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Earnings Management, Audit Committee and Firm Value of Quoted Oil and Gas Companies in Nigeria

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ABSTRACT

Financial scandals caused by the widespread overstating and manipulation of critical information in annual financial report of businesses are on the increase and users of the information are demanding transparency. This study was conducted to investigate the effect of earnings management and audit committee on firm value of quoted oil and gas firms in Nigeria. *Ex-post facto* research design was adopted. The population of the study was the nine oil and gas firms listed on the Nigerian Exchange (NGX) as at 31st December, 2022. The study employed the nine firms as sample size using the census sampling technique. Data were obtained from the audited annual financial reports of the firms for a period of 2010-2022. Panel least square (PLS) was used in analysing the collected data. The study found that earnings management has significant negative effect on firm value and audit committee has insignificant effect on firm value. The moderating effect of audit committee independence was discovered to be significant over the relationship between earnings management and firm value using accruals as proxy of earnings management. The reverse was the result when earnings management was proxied with total assets and profit. The study concluded that earnings management is a significant underlying factor that can negatively influence the value of firms and cause decrease in its intrinsic value. It was recommended that investors should pay attention to corporate governance practice by companies especially the independence of the audit committee, as it influences financial success of listed oil and gas firms in Nigeria.

Keywords: accruals, audit committee, audit committee independence, earnings management, firm value

JEL Classification: L25, M42

INTRODUCTION

Companies listed in developed and most especially, the emerging markets have been plagued with issues of misappropriation, inadequate and manipulation of information disclosed in their annual reports (Dian et al., 2020). This is evident in the allegation of overstatement of profitability of over 2 million US dollars; over a seven-year accounting period found in the records of Toshiba Corporation (Dian et al., 2020). Apart from Toshiba, other industrialized corporations such as; Enron, Xerox, Royal Banks of Scotland in 2008 and Tesco in 2015 have

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their fair share of the accounting scandals relating to overstating of earnings and postponing accrued expenses (Mordi & Ebiaghan, 2022). The evidence of this is also seen in the Nigerian market where companies suffered scandals as evident in the case of African Petroleum Plc (Miko & Sahnun, 2018).

These cases of misappropriation and manipulation of financial reports have led to inefficient and ineffective distribution of resources between high- and low- performing enterprises. A company's performance has an impact on its market value and can influence investors' decisions to invest in or withdraw from a company (Afrizal et al., 2021). The earnings figure may be less reliable and more difficult to use in the valuation process if it is subject to manipulation. It occurs as a result of earnings accrual and is partially subject to managerial discretion (Al-Shattarat, 2021). The availability of relevant information would induce stakeholders to accept terms of trade that they would not have accepted if they knew the reality.

Several studies have reviewed earnings management (EM) and shown evidence of its impact on financial performance, firm value, quality of financial reports and audit report respectively (Ardaniel, 2022; Tulcanaza-Prieto & Lee, 2022; Alex Johanes Simamora et al., 2022). The quality of audit exercise goes a long way in curbing the existence of manipulation in company's earnings. Reguera-Alvarado et al.(2019) examined how auditors reduce earnings management in times of economic hardship, and the research has shown that auditing procedures are a key tool for doing so. The study of Alexander and Christina (2022) reviewed how earnings management practices increase stock return but limited manufacturing firms were reviewed, it also suggested that earnings management had a detrimental impact on stock performance. Nichilo (2022) reviewed how EM practices is detected in European insurance sector, viewing it from the perspective of disclosure in the International Financial Reporting Standard but the analysis was limited to only the insurance sector; An expansion to more sectors and businesses could offer a more thorough picture of the prevalence and existence of earnings management.

Abdulfatah et al. (2023) submitted that EM and how it can be reduced is by introducing auditor's opinion, tenure and rotation, thereby influencing EM but auditor's independence and quality cannot influence EM which was also supported by Krismiaji & Sumayyah, (2022). This study will introduce the presence of an audit committee (AC); their characteristics to determine if the problem of EM will be reduced in the Nigerian Oil and Gas entities and how it affect the firm's value. Also, the study will check if Assets purchased and profit declared at the end of the accounting period and accrual ratio which are components of EM can have effect on the firm value of an organization thereby looking into how audit committee independence can influence it.

Contrary to popular belief, when an entity's financial accounts are incorrect, accountants are more concerned with the issue of earnings recognition compared to any other reporting issues (Harban et al., 2021). Consequently, unethical earning management could erode the value of firm and at the same time destructive to its sustainability (Folaji et al., 2023). The study will inquire into the effect of EM with the use of Assets, Profit for the year (Gross profit), accruals and Audit committee with the percentage of the independence of the auditors. The value of firm will be measured with Tobin's Q being that it will show the market capitalization. The study will fill some gaps as regards conceptualizing earnings management, audit committee and firm value, also most studies were carried out in countries like Indonesia, Malaysia, India and some countries aside Nigeria, this study will be carried out in Oil and Gas sector of Nigeria. The studies will use information asymmetry theory to underpin the effect on earnings management as an improvement to the perspective of most of the previous studies that used agency and signalling theories.

The research would provide management with the insight on the nature, powers, and the focus of the auditors, thus enable management to cooperate fully. Also, this study would strengthen investors' knowledge on the roles of external auditors and how these roles make or mar the business. It also assists current investors decide when to divert or retain their investments in the company. Further, this study will assist regulators and policy makers in making good polices that moderate the influence of auditors, and adds to the knowledge base by providing additional empirical proof on how effective the auditors are at reducing EM. The study will be put into practice in the Oil and Gas sector of Nigeria's economy spanning from 2010-2022. The base year was selected because it is the period when the Nigerian Oil and Gas entities contents development act was introduced (Orji, 2020).

The general aim of the study is to examine the effect of earnings management and audit committee independence on firm value. The specific targets are; to examine the effect of earnings management on firm value of Nigeria entities in Oil and Gas; to examine the effect of audit committee on firm value of Nigeria entities in Oil and Gas; and to examine the moderating effect of audit committee on earnings management and firm value of Nigeria entities in Oil and Gas. Earnings management will be examined from the aspect of the assets purchased, gross profit declared and total accruals which can be manipulated, and also firm value will be ascertained using Tobin's Q ratio which will reflect the market capitalization, while audit committee will be proxy with audit committee size and independence.

The remaining portion of this study is laid out as follows; earlier studies will be reviewed, gaps in the literature will be analysed, and hypotheses will be established in Section Two, which includes a summary of the literature; Section Three will be the research methodology where the research design, population, sampling techniques, method of data collection and analysis will be discussed; Section Four involves a statistical overview and discussion of findings, Section Five includes the conclusion and recommendations.

THEORETICAL FRAMEWORK

The study reviewed the relevant variables, the theory underpinning the study as well as the empirical studies, where the gap filled was established.

Conceptual Review

This section gives definitions to the concepts of these studies and thereby showing the link between earnings management, audit committee and firm value.

Firm Value

Abdul et al. (2019) defined firm value as the maximization of shareholder wealth with the aim of raising the firm's stock price constitutes the definition of company value, which may be ascertained from the distribution of results as corporate performance. To Sukesti et al. (2020), however, the investor's impression of a company is its value business has which is typically correlated with stock prices. Sukesti et al., (2020) similarly explained firm value as Investors' assessments of a company's level of success, which are reflected in the stock price. Firm value reflects both the company's prospects for the future and its current performance. Investor's assessment of the company value is typically correlated with stock prices. High stock prices increase the company's worth. High company's value gives the global market the impression that the entity is performing well and has promising future prospects. Achieving company objectives while maximizing shareholder welfare is the definition of maximizing firm value (Sukesti et al., 2020).

Regarding the assertion of these scholars, Tobin's Q, stock price indicators, and price to book value (PBV) can all be used to estimate a company's value. Investors evaluate a company's potential for value growth by taking into account a number of factors. Paul (2020) measured firm value with net income of the year, also Nichilo (2022) measured firm value with Jones model. This study used Tobin's Q to measure Firm Value so as to capture the market capitalization, liabilities and assets. Tobin's Q explains that the worth of a company is higher when the value of Tobin's Q is also higher, so it is a sign for investors when Tobin's Q increases, possibility of an entity's worth also increases.

Earnings Management

Akuntansi and Url (2020) opined that EM as the act of altering the actual financial accounts in order to manipulate earnings in order to influence economic performance or for contractual reasons. Miko and Sahnun (2018) explained that EM considered as management measures, which decrease the quality of the reported earnings. To Miko and Sahnun (2018), earnings management is what happens when managers manipulate financial position reports by organizing transactions and changing financial position statement to mislead some stakeholders' opinions about the company's performance financially. The goal of earnings management is to consciously intervene in financial reporting in order to achieve the required level of outcomes based on the management's goals and objectives.

Although earnings management is not fraudulent because it complies with current IFRS and GAAP accounting standards. It can also be used negatively to improve financial performance which can result in the company's actual financial performance being of poor quality. The motivation behind profitability management around the world is the commitment of businesses to outperform the profit margin. Additionally, businesses use earnings management to tame peak and valleys in their financial performance. Long-term effects result from how a corporation manages its value and performance. Thus, unresolved financial difficulty in the short run could lead to company's insolvency (Dewi et al., 2023). As a result, management has a strong impact on the entity's profitability and future. There were conflicting results from past investigations; Dare (2021) and Afrizal et al. (2021) concluded that Earnings management improved qualitative qualities in a statistically significant way. The components of earnings that can be manipulated are inventories, gross profit, accruals, turnover, and assets. Most of the studies reviewed measured earnings management. Several studies have measured earnings management with discretional accruals, change in revenue during the year, change in receivables account during the year, leverage, liquidity (Khosheghbal et al., 2017; Galal et al., 2022), this study proxy earnings management with gross profit, assets and accruals capturing the key areas in an organization.

Profitability

Kappel (2022) argued that gross profit is the amount of money left over after deducting the costs of manufacturing a good or providing a service. Zeithaml (2021) explained gross profit as a major component of earnings, we next consider whether the profitability. Profitability assesses how near a company is to making the most money possible given the cost of its inputs and outputs. In contrast to efficiency scaling bias, which can arise when output levels are allowed to change freely, profitability compares the capacity of businesses to turn a profit at the same level of output and is dependent on input costs and volume of production rather than price of production. Companies that offer high-quality services should see better returns that cover the surplus and allow them to maintain their competitiveness if clients are ready to pay for them. (Njagi et al., 2017). Profitability was measured as (previous year's gross profit / revenue of previous year) divided by (current year's gross profit / revenue of current year).

Assets

Non-Current Assets are investments made over a lengthy period of time for the company's benefit that should pay off in the future. These assets, which may be actual or intangible, provide details on a company's investing activity. Any future revaluation gain would be equal to the loss that had previously been disclosed in the income statement (Roychowdhury, 2019). The extra revaluation gains over the initial loss, or the "revaluation surplus," is recorded in the shareholders' equity. It was measured as (current year's non-current assets / total assets current year) divided by (previous year's non-current assets / total asset previous year).

Accruals

Tiron-tudor (2016) believed that all transactions and events are documented using the accrual basis of accounting, as they happen without regard to the input or outflow of cash. Tuovila (2022) described accruals are earnings or expenses that affect a company's net income on the statement of income even when the associated cash has not yet been exchanged. To better reflect a company's fundamental economic performance, total accruals are management's assessments and projections of inflows. Discretionary accruals and non-discretionary accruals are the two subsets of total accruals. Non-discretionary accruals are modifications to the company's cash flow that must be made in accordance with accounting standards. Discretionary accruals are modifications to cash flows based on the adaptability of accounting laid down standards. Discretionary accruals are the element that frequently provides managers with possibilities to alter results because of their flexibility (Galal et al., 2022). The measurement is net income less cash flow from operations divided by total assets.

Audit Committee

Tuovila (2020) stated that the paramount operational committees of the firm's board is the AC, whose role is to monitor annual reports and disclosure. Galal et al. (2022), however, assumed that members of audit committees have major responsibility for frequently monitoring management's opportunistic activities. This monitoring function is seen as a way to bridge the information gap between management and stakeholders. This study also takes into account the extent of the AC since serves as the entity's financial watchdog for the shareholders in particular and for all stakeholders, in order to ensure an accurate and reliable financial report to address emerging issues, such as advancing an ethical business culture. The AC is an essential component of the administrative structures of the board managers of the company.

Therefore, in order to establish internal accounting control systems and prepare financial statements, an organization's management needs the oversight, monitoring, and advice of the AC. Members of the audit committee often meet with the firm's directors and auditors to assess the corporation's financial statements, audit process, and internal controls in their capacity as custodian of the firm's financial reporting procedure (Tauringana & Tingbani, 2017).

Furthermore, according to Saeed et al. (2022), the most crucial element for ensuring the effectiveness of an AC as a whole and for enhancing oversight of the organization's financial reporting procedures is audit committee independence. If the audit committee, a board subcommittee, has enough independence, knowledge, and skills, it has been proven to be a useful instrument for reducing information asymmetry and enhancing financial reporting (Ali & Meah, 2021). Combined with audit size and auditor characteristics, the audit committee independence proxy. Empirical data also supports the merits of having independent directors on the audit committee, with past studies showing that the size of the AC and the members' financial expertise can significantly affect the tracking of EM (Galal et al., 2022). The proxy is AC independence to help evaluate the audit committee.

Audit Committee Independence

Audit committee when preparing financial statements for an organization, the word "independence" conjures up feelings of freedom, immunity, and everything else. But the thorough inquiry has only yielded conflicting findings. For instance, Galal et al. (2022) came to the conclusion that positive and significant correlation exists between EM and AC Independence. However, Khosheghbal et al. (2017) asserted that no connection exists between board size, board independence, AC and EM. According to Abu et al. (2015), since opportunistic earnings raise concerns about a company's economic value, organizations with excellent audit committee standards are unlikely to accept earnings management. The measurement is number of non-directors and non-executive directors in the audit committee divided by audit committee member size (%).

Earnings Management, Audit Committee and Firm Value

Diverse studies have established connections between EM and firm value. It was determined by Subanidja et al. (2018) that improving earnings management will increase company value, indicating a positive association between the two variables. By having corporate governance as a moderating variable, they also examined the impact of effective corporate governance on determining business worth. Afrizal et al. (2021) did a conceptual examination of the impact of earnings management on company value and came to the conclusion that these practices increase firm value.

Galal et al. (2022) investigation on the characteristics of the AC and how they affect EM in Egypt led to the findings that audit committee independence has a significant positive relationship with earnings management. Khosheghbal et al. (2017) investigated how AC and board of directors' affects the amount of earning management for companies listed on the Tehran Stock Exchange and discovered no connection exist between the two. According to (Mardessi & Fourati, 2020), who looked at the impact of AC on real EM evidence from the Netherlands, audit committees have a big influence on how much money is managed.

Agyemang-Mintah and Schadewitz (2018) investigated the impact of establishing an AC on the financial worth of UK Investment firms as well as the impact of such a committee's establishment on firm value both before and after the global financial downturn. The adoption of an audit committee is said to have a considerable positive control on firm value, and statistics from the pre-crisis period is said to support this claim. The value of manufacturing companies listed on Borsa Istanbul is demonstrably impacted by AC features, according to Zcan (2021), who examined the effects of audit committees on value of firm.

Afrizal et al. (2021) shown that the audit committee has the ability to lessen the effect of EM on firm value. The relationship between the AC, EM, and business value is presented schematically as shown in Figure 1.

Conceptual Framework

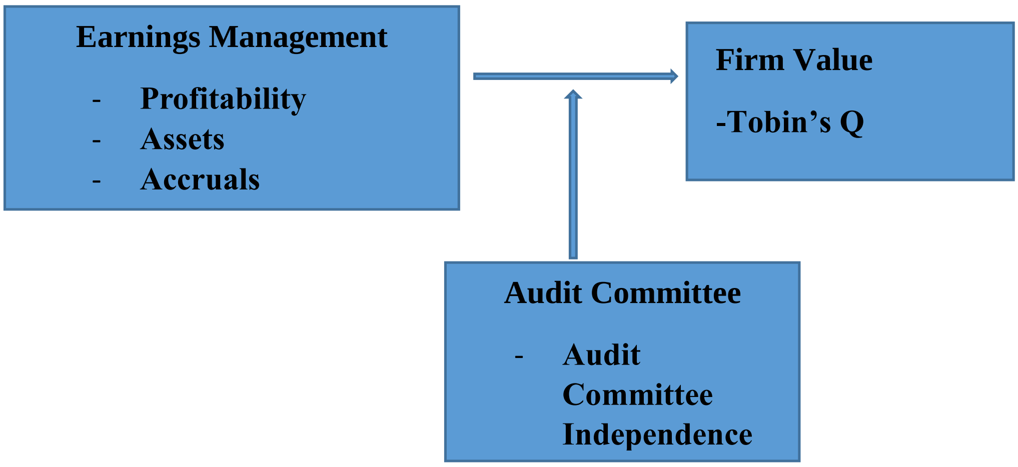

Figure 1: Conceptual framework showing the link between earnings management, audit committee and firm value

Source: Authors' Design (2024)

This conceptual framework was purposed to establish the link between the dependent variable, the moderating variable and independent variable. Firm value is the dependent variable proxied with tobin's q, the independent variable is earnings management proxied with profitability, assets and accruals while the moderating variable is audit committee proxied with audit committee independence.

Theoretical Review

Information Asymmetry Theory

The theory was propounded by George Akerlof, Michael Spence and Joseph Stiglitz in 1970.The theory suggests that retailers may have more information than purchasers, which distorts the value of goods sold. The theory maintains that, owing to the lack of information from the buyers' side, lower quality and higher quality products may compete with one another at a similar price. Others contend that the lack of knowledge is not a foregone conclusion, since wary buyers have access to information on demand. The critic of the theory is that it produces a power imbalance in transactions that, in some cases, can make them inefficient and, in the worst scenario, lead to market collapse. Previous studies of Kinyua (2022) and Harakeh (2017) discussed more on information asymmetry which states its importance and consequences. Dadbeh and Mogharebi (2013) determined after reviewing the impact of information asymmetry on EM, that this asymmetry has a significant impact on managing earnings.

Also, Abad et al.(2018) reviewing the connection between earnings management through real activity manipulation and information asymmetry in the equity market showed that this practice confuses the market, boosts the production of private information, and exacerbates information asymmetry. Kusumaningtyas et al. (2019) looked at how information asymmetry and audit quality affected EM using institutional ownership as a moderating variable. The study discovered that neither institutional ownership nor knowledge asymmetry had a major effect on earnings management. In an emerging market, Ramadan et al. (2021) looked into how audit quality affected the relationship between information asymmetry and EM. The results revealed that audit quality had a detrimental effect on the relationship between information asymmetry and earnings management, indicating that audit quality can both lessen information asymmetry and lessen the impact of earnings management.

As a result, during an announcement period compared to other periods, there can be larger information asymmetries. Earnings also indicate increased dividend payments and share price rise for a corporation. Asymmetric information results from the manager of a company having a greater understanding of internal data and prospects than the owners (shareholders). Due to the information gap between management and owners, managers might manipulate earnings so that the firm value increases at a specific point in time, deceiving owners (shareholders) about the true value of the business (Afrizal et al., 2021). A company's financial performance is communicated through voluntary earnings disclosure, which also gives information that many market players are unaware of. The critic has no significant effect on the study thus, this is the underpinning theory.

Empirical Review

Dare (2021) investigated the influence of income management and smoothing on the accuracy of accounting information for Nigerian industrial enterprises with public listing. Data from the sixteen (16) chosen organizations' annual reports and financial statements were used, and content analysis was used to evaluate the accuracy of the accounting data. OLS, or multiple linear regression analysis, was employed for the analysis. The research disclosed that income smoothing and wages management significantly improved qualitative characteristics (EQC), but had little to no impact on fundamental qualitative characteristics (FQC). In this study, greater measurement would have revealed more regarding income smoothing.

Paul (2020) analysed the interconnection between financial difficulty and EM using a sample of 30 Indian textile enterprises that had gone bankrupt. The Modified Jones Model has been used to estimate discretionary accruals. Using Altman's Z-Score, the degree of financial difficulties has been calculated. Multiple regression analysis was used to evaluate the connection between financial pressure and earnings management after a few control factors were taken into account. The findings showed that even struggling organizations use incomedecreasing earnings management strategies. The management of earnings is found to have a significant negative link with cash flow coverage (CFC) and leverage, but a significant positive correlation with company profitability, liquidity, and growth potential.

Afrizal et al. (2021) included corporate governance as a moderating variable and conducted a conceptual assessment of the impact of EM on company value. This conceptual essay looked at how corporate governance affects earnings management strategies used to increase company value as well as their impact on firm value. The corporate governance framework and performance effectively regulate earnings management, according to previous theoretical studies. Additionally, past research' findings revealed actual evidence of a positive relationship between EM and enterprise value. According to the theoretical debate and earlier research, profits management strategies have a positive effect on firm value when corporate governance is taken into account. The study should have measured corporate governance and analysed to give a statistical result.

Tulcanaza-Prieto and Lee (2022) by importing Korean market data, it was examined if real EM and firm value are related, but corporate governance has an impact on this relationship. We find that opportunistic REM management behaviour is no longer advantageous for businesses with high CG. More significantly, our interaction and robustness experiments show that CG performs a critical monitoring role in preventing management from engaging in opportunistic REM activities, and as a result, FV is no longer negatively impacted by REM activities.

Iriyadi (2019) evaluated the role played by the audit committee and the efficiency of external audits in preventing earnings manipulation. The study, which used data from 34 winners and losers for the Annual Report Awards (ARA) and Good Corporate Governance (GCG), was carried out during the global economic downturn that followed the Enron and Worldcom cases in 2002 and resulted in the fostering of the roles of the AC and external audit. According to this study, the audit committee and external audit, two essential components of the corporate governance structure, have minimal influence on the management of earnings. The addition of the Award control variable, however, reveals that award winners and non-award winners have different effects on earnings management.

Mardessi and Fourati (2020) assessed how real earnings management in the Dutch context was affected by the characteristics of an audit committee. The sample consists of 80 non-financial firms that were listed on the Amsterdam Stock Exchange between 2010 and 2017. An analysis using a regression model was done to test the hypotheses. Analysis revealed that gender diversity and AC independence are obstacles to real earnings management, and that the audit committee's financial expertise somewhat reduces the likelihood of real profits management. Another measurement for AC would have been helpful rather than using one proxy.

Sukesti et al. (2020) assessed how size and leverage affected the firm's value as determined by the price to book ratio and its performance as determined by Return on Assets (ROA) as a mediating variable. This study's sample included 60 manufacturing firms that are listed on the Indonesian Stock Exchange. To evaluate the hypothesis put out in this study, the Warp Partial Least Square software was used. Leverage had a large favourable impact on Price to Book Value but no impact on ROA, according to the findings. Size, however, had no direct impact on Price to Book Value but had a considerable positive impact on ROA. Price to Book Value was significantly and favourably impacted by ROA. The year covered should have being extended till 2019 since the study was carried out in 2020.

Abdul et al. (2019) attempted to establish how corporate structure affected business value while using profitability as a moderating factor. Using purposive sampling technique, the sample for this study consisted of 38 entities that were listed in LQ 45 on the Indonesia Stock Exchange. Profitability was proxied by the ROA, and the independent variable was the capital structure as determined by the Debt to Equity Ratio (DER). The firm value was the dependent variable, and it was determined by the ratio of Price Book Value (PBV). The findings demonstrated a significant relationship between Capital Structure and Profitability and Firm Value. The results show that Capital Structure and Profitability have a significant effect on Firm Value. Other proxies can be used for the variables to compare results.

Ohaka and Imaerele (2018) examined the connection between Corporate Financial Reporting Quality and Audit Committee Independence in Rivers State Aluminum Corrugating Companies. Six Aluminium Corrugating firms in Rivers State provided a total of 70 personnel, and a sample size of 60 was established using the Taro-Yemen statistical instrument at the 0.05 level of significance. Information was gathered using a questionnaire and a survey methodology. The results at the 0.05 level of significance show that independence has a stronger relationship with dependability and a stronger relationship with timeliness but a moderate relationship with relevance of the environmental architecture of the surveyed Aluminium Corrugating companies for proper constitution and operation of an efficient AC. Companies should have been investigated not employees.

Ali and Meah (2021) evaluated the elements influencing the independence of ACs in Bangladesh's non-financial sector. It is a quantitative study that produced 502 firm-year observations on 109 nonfinancial enterprises listed on the Dhaka Stock Exchange (DSE). Regressions using the lag model, logit, tobit, and random effect are some of the statistical techniques used to assess the study's hypotheses. Furthermore, it has been found that audit committees operate more independently in firms with a higher institutional ownership percentage than in firms with a larger insider ownership percentage. The legislation regulates board size and independence, both of which have a significant impact on the audit committee's independence. In order to ensure that corporate audit committees are more independent, additional legal reforms may be considered. The financial sector been examined could be useful.

Saeed et al. (2022) explored the link between auditor reporting for financially troubled corporations and AC independence (using stockholding as a metric to gauge substantive independence). Based on manually gathered data for 86 financially troubled companies listed on Pakistan Stock Exchange (PSX), the logistic regression results reveal that the auditor is less likely to provide a going concern report, the higher the percentage of AC stockholding. The influence of the CEO further exacerbates this link. The findings hold up well when multiple estimating methods, AC independence metrics, and CEO influence metrics are used. The study should have compared the non- distressed companies with the distressed ones

Susanto (2018) provided empirical support for the impact of the characteristics of AC, the board of directors, an independent commissioner, managerial ownership, business size, and losses on managing earnings. A sample of 62 manufacturing companies that are listed on the Indonesia Stock Exchange were employed in the study. Purposive sampling is the basis for the sample selection process. Multiple regression analysis is used in the study to examine several hypotheses. The study's findings indicate that managerial ownership, business size, audit committee meetings, independent commissioners, the Directors of board, managerial gender and education, and AC meetings all have an impact on managing earnings. While the audit committee's tenure and financial working expertise have no bearing on the management of earnings. Effect of AC characteristics on managing earnings. Different sectors been examined would have given more robust results.

Galal et al. (2022) examined the elements of the AC and how they affect Egyptian EM. The audit committee's independence, size, frequency of meetings, level of expertise, and gender are a few examples of audit committee features. Discretionary accruals are used in place of actual accruals for Earnings Management. In the archive modelling experiment, regression with panel data was used. The findings revealed that the size, expertise, and gender of the audit committee have a significant negative connection on earnings management when a multiple regression model is employed to analyse the correlation between the variables. A major connection between audit committee meetings and earnings management is also absent. There is a strong positive correlation between EM and audit committee independence. The study should have done pre analysis to know the sector that engages more in earnings management.

Khosheghbal et al. (2017) analysed how the board of directors and AC impacted the management of profitability for companies registered on the Tehran Stock Exchange. The study's statistical population consisted of all companies listed on the Tehran Stock Exchange between 2009 and 2014, and sample companies were manufacturing firms having data. The Durbin-Watson test was used to assess the independence of the regression model's error, and the generalized least squares (GLS) approach was used to estimate research models. The regression model's significance was examined using the F value, and e - views. The research hypotheses were supported or disproved using the t-student value of the software. The research's conclusions showed a relationship between enterprise size and EM, but none between the size of the board, the independence of the board of directors, or the AC and EM. The study should have compared two industries together rather than picking one industry.

Gap in Literature

The study will fill necessary gaps as regards linking earnings management, audit committee and firm value together, so as to review the studies in a different perspective and give a deeper exposure and understanding of the variables. The study will be a robust work as Gross profit, Assets and accruals will be used to check if they can be used to manipulate earnings, and also see the moderating role audit committee will play in the process. Most studies were carried out in countries like Indonesia, Malaysia, India and some countries, but limited studies have been carried out in Nigeria, and the focus will be on the Nigerian Oil and Gas sector because pre-analysis shows that the sector have high accrual ratio compare to other sector of the Nigerian economy. The studies will hinge on information asymmetry theory to see its effect on earnings management as several studies stated Agency theory and signalling theory as their underpinning theories. Based on these, the null hypotheses will be stated as follows;

H_{01}: There is no significant effect of earnings management on firm value of oil and gas firms in Nigeria;

H_{02}: There is no significant effect of audit committee on firm value of oil and gas firms in Nigeria;

H_{03}: There is no significant moderating effect of audit committee on earnings management and firm value of oil and gas firms in Nigeria.

METHODOLOGY

The research is a quantitative one. This study employed an *ex-post facto* research design. The study's population consists of the nine Oil and Gas entities that were listed on the Nigerian Exchange Group (NGX) as of December 31, 2022. The population of the study is fewer than 30, hence the census sampling technique was used. The selected oil and gas companies' yearly audited and published financial reports for the years 2010 through 2022 were used as secondary sources to collect data. The base year of 2010 was chosen because that year saw the introduction of the Nigerian oil and gas sector content development act (Orji, 2020). Gross profits, total assets, accruals, audit committee size and independence, and Tobin's q were measured variables that were taken from the audited annual report of the chosen firms. Descriptive and inferential statistics was used to analyse the data that were acquired.

Model Specification

For this study, the model utilized by Subanidja et al. (2016) was modified. The study used good corporate governance as a moderating variable to examine the effects of earnings management and good corporate governance on firm value of manufacturing enterprises in Indonesia and the model is stated thus:

Qit = α 0 + α 1 EMit + α 2 IOit + α 3MOit + α 4 ICit + +α 5 QAit + α 6 |EMit -IOit | + α 7 |EMit - MOit | + + α 8 |EMit - ICit |+ α 9 |EMit - QAit |+ α 10 LEVit + + α 11 SIZEit + e_{it}

The study modified the model to fit into the new concepts introduced which will reflect some important areas where earnings can be manipulated which can make or mar the financial reports of organisations and the influence of the AC (Saeed et al., 2022). The dependent variable is Firm value (Tobin's q) while the independent variables are Earnings management (gross profit, assets and accruals to measure it) and the moderating variable is Audit committee (audit committee independence).

The following is the model formulated for the study;

$$Q_{it} = \beta_0 + \beta_1 TA_{it} + \beta_2 GP_{it} + \beta_3 ACC_{it} + \beta_4 \%ACI_{it} + \beta_5 ACS_{it} + e_{it}$$

Where;
Q_{it} = Tobin's Q
TA = Total assets
GP = Gross profit
ACC = Accruals
ACI = Audit committee independence
ACS = Audit committee size
β_0 = Intercept
$\beta_1 - \beta_5$ =Coefficient of the independent variables
e = error term of the firms
it = 'i' in period 't'

From the foregoing, it is expected that earnings management and audit committee will significantly have effect on firm value. In summary, the *A priori* expectation is stated as follows;

$$\beta_1>0,\ \beta_2>0,\ \beta_3>0,\ \beta_4>0,\ \beta_5>0$$

Table 1: Measurement of Variables

S/N	Variables	Description	Measurement	Sources
1.	Total Assets (Independent variable)	They are long term investments that provides benefits to the firm	(current year's non-current assets/total asset current year)/(previous year's non-current assets/ total assets previous year)	(Sugata, 2019)
2.	Gross profit (Independent variable)	This is the difference between the input prices and output quantities sold	(Gross profit previous year/ revenue current year)/ (gross profit current year/ revenue current year)	(Njagi et al., 2017)
3.	Accruals (Independent variable)	Are management assessment and projections of cash flow	(Net income – cash flow from operation)/ total assets	(Galal et al., 2022)
4.	Audit committee independence (Moderating variable)	It is the factor in assuring the audit committee's overall effectiveness	(No. of non -directors +non-executive in the audit committee)/ audit committee size member	(Saeed et al., 2022)

5.	Tobin's Q (Dependent variable)	It is used to measure the value of a firm	Market capitalization + total liabilities- cash / total assets	(Sukesti et al., 2020)

Note: The table above showed the description of each variables, measurement and its sources.
Source: Authors' Compilation (2024)

RESULTS AND DISCUSSION

Descriptive Statistics

The descriptive statistics is reported in Table 2 and it shows that tobin's q (TBQ) for the oil and gas firms over the years have the average value of .9701516 with standard deviation of 1.345354 implying high variation of the years and the coefficient variation of 1.386747 which means that the variation is 138 percent over the 13 years of period. The standard error of mean is .1410315 which imply that the difference between the population mean and the sample mean is 14 percent of which means the sample is a good representation of the mean. The least value of .00197 and maximum value of 3.989. Data for the variable is positively skewed having the statistics of 1.149125 and kurtosis value of 2.852962. Furthermore, on the table, it is shown that accruals (ACC) have average value of -.0540 with standard deviation of -.0540 and this imply that accruals over the years varies highly considering its distance to mean. The coefficient of variation is 172 percent with the minimum value of -.275 and maximum value .072. The standard error has a mean value of .0098042 which indicated that the difference between the population mean and sample mean is 0.9 percent. The data for the variable is negatively skewed having the value of -1.043 and kurtosis value of 3.3729 and this imply that the data is not distributed normally and this means that it has a mesokurtic distribution.

Furthermore, from Table 2, total assets have a mean value of 18.18 with standard deviation (SD) of 1.132 and this imply a moderate variation with 6 percent of coefficient of variation. The standard error of mean is 11.8 percent difference between population mean and the sample mean. The least value is 16.04321 and topmost value of 21.05199. The variable is positively skewed having the value of .9802481 and kurtosis value of 3.612516 which imply that the data is not distributed normally as the kurtosis value is higher than normal distribution threshold of 3. Also from Table 2, gross profit (GPR) on the average over the 13 years' period is 13.79921 with standard deviation of 4.271258 and this imply a wide variation in gross profit collected over the years showing coefficient of variation of 30.9 percent and the standard error of mean showed is .4477495 and this indicate 44 percent difference between population mean and the sample mean. The minimum gross profit is 11.87957 and maximum value of 18.97386. Data for the variable is skewed negatively having the value of -2.48770 and the kurtosis value indicating 8.719702 and this imply that the data is distributed normally. From Table 2, it is indicated that audit committee independence (ACI) on the average has the value of .4561852 with standard deviation of .1609294 and this imply that there is moderate variation of AC independence for the periods under the study. The standard error (SE) of mean for the variable is .0169634 and this imply that the difference between the population mean and the sample mean is 1.6 percent. The minimum audit committee independence is .22 and the maximum is 0.75. The data is positively skewed and have normal distribution showing skewedness of .6554979 and kurtosis of 2.138355.

Table 2: Descriptive Statistics

Variables	Tobin's q	Accruals	Total Assets	Gross profit	ACI
Observations	91				
Mean	.9701516	-.0540949	18.18196	13.79921	.4561852
Std. Deviation	1.345354	.093526	1.132541	4.271258	.1609294

Coeff. Variation	1.386747	-1.728925	.0622893	.3095292	.3527721
se (mean)	.1410315	.0098042	.1187226	.4477495	.0169634
Minimum	.0019738	-.2756642	16.04321	11.87957	.22
Maximum	3.989973	.0727005	21.05199	18.97386	.75
Skeweness	1.149125	-1.043536	.9802481	-2.487708	.6554979
Kurtosis	2.852962	3.372939	3.612516	8.719702	2.138355

Note: The table above shows the descriptive statistics of the data
Source: Researchers' Computation (2024)

Test of Variables

Normality Test

Running a linear model entails making an assumption about the normality of data distribution, which only calls for uniformly distributed residuals. The Shapiro-Wilk test of normality was used to determine whether residuals were normal, and the results are shown in Table 3. A statistical technique called the Shapiro-Wilk test is used to examine whether the data distribution overall deviates from a normal distribution of similar size. This presumption is supported by the observation that independent sample mean distributions are regularly distributed. If the test results are not significant (p >.05), it means that the sample's distribution is similar to that of a normal distribution. To further validate the result, the SK test was also carried out, and these two tests were chosen due to their advantage over other normality tests like the Kolmogorov–Smirnov tests. From Table 3, the results indicate that residuals of the variables explaining earning management and audit committee have p-values that are above 0.05 as indicated on the table at significant level of 5%. However, for the individual variables, Shapiro-Wilk for quick ration indicate that it is normally distributed.

Table 3: Shapiro-Wilk W Test for Data Normality

Variables	Obs	W	V	z	Prob>z
residuals	91	0.87392	9.625	4.997	0.00000

Skewness/Kurtosis tests for Normality

				----------joint ------	
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
residuals	91	0.0000	0.0305	18.73	0.0001

Note: The table above shows the normality of data distribution
Source: Researchers' Computation (2024)

Correlation Analysis

Using the pairwise correlation coefficient, it was determined whether the dependent and explanatory variables had a linear association or relationship. The presence of multi-collinearity among the study variables, which could have a disastrous impact on the variables' standard errors, was also discovered using the correlation analysis. The association between Tobin's q and accruals is indirect and adversely significant, as seen in Table 4. The coefficient value is 0.3205 and probability value of 0.0020 and this indicate that one-time increase in accruals will lead to 32.05 percent in firm value. Total assets (TAS) has negative and inverse relationship with tobin's q and one-time increase in total assets will cause a decrease firm value by 45.79 percent having coefficient value of -0.4579 and probability value of 0.0000. The relationship between gross profit and tobin's q is negative having coefficient value of -0.1609 and the relationship is insignificant having probability value of 0.1275 which imply that one-time improvement in gross profit management, firm value will decrease by 16.09 percent.
The association between AC independence and firm value is significant at 5%, displaying a p-value of 0.0000, and has a positive correlation of 0.4569, emphasizing that the more

independent the audit committee, the greater the improvement in firm value. Similarly, in Table 4 connection between the explanatory variables does not appear to be multi-collinear because it is below the anticipated level of 0.7.

Table 4: Correlation Analysis

	Tobin's q	Accruals	Total Assets	Gross profit	Audit Comm.
OBS	91	91	91	91	91
TBQ	1.000				
Accruals	-0.3205*	1.0000			
	0.0020				
TASSt	-0.4579*	0.4085*	1.0000		
	0.0000	0.0001			
GProfit	-0.1609	0.6808*	0.4796*	1.0000	
	0.1275	0.0000	0.0000		
Aud.CI	0.4569*	0.0552	0.1583	0.1603	1.0000
	0.0000	0.6036	0.1339	0.1289	

Note: The table above shows the relationship between the variables
Source: Researchers' Computation (2024)

Panel Unit Root Test of the Variables

Panel variables have a propensity to be non-stationary at the level, which may impair the model's consistency and parameter stability. However, the study employs the Im-Pesaran-Shin unit-root test and the Levin, Lin, and Chu t* to determine the stationary conditions of the variables. The alternate hypothesis of the unit root test implies that some panels are stationary, whereas the null hypothesis of the test assumes that all panels have unit roots. Table 5 showed the results of unit root tests. It demonstrates that all the variables are integrated to order 0, or 1(0), which is significant at a level of 5%. As a result, we determine that the series is stationary and reject the null hypothesis. Therefore, the co-integration test is not required to ascertain the long-term relationships between the variables. The PLS method can estimate an effective model that has fewer spurious variables.

Table 5: Panel Unit Root Test

Variable	Levin, Lin & Chu t*		Im-Pesaran-Shin unit-root test	
	Test-statistics	P-value	Z-Statistics	P-value
Firm Value	-7.9018	0.0000	-3.4843	0.0002
Accruals	-8.3752	0.0000	-3.4553	0.0003
Total Assets	-8.8615	0.0000	-2.2465	0.0123
Gross profit	-17.9463	0.0000	-3.2983	0.0005
Audit Committee	-4.0769	0.0000	-3.1612	0.0008

Note: The table above shows the tendency of variables been non- stationary
Source: Researchers' Computations (2024)

Multi-collinearity Test

Multi-collinearity test is part of post estimation test to confirm the validity of the assumption of the regression model. Multi-collinearity is difficult when there are two or more explanatory variables that are highly linked, which means that one can accurately predict the other variable linearly. In order to evaluate the independence of the explanatory components, the Variance Inflation Factor (VIF) value is used. Based on the facts in Table 6, it can be said that there is no multi-collinearity issue. This is due to the fact that, on average, the VIF values and tolerance levels for each variable are all less than or equal to 10. As a result, the study can utilize the regression coefficient to forecast how much of an impact the independent variables will have on dependent variables, and the findings can be accepted as valid.

Table 6: Tolerance and VIF Value

Variable	VIF	1/VIF
Gross profit	2.09	0.479506
Accruals	1.91	0.523718
Total Assets	1.33	0.749182
Audit Committee	1.04	0.958236
Mean VIF	1.59	

Note: The table shows the post estimation test conducted to show the validity of the assumption of the regression model
Source: Researchers' Computation (2024)

Heteroscedasticity Test

Since the absence of homoscedasticity violates the premise that variance in the residuals is constant and could result in incorrect inference, the heteroscedasticity test was carried out to determine the validity of the homoscedasticity assumption. Data for the study, along with the Breusch-Pagan/Cook-Weisberg test, were used to conduct the heteroscedasticity test in Table 7, revealed the presence of heteroscedasticity given the probability value of 0.0000 which is lesser than 0.05. The observed problem will be corrected by using the panel-standard corrected error.

Table 7: Breusch-Pagan / Cook-Weisberg test for Heteroscedasticity

Null Hypothesis	**Statistics**	**Probability**
Constant variance across the variables residuals (P>0.05)	95.90	0.0000

Note: The table shows the validity of heteroscedasticity assumption
Source: Researchers' Computation (2023)

Serial Auto-Correlation Test

How tightly a variable's values are associated across time is shown by its autocorrelation. It gauges the temporal similarity of two time series, one current and the other lag, to one another. Using the Wooldridge test for autocorrelation in panel data, the study's data was also checked for autocorrelation; the outcome is shown in Table 8. The likelihood of 0.5812, which is negligible according to the results, indicates that there is no issue with auto-correlation; hence, the null hypothesis that there is no first-order correlation is accepted.

Table 8: Serial Auto-Correlation Test

Null Hypothesis	**Statistics**	**Probability**
no first-order autocorrelation (P>0.05)	0.340	0.5812

Note: The table shows the auto correlation
Source: Researchers' Computation (2024)

Cross-sectional Dependence Test

To determine if the residuals are related across entities, the Pesaran (cross-sectional dependence) test is applied. We reject the null hypothesis and infer that the panel is correlated (cross-sectional dependence) if the result shows Pr 0.05. Table 9 displays the cross-sectional dependence test. According to the probability value of 0.4631 and the average absolute correlation of the residuals as calculated using the abs parameter, which is 0.306 and is regarded as a very high number, the results show that the null hypothesis that there is no cross-sectional dependency is accepted. Thus, there is enough data to draw the conclusion that earnings management and business value demonstrate cross-sectional relationship under fixed effect conditions. However, utilizing panels corrected standard errors (PCSE) with the choice of having the standard error be independent-corrected, the observed cross-sectional dependence issue will be fixed.

Table 9: Pesaran's test of Cross Sectional Independence

Null Hypothesis	**Statistics**	**Probability**
No cross-sectional dependence (P>0.05)	0.734	0.4631
Average absolute value of the off-diagonal elements	0.306	

Note: The table shows the result of Pesaran test conducted
Source: Researchers' Computation (2024)

Hausman Test

A Hausman test is used to choose the model that is most suitable for application between the 'inside' estimator and the random effects estimator are compared. If the null hypothesis is rejected, the treatment of the omitted effects by the "inside" estimator is favored (i.e., it favours the fixed effect but only relative to the random effects). The test is being used in this situation to distinguish between models where the omitted heterogeneity is handled as fixed and correlated with the explanatory factors, and models where it is treated as random and independent of the explanatory variables. The result to know the model interpretation in Table 10 showed chi2 of 9.29 and p-value of 0.0257 that is significant at 5 percent implying that the variation across entities is assumed to be fixed and correlated with the independent variables included in the models. This indicate that the best model for interpretation is fixed effect model.

Table 10: Hausman Test

Null Hypothesis	**Statistics**	**Probability**
Difference in coefficients not systematic (P≤0.05)	9.29	0.0257

Note: The table shows the result of the Hausman test conducted
Source: Researchers' Computation (2024)

Earning management on firm value

After satisfying the requirements for a Best Linear Un-bias Estimate (BLUE), the regressed result in Table 11 illustrates how metrics of earnings management in terms of accruals, total assets, and profit affect firm value. Standard mistakes were fixed by the panels. Regression was used to adjust for statistical issues with heteroskedasticity, and the regression's results Analysis of the model created to show the linear relationship between earnings management and company value reveals that the linearity of the variables is different from zero, showing a wald chi2 of 32.14 and a probability value of 0.0000, implying that the model is significant and fit. 26.91 percent of the change in firm value that may be attributed to earnings management has an R-squared value of 0.2691.

The overall outcome demonstrates the strong impact that measures of earnings management have on the firm value of the Nigerian oil and gas companies that were tested. According to the individual results for the variables in Table 11, accruals have a co-efficient value of -7.322819, a Z-statistic of -2.10, which is statistically significant at 5% with a p-value of 0.036. Inferred from this is that accruals have a negative and considerable impact on the firm value of oil and gas enterprises. Similar data can be seen in Table 11, where total assets have a co-efficient value of -.8616721 and a Z-statistic of -4.52, both of which are statistically significant at a 5 percent level with a p-value of 0.000. This suggests that the firm value is significantly influenced by total assets. Furthermore, it has been noted that gross profit, used as a stand-in for earnings management, has a co-efficient value of.1386978 and a Z-statistic of 2.15, both of which are statistically significant at a 5 percent level with a p-value of 0.031. This suggests that gross profit affects the firm value of oil and gas enterprises in a favourable and significant manner.

The implication of the findings is that EM is a practice that is significant in demonstrating earnings management and it has a consequence on the firm value of listed oil and gas companies that practice them. Earnings management can be achieved through accruals and this reduces the firm value because the market value place on such firms will be low. The same goes for total assets which will yield negative results because the manipulation of the assets which is an economic resources which the business controlled will reduce its earnings or economic returns which will make investors perceive its lack of well-being and the firm value will decrease. Meanwhile, gross profit improves firm value because its management usually showcases a good financial performances.

Table 11: Panels Corrected Standard Errors Regression

Het-corrected				
Tobins q	Coef.	Std. Err.	z	P>|z|
Accruals	-7.322819	3.491045	-2.10	0.036
Total Assets	-.8616721	.1907059	-4.52	0.000
Gross profit	.1386978	.0643818	2.15	0.031
_cons	14.55364	3.322297	4.38	0.000
Number of obs =	91			
R-squared =	0.2691			
Wald chi2(3) =	32.14	Prob > chi2 =	0.0000	
Hausman test	chi2(3) = 9.29	Prob>chi2 =	0.0257	

Note: The table shows the regression result of the panel test corrected
Source: Researchers' Computation (2024)

Moderating effect of audit committee independence on the relationship between earnings management and firm value

Table 12 displays the regression result demonstrating how audit committee independence moderates the earnings management relationship in terms of accruals, total assets, and profit affect firm value following satisfying the basis for a Best Linear Un-bias Estimate (BLUE). With statistics of 47.24 and a probability value of 0.0000, the post estimation test for the regression demonstrates the existence of heteroskedasticity. According to statistics of chi2 (3) = -0.150 and probability of = 1.1194, the test for cross sectional dependence revealed that there is no sectional dependence among the variables. The fixed effect, which assumed constant variation across the model and had statistics of chi2(3) = 10.77, is preferred by the Hausman test, which was used to determine which model should be used to interpret the data and probability value of 0.0131. The panels corrected standard errors regression was run to cater for identified statistical problems of heteroskedasticity. The model that was specified to show the linear relationship of EM and firm value shows that the linearity of the variables is different from zero, indicating wald chi2 of 19.98 and probability value of 0.0002, and this implies that the model is significant and have good fit. Regression was run to address the identified statistical problems of heteroskedasticity. When audit independence is in place, the percentage of variance in firm value that can be caused by profits management is 31.55 percent, with an R-squared value of 0.3155.

The overall result shows that when audit independence is high, EM has less significant influence on the firm value of the sampled oil and gas entities in Nigeria as only accruals have significant influence while other measures of earnings management in terms of total assets and gross profit have no significant influence. The individual results for the variables as shown in Table 12 showed that accruals have a co-efficient value of -22.74263, Z-statistics of -3.28 which is statistically significant at 5 percent with p-value of 0.001. This connotes that the audit committee independence does not positively influence earnings management through accruals because its results to negative and significant effect on the oil and gas entities firm value. Likewise from Table 12, the presence of audit committee independence have positive influence on the link between total assets and firm value have a co-efficient value of .0302081, Z-statistics of 0.21 which is statistically insignificant at 5 percent with p-value of 0.836. This implies that audit committee independence improves total assets however, the outcome does not significantly influence firm value. Furthermore, the moderating effect of audit committee independence on the link between gross profit and firm value is positive. The independence of audit committee boosts the gross profit of the oil and gas firms. However, the effect yields non-significant effect on the sampled firm value. This is evidence by the result showing a co-efficient value of .2127794, Z-statistics of 1.47 which is statistically significant at 5 percent with p-value of 0.141.

The implication of the findings is that audit committee independence brings so much influence to the practice of the earnings management among oil and gas firms as it independently improves these measures that can be used to achieve earnings management except accruals. However, it deters it practice as they have no significant effect on firm value except accruals management which is assumed the audit committee have not been able to curb its practice.

Table 12: Panels Corrected Standard Errors Regression

	Het-corrected			
Tobins' Q	Coef.	Std. Err.	z	P>|z|
Accurals#AuditComm.	-22.74263	6.940862	-3.28	0.001
Total Assets#AuditComm.	.0302081	.1463066	0.21	0.836
Gross profit#AuditComm.	.2127794	.1447039	1.47	0.141
_cons	-.9567822	.6056043	-1.58	0.114
Number of obs = 91				
R-squared = 0.3155				
Wald chi2(3) = 19.98		Prob > chi2 = 0.0002		
Hausman test	chi2(3) = 10.77	Prob>chi2 = 0.0131		
Test of cross sectional independence				
Average absolute value = 0.234	chi2(3) = -0.150	Prob>chi2 = 1.1194		
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity				
	chi2(1) = 47.24	Prob>chi2 = 0.0000		

Note: The table shows the regression result of the panel test corrected
Source: Researchers' Computation (2024)

The results revealed by the study indicated that earning management have negative and significant effect on firm value. The results were therefore compared with existing empirical literature to establish if the findings form consensus to existing results and if there are differences, establish the possible reasons for the difference. This findings aligned with the results of Tulcanaza-Prieto & Lee (2022) investigated if good corporate governance affects the relationship between real earnings management and findings showed that good corporate governance performs an effective monitoring role in curbing management from engaging in opportunistic earnings management activities. Furthermore, it was noted that the findings contradict those of Daniel (2021), a study that looked at how income smoothing and earnings management affected the credibility of accounting data for listed manufacturing companies in

Nigeria. Daniel's findings showed that these practices had a statistically insignificant impact on key qualitative traits. This finding contrasts with that of Afrizal et al. (2021), who claimed that corporate governance moderates the favourable impact of profits management strategies on firm value. A similar argument was made by Iriyadi (2019), who examined how the audit committee and the requirements for external audits contributed to the prohibition of earnings management; the audit committee and external audit did not have an impact on it.

Policy Implication of Findings

The implication of this findings should motivate investors in paying attention to corporate governance practice by companies especially the independence of the AC by prescribing that more non-executive directors on the committee especially a public limited company. This is because the moderating effect of audit independence have a good influence on firm value as revealed by the study and this is in tandem with the assumption of information asymmetry theory earlier demonstrated the possibility that a market could fail due to a lack of detailed information between buyers and sellers. And in a competitive market where prices are determined by the law of supply and demand, market failure results from the inefficient communication of information. Therefore, it follows that earnings management will cause a decrease in firm value as determined by Tobin's q. Also, regulators should have risk management policy entrenched in corporate governance code for companies should that improves management ethical consideration to protect interest of investors that may lose capital gain on their investment because of decrease in firm value as a result of the management scheme to intentionally mislead the public by managing earnings and hereby declare false financial performance and financial position. The policies should be made in such a way that the equity of the company will not be underpriced hereby causing a negative shit in firm value.

CONCLUSION

The study examined earnings management, audit committee and firm value of quoted oil and gas firms in Nigeria. The study is motivated from the fact that the firms in Nigeria despite its code of governance have not been able to curb earnings management and the reason for unequally match of value on the companies' equity in the stock exchange. Sourcing data secondarily from annual reports, obtained data for listed oil and gas firms was analysed and the findings shows that earnings management have negative and significant effect on firm value of firms in Nigeria. And the moderating effect of audit committee is significant in curbing earnings management. The study concluded that earnings management is a significant underlying factor that can negatively influence the value of firms and cause decrease in its intrinsic value as the results found out that accruals negatively cause decrease in firm value and while gross profit and total assets have insignificant positive effect on firm value.

With this, the report made the following recommendations: Investors should pay close attention to corporate governance practices of companies, particularly the independence of the AC, as it has an influence on the financial performance of listed oil and gas corporations in Nigeria; In order to present the actual and fair status of the company, management should be sufficiently transparent with their financial report; The board of directors should insist on greater independence for the audit committee and auditors to help stop the practices of earnings management and increase the firm value. Stakeholders advise the companies to allow reputable and professional audit firms to carry out the exercise so that overstating or understating of financial reports will be detected.

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