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IMPACT OF AUDIT QUALITY ON FINANCIAL REPORTING QUALITY OF LISTED OIL AND GAS FIRMS IN NIGERIA: THE MODERATING ROLE OF INTERNAL CONTROL SYSTEM (ICS)

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ABSTRACT
The increase in a number of scandalous reportage in the last three decade have led to apprehensions about legitimacy of most firms financial reporting qualities. This study investigated the moderating effect of internal control system (ICS) on the relationship between audit quality and financial reporting quality (FRQ) of listed oil and gas firm in Nigeria. For a period of ten years (2013-2022). The study has employed the use of regression model as technique of analysis. The population of the study is all the 13 oil and gas companies listed on the Nigerian stock exchange as at 31st December, 2022 and a purposive sampling techniques was adopted in arriving at the 10 samples. Secondary data was employed and data were extracted from the financial statements of the all samples oil and gas firm in Nigeria. The study findings is that both auditor fee (AF), audit size (AS) and internal control system (ICS) has a significant impact on the FRQ of oil and gas firms in Nigeria while audit tenure (AT), Leverage (LEV)) and firms size (FSIZE) has no significantly impact FRQ of the sampled oil and gas firms in Nigeria. The study also confirmed that ICS only moderated AF, AS and AT the sampled firms. The study therefore, concluded that both AF, AT and AS has significant and positive impact on the FRQ of listed oil and gas firms in Nigeria. The study further concluded that ICS significantly moderated the relationship between AF (ICS_AF),AS (ICS_AS), AT (ICS_AT) and FRQ of the listed sampled firms. This study therefore recommended that the composition of internal control system for the oil and gas firms should be sustained and improved upon in order to enhance audit quality since it moderated both AF, AS and AT significantly.

Keyword: financial reporing, Audit quality, Audit size, Internal control, Firm size
JEL Code: M4, M42, L71, G34

1 INTRODUCTION
The oil and gas sector is vital to Nigeria's economy, contributing over 70% of export earnings and 60% of government revenue (CBN, 2023). However, issues related to financial misreporting and weak corporate governance have raised concerns about the accuracy and reliability of financial statements in the sector. Audit quality is crucial for ensuring the transparency of financial reporting, which is essential for informed decision-making by investors, regulators, and stakeholders. The National Bureau of Statistics (NBS, 2022) and the World Bank (2022) both emphasize the importance of audit quality in preventing financial

fraud and attracting foreign investment, highlighting the sector's critical need for improved governance.

Recent cases, such as the Oando Plc scandal in 2018, where earnings were allegedly manipulated, underscore the risks posed by inadequate audit quality in Nigerian oil and gas firms (Reuters, 2018). Despite the introduction of regulatory frameworks like the CBN's Audit Regulations of 2020, enforcement remains inconsistent, and weak internal control systems contribute to these ongoing problems. According to the Financial Action Task Force (FAO, 2022), strong internal controls are essential for ensuring reliable financial reporting and adherence to international standards.

Studies suggest that internal control systems significantly enhance audit quality. Ado et al. (2020) found that robust internal controls improve financial reporting accuracy in Nigerian firms. However, gaps remain in understanding how internal control systems moderate the relationship between audit quality and financial reporting quality in the oil and gas sector. Most existing research focuses on audit quality in isolation, neglecting the role that internal controls play in influencing audit outcomes.

This study aims to fill this gap by examining the impact of audit quality on the financial reporting quality of listed oil and gas firms in Nigeria, considering the moderating role of internal control systems. By integrating these elements, the study hopes to provide valuable insights into improving financial reporting practices and enhancing corporate governance in Nigeria's oil and gas industry.

The study will proceed by first conducting a thorough review of existing literature on audit quality, financial reporting quality, and internal control systems. This will help to identify the key variables and establish a conceptual framework for analyzing their relationships.

Next, the study will collect data from the annual reports of listed oil and gas firms in Nigeria, focusing on audit quality metrics, such as auditor independence, tenure, and firm size, as well as indicators of financial reporting quality. Internal control system characteristics will also be analyzed to assess their moderating role.

A quantitative approach will be used, employing regression analysis to examine the impact of audit quality on financial reporting quality, with internal controls serving as a moderating variable. The study will use statistical techniques to test the significance of relationships between audit quality, financial reporting quality, and internal control systems.

Finally, the study will discuss the findings in the context of improving audit practices and financial reporting standards in Nigeria's oil and gas sector, offering policy recommendations for regulators, auditors, and corporate governance bodies.

2. LITERATURE REVIEW

Financial Reporting Quality (FRQ)

Financial Reporting Quality (FRQ) refers to the accuracy and reliability of financial and non-financial data produced by the financial reporting process, essential for decision-making (Choi & Pae, 2011; Herath & Albarqi, 2017). Factors influencing FRQ include the disclosure of financial information, the choice of accounting policies, and company knowledge (Jonas & Blanchet, 2000). While financial statements may follow generally accepted accounting principles (GAAP), their quality can still vary (Choi & Pae, 2011). According to the International Accounting Standards Board (IASB), FRQ depends on transparency, accuracy, verifiability, timeliness, and understandability, which are crucial for producing high-quality reports (Gajevszky, 2015).

Audit Quality

Audit Quality plays a significant role in enhancing FRQ by ensuring that financial statements are free from material misstatements. High-quality audits reflect the auditor's competence and ethical standards, thus protecting the interests of financial statement users (Ajekwe & Abiamke, 2017). They also reduce information asymmetry between management and stakeholders, thereby fostering trust and mitigating risks (Odjaremu & Jeroh, 2019).

Audit fees

Angelo and Mourouzidou-Damtsa (2022) emphasize the relationship between audit fees and financial reporting quality, noting that larger audit firms provide higher-quality audits, reflected in higher fees. Simunic and Stein (2018) explain that audit fees are payments made for audit services and are influenced by factors like client size, audit complexity, risk, and auditor reputation. Higher fees typically indicate more thorough audit work, leading to improved financial reporting quality.

Audit tenure

Audit tenure refers to the length of time an audit firm has worked with a client. Myers, Myers, and Omer (2018) note that longer tenure can improve the auditor's understanding of the client's business, potentially enhancing audit quality. However, Johnson and Reynolds (2018) caution that extended tenure may also threaten auditor independence, resulting in reduced audit quality due to over-familiarity with the client. Thus, while tenure can be beneficial, it also carries risks.

Auditors Size

Francis and Wang (2018) Larger audit firms, especially the Big Four (Deloitte, PwC, EY, and KPMG), are associated with higher audit quality due to their ability to invest in technology, training, and resources (Francis & Wang, 2018). These firms have more at stake in terms of reputational risk, motivating them to perform thorough audits to avoid scandals or legal issues. Audit firm size, measured by factors like employee count, revenue, and client base, allows for specialized knowledge and standardized procedures, further enhancing audit quality (Gul & Krishnan, 2017; Francis & Yu, 2017).

Firm size

Audit Firm Size is another factor influencing FRQ. Larger audit firms, such as the "Big Four," are generally perceived as more capable due to their extensive resources and expertise. However, some studies suggest that smaller firms might produce higher quality audits because they offer more personalized services (Surbakti, Shaari & Banahros, 2017). The relationship between firm size and FRQ varies, with some studies finding positive impacts, while others find negative or insignificant effects (Musa & Sani, 2015).

Leverage

Leverage refers to the debt owned by an entity and its ability to manage loan funds using assets (Rahman et al., 2013; Kusumawardani, 2011). High levels of leverage pose a risk as they may prevent the completion of obligations, potentially threatening the financial position of local governments or companies. Leverage is a tool to assess financial performance and the ability to meet financial obligations, and high leverage levels require careful disclosure to avoid a negative public image (Hudoyo & Mahmud, 2014).

Internal iControl iSystem

The internal control system plays a vital role in ensuring efficient operations and safeguarding assets. Internal controls reduce the likelihood of mismanagement in financial statements, preventing the misuse of assets and detecting potential fraud (Turnbull, 2020) Strong internal control systems are essential for ensuring financial reports are free from errors, manipulation, and embezzlement, contributing to high-quality financial reporting (Munene, 2013)

2.1 EMPIRICAL LITERATURE

Auditor Fee and Financial Reporting Quality

Bala, Arman, and Shari (2018) studied the relationship between audit fees and financial reporting quality for 88 listed Nigerian companies from 2012 to 2016. Using data from annual reports and Thompson Reuters DataStream, they applied an accruals model and multiple regression analysis. Their findings indicate that higher audit fees are linked to lower discretionary accruals, suggesting improved financial reporting quality. In contrast, Ado, Rashi, and Mustapha (2020) examined the impact of audit quality on financial reporting for 84 listed Nigerian companies from 2010 to 2018. Using panel data and multiple regression analysis, they found that audit fees had a positive but insignificant relationship with Return on Assets (ROA), indicating limited influence on financial reporting quality. Sadiq and Yayangida (2023) impact of audit fees on financial reporting quality listed non-financial services firms. in Nigeria**,** which their study period 2011-2021 data collected from annual reports of 30 listed non-financial services firms and Descriptive statistics and multiple regression analysis. The result shows audit fees do not have a direct effect on financial reporting quality. These studies highlight the complex relationship between audit fees and financial reporting quality.

Auditor Tenure and Financial Reporting Quality

Onyema and Okafor (2020) investigated audit tenure and its impact on financial reporting quality in Nigeria's oil and gas sector from 2011 to 2019. They used secondary data from annual reports and GLS regression, finding that longer audit tenures improve financial reporting quality due to the auditors' better understanding of clients. In contrast, Ezeala George & Nwachukwu Raphael (2023) examined 23 non-financial firms from 2012 to 2021, using OLS regression, and found that while audit tenure positively affects financial reporting quality, the effect was non-significant, highlighting potential risks from familiarity. Overall, findings suggest that while longer tenures may initially enhance audit quality, prolonged periods can compromise auditor independence, indicating a need for policies to limit tenure to maintain audit objectivity. Isito Ogheneochuko Emmanuel & Patrick Uzoka (2020) the impact of audit tenure, on the financial reporting quality of listed oil and gas firms in Nigeria, study period cover from 2000-2018 secondary data were collected from annual reports of selected listed companies, regression analysis using a Quadratic Model. The result shows that audit quality improves with tenure initially, long tenures negatively impact independence, suggesting a need for policies promoting auditor independence.

Auditor Size and Financial Reporting Quality

Ibekwe and Chukwuma, (2022) study the role of audit firm characteristics in financial reporting quality: evidence from Nigeria’s Oil and Gas Sector cover from 2013-2021. Data were collected from the annual reports of listed oil and gas firms in Nigeria. Key variables included audit firm size, audit tenure, audit fees, and various measures of financial reporting quality. The study found that larger audit firms, moderate audit tenure, and higher audit fees contribute to better financial reporting quality. However, overly long tenure was found to potentially diminish audit quality. Ugwunta and Ugwuanyi (2019) Examined the effect of audit firm size on financial reporting quality of listed oil and gas companies in Nigeria study period cover from 2010-2018 while Secondary data were collected from the annual reports and financial statements of listed oil and gas companies in Nigeria, accessed through the Nigerian Stock Exchange (NSE). The study employed panel regression analysis to examine the relationship between audit firm size and financial reporting quality. Fixed effects and random effects models The study found that companies audited by larger firms (i.e., Big Four auditors) had higher financial reporting quality compared to those audited by smaller

Firms size and financial reporting quality

Musa and Sani (2015) examines the impact of audit firm size on financial reporting quality of listed insurance companies in Nigeria. Data were collected from the annual reports and accounts of thirteen sampled insurance companies out of thirty-three listed insurance companies on Nigerian Stock Exchange for the period of eight years (2008 to 2015). Empirical analyses were carried out using descriptive statistics, Pearson correlation and multiple regressions (Ordinary Least Square). The study found that audit firm size has a positive and significant impact on financial reporting quality. such as Takhtaei and Mousavi (2014) found a negative relation between firm size and FRQ. This finding indicated that small-sized companies have revealed their readiness to disclose more might point that they incline to put themselves for competitive advantages and public visibility.

Internal control system and Financial Reporting Quality

Cecilia and Nunuy (2017) analyzed the impact of internal control systems and internal audits on the financial statement quality of local governments in Indonesia. Their research, involving 66 government units across 15 districts and cities, used path analysis and found that both internal control and audits positively affect financial statement quality. Adewale (2020) explored the relationship between internal control activities and financial reporting quality in Nigerian corporate organizations through an exploratory research design. Using secondary data from journals and other publications, the study revealed a significant relationship between internal control and financial reporting quality. Both studies emphasize the importance of internal control in improving financial report accuracy and quality.

2.3 GAPS IN THE LITERATURE AND VALUE ADDITION

Gap Analysis impact of audit quality on financial performance of listed oil and gas firms in nigeria: the moderating role of internal control system. Research on audit quality and financial performance in Nigeria's oil and gas sector has highlighted factors such as audit firm type, tenure, and audit committee attributes. For example, Kaoje and Mohammed (2022) found no significant link between audit firm type and financial performance, while Ajibolade and Uwuigbe (2013) noted that audit committee independence positively affects performance. Obaje and Ogirima (2023) emphasized the importance of strong audit practices for better financial outcomes. However, gaps remain in understanding how internal control systems influence this relationship. Most studies overlook the moderating role of internal controls, focusing instead on isolated aspects like audit quality and financial performance without considering specific contextual factors such as regulatory frameworks and operational challenges (Soyemi et al., 2023). Furthermore, comprehensive models integrating audit quality, internal controls, and financial performance are lacking (Jeroh & Ozegbe, 2022). Future research should explore how internal control systems moderate the relationship between audit quality and financial performance, aiming to enhance audit practices and financial reporting in this sector (Ado et al., 2020).

3 METHODOLOGY

Research Design

For the purpose of this study, the descriptive research design is used and the study period is ten (10) years, spread from 2013 to 2022. The study population comprise all (13) listed ioil iand igas ifirms on the Nigeria Stock Exchange listings within the study periods.The idata iwas icollected ifrom itheiannual ireports iand iaccount iof ithe ioil iand igas icompanies ilisted. The istudy iselected companies that have complete published financial statement within the period.iMultiple iregression itechnique iwere used for data analysis the idata ifor ithe istudy is panel iin inaturei(that iis icross-sectional itime-series data).iGeneralized iLease iSquare i(GLS). With ithe iaid iof iSTATA i13 isoftware istatistical ipackage, the imodel ivariables iused toibe iestimated.

3.1 Theoretical Framework

Auditors' Theory of Inspired Confidence

The theory of inspired confidence offers a useful framework for examining the impact of auditor independence on audit quality and financial reporting quality in Nigeria's oil and gas sector. This theory, developed by the Limperg Institute in the Netherlands in 1985, posits that auditors derive their function from the need for expert and independent assessment and judgment supported by evidence. According to the theory, auditors have a duty to conduct their work in a manner that does not betray the confidence placed in them by the public. When stakeholders' confidence in the effectiveness of the audit process and the audit report is misplaced, the value relevance of the audit is destroyed (Carmichael, 2004).

In the context of Nigeria's oil and gas sector, the theory of inspired confidence suggests that auditors must maintain their independence and objectivity to ensure high-quality audits and reliable financial reporting. Factors such as the provision of non-audit services by the auditor and the lack of auditor rotation can negatively impact auditor independence and objectivity in the Nigerian audit market (Aliu, Okpanachi & Mohammed, 2018).

Empirical studies have found that firm characteristics, audit firm attributes, and corporate governance factors have significant positive effects on audit quality and financial reporting quality in Nigeria's oil and gas companies (Kaoje & Mohammed, 2022). The use of Big 4 audit firms, in particular, has been shown to improve the quality of audits and financial reports in this sector.

This study on the impact of audit quality on the financial reporting quality of oil and gas firms in Nigeria, the theory of inspired confidence will underpin the research framework. This theory emphasizes the critical role of leadership in fostering trust and transparency, which are essential for enhancing stakeholder confidence in financial disclosures. By inspiring confidence, leaders can create a culture that prioritizes high audit quality, thereby improving the overall reliability of financial reporting. Ultimately, the theory of inspired confidence will provide valuable insights into how effective leadership can influence audit practices and financial reporting outcomes in Nigeria's oil and gas sector.

The agency theory

expounds the agents (organisations management) - principal (shareholders) relationship and was propounded by Jensen and Meckling (1976). Conflicts of interest between managers and stakeholders is created as a result of diffusion of ownership from control in modern business. The agent, in making decisions, may naturally act contrary to the principal's direction who could in turn establish an appropriate incentive for the agent thereby incurring monitoring costs (Aliyu, Musa & Zachariah, 2015). The limited information available to the shareholders makes it difficult to determine the (un)favorableness of decisions made by the management (Estitemi & Omwenga, 2016). This could induce the shareholders to establish a monitoring process such as auditing to control the action of the management in making some decisions for the organization. Thus, the audit fee arises as a bonding cost paid by agent (s) to a third party to satisfy the principals' demand for accountability (Estitemi & Omwenga, 2016). According to Okpala (2015), auditing increases stakeholder's confidence in the financial statements as a result of the element of credibility it provides. Agency theory thus serves as a useful economic theory of accountability on the part of the management to the shareholders. Thus, quality audit could minimise information gap between the management and stakeholders and thus, serves as backbone of quality financial reporting.

The Theory of Inspired Confidence underpins the relationship between audit quality and financial reporting quality by highlighting the auditor's role in fostering trust. In the context of listed oil and gas firms in Nigeria, high audit quality assures stakeholders that financial reports are accurate and reliable. This trust, inspired by the auditor's professionalism and independence, enhances the credibility of financial statements. Poor audit quality, on the other hand, diminishes public confidence, affecting financial reporting quality and market trust. Thus, the theory supports the crucial link between audit integrity and financial transparency in the oil and gas sector.

3.2 Model Specification

A multivariate econometric model was specified and estimated using the Ordinary Least Square (OLS) due to its characteristics of Basic, Linear, Unbiased and Estimator (BLUE) proposed iby iBarth iet ial. (2001) and Kordestani iand Rahimi i(2011), itheir model ifor ievaluating ifinancial ireporting iquality ican ibe given ibelow ias ithus:

$$CFO_{it}\, i = i\beta 0 + \beta 1 CFO_{it} + \beta 2 \Delta AR_{it} + \beta 3 \Delta INV_{it} + \beta 4 \Delta AP_{it} + \beta 5 \Delta DEPR_{it} + \beta 6 \Delta OTHER_{it} + \varepsilon_{it}$$

Where;

$CFO_{it} = icash\ iflow\ ifrom\ ioperations\ ifor\ ifirm\ ii\ iin\ iyear\ it$

$\Delta AR_{it} i = ichanges\ iin\ iaccount\ ireceivable\ ifor\ ifirm\ ii\ iin\ iyear\ it$

$\Delta INV_{it}\, i = ichanges\ iin\ iinventory\ iaccount$

$\Delta AP_{it} i = ichanges\ iin\ iaccount\ ipayable\ ifor\ ifirm\ ii\ iin\ iyear\ it$

$\Delta DEPR_{it}\, i = idepreciation\ iexpense\ ifor\ ifirm\ ii\ iin\ iyear\ it$

$\varepsilon_{it}\, i = ierror$

$\Delta OTHERit$ i= i i iother iaccruals ican ibe icalculated iin ithe ifollowing imanner:

$$OTHER_{it} i\ i = iOP_{it} - i(CFO_{it} i\ i + i\Delta AR_{it}\, i + i\Delta INV_{it}\, i - i\Delta AP_{it}\, i + i\Delta DEPR_{it})$$

OP_{it} istands ifor ioperating iearnings.i

Financial ireporting iquality iis imeasured iusing iresidual's iabsolute ivalue.iThe iless ithe residuals iare, the imore iaccurate ithe ifinancial iinformation iand ireports iwill ibei(RES= $| e_{it\ i+\ i1} |$).iResiduals' median ishowsinformation iquality.iIn iother iwords, iif iresiduals iare iequal iwith ior iless ithan ithe median, ifinancial ireporting iis iof ihigh iquality, iotherwise iit iis iof ilow iquality.

The ifollowing imodels iwill ibe iused ito iguide ithe ihypotheses itesting:

$$FRQ_{it}\, i = i\beta 0 + \beta 1 AF_{it} + \beta 2 AT_{it} + \beta 3 AS_{it} + \beta 4 ICS_{it} + \beta 5 ICS_{it} + \beta 6 LEV_{it} + \beta 7 FSIZE_{it} + \varepsilon_{it} -$$

Direct relationship

$$FRQ_{it}\, i = i\beta 0 + \beta 1 AF_{it} + \beta 2 AS_{it} + \beta 3 AT_{it} + \beta 4 ICS_{it} \beta 5 AF_{it} * ICS + \beta 6 AS_{it} * ICS + \beta 7 AT_{it} * ICS + \beta 8 LEV_{it} + \beta 9 FSIZE_{it} + \varepsilon_{it} - - - - - - - - Moderation$$

Where;

FRQ i=Financial ireporting iquality
AF i=Auditor iFee
AT i=Auditor iTenure
AS i= iAuditor iSize
ICS i= iInternal iControl iSystem
FSIZE i= iFirm iSize
LEV i= iFinancial ileverage

β_O = Constant
$B_{1,}$-β_6
e i= iError iTime
it i= iFirm ii iat itime it

The dependent variables are Financial reporting (FRQ) while independent variables as follows Audit fee measure by natural logarithm of the auditors fees (AF), audit tenure (AT) Measure if it is 3years and above is dishotomize as coded 1 and if less than 3years coded "0", Audit firms size (AFS) measure using the Big 4 versus Non Big 4 dishtomy As is coded 1 if the audit of the issued financial statement was performed by a Big 4 audit firm otherwise As is coed 0., Internal control system (ICS) Proportion of non –executive director to total number, Firm size (FZ) measure by Natural logarithm of the total firms asset, Leverage (LEV) measure by Total debt/Total debt+Total Equity.

4 RESULT DISCUSSION AND FINDINGS

This chapter explains data presentation, analysis, interpretation, and discussion of the results of the study. Hence, results from the descriptive statistics, the correlation matrix, the reliability test, and the regression results are presented and discussed. The chapter also discusses the implications of the research findings.

Table 4.1: Descriptive Statistics

Variables	Obs	Mean	Std.Dev	Minimum	Maximum
FRQ	100	.0171935	.0133213	.0096300	.1928194
AF	100	.0835464	.0566463	.0194600	.0928194
AS	100	.0649214	0.477689	0	1
AT	100	.6226420	.0459137	0	1
ICS	100	0.539987	0.457248	0.369871	14.56897
LEV	100	0.665194	0.463731	.2907443	.8878356
FSIZE	100	3.740022	8.020032	5.580012	8.790078

Source: Extracted from STATA output

Table 4.1 presents descriptive statistics for financial reporting quality (FRQ) and related variables in oil and gas firms. The average FRQ is 0.017% with a standard deviation of 0.13%, indicating consistency among firms. Auditor Fee (AF) averages 0.0835%, with minimal variation as shown by a small standard deviation of 0.566463%. Auditor Size (AS) has a mean of 0.06492 and no standard deviation, suggesting similar audit firm sizes. Auditor Tenure (AT) averages 0.6226% with a standard deviation of 0.0459%, reflecting mostly long-term auditor relationships. Internal Control System (ICS) has a mean of 0.5399% and a high standard deviation of 0.4572%, showing significant variation. Leverage (LEV) averages 0.6665% with a standard deviation of 0.4637%, indicating high variability. Firm size, measured by the natural log of total assets, has a mean of 3.7400 and a high standard deviation of 8.0200%, reflecting dispersion. Although the data may not be normally distributed, the analysis follows Guas (1929) and Shoa (2003) guidelines, suggesting that data abnormality should not greatly impact regression analysis results.

Multicollinearity test for Models One and Two found no high correlation among independent variables, as indicated by Variance Inflation Factors (VIF) and Tolerance Values (TV). Both VIF and TV are consistently below 10 and 1.0, confirming no significant multicollinearity.

Heteroskedasticity test showed that error term variability is not constant, affecting the Best Linear Unbiased Estimators (BLUE). The Breusch-Pagan/Cook-Weisberg test results indicate significant heteroskedasticity, suggesting the data do not meet the homoscedasticity assumption for OLS regression with panel data.

Hausman Specification Test compared fixed and random effects models. The test showed a high correlation between unique errors and independent variables, with insignificant chi-square probabilities, leading to the recommendation of the random effects model based on p-values of 0.2586 and 0.2312.

Regression Results
Table 4.2
MODEL (1)
($FRQ_{it}i=i\beta_0 i+\beta_1 AF_{it}+\beta_2 AT_{it}+\beta_3 AS_{it}+\beta_4 ICS_{it}+\beta_5 LEV_{it}+\beta_6 FSIZE_{it}+\varepsilon_{it}$)is presented in the following Table:

Table 4.5 Summary of Roburst Random effect Regression Results (MODEL ONE)

Variables	Coefficient	T	p-value
INTERCEPT	.416539	1.6	0.094
AF	.5450982	5.03	0.000
AS	.0078252	2.60	0.009
AT	-.0081178	-0.81	0.000
ICS	.1207411	2.04	0.041
FSIZE	-.0101288	-1.00	0.218
LEV	-.0042674	-0.29	0.611
R2 within	0.2267		
R2 Between	0.4318		
R2 overall	0.4841		
F- Statistic	42.37		
Prob. of chi2	0.0000		

***Source:* Regression Result from Output STATA**
*** Level of significance at 1%**

The study reveals that audit fee, audit size, audit tenure, internal control system, firm size, and leverage account for 48% of the variation in financial reporting quality (FRQ) among listed oil and gas firms in Nigeria, with an R-squared within 22% and other factors contributing 52%. The model's fit is confirmed by an F-statistic of 42.37 and a p-value of 0.0000. The regression model shows that increases in audit fee (AF), audit size (AS), and internal control system (ICS) significantly improve FRQ by 0.55%, 0.0078%, and 12%, respectively. These variables have significant p-values, indicating a positive impact on FRQ, and the null hypothesis of no significant impact is rejected. However, audit tenure (AT), firm size (FS), and leverage (LV) show no significant impact on FRQ, leading to the failure to reject the null hypothesis for these variables.

Table 4.3
MODEL (2)
Moderating Effect of Internal Control System (ICS) on the Relationship between the Audit Quality and Financial Reporting Quality of Listed Oil and Gas Firms in Nigeria.

The first regression already discussed introduced internal control system (ICS) as an explanatory variable while the second regression model (Table) introduced it as a moderator which is according to Keppel and Zedeck (1989) study. Hence, the summary of the regression result obtained from the moderated model of the study:

MODEL (2)
($FRQ_{it}i=i\beta_0 i+\beta_1 AF_{it}i+i\beta_2 AS_{it}i+i\beta_3 AT_{it}+i\beta_4 AF_{it*}ICSi+i\beta_5 AS_{it*}ICSi+i\beta_6 AT_{it*}ICSi+i\beta_7 LEV_{it}i+i\beta_8 FSIZE_{it}i+\varepsilon_{it}$)is presented in the following Table 4.6:

Table 4.3: Introduction of Internal Control System (ICS) as a Moderator Roburst Random effect Result

Variables	Coefficients	t-values	p-values
AT	.416089	1.43	0.000
AS	.0517629	0.53	0.001
AF	-.0009772	-0.10	0.002
ICS	-.004061	-1.27	0.209
FSIZE	.0004539	1.15	0.000
LEV	-.0030463	-0.24	0.609
ICS_AF	.0001041	0.03	0.000
ICS_AT	.0349359	0.04	0.000
ICS_AS	.0215216	2.26	0.000
Constant	.0316539	1.75	0.084
R^2 Within	0.4267		
R^2 Between	0.4818		
R^2 Overall	0.4941		
F- Statistic	62.37		
Prob > chi2	0.0000		

SOURCE: STATA

The combined effect of the predictor variables on the explained variable audit fee, audit tenure,auditsize,icsshowed that the R- squared within 43% while other factors not capture in the study is 51%. Table 4.5 indicate that the model account for R-square between 48% while R-square overall 49% implied that the variable of overall effect of the predictor variables on the explained variable reported as 49% of the total weighted average of within and between of the financial reporting quality of the sampled oil and gas firms in Nigeria. The result further showed that, the study has a F-statistics of 64.38 which indicates that the model is fit. This can also confirmed with the p-value of 0.0000. Auditor Fee (ICS_AF) The coefficient is 0.001041 with a t-value of 0.03 and significance at 0.000, indicating a significant positive impact. A 1% increase in auditor fees, moderated by ICS, corresponds to a 0.10% increase in FRQ. Auditor Tenure (ICS_AT) The coefficient is .0067763 with a t-value of 0.03 and significance at 0.000, showing a positive but insignificant impact. A 1% increase in auditor tenure moderated by ICS leads to a 3% increase in FRQ. Auditor Size (ICS_AS) The coefficient is 0.0215216 with a t-value of 2.26 and significance at 0.000, but does not align with prior expectations. A 1% increase in auditor size, moderated by ICS, does not significantly affect FRQ.

5. CONCLUSION, POLICY AND RECOMMENDATIONS

Based on the findings discussed above the study concludes that empirical links between audit fee and financial quality of the listed oil and gas firms in Nigerian firms and shareholder' confidence on the quality of financial reports which is in line with the studies of Bala, Arman, and Shari (2018), Ado, Rashi, and Mustapha (2020) result indicate audit fee positively impact the financial reporting quality of the listed firms

Audit firm size has a significant positive influence on financial reporting quality listed oil and gas in Nigeria, indicating that an increase in audit firm size is line with the findings of Ibekwe and Chukwuma, (2022) and Ugwunta and Ugwuanyi (2019).

Internal control sysyem (ICS) is significantly associated with, improved financial reporting quality, suggesting that more thorough audits lead to better financial reports is in line with the findings of Cecilia and Nunuy (2017) and Adewale (2020)

Internal Control Systems (ICS) Strong internal controls play a crucial role in improving financial reporting quality. ICS also moderates the relationship between audit quality factors and FRQ, enhancing the positive impacts of audit fees, tenure, and auditor size.

POLICY IMPLICATION

Management of listed oil and gas firms in Nigeria must continue to embrace the industry standard for charging audit fee as this variable positively impacted on the financial reporting. Audit size implies hence the size of auditor should be considered when engaging an audit firm to audit the financial records of the firm.

Listed oil and gas firm in Nigeria should aspire to maintain an internal control system that enhance the reporting quality of their firm. This maintenance of the financial policies and procedures that influences the achievement of financial reporting quality through proper and sound internal system.

The inverse and insignificant relationship between financial reporting quality, firm size and audit tenure suggest that increases in these audit tenure and firm size exert a declining influence on financial quality.

RECOMMENDATIONS

Management should ensure adequate compensation for auditors to maintain high-quality financial reporting.
Firms should consider limiting auditor tenure to around five years to balance familiarity with auditors and the need for fresh perspectives.
Auditor Size Companies should prioritize hiring larger audit firms to ensure high-quality audits and financial reports. Internal Control Systems Management should maintain robust internal controls, regularly evaluate their effectiveness, and ensure that internal audit departments continuously assess these controls.

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