akpan, 2015). The more the meeting attended by the members of the audit committee, the better the managerial monitoring quality which ensures the quality of financial reporting. The audit committee members will be well informed and keep abreast of the activities within the organization when they meet regularly.

Concept of Audit Quality

Audit quality is much debated but little understood; and despite the diversity of the concept, there remains little consensus about how to define, let alone measure audit quality. Perception of audit quality can depend very much on whose eyes one looks through. Users, auditors, regulators and other stakeholders in the financial reporting process may have very different views as to what constitutes audit quality, which will influence the type of indicators one might use to assess audit quality. Asiriuwa, Aronmwan, Uwuigbe, and Uwuigbe (2018) defined audit quality as the market-assessed joint probability that the auditor discovers an anomaly in the financial statements, and reveals it. The user of financial reports may believe that high audit quality means the absence of material misstatements. The auditor conducting the audit may define high audit quality as satisfactorily completing all tasks required by the firm's audit methodology. The audit firm may evaluate a high audit quality as one for which the work can be defended against a challenge in an inspection or court of law. Regulators may view a high-quality audit as one that complies with professional standards (Enofe, *et al*, 2013).The proxies for measuring audit quality mostly used is The Big 4. The Big Four offer audit, assurance, taxation, management consulting, actuarial, corporate finance, and legal services to their clients (Okaro & Okafor, 2014).

A significant majority of the audits of public companies, as well as many audits of private companies, are conducted by these four networks. PricewaterhouseCoopers, Ernst & Young, Deloitte Touche Tohmatsu and KPMG make up the Big Four. The Big Four is the nickname used to refer collectively to the four largest professional services networks in the Nigeria, consisting of Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers. The four networks are often grouped for several reasons; they are each comparable in size relative to the rest of the market, both in terms of revenue and workforce; they are each considered equal in their ability to provide a wide scope of quality professional services to their clients; and, among those looking to start a career in professional services, particularly accounting, they are considered equally attractive networks to work in.

Theoretical Framework

This study is theoretically unpinned by stakeholders' theory. As the name implies, stakeholder theory is an advanced development on the perception of stakeholders and its association with any business organization. This theory is believed to be propounded by Freeman (1984). This theory gives a contradictory view on the view of Friedman (1962) who affirmed that it is the responsibility of the corporation to make profit for the shareholders. Freeman (1984) asserted that managers must protect the rights of all the stakeholders of an organization. Comparing the two scholars' opinions, it can be agreed that there is a distinct separation and distinction between them. Freeman (1984) defined a stakeholder as any individual or group who can affect or is affected by the accomplishment of the organization's goals. In essence, the general idea behind stakeholder's theory is to redefine the organization. A lot of concepts before the establishment of this theory focused on the fact that the major aim of any organization is to maximize its shareholders' wealth, as long as they do not do anything illegal or not in line with standard requirements.

Jeffrey, Edward and Mônica (2015) observed that the stakeholder's theory takes account of a wider group of participants rather than concentrating on only the shareholders. Looking at this theory in relation to this study, it can be deduced that the result of the audit quality affects not only the shareholders of an organization but also the stakeholders. Audit quality in its entirety could affect audit quality of an organization, which would inevitably affect the stakeholders of the organization. Donaldson and Preston (1995) stated that the stakeholders' theory in all its entirety is descriptive, instrumental, normative and managerial. In relation to this study, it can be agreed that this theory describes all the people that could be affected by the quality of the audit work. No matter how vast or small an audit assignment is, it would ultimately affect the stakeholders of an organization. This theory is instrumental because it identifies the connections between stakeholders and audit committee. Agreeably, the members of an audit committee board could also be part of the stakeholders in an organization. In essence, they too would be affected by the quality of the audit work.

Stakeholders' theory is normative because it interprets the function of the corporation. This theory is significant in a lot of studies, and particularly in this study. However, it has been criticized based on the fact that it neglects the fact that not all stakeholders are generic, nor are they similar within groups (Jeffrey, Edward & Mônica, 2015). For instance, the customers of one organization would not be the same as the customers of another organization, even if they compete against themselves in the same industry. And within customers' associations, one customer is not going to have the same desires, values or utility function as other customers. The relevance of this theory to the research lies in the fact that it properly outlines the fact that at times, members of the audit committee could be stakeholders too, and would not want to do anything to jeopardize the quality of the audit work. Stakeholders' theory affirms that in the operations and functions of the audit committee, there is every possibility that the way they handle the audit work could backfire on them, either negatively or positively. This is because they could eventually turn out to be stakeholders of the organization. And in the definition of a stakeholder, anyone that could affect or is affected by the action of an organization is deemed a stakeholder. Therefore, audit committee employed by an organization are stakeholders of that organization.

Empirical Review

Madawaki (2012) examined audit characteristics and financial reporting characteristics with a focus on Nigeria using regression analysis. The result indicated that there was some evidence that earnings quality significantly reduced in the years after audit committee formation, thus providing some support for the notion that the formation of the audit committee improved financial reporting quality. It also showed the existence of a weak association between the characteristics of the audit committee and improved financial reporting quality. The audit committee independence and expertise are found to significantly associate with improved financial reporting quality. Also, Fodio, Ibikunle and Oba (2013) investigated corporate governance mechanisms and reported earnings quality in listed Nigerian insurance of twenty-five Firms using modified jones model techniques. The study showed that audit committee size is negatively and significantly associated with earnings management. Dabor and Dabor (2013) examined the relationship between audit committee characteristics, board characteristics and financial reporting quality in Nigeria using the ordinary least square method. The study revealed the presence of a positive relationship between audit committee and financial reporting quality while a negative relationship exists between board composition and financial reporting in Nigeria. Similarly, Bala (2014) found that a significant relationship between audit committee characteristics and earning management of firms, an insignificant relationship between audit committee size, committee's financial expertise and earning management in his study titled audit committee characteristics and earnings management of firms using multiple regression analysis.

Ilaboya and Ohiokha (2014) examined the impact of audit firm characteristics and audit quality in Nigeria using multivariate regression techniques. The findings indicated that there is a positive relationship between firm size, board independence and audit quality whereas there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality. Okaro and Okafor (2014) examined the relationship between corporate board effectiveness and external audit quality. Four board characteristics were used as proxies for measurement of board effectiveness. These are frequency of meetings, board size, proportion of non- executive directors on the board and share ownership by members of the board. A questionnaire survey of 52 professional accountants was undertaken. Descriptive and inferential statistics were used to analyze the data of study. The findings suggest that board effectiveness is positively associated with external audit quality. Nuraddeen and Hasnah (2015) measure the effectiveness of audit quality impact and audit quality on preventing earnings management in the pre and post Nigerian corporate governance code 2011 using qualitative method. The study concluded that discretionary accruals have been used to manipulate accounts and mislead investors, audit committee and audit quality is believed to contribute to reducing earnings management drastically. Using correlation and ordinary least square, Adeyemo *et al.* (2016) evaluated the impact of audit committee attributes and financial reporting in Nigerian quoted companies. The study revealed that each of the audit committee attributes (audit committee frequency meeting, audit committee financial literacy, audit committee independence, audit committee size, and audit committee meeting attendance) had a positive significant effect of quality financial reporting.

Akhidime (2015) examined the impact of board structure and corporate characteristics of Nigeria banks have on their audit quality. The study is based on the published audited accounts of 19 banks that were selected by a simple random sampling technique from the population of the 25 Nigerian banks over the banks' post consolidation/reform five- year period. The variables of the study were analyzed using binary logistic regression analysis. The hypotheses of the study were tested using F-ratios from the results of the pooled binary regression of the pooled data at 5% level of significance. Results of the study confirm that non-executive, independent directors and director's share ownership positively impact on the banks' audit quality. Temple, Ofurum and Egbe (2016) examined the influence of audit committee characteristics and quality of financial reporting in quoted Nigerian banks using correlation matrix. The outcomes of the study depicted that audit committee' independence has no significant effect on earnings management in quoted Nigerian banks. Using ordinary least square and Pearson correlation analysis, Orjinta and Evelyn (2018) conducted a study on the effect of audit committee characteristics on performance of non-financial firms in Nigeria. The findings showed that seventy-six percent of changes in the performance of non-financial firms can be attributed to the audit committee characteristics while twenty-four percent were unaccounted for hence captured by the stochastic error term.

Asiriuwa *et al.* (2018) examined audit committee attributes and audit quality with emphasis on the specific requirement of the 2011 SEC code using binary probit regression model. Findings from the study revealed that audit committee size, frequency of meetings, number of expertise and overall effectiveness all have a positive relationship with audit quality. However, only size and overall effectiveness was significant in their relationship. Similarly, Ebirien, Chukwu and Ohaka (2018) examined audit committee characteristics and corporate disclosure of Nigerian deposit money bank using ordinary least square. The result showed a positive but insignificant relationship between corporate governance disclosure level and frequency of meetings. Belal and Hasnah (2018) examined the role of audit committee characteristics and real earning management in Malaysia using qualitative approach. The study found that recent studies were concerned with real earning management as an alternative type of earnings management that companies switched to use it rather than accrual earnings management. Overall, review outcomes indicate that the role of audit committee characteristics in mitigating real earning management is ambiguous as the results are inconsistent. Temple (2019) investigated the relationship between audit committee composition, board characteristics and financial reporting in Nigeria using ordinary least square. The findings of the study showed that the audit committee composed more of independent members have a positive effect on financial reporting quality. Furthermore, the numerical size of the board of directors also showed a positive relationship with the quality of financial reports. Finally, the findings showed that board composition has a positive relationship with the quality of financial reports.

Odjaremu and Jeroh (2019) appraised the extent to which audit committee attributes influence the reporting timeliness of listed Nigerian firms using regression analysis. The results indicated that audit committee attributes (measured by size, independence and diligence) had a significant relationship with financial reporting timeliness among firms in Nigeria. Using correlation research design, Ibrahim *et al.* (2019) examined the impact of audit committee and earnings management of listed deposit money banks in Nigeria. The results revealed that audit committee financial expertise and audit committee busyness have negative significant impact on earnings management; audit committee tenure has a negative insignificant impact on earnings management. Audit committee meeting and audit committee share ownership have positive insignificant impact on earnings management.

Chukwu and Nwabochi (2019) investigated the effect of the characteristics of audit committee on timeliness of corporate financial reporting in the Nigerian insurance industry using ordinary least square method. Results revealed a significantly negative relationship between audit committee meeting frequency and timeliness of corporate financial reporting. Also, there was a negative but insignificant association between audit committee gender, as well as audit committee independence, and corporate financial reporting. Finally, the results showed that audit committee size was positively and statistically, insignificantly related to timelines in corporate financial reporting.

RESEARCH METHODOLOGY

Research Design

The study adopts expo-facto research design. Ex post facto is considered appropriate for the study because the study aimed at obtaining important information on the status of specific phenomenon after some naturally occurring treatment without any manipulation of the situation.

Population and Sampling selection

The population covered all the 12 listed Oil and Gas sector; out of which, 10 firms were selected through random sampling technique. The firms are 11 PLC., Animo International PLC., ARDOVA PLC., Capital Oil PLC., Conoil PLC., Eterna, PLC. Japaul Oil and Martime Services PLC, OANDO PLC., Seplat Petroleum Development Company PLC., and Total Nigeria PLC.

Method of Data Collection

The study used secondary data, sourced from the published financial reports of the sampled firms covering the time period of 2009-2018.

Data Analysis Techniques

The data analysis was mainly based on quantitative econometric techniques presented in three folds. Descriptive analysis was employed to determine the minimum, maximum, mean, standard deviation of the all the variable. In examining the relationship between predictor variables and the outcome variable, this study used correlation analysis. To test the formulated hypotheses, logistic regression was used.

Model Specification

This study modified the model used by Asiriuwa, Aronmwan, Uwuigbe & Uwuigbe (2018) to examine audit committee attributes and audit quality. This is given below:
AUQU = *f*(ACSI, ACMT, ACEP)
Where:
AUQU is Audit Quality (proxied with Big 4)
ACSI is Audit Committee Size
ACSI is Audit Committee Meetings
ACEP is Audit Committee Expertise
f is functional relation
The model is modified by limiting the independent variables in the above model to just audit committee size and audit committee meetings. The adjustment was based on the intended objectives of this study Hence, the model for this present study is stated thus:
Big 4 = *f*(ACSI, ACMT)
This model can be represented in linear forms below:
$BIG\ 4 = \beta_o + \beta_1 ACSI_{it}, + \beta_2 ACMT_{it} + \varepsilon_{it}$
β_1 - - - - - β_2 = the slop parameters
i = cross sectional variable from 1, 2

Data Presentation and Analysis

Descriptive Statistics

Table 1: Description Statistics

Variables	Observations	Mean	Std. Dev.	Minimum	Maximum
Big 4	100	0.5214	0.2371	0	1
ACSI	100	4.9476	0.4578	3	7
ACMT	100	4.1324	1.4211	1	15

Author's Computation, 2020. *Where ACSI= Audit committee size and ACMT=Audit Committee Meeting.*

From table 1, it is revealed that the mean value for big 4 is 0.5214, which ranges from 0 to 1. The standard deviation of 0.2371 depicts that the risk value is high, as it is relatively close to its mean value (0.5214). The table also revealed that the average value for audit committee size is 4.9476, flagged with 3 minimum and 7 maximum board members. In the same vein, the table shows that the least amount of times the committee meet for meeting is at least once, with a maximum of fifteen times. Also, the mean value is 4.1324. The standard deviation of 1.4211 shows that the risk is moderately low, as there is a moderate gap between the mean and standard deviation.

Correlation Analysis

Table 2: Pearson Correlation Matrix

Variables	Big 4	ACSI	ACMT
Big 4	1		
ACSI	0.319	1	
ACMT	0.126	0.028	1

Author's Computation, 2020

Table 2 shows that big 4 is positively correlated with audit committee size. Also, the table shows that big 4, the proxy for audit quality, is positively correlated with audit committee meeting between audit committee size and meeting, the table reveals a positive and significant relationship.

Logistic Regression

Table 3: Effect of Audit Committee Characteristics on Audit Quality

Variables	Co-efficient	Std. Error.	z-statistics	p-value
Constant	2.8927	0.445	4.766	0.000
ACSI	0.5629	0.156	3.991	0.003
ACMT	0.1481	0.456	0.877	0.411
McFadden R-Square	0.453	-	-	-
LR Statistic	8.723	-	-	-
Prob. (LR statistic)	0.0003	-	-	-

Author's Computation, 2020.

Table 3 reveals that audit committee size exerts a positive significant effect on audit quality of firms in the oil and gas sector in Nigeria to the tune of 0.5629(p=0.003<0.05). The implication of this is that 1% increase in the size of the committee would engender 56% increase in audit quality. In the same vein, table 3 shows that audit committee meeting exerts a positive but insignificant effect on audit quality of firms in the oil and gas sector in Nigeria to the tune of 0.1481(p=0.411>0.05). The implication of this is that 1% increase in the meetings of the committee would engender 14% increase in audit quality insignificantly. Also, the Mc Fadden R-square unveils that variables (audit committee size and audit committee meeting) in this model are responsible for about 45% of the systematic variations in audit quality. The LR statistic together with its p-value shows that the model is fit and statistically significant.

DISCUSSION OF FINDINGS

The study sought out to investigate the effect of audit committee characteristics on audit quality. It used the size and meeting of the audit committee as independent variables, while the dependent variable was the big 4, which was the proxy for audit quality. From the findings of the study, it can be deduced that audit committee size has a positive and significant effect on the big 4. This could be related to the fact that where a large audit committee member exist, possible challenges emanating from financial reporting task likely have the likelihood of being exposed and settled quickly. Also, there would be an enhancement of superiority of control. Notably, a bigger size of the audit committee can alleviate material differences throughout the tested equity submissions. This finding, however, gave credence to the finding of Akhidime (2015), who discovered that a positive effect of audit committee size on audit quality. Audit committee meeting has a positive but insignificant effect on audit quality. Agreeably, the number of times an audit committee would meet would not improve the quality of audit. It could be possible that there could be deliberations on the best way of performing audit assignment, but the meeting in itself does not have anything significant impact on the total audit work. This finding negates that the findings of Belal and Hasnah (2018) that the frequency of audit committee meetings has a significant positive association with firm performance.

SUMMARY, CONCLUSION AND RECOMMENDATION

This study examined audit committee characteristics and audit quality in Nigeria with a special reference to firms in the oil and gas sector. Specifically, this study assessed the effect of audit committee size on audit quality in Nigeria, investigate the effect of audit committee meeting on audit quality in Nigeria. The study was theoretically underpinned by the stakeholder theory. Expo-facto research design was adopted for this study.

From the findings of this study, it is concluded that audit committee has a statistical significant effect on audit quality in Nigeria. In relation to the specific variables, it was established that the size of audit committee could cause a significant increase in audit quality and that increase in the number of meetings of the audit committee has no potency to significantly improve audit quality in the oil and gas sector in Nigeria.
Thus, it was recommended that

i. Emphasis and focus should be placed on the size of the audit committee to improve audit quality.
ii. Modalities surrounding the meetings of the committee should be revisited.
iii. Also, adequate supervision and monitoring should be ensured in every meeting of the committee members.

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