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Audit Quality as a Determinant of Earnings Performance in Selected Nigerian Oil and Gas Companies

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Abstract

Earnings volatility remains a critical challenge for oil and gas companies, largely due to fluctuations in global oil prices, geopolitical uncertainties, and rising exploration and production costs. As the global energy landscape shifts toward renewables and regulatory pressures to reduce carbon emissions intensify, the demand for accurate and transparent financial reporting has become more pronounced. Despite the importance of financial reporting in this sector, there is a notable gap in the literature regarding the empirical relationship between audit quality and corporate earnings, particularly within emerging markets. This study investigates the effect of audit quality on the earnings performance of selected oil and gas firms listed on the Nigerian Stock Exchange. Employing a descriptive research design, the study targeted directors and senior management staff of actively trading firms, selected purposively as key stakeholders involved in financial decision-making. The findings reveal a statistically significant and positive relationship between audit quality and earnings, with the audit process identified as the most influential component. The study concludes that enhancing audit quality particularly audit procedures can contribute substantially to earnings reliability. It recommends that firms place greater emphasis on rigorous audit practices to improve financial transparency and stakeholder confidence in the oil and gas industry.

Keywords: Earnings, Audit Quality, Audit process, oil and gas companies,

Introduction

The oil and gas industry occupies a central position in the global economy, contributing substantially to national revenues, employment, and energy security across both developed and emerging economies (International Energy Agency [IEA], 2024). Despite its economic importance, the sector faces persistent challenges that profoundly affect its financial stability and performance. Volatility in global oil prices, geopolitical tensions, regulatory shifts, and escalating exploration and production costs create significant uncertainty for companies operating in this sector (Oyedokun & Yunusa, 2017; Berman, 2023; Nazim et al., 2024). As Nazim et al. (2024) observe, the increasing instability in global oil markets is putting contemporary firms under pressure to devise and implement robust strategies to safeguard their financial sustainability.

Moreover, the global shift towards renewable energy sources and the intensifying demand for reduced carbon emissions have introduced further complexities into financial

planning and forecasting for oil and gas companies (Suleiman, Adeolu-Akande, & Oyedokun, 2021; Hosam, Amal, & Hassan, 2024; IEA, 2024). Energy remains not merely an economic commodity but a fundamental necessity underpinning human development and industrial advancement (Hosam et al., 2024). These transitions have accentuated earnings volatility, making reliable financial reporting essential for sustaining stakeholder confidence and securing capital investments.

In this context, the importance of audit quality cannot be overstated. Reliable financial information is crucial in the oil and gas sector due to the industry's complex operations, significant capital expenditures, and exposure to high-risk environments (Tiamiyu, Oyedokun, & Adeyemo, 2021; Chen et al., 2022). High-quality audits, characterized by diligence, independence, and professional expertise, serve as a critical mechanism for ensuring the accuracy, completeness, and transparency of financial statements (Mohd & Ismail, 2023). Effective audit practices help identify and mitigate risks such as revenue misstatements, asset overvaluations, and earnings management, which can undermine financial performance and erode stakeholder trust (Babajide, & Oyedokun, 2021; Ahmed & Shepherd, 2021).

Furthermore, robust audit quality contributes to enhanced corporate governance, improved investor confidence, and easier access to capital markets, all of which are essential for firms operating in high-volatility sectors like oil and gas (Oyedokun, Suleiman, & Onamusi, 2023; Chen et al., 2022; Ahmed & Shepherd, 2021). Recognizing these dynamics, this study investigates the relationship between audit quality and earnings performance in selected Nigerian oil and gas companies. The research aims to elucidate how audit quality functions as a stabilising factor in safeguarding earnings integrity, thereby ensuring that financial statements accurately reflect the operational and economic realities of firms in this critical sector.

Literature Review

Concept of Earnings

Earnings, often referred to as net income or profit after tax, represent the residual income available to a firm after deducting all operating expenses, financing costs, and taxes from total revenues during a defined reporting period (Suleiman, Dopemu, & Oyedokun, 2023; Penman, 2013; Kieso et al., 2022). This financial metric is a cornerstone of corporate reporting because it signals a firm's profitability and overall financial health. Earnings are prominently reported as a line item in the statement of profit or loss and other comprehensive income, serving as a critical summary measure for assessing firm performance (White, Sondhi, & Fried, 2003).

Scholars and practitioners emphasize the multifaceted role of earnings in corporate valuation, credit analysis, and investment decision-making (Lev, 2018; Dechow & Schrand, 2004). Investors, financial analysts, and regulators rely heavily on reported earnings as a primary indicator of profitability, sustainability, and future growth prospects (Penman, 2013). Consistent and credible earnings performance is fundamental to maintaining investor confidence, managing capital costs, and supporting market valuations (Healy & Palepu, 2001; Francis et al., 2004).

Key determinants of earnings include operational revenues, cost structures, non-operating gains or losses, taxation, and extraordinary items (Kieso et al., 2022). In the oil and

gas sector, these components are often subject to significant volatility due to fluctuations in global oil prices, geopolitical dynamics, regulatory changes, and environmental considerations (Berman, 2023; IEA, 2024). This volatility amplifies the importance of precise and transparent earnings reporting as stakeholders seek reliable information to evaluate firms' capacity to withstand shocks and sustain profitability.

Furthermore, in industries like oil and gas, earnings are closely linked with performance metrics such as earnings per share (EPS), return on assets (ROA), and return on equity (ROE), which investors use to benchmark firms against peers and historical performance (Chen et al., 2022). Earnings volatility and potential earnings management practices in the sector underscore the need for high-quality audits to ensure the credibility of financial statements (Obafemi et al., 2024; Said & Kaplelach, 2019).

Concept of Audit Quality

Audit quality refers to the auditor's capacity to detect and appropriately report material misstatements in financial statements, ensuring that financial reports faithfully reflect a company's true economic condition (DeAngelo, 1981). High-quality audits enhance the credibility of financial information, fostering stakeholder trust and supporting informed investment and regulatory decisions (Francis, 2011). The significance of audit quality has intensified in recent decades amid several high-profile corporate scandals and financial crises, which exposed the devastating consequences of audit failures (Coffee, 2005; Krishnan & Visvanathan, 2009).

Audit quality is multifaceted, encompassing factors such as auditor competence, independence, professional skepticism, and adherence to auditing standards (Knechel et al., 2013; Mohd & Ismail, 2023). The Public Company Accounting Oversight Board (PCAOB, 2022) identifies key dimensions of audit quality, including audit inputs (e.g., personnel expertise), audit processes (e.g., testing methodologies), and audit outcomes (e.g., financial reporting reliability). Auditor characteristics such as firm size, industry specialization, tenure, and rotation policies are also highlighted as critical determinants of audit effectiveness (Ahmed & Shepherd, 2021; DeFond & Zhang, 2014).

In the oil and gas industry, the need for high audit quality is particularly pronounced due to the sector's capital-intensive projects, complex financial transactions, and extensive regulatory oversight (Gabriel et al., 2015). Firms often engage in significant investments, long-term contracts, and asset valuations sensitive to market fluctuations, making financial reporting both complex and susceptible to manipulation or misstatement (Bala Sani et al., 2023). High-quality audits mitigate these risks by ensuring transparent reporting practices and detecting irregularities that could distort earnings figures (Obafemi et al., 2024).

Additionally, there is growing recognition of the role of audit quality in reducing earnings management and enhancing financial reporting credibility, particularly in emerging markets like Nigeria, where corporate governance systems are still evolving (Said & Kaplelach, 2019; Keter et al., 2023). Firms audited by the Big Four accounting firms, for example, tend to exhibit lower levels of earnings management and higher investor confidence due to perceived audit rigour and reputation (Francis et al., 1999; DeFond & Zhang, 2014).

The intersection of audit quality and earnings is therefore critical for the oil and gas sector, where stakeholders depend on trustworthy financial information to navigate an inherently volatile business environment. Robust audit practices not only safeguard financial integrity but also contribute to more efficient capital markets and sustainable corporate growth (Chen et al., 2022; PCAOB, 2022; Ogundajo, Oyedokun, Olunuga, & Obal, 2024).

Empirical Review

Numerous empirical studies have examined the relationship between audit quality and diverse financial outcomes, notably earnings quality, firm performance, and investor confidence. The literature suggests that high-quality audits contribute significantly to more reliable financial reporting and reduce the likelihood of earnings manipulation, thereby enhancing market trust and firm valuation (Francis, 2011; DeFond & Zhang, 2014).

For instance, Obafemi et al. (2024) conducted a study focusing on listed oil and gas companies in Nigeria, revealing that audit quality substantially improves the accuracy and credibility of earnings reports. Their findings underscored that rigorous audit processes help mitigate financial misstatements and foster stakeholder confidence in reported earnings, which is crucial in a sector characterized by high operational risks and volatility. This aligns with the argument by Francis et al. (1999) that audit quality serves as an external governance mechanism safeguarding the integrity of financial statements.

Similarly, Said and Kaplelach (2019) explored the nexus between audit quality attributes—such as audit firm size, tenure, and audit fees—and reported earnings in East African listed companies. Their study confirmed a positive association, suggesting that firms engaging larger and more reputable audit firms often report earnings of higher quality. Such firms benefit from enhanced investor trust and are better positioned to access capital markets efficiently, a pattern also highlighted in earlier research on auditor reputation effects (DeAngelo, 1981; Knechel et al., 2013).

Keter et al. (2023) contributed to the discourse by emphasizing that specific auditor characteristics, including specialization and experience, can influence firms' financial outcomes, including earnings stability and reporting accuracy. Their study found that firms audited by the Big Four accounting firms tend to enjoy greater market credibility and transparency, resulting in stronger investor relationships, lower perceived risk, and improved financial performance. This is consistent with the broader literature, which indicates that Big Four auditors often apply more robust audit methodologies and face reputational incentives to maintain high-quality work (Francis, 2004; Chen et al., 2022).

In a broader international context, Čupić, Todorović, and Benković (2023) investigated the value relevance of accounting earnings and cash flows in Serbia's transitional economy. Analyzing data from non-financial firms listed on the Belgrade Stock Exchange between 2005 and 2018, they found that changes in accounting earnings were significantly more value-relevant to investors than cash flow information. Interestingly, negative changes in earnings showed a negative relationship with stock returns, a phenomenon attributed to the lower persistence of negative earnings figures. Moreover, regulatory reforms in Serbia were found to enhance the value relevance of financial reporting, highlighting the role of institutional frameworks in shaping financial information quality (Ball, 2006).

Turning to the Nigerian context, AbdulRahman Bala Sani et al. (2023) examined the relationship between earnings management practices, audit quality, and financial performance in listed petroleum marketing firms. Their results demonstrated that audit committees' financial expertise and the presence of independent auditors significantly influenced firms' return on assets, underscoring audit committees' governance role in mitigating opportunistic earnings management. However, discretionary accruals did not have a significant impact on financial performance, suggesting that not all earnings management practices materially distort economic outcomes. The authors recommended implementing more stringent mechanisms to detect and deter earnings management to enhance the financial integrity of oil and gas firms in Nigeria.

Additionally, Gabriel, Tyokoso, Ioraver, and Tsegba (2015) explored the impact of audit quality on earnings management among eight oil marketing companies listed on the Nigerian Stock Exchange. Their findings indicated that audit firm size and industry specialization had negative but statistically insignificant effects on earnings management. Despite the insignificant findings, they advocated for lifting the regulatory cap on auditor tenure, suggesting that longer auditor-client relationships could enhance auditors' understanding of complex industry operations and reduce the propensity for earnings manipulation. This recommendation reflects the debate in the audit literature over the trade-off between auditor familiarity and independence (Johnson et al., 2002; Carcello & Nagy, 2004).

Collectively, these empirical insights converge on the notion that audit quality is instrumental in shaping financial reporting outcomes, particularly earnings quality, across both developed and emerging markets. This relationship is especially critical in the capital-intensive, highly regulated oil and gas sector, where stakeholders demand accurate, transparent financial information to make informed economic decisions (Mohd & Ismail, 2023). The evidence underscores that audit quality not only strengthens investor confidence but also serves as a crucial mechanism for sustaining financial stability and market integrity in complex industries.

Theoretical Review

This study is underpinned by Signaling Theory, which offers a robust framework for examining the link between audit quality and earnings performance in corporate financial reporting. Originally developed by Spence (1973) in the context of job markets, Signaling Theory posits that in environments characterized by information asymmetry, parties with superior information (the signalers) convey credible signals to less-informed parties (the receivers) to influence perceptions and decisions. In the corporate finance context, this asymmetry exists predominantly between company management and external stakeholders such as investors, creditors, and regulators.

One of the most critical signals within the financial reporting ecosystem is the quality of the audit. A high-quality audit acts as a credible signal that a company's financial statements, especially reported earnings, are reliable, free from material misstatements, and reflective of the company's true economic activities (Hassan & Bello, 2022). In capital-intensive and volatile industries like oil and gas, where operations are affected by fluctuating global oil prices, exchange rate volatility, environmental risks, and stringent regulatory regimes, this signaling function becomes especially important (Mohd & Ismail, 2023).

Audit quality, in this context, is not merely a statutory compliance measure but a strategic tool used by firms to build trust and reduce the perceived risk among capital market participants. Firms audited by reputable and independent auditors send a strong message of financial integrity and accountability, which, according to signaling theory, can positively influence investor confidence, share valuation, and access to external financing (Francis, 2004; Knechel et al., 2013). For Nigerian oil and gas firms operating in an emerging, sometimes opaque institutional environment, the ability to send credible financial signals is a determinant of both short-term earnings stability and long-term financial performance.

Moreover, Signaling Theory suggests that companies proactively committed to transparency, corporate governance, and audit independence are more likely to enjoy reputational capital and investor goodwill (Spence, 2002; DeAngelo, 1981). These firms can distinguish themselves from peers engaged in earnings manipulation or aggressive accounting practices by signaling their commitment to ethical reporting through the engagement of high-quality auditors. As noted by the Accounting Insights Team (2025), consistent and high-integrity financial signaling through credible audits helps organizations navigate investor skepticism and regulatory scrutiny.

This theoretical lens also implies that audit quality stabilizes earnings. High-quality audits constrain earnings management (Sulaiman et al., 2020), ensure consistent application of accounting standards, and increase the reliability of periodic earnings reports. In turn, this increases stakeholders' trust, improves investor relations, and enhances access to capital, all of which contributes to financial stability and long-term profitability in the oil and gas sector.

In conclusion, signaling theory provides a valuable explanatory framework for understanding how audit quality influences earnings performance. It highlights how credible audit processes can serve as effective mechanisms for addressing informational gaps in financial markets, particularly in high-risk sectors and emerging economies like Nigeria. Thus, the theory reinforces the need for policy and regulatory support for stronger audit oversight and greater transparency in financial reporting.

Methodology

This study employed a descriptive-explanatory research design, which was considered appropriate for investigating the relationship between audit quality and earnings performance among selected oil and gas companies in Nigeria. A descriptive approach enabled detailed characterization of perceptions and practices regarding audit quality, while the explanatory approach facilitated analysis of causal relationships between audit quality indicators and earnings performance metrics. The study population comprised all directors and management staff of actively trading oil and gas firms listed on the Nigerian Exchange Group as of December 2024. These individuals were purposively selected due to their strategic roles in corporate governance, financial decision-making, and oversight of audit processes, areas critical to both earnings reporting quality and audit outcomes (Creswell & Creswell, 2018). A purposive sampling technique was utilized to ensure that only respondents with direct knowledge of financial reporting, audit engagements, and company performance were included. This approach aligns with recommendations for research targeting specialized populations possessing relevant insights (Saunders et al., 2019). Data were collected using a

structured questionnaire, meticulously designed based on insights from prior studies (e.g., Mohd & Ismail, 2023; Obafemi et al., 2024). The questionnaire consisted of both closed-ended and Likert-scale items to capture quantitative responses on:

- i. Perceptions of audit quality
- ii. Perceived effectiveness of audit processes
- iii. Measures of earnings performance
- iv. Factors influencing audit engagement decisions

Prior to full-scale administration, the questionnaire underwent expert validation by academics and practitioners in auditing and financial reporting to ensure content validity and clarity. A pilot test was conducted with 15 respondents from non-sampled oil and gas firms, resulting in minor adjustments to improve comprehension and reliability. The instrument's internal consistency was confirmed with Cronbach's alpha coefficient exceeding the recommended threshold of 0.70 (Nunnally & Bernstein, 1994). The data collected were subjected to both descriptive and inferential statistical analyses. Descriptive statistics, including means, standard deviations, and frequency distributions, were used to profile respondents' demographic characteristics and summarize key variables.

To examine the hypothesized relationships between audit quality dimensions and earnings performance, multivariate analysis techniques were applied. Specifically, a multiple regression analysis was conducted to determine the strength and significance of the associations between the independent variables (audit quality indicators) and the dependent variable (earnings performance). This approach enabled the study to account for potential confounding variables and explore the combined effects of various audit quality attributes (Hair et al., 2021). Statistical analyses were performed using econometric software packages, including SPSS version 26 and STATA version 17, to ensure the robustness, reliability, and reproducibility of the results.

Ethical Considerations

All research procedures adhered to established ethical standards for social science research. Participation was voluntary, and informed consent was obtained from all respondents. Confidentiality of participants' identities and responses was maintained throughout the research process, in line with institutional and international research ethics guidelines (Bryman, 2016). This methodological framework ensured that the study produced rigorous, reliable, and meaningful insights into the relationship between audit quality and earnings performance in Nigeria's oil and gas sector.

Result and Presentation of Data

Reflective Measurement Model Assessment

The reflective measurement model was employed to evaluate the factor loadings of the constructs for audit quality and earnings. Audit quality was operationalized through three dimensions: audit process, audit professionalism, and audit results. A total of twenty-two (22) items were initially used to measure audit quality, while four (4) items assessed earnings. The analysis indicated that most factor loadings ranged from 0.50 to 0.90; however, items with

loadings below 0.60 were excluded from the model to enhance construct validity. Consequently, the items AUDR and AUDPROF1, both belonging to the audit quality construct, were removed because their loadings were below 0.60.

Table 1: Composite Reliability, Average Variance Extracted (AVE) and Discriminant Validity (Fornell-Lacker Criterion)

	AVE	CR	Audit Process	Audit Professional	Audit Quality	Audit Result	Earnings
Audit Process	0.676	0.911	0.822				
Audit Professional	0.662	0.901	0.717	0.814			
Audit Quality	0.532	0.948	0.930	0.907	0.729		
Audit Result	0.580	0.810	0.740	0.759	0.873	0.761	
Earnings	0.674	0.849	0.698	0.377	0.591	0.437	0.821

Source: Field Survey, 2025

The composite reliability (CR) was examined to assess the internal consistency of the items measuring audit quality and earnings. CR values ranging from 0.70 to 0.90 are generally considered acceptable, whereas values exceeding 0.95 may indicate redundancy among items. In this study, CR values ranged from 0.80 to 0.90, indicating adequate reliability for the constructs.

Average Variance Extracted (AVE) was also evaluated to assess the extent to which each latent variable explains the variance in its indicators. All constructs exhibited AVEs above 0.50, indicating satisfactory convergent validity. Discriminant validity was assessed using multiple criteria: the Fornell-Larcker criterion, cross-loadings, and the heterotrait-monotrait ratio (HTMT). According to the Fornell-Larcker criterion, the square root of the AVE for each construct should exceed its correlation with other constructs. However, since not all constructs met this requirement, cross-loading analysis was conducted as a complementary measure. The cross-loading results showed that each indicator loaded higher on its intended construct than on any other construct, supporting discriminant validity.

Additionally, the HTMT criterion was applied, with the 95% confidence interval upper bound required to be below 0.90 for acceptable discriminant validity. The HTMT values in this study ranged from 0.50 to 0.70, further confirming that the constructs exhibit adequate discriminant validity.

Table 2: Cross Loading for Discriminant Validity

	AUDP	AUDR	AUDPROF	EARN
AudP1	0.745	0.371	0.483	0.619
AudP2	0.885	0.516	0.546	0.721
AudP3	0.883	0.500	0.581	0.731
AudP4	0.849	0.809	0.729	0.590
AudP5	0.848	0.771	0.662	0.449
AudP6	0.705	0.619	0.490	0.329
AudR1	0.530	0.732	0.519	0.312
AudR2	0.314	0.610	0.326	0.086

AudR3	0.576	0.737	0.613	0.494
AudR4	0.740	0.931	0.755	0.360
AudPROF2	0.543	0.567	0.802	0.188
AudPROF3	0.505	0.672	0.867	0.189
AudPROF4	0.639	0.673	0.843	0.394
AudPROF5	0.583	0.474	0.758	0.356
AudPROF6	0.649	0.770	0.865	0.347
AudPROF7	0.570	0.514	0.739	0.359
EARN1	0.460	0.445	0.306	0.786
EARN2	0.560	0.217	0.245	0.773
EARN3	0.631	0.302	0.364	0.880
EARN4	0.630	0.458	0.314	0.856

Source: Field Survey, 2025

Table 3: Discriminant Validity (Heterotriat-Monotriat-HTMT)

	Market Value of Asset	CONFIDENCE INTERVAL	
		2.5%	97.5%
Audit Process	0.591	0.514	0.755
Audit Professional	0.432	0.428	0.645
Audit Result	0.528	0.349	0.574
Audit Quality	0.439	0.249	0.557

Structural Model Assessment

Table 4: Collinearity Statistic (VIF)

	VIF Values
Audit Process	2.530
Audit Professional	2.692
Audit Result	2.900

Source: Field Survey, 2025

The sub-variables of audit quality tested for multicollinearity included audit process, audit professionalism, and audit results. The Variance Inflation Factor (VIF) values for these sub-variables ranged between 2.5 and 2.9, all below the commonly accepted threshold of 3.3. This indicates that multicollinearity is not a concern among the constructs. Furthermore, these results suggest that the data are free from common method bias, ensuring the robustness and validity of the analysis.

Table 5: Structural Model Result of Audit Quality and Earnings

	Path Coefficient	Standard Deviation	T-Value	P- Value	Decision
Audit Prcoess -> Audit Quality	0.492	0.057	8.676	0.000	
Audit Professional -> Audit Quality	0.397	0.039	10.107	0.000	
Audit Result -> Audit Quality	0.123	0.030	7.030	0.000	
Audit Prcoess -> Earnings	0.291	0.049	5.885	0.000	
Audit Professional -> Earnings	0.235	0.048	4.841	0.000	
Audit Result -> Earnings	0.123	0.030	4.119	0.000	
H3 Audit Quality -> Earnings	0.591	0.110	5.389	0.000	Supporte d
R ²	0.349				
R ² Adjusted	0.340				
F ²	0.537				
SRMR	0.143				

Source: Field Survey, 2025

The effect size (f^2) for the relationship between audit quality and earnings was 0.537, indicating a strong relationship. This suggests that audit quality exerts a substantial effect on earnings performance. Additionally, the coefficient of determination (R^2) was used to assess the proportion of earnings variance explained by audit quality. The analysis revealed a moderate R^2 value of 0.349, indicating that approximately 34.9% of the variability in earnings can be attributed to audit quality, encompassing its key components: audit process, audit professionalism, and audit results.

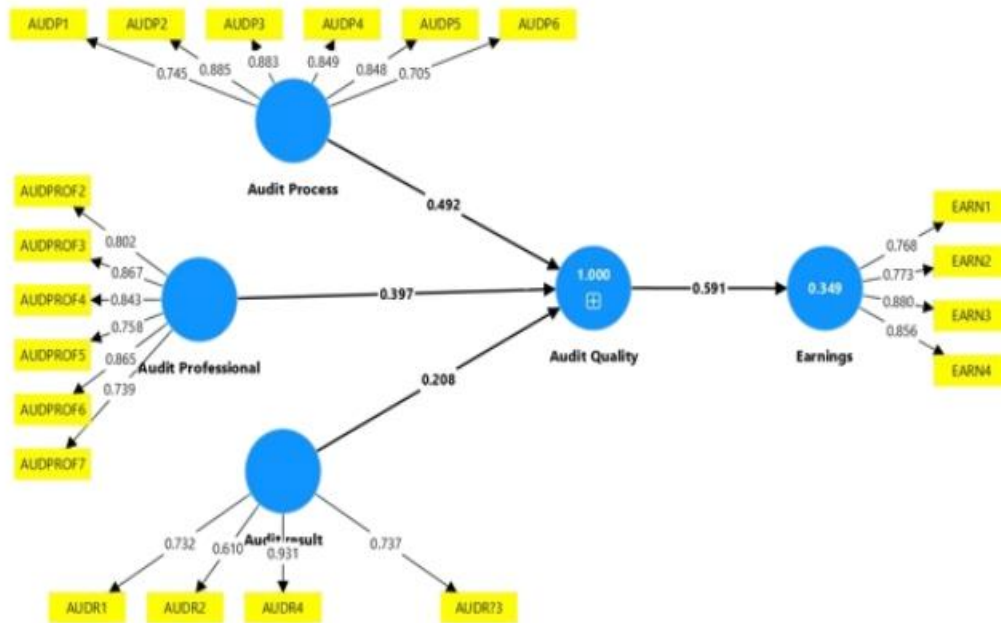


Figure 1: PLS Algorithm Model of Audit Quality and Earnings

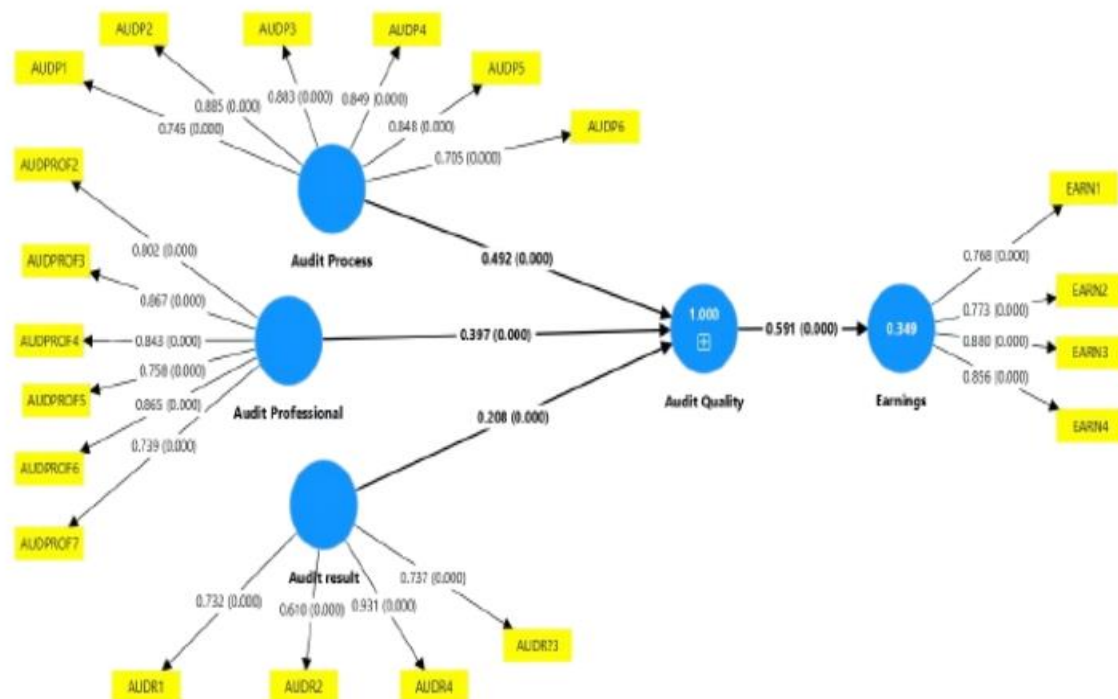


Figure 2: Bootstrapping Model of the P-value Audit Quality and Earnings

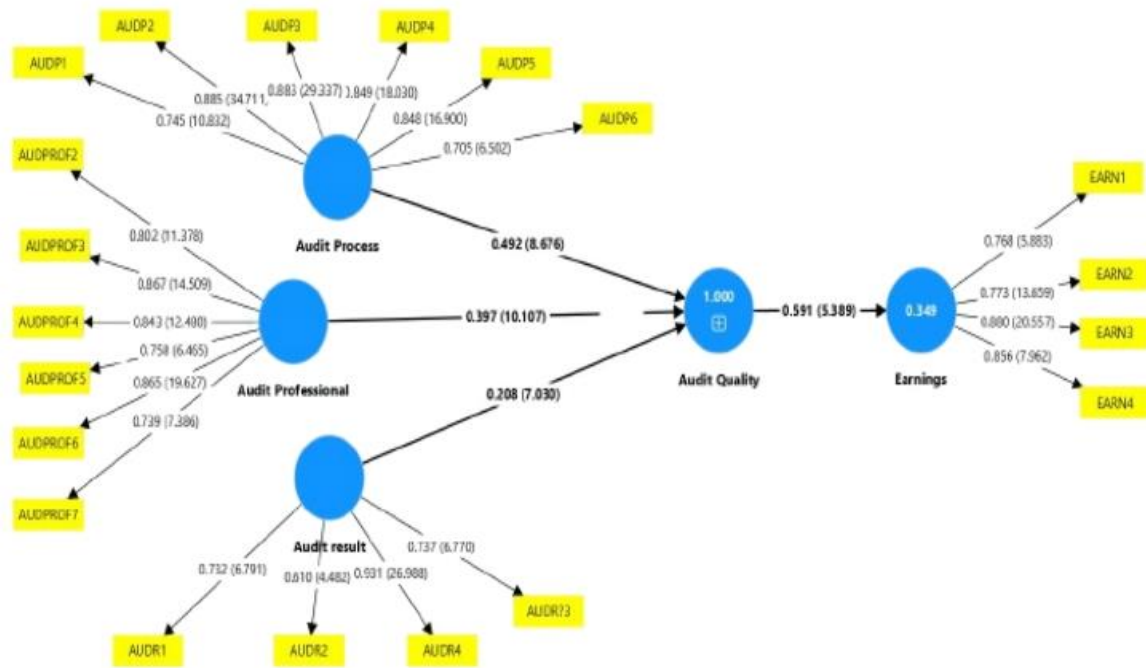


Figure 3: Bootstrapping Model of the F-value Audit Quality and Earnings

An analysis of the structural model revealed that audit quality has a significant direct effect on earnings, with a path coefficient (β) of 0.591, a t-value of 5.389, and a p-value of 0.00. This indicates a strong and statistically significant positive relationship between audit quality and earnings performance.

Further examination of the indirect effects shows that the audit process has the largest influence on earnings ($\beta = 0.291$, $t = 5.885$, $p = 0.00$), followed by audit professionalism ($\beta = 0.235$, $t = 4.841$, $p = 0.00$), and audit results ($\beta = 0.123$, $t = 4.119$, $p = 0.00$). These findings suggest that among the dimensions of audit quality, the audit process is the most critical factor driving the impact on earnings.

Additionally, the results indicate that a one standard deviation increase in audit quality is associated with a 0.110 standard deviation increase in earnings. The model fit was evaluated using the Standardized Root Mean Square Residual (SRMR), which yielded a value of 0.143, within the acceptable threshold, confirming that the model provides an adequate fit to the data. The hypothesis testing further supports these findings: the t-value of 5.589 exceeds the critical value of 1.96, and the p-value of 0.00 is less than the 0.05 significance level. Consequently, the null hypothesis, which posits that audit quality has no significant effect on earnings, is rejected. The alternative hypothesis, asserting that audit quality significantly influences earnings, is therefore accepted.

The results of the multiple regression analysis indicate a moderate coefficient of determination, suggesting that the model explains a reasonable proportion of the variance in earnings. The findings further reveal that audit quality has a positive and statistically significant effect on the earnings of oil and gas companies in Nigeria. Moreover, the specific measures of audit quality employed in this study consistently demonstrate a positive and significant impact on earnings performance.

Conclusion and Recommendations

This study contributes to the limited empirical literature on the nexus between audit quality and earnings performance within Nigeria's oil and gas sector. The findings demonstrate a significant and positive relationship between audit quality and the earnings performance of listed oil and gas firms. Notably, the audit process emerged as the most influential component explaining the impact of audit quality on earnings performance, underscoring the pivotal role of rigorous and methodical audit procedures in promoting financial credibility and stakeholder confidence.

Given these insights, the study recommends that audit firms and regulatory authorities place heightened emphasis on the robustness and thoroughness of audit procedures. Auditors should adopt comprehensive audit techniques designed to detect potential earnings management practices and ensure the integrity of financial reporting. Moreover, oil and gas companies should support auditors' independence and professional skepticism, recognizing that high audit quality is essential not only for regulatory compliance but also for sustaining investor trust and capital market stability.

Future research may explore broader sectoral comparisons or examine the moderating effects of corporate governance mechanisms on the relationship between audit quality and earnings performance in Nigeria and other emerging markets.

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