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EFFECT OF COVID-19 ON INSTITUTIONAL SHAREHOLDING, INDEPENDENT DIRECTOR, AND AUDIT COMMITTEE ON AUDIT REPORT OF LISTED OIL AND GAS COMPANIES IN NIGERIA

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Abstract

The emergence of the Covid-19 epidemic worldwide has disrupted the political, social-economic, religious and financial systems of the world as a whole. The world's top economies, such as the United States, the United Kingdom, China, Germany, France, Italy, Japan and many others are on the brink of collapse. In addition, financial markets across the world have been crushed and oil prices have dropped off the edge. Scholars of diverse intellectual *backgrounds, especially populists and people-oriented ideas, have all agreed that economic determinism is a key element of progressive scholarship in the post-COVID-19 period, which has clearly shown an enormous capacity to challenge natural scientists, environmental experts and business administration, accounting, auditing, among others. This research, which does not generally involve the epidemiology of coronavirus, focuses specifically on Security and protection of investment by means of science tic monitoring systems. Therefore, studying the quality of the financial report and its determinants has attracted the attention of academics, especially those in Nigeria. This study examined the influence of institutional shareholders, independent directors and audit committees on the reliability of audit quality of listed oil and gas companies in Nigeria. The ex-post-facto research design has been adopted. Data were collected from the annual financial reports of the oil sample and the companies for the period from 2010 to 2019. The logistic regression method was used to evaluate data and to test hypotheses with the aid of STATA. The findings indicate a strong and important impact on the efficiency of the audit by institutional owners, independent directors and the audit committee. The study concluded that institutional shareholding, independent directors and audit committee are significant determinants of audit quality of listed oil and gas listed companies in Nigeria. The research suggests that oil and gas companies in Nigeria take advantage of this positive effect of this monitoring attribute on audit quality by maintaining a higher ratio of institutional ownership, independent directors as well as the audit committee, in order to enhance their monitoring and provide high-quality financial reports, it also opens up a new perspective on investment protection and guidelines in this COVID-19 era.*

Keywords: Independent directors, institutional shareholding, audit committee, audit quality

INTRODUCTION

The outbreak of pandemic Covid-19 all over the world has disturbed the political, social, economic, religious and financial structures of the whole world. The International Monitor Fund (IMF) clarified that the crisis is at least as bad as it was during the international economic meltdown or worse." Covid-19 is also detrimental to the global economy because the world has witnessed the most challenging economic situation since the Second World War. Therefore when it comes to the human cost of the Coronavirus pandemic, all countries need to work together just to protect human beings and reduce harm to the economy, as viruses know no bounds, the impacts will continue to spread, leaving the entire world economy to stand still, Nigeria being a philatelic capitalist economy, we will never be free from such a crisis. This is because we flourish on the free market, tough competition, privatization, commercialization, monopolization, tribalization, chaos, crisis and the deterioration of the entire economy as a result of the outbreak of COVID-19. (David, Uwaleke & Azah, 2019).

Moreover, the economic downturn at the beginning of the century and the COVID-19 pandemic is the latest occurrence to increase global interest in audit efficiency, financial reporting transparency and corporate governance since it could lead to a recession. National regulatory systems are increasingly interconnected with supranational private-sector standard-setting bodies, such as the International Accounting Standards Board (IASB), the International Federation of Accountants (IFAC), and governmental bodies such as the European Union (EU). (Newman, Patterson & Smith, 2005; Ojo, 2008; Zagonov, 2011). However, with the corporate scandals at the start of the century, characterized by fraud and accounting manipulation, much has been discussed about the scope of responsibilities of auditors, given that the opinion on financial statements has not changed.

It seems that the institutional investors, Independent directors, and audit committee creates several incentives to oversee the financial reporting and affect the independent auditor. One incentive is that the audited financial statements are the main resource for information about the company and the investors value it significantly in scrutinizing the accounting information and financial decision makings about auditing quality and the type of the auditors' reports. Therefore, it is expected that the companies' ownership potentially affects auditing quality and there is a logical connection between the amount of these ownerships and auditing quality.

Institutional shareholding has also been a central issue in the empirical discussions on the interaction between monitoring mechanism and audit quality. Perhaps, the predominant view is that institutions have the required resources and financial expertise to monitor and discipline managers and thereby reducing agency problems. This effect may result in positive audit quality. On the other hand, discussions on the association between Independent directors and audit quality have also documented contradictory results. Two conflicting arguments seem to dominate these discussions. Some researchers are of the opinion that large shareholding by few individuals induce them to monitor and enhance audit quality because the cost implication of their monitoring is less than the expected benefit from their huge investments (Klein, 2002). On the contrary, Chen, Yen, and Chang. (2007) pointed out that audit quality is indeed weakened and compromised when an auditor faces a company of controlled shareholders.

Although, some considerable amount of studies exists on the relationship between corporate governance mechanisms and audit quality (such as Abdullah 2008; Sulong, Gardner, Hussin, Sanusi & McGowan 2013; Al-Nawaiseh, 2006, Qasim, (2011; Abolfazl, Amir, Noroozi Mohammad & Sahraneshinb, 2015), few focused on the influence of institutional shareholding and Independent directors on audit quality. Whereas the few that exist are discussed in the light of other countries, the effects are debatable in the Nigerian perspective given the dissimilarities in the nature of monitoring structures. Similarly, the outcomes that are obtained from samples drawn from several sectors of the economy to study phenomena highlight the possible implication of such phenomena on specific industries within the sample. Therefore, the decision to focus on the quoted oil and gas companies in Nigeria.

In Nigeria, the oil and gas sector are pivotal to economic progress since the bulk of the revenue is generated from this sector. It is expected that this sector should receive the most attention in terms of monitoring and supervision given its economic importance. It is against the backdrop that this study empirically examined the effect of institutional shareholding and ownership concentration on audit quality of listed oil and gas companies in Nigeria. Therefore, the objective of this study is to examine the effect of institutional shareholding and ownership concentration on audit quality of listed oil and gas companies in Nigeria. To achieve this objective, it is thus hypothesized that:

H01: Institutional shareholding has no significant effect on audit quality of listed oil and gas companies in Nigeria.

H02: The moderating effect of the audit committee has no significant effect on the relationship between independent directors and audit quality of listed oil and gas companies in Nigeria.

LITERATURE REVIEW

Institutional Shareholding

Institutional shareholding is shares owned by other organisations or institutions such as insurance companies, banks, investment companies, and other organized owners. Institutional ownership is important in monitoring management because with institutional ownership it will encourage more optimal supervision. Jensen and Meckling (1976) claimed that institutional ownership has a very significant role in minimizing agency conflicts between managers and shareholders. The existence of institutional ownership is considered capable of being an effective monitoring device in any decision taken by the manager. The Agency concept suggests that monitoring by institutional ownership can be an important governance mechanism. In fact, institutional investors can provide active monitoring that is difficult for smaller, more passive, or less-informed investors (Almazan, Hartzell & Starks 2005). Moreover, institutional investors have the opportunity, resources, and ability to monitor managers. Therefore, efficient monitoring suggests that institutional ownership is associated with better monitoring of management activities, reducing the ability of managers to opportunistically manipulate earnings. The efficient monitoring assumption suggests an inverse relationship between a firm's earnings management activity and its institutional share ownership. In this vein, numerous studies documented that institutional ownership prevents managers to opportunistically engage in earnings management (Ebrahim, 2007; Koh, 2003; David, Uwaleke & Azah, 2019).

Considering the importance of corporate governance in a firm's management, shareholder's active participation in monitoring management functions is important to ensure good corporate governance practices. To date, institutional investors‟ participation has emerged as an important force incorporate monitoring to serve as mechanisms to protect minority shareholder's interest. The significant increase in the institutional investors‟ shareholdings has led to the formation of a large and powerful constituency to play a significant role in corporate governance. Earnings information, as part of accounting information, provides investors with relevant information that would help them in making correct asset pricing and investment decisions (Yuan & Jaing, 2008). The active monitoring hypothesis views institutional investors as long-term investors with raving incentives and motivations to closely monitor management action (Jung & Kown, 2002).

However, some argue that institutional investors do not play an active role in monitoring management activities (Claessens & Fan, 2002; Porter 1992). According to Duggal and Millar (1999), 'institutional investors are passive investors who are more likely to sell their holdings in poorly performing firms than to expend their resources in monitoring and improving their performance'. Institutional investors may be incapable of exerting their monitoring role and vote against managers because it may affect their business relationships with the firm. Accordingly, institutional investors may collude with management (Pound 1988; Sundaramurthy, Rhoades & Rechner, 2005). It is also argued that institutional owners are overly focused on short-term financial results, and as such, they are unable to monitor management (Bushee, 1998; Potter, 1992). So, there will be pressure on management to meet short-term earnings expectations. These arguments indicate that institutional investors may not limit managers' earnings management discretion and may increase managerial incentives to engage in earnings management.

Independent Directors

An Independent director is a person or director on the board of directors of any company who does not have any hand or economic relationship with the company or related persons, except sitting fees (Kishore, 2017). According, Makni, Mohamed, and Habib (2012) independent directors are defined as persons who have no apparent family ties with those holding power in the company and do not hold any shares in the capital of the company they manage. Their decisions are always aligned with the interests of shareholders. The monitoring attribute of Corporate governance literature suggests that independent directors are synonymous with a strong corporate governance structure. The influence of independent directors on the effectiveness of the board of directors has attracted the attention of many researchers (Charreaux, 1994) also Masulis and Zhang (2018). It has been posited that the independent directors are the directing officers at the event or the activities of a company. Also that the independent directors can also be looked as the chairman of the event that relates company committee taking all the necessary control (i.e., nomination committee in cases of CEO illness/injury and CEO turnover, audit committee in cases of financial misconduct, and investment committee in cases of restructuring events) An independent director does not have any shares in the company.

Consequently, the presence of independent directors on the Board has become a feature or attribute of listed companies' world over aligning the interests between management and shareholders, and therefore, reducing agency costs (Weisbach, 1988; Boeker, 1992; Hambrick & Jackson, 2000). This trend has continued in American companies, where a review conducted by Business Roundtable (2007) highlighted that about 90% of companies in the state at least 80% of their directors are independent. Business Roundtable (BRT) is an association of chief executive officers (CEOs) of leading US corporations. However, in recent past studies such as Shen (2005), Finkelstein et al. (2008) and Hillman et al. (2010) have drawn attention to the desirability of incorporating board of directors who hold significant stakes in the capital of the company, understanding them to be the proprietary director, a very distinctive figure in the business model. After highlighting important aspects of Nigerian companies about their corporate governance, in particular to the Board, and defining the different categories of directors which comprise the same, the question is whether a greater presence of independent directors on the Board might help to increase the quality of financial information published by companies. In line with this, works such as Baysinger and Butler (1985), Daily and Dalton (1993), Barnhart (1994) and Macvey (2005), among others, revealed that the presence of independent directors on both the Board and the Audit Committee positively influences the quality of financial information.

Works such as Hermalin and Weisbach (1991) and Dalton (1998), among others, revealed no significant relationship between the presence of independent directors on the Board and the quality of financial reporting. They state that the composition of the Board will be based on the ethics of corporate governance, i.e. paying little attention to whether there are more or less independent directors on the Board. All those characteristics that lead to increasing the quality of financial information, regardless of the existence of a greater number of one or another type of director on the Board, could reflect the role of efficient company supervision as shown by Salas (2000) and Klapper and Love (2003), among others. It seems reasonable to suggest that thorough and efficient supervision by the Board can have a positive impact on the quality of financial information, given that a well-organised structure within the Board seeks, among other things; the publication of relevant and reliable financial information to safeguard shareholders' investment and the company's assets and publish useful information so that those interested in its content can make the right decisions.

According to Fame (1980) and Jensen et al. (1983), the Board is a tool for monitoring managers, highlighting the presence of independent directors as a mechanism that enhances the effectiveness of the supervisory role of the Board, as they provide balance and help limit possible opportunistic management behaviour. The idea behind this study is that the structure of the Board should be made up mainly of independent directors and not employees or people close to them. This way, the elaboration of accounting information in favour of the interests of those on the inside, to obtain benefits, can be avoided.

Concept of Audit Committee

According to the lexicon, audit committees are the selected numbers of people members of a company board of directors whose responsibilities include helping auditors remain independent of management to look into the organization record.

Literature suggests that a valuable audit committee should play an important role in strengthening the financial controls of a business entity (Collier, 1993; English, 1994; Vinten & Lee, 1993, Adeyemi, Okpala & Dabor 2012). A number of studies have found that companies with an audit committee, particularly when that committee is active and independent, are less likely to experience fraud (Beasley, et al., 2000; Abbott, et al., 2000; McMullen, 1996) and other reporting irregularities (McMullen, 1996; McMullen & Raghunandan, 1996). Findings also suggest that audit committees are effective in reducing the occurrence of earnings management that may result in misleading financial statements (Defond and Jiambalvo, 1991; Dechow, et al., 1996; Peasnell, et al., 2000).

Generally, audit committees are people or groups of people selected to perform an official function by looking into the organizational financial record in other to give owners confidence of performance for the period under agency and principal.

Audit Quality

There are many attempts to define the concept of audit quality either on professional organisations level, or academic level. On the professional organisations level: for example, the

International Federation of Accountants (IFAC, 2009: 12) pointed to the concept of auditing quality in the international standard on quality control. It stated that "the objective of the audit firm is to establish and maintain a system of quality control to provide it with reasonable assurance that: (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and (b) Reports issued by the firm or engagement partners are appropriate in the circumstances" (IFAC, 2009; 15). This means that the concept of quality from the perspective of (IFAC) lies in compliance with professional standards and legal and regulatory requirements. (David, Uwaleke & Azah, 2019)

Measures of Audit Quality

Although several studies have sought to measure "actual" audit quality, what has prevailed in the literature, since DeAngelo's study (1981), are the metrics that try to capture "perceived" audit quality, such as: (i) the auditor's firm size, as in DeAngelo (1981), Ilaboya and Ohiokha (2013), (ii) auditor specialization, as in Behn et al. (2008), Chambers and Payne (2008), ; (iii) auditor issuing going concern opinion as in Teoh and Wong (1993) and Ghosh and Moon (2005); and (iv) accrual models as in Dang (2004) and Behn et al. (2008). For the purpose of this study, auditor specialization is used as a measure of audit quality.

EMPIRICAL REVIEW

Institutional Shareholding and Audit Quality

Zuriegat (2011) investigated the effect of ownership structure and audit quality among Jordanian listed firms. Usings sample size consisted of one hundred and ninety-eighty (198) companies out of the two hundred and sixty-two (262) listed companies on the Amman Stock Exchange. The analysis result using logistic regression in other to investigate the relationship between the audit qualities measured based on the audit firm size as a dependent variable, and ownership structure as independent variables. The results show a significant positive relationship between the audit quality and that of the company's institutional ownership and concluded that institutional investors tend to hire quality auditors**.** This study measured audit quality using firm size as the study proposes to, however, the used logit regression why this current study will apply multiple regression and there is the problem of external validity since the previous study was done Amman Stock Exchange while the study will be on the Nigerian Stock exchange specifically in oil and gas sector.

Khasharmeh and Joseph (2017) ascertained the effect of ownership structure on audit quality in a developing country, the case of Bahrain. Specifically, the study considered Independent directors and institutional ownership as individual explanatory variables for ownership structure. The annual reports of listed companies in Bahrain for 2015 and unlisted companies registered by Central bank of Bahrain in September 2016 were used in the analysis. Logistic regression was used to test the hypotheses. The results indicated that institutional ownership has a positive but insignificant effect on audit firm size. This study was done in another economy different from the Nigerian economy so, a repetition using Nigerian data is imperative. Also, this current study took a different dimension, by interacting with the effect of an effective audit committee, not just a direct relationship which makes for much difference between the studies.

Alzeaideen and Al-Rawash (2018) investigated the effect of different ownership structures - (concentration, foreign, and institutional ownership) on audit quality of listed companies in the Amman stock exchange. To test each hypothesis; a model was defined based on dependent variables employed to measure audit quality. The sample study consists of 132 companies from 2005 to 2016. The analysis of logistic regression was used to investigate the relationship between the audit quality measured based on the audit firms' size as a dependent variable and ownership structure as independent variables. The results provided evidence of a positive statistically significant relationship between the audit quality and that of companies both with foreign and institutional ownership. Also, these results indicate that foreign and institutional investors tend to hire high-quality auditors. This study presents a problem or gap in external validity and did not consider the audit committee as a factor that could affect the relationship between institutional ownership and audit quality.

Independent Directors and Audit Quality

Akhidime (2015) examined the impact of the board structure of Nigeria banks on their audit quality. The study is based on the published audited accounts of 19 banks that were selected by a simple random sampling technique from the population of the 25 Nigerian banks over the banks' post-consolidation/reform for five years. The variables of the study were analysed using binary logistic regression analysis. The hypotheses of the study were tested using F-ratios from the results of the pooled binary regression of the pooled data at a 5% level of significance. The results of the study confirm that independent directors impact the banks' audit quality. This study is on banks why the current study will dwell strictly on oil and gas companies applying multiple regression as against the binary regression used by the previous study.

Abdulmalik (2015) examined the relationship between board monitoring mechanism, continuous training, and financial reporting quality in the Malaysian context. The paper employed a sample of top 100 Malaysian firms identified by the Malaysia Shareholder Watchdog Group (MSWG) between the periods 2010-2011. Feasible GLS (FGLS) regression estimation method was used to test the relationship between the dependent variable of interest. The regression result reveals that while the proportion of grey directors in the boardroom positively and significantly relates to both accrual and real earnings management, the proportion of independent directors was negative, but not significant. The study's findings imply future regulatory initiative, as our result suggests that board mechanisms, specifically, board composition are not effective in improving the quality of reported figures. This study was done in Malaysia which post the problem of external validity

David, Uwaleke, & Azah (2019), examined the effect of institutional shareholding and Independent directors on audit quality of listed oil and gas companies in Nigeria NSE. The study adopted the ex-post facto research design. Secondary data were extracted from the annual reports of the sample firms for the period between 2009 to 2018. The logistic regression technique was used for data analyses and test the hypotheses with the aid of STATA. The results show a positive significant effect of institutional shareholding and Independent directors on audit quality. The present-day find out about offers a wider scenario than this current find out about in that it considers several different monitoring attributes which makes the study greater sturdy than the preceding study at this period of COVID-19 pandemic.

Audit Committees and Audit Quality

On the empirical studies on the audit committee on the relationship between corporate governance and audit quality, just like in the work of Goodwin-Stewart and Kent (2006) who examine whether the audit committee is associated with corporate governance and audit quality. The research work was carried out in Australia from data collected through questionnaires sent to companies. Ordinary least square (OLS) regression models are used and the study finds that the financial skill of the audit committee was significantly related to corporate governance and audit quality. He failed to mention the method used in distributing the questionnaires also did not mention how many companies in question and how many companies used for research work which was equally against the work of Dianne (2006) work carried out in Australia Bank identified losses relating to unauthorized trading. Besides, Adagye (2015) carried work on Effectiveness of Audit Committee Practice and the value of listed deposit money Banks in Nigeria the study was conducted in Nigeria with five Money deposit Bank he sends 55 questionnaires and uses a chi-square statistical tool.

The finding shows that audit committee practices are related to the effectiveness of the audit committee and portrayed the performing functions of the deposit money banks In Nigeria. From the topic Effectiveness of audit committee practice, it should better look like Effect of Audit committee practice, using one year is not enough to generalize his finding, we have 15 money deposit banks in Nigeria according to Nigeria Stocks exchange and making use of five out of fifteen is not enough for good reach work while

Yadirichukwu & Ebimobowei (2013) carry out research work on the effects of the audit committee and timeliness of financial reports that reflects audit quality of external auditors. The study was conducted in Nigeria using 35 listed firms from 2007 to 2011.

The study uses multiple regression analyses and concludes that the audit committee was significantly related to external auditors' corporate governance and audit quality. Five years is not enough to study 35 listed companies in Nigeria, along the line we need to consider other economic factors like inflations, exchange rate and economic power of the individual in the society and most especially the government policy, also which was not inline or against the findings of Salawu, et al (2017).

Control Variables

Industry Specialist Auditors

Owhoso et al. (2002) examined the effectiveness of industry specialist auditors in detecting errors during the audit review process for two specific industries, namely banking and health care. Their findings suggest that the auditors" experience in the specific industry enables them to detect error more effectively than non-specialist auditors. Auditors without specific industry experience perform below the nominal benchmark for error detection.

Leverage

Firms with greater leverage tend to have higher bankruptcy risk. According to Grossman and Hart (1982) also, in that situation, companies tend to appoint a better-quality auditor to avoid a decrease in the company's value.

THEORETICAL FRAMEWORK

Agency Theory

Corporate governance has drawn this huge attention from different fields such as accounting, law, business, education, and banks in both developed and developing countries because it has a direct effect on corporate power- in which it influences the decisions made by managers when there is a separation of ownership and control (i.e., agency problem). To move from individual ownership to collective ownership raised new problems in the field of financial resources management, so that (Berle & Means, 1932) considered the same as agency problem (Morey, Gottesman, Baker & Godridge 2008). However, (Watts & Zimmerman 1986) argue that the demand for higher quality audits increases as agency costs rise. Meanwhile, the effective institutional and block-holder structures helped to prevent conflict between the directors and shareholders by making information conformity and balance.

METHODOLOGY

The study employed an ex-post facto research design. The population of the research comprises the twelve (12) oil and gas companies listed on the Nigerian Stock Exchange (NSE) as at 31st December 2018.

Table 1: The list of the twelve oil marketing companies

S/N	Name of Company
1	Forte Oil Plc
2	MRS Oil Nigeria Plc
3	Total Nigeria Plc
4	Mobil Oil Nigeria Plc
5	Conoil Plc
6	Afroil Plc
7	Oando Plc
8	Eterna Oil & Gas Plc
9	Japaul Oil & Maritime Services Plc
10	Beco Petroleum Products Plc
11	Seplat oil and gas Plc
12	Capoil Plc

The number of companies was reduced to a working population of Eleven (11). Afroil Plc was excluded from the study population because it was delisted in 2009 and so had no published financial reports for 2010-2019. The entire working population of eleven (11) oil and gas companies was used as the study sample considering the fact that the data required for the study is readily available from the published financial reports of the companies, and the NSE factbook for the relevant years. The data for this study were obtained from a secondary source. Secondary data were extracted from the published annual reports and accounts of the companies and the NSE factbook for the relevant years. The logistic regression technique was adopted. Logistic regression is a technique for making predictions when the dependent variable is a dichotomy, and the independent variables are continuous or discrete.

Model Specification and Variables Measurement

ADQ = B0 + B1IS + B2IND + B3LEV+Ut

Where:

ADQ = Audit Quality- is a binary variable with score 1 if the company is audited by a Big 4 audit firm and 0 otherwise;

INS = Institutional shareholding- the proportion of share hold by institutions on the total share issued or stock which is held by main investing institutions

INDEP = Independent director - is the proportion of ID on the board size

AUDIT COMMITTEE = Governance score of audit committee attributes

AFS= Audit Firm specialization - measured as the natural log of the firm's total assets

LEV= Leverage- is measured by the total debt to total assets.

U = Error term

B1, B2 > 0 B0 …….. B3 = Coefficient

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2 presents the result of the descriptive statistics of the variables where the mean, standard deviations, minimum, and maximum of the data are fully captured.

Table 2: Descriptive statistics

Variable	Obs	Mean Std	Dev	Min	Max
ADQ	120	.65	.4789695	0	1
INS	120	.2054614	.1043533	.002352	.394008
INDEP	120	.1035612	.0365128	.0526316	.1666667
AUCOM	120	.4066865	.0525313	.25	.5
LEV	120	.3156206	.1415467	.0495448	.6489305

Source: Output of summary of statistics obtained from STATA

Table 2 describes the descriptive statistics with 120 firm-year observations for the period of 10 years (2010-2019) for 11 oil and gas companies listed on the Nigerian Stock Exchange. The descriptive statistics table illustrates the dependent and independent variables correspondingly. The predicted variable, which is Audit Quality is measured by audit firm specialization. Audit quality has a mean value of .6777778 with a standard deviation of .4699457.

The value implies that sixty-eight (68) per cent of the sampled oil and gas companies were audited by the specialised audit firms in Nigeria (KPMG, PWC, Ernst and Young, Akintola

Williams Delloitte) during the study period. The mean value of 68 per cent further suggests that only 32 of the sampled oil companies were audited by the specialized audit firms in Nigeria during the period of investigation. This shows that the audit market in the sector is dominated by the big 4 audit firms in Nigeria and just a few non-big 4 audit firms audited listed oil and gas companies in Nigeria.

The minimum and maximum values of audit firm size during the study period were zero (0) and one (1) respectively. The minimum and maximum values of audit firm size indicate that auditor size is measured by a dummy variable that takes the value of one of the companies are audited by a Big 4 audit firm and zero if otherwise. In addition, institutional ownership and Independent directors have used predictor variables. Table 1 further reveals that institutional ownership has a mean of .2054614 with a standard deviation of .1043533. This implies that on average institutional investors accounted for 21% in the sampled oil and gas companies in Nigeria. Institutional ownership has a minimum value of .002352 (002%) and a maximum value of .394008 (39%) respectively. the minimum value indicating that there was a particular firm in a certain year within the observations that have 2% institutional investors and 39% institutional investors respectively. Independent directors' mean of 1877407. Signifying that on average oil and gas companies has 18% block holders in the sampled firms. Independent directors have a minimum value .1054666 (11%) and maximum value of .592233 (60%) respectively. However, a large amount of equity ownership is concentrated in the hands of block holders.

The average firm size (control variable) is N 6.90 billion Naira, which is a low disparity from the standard deviation of N.8106 billion Naira. The minimum and the maximum firm size are N 4.00 billion Naira and N 7.90 billion Naira respectively. Furthermore, the control variable (LEV) also shows that the mean leverage as indicated by the mean is .1680946, indicating 17% average debt, while the standard deviation is .1330608 (13%). The minimum and the maximum as shown by the tables are .013035 (1%) and .554863 (55%) respectively.

Table 3: Correlation Matrix

Variable	AQ	LEV	IND	INS	AUDCOM
ADQ	1.0000				
LEV	0.1389	1.0000			
INDEP	-0.0176	0.0448	1.0000		
INS	-0.1490	-0.2758	-0.1884	1.0000	
AUCOM	-0.1904	-0.0191	0.3190	-0.1553	1.0000

Source: Output of summary of statistics obtained from STATA

Table 3 shows the relationship between all pairs of variables in the regression model. The result reveals a positive correlation between institutional ownership and Independent directors, the firm size on the one hand, and audit quality on the other. While leverage has no negative relationship with audit quality. The overall correlations among the explanatory variables were relatively low and fall below 0.5. The correlation matrix provides preliminary evidence that Multicollinearity is not a problem in this study.

Table 4: Tolerance and Variance Inflation Factors

Variable	VIF	1/VIF
INS	1.40	0.716573
INDEP	2.09	0.478923
FS	1.05	0.949122
LEV	3.73	0.749530

Source: STATA Output Result

From Table 4, VIF values for all the independent variables were consistently below the benchmark of 10 which is considered harmful for regression analysis. This is supported by a mean VIF value of 1.05 which is above the benchmark of 1 considered suitable for regression analysis. Also, the TV for all the variables was above 0 and close to 1 which is recommended for regression analysis. The table shows good indicators that multicollinearity is not a problem among independent variables. Logistic regression was chosen to test the hypothesis of the study because the dependent variable is binary which is more appropriate for such type of study.

Table 5: Summary of Logistic Regression Result

	Coef.	z	P>|z|
INS	-5.548265	-1.65	0.100
INDEP	6.996676	1.75	0.080
AC	-8.149584	-2.56	0.010
LEV	-.8218142	-2.12	0.018
LR chi2(4)	10.72		
Prob - F> chi2	0.0000		
Pseudo R2	0.5219		
Root MSE	.46416		

Source: STATA Output Result

A close check of the Pseudo (R2) is also called McFadden's (R2) which serves as an analogue to the squared contingency coefficient, with an interpretation like R-square. The Pseudo R2 with a value of 0.5219 indicates that institutional ownership (ISOP), Independent director (INDED), audit committee (AUDCOM), and leverage can explain only about 11% of the total systematic variation of audit quality in oil and gas companies in Nigeria. This implies that about 89% of the total systematic variation in the dependent variable has been left unaccounted for by the model hence captured by the stochastic error term. This implies that other factors not included in the model account for audit quality. On the basis of the overall statistical significance of the model, it was observed that the LR ratio statistics value of 10.72 is significant at (0.0000) 5% level of significance.

Table 5 describes the result of the logistic regression conducted for the study. It shows a positive and significant relationship that appears between institutional ownership and audit quality with a coefficient value of -5.548265 at a 5% level of significance. This implies that institutional ownership has a positive influence on the audit quality of listed oil and gas companies in Nigeria. This indicates that a one per cent change in institutional ownership will result in changes in audit quality. The result reveals that the likelihood of high institutional ownership will be higher with audit quality. Based on the result of the logistic regression, the study rejected the first null hypothesis. Implying that institutional investors are a good indicator of audit quality. This result confirms the findings of Adam and Bala (2015)

Table 5 also indicates that independent director has a positive significant effect on audit quality of listed oil and gas companies in Nigeria as evidence from the coefficient value of 6.996676 with the p-value of 0.080 which is significant at 5% level of significance. This implies that if the percentage of Independent directors increases, then the likelihood of having high audit quality also increases and the result can be generalised for our population. This is consistent with the findings of Alzeaideen and Al-Rawash (2018) and David, Uwaleke, & Azah (2019) Consequently, the null hypothesis was also rejected.

The control variable leverage has a negative significant (0.018) effect on audit quality of listed oil and gas companies in Nigeria.

CONCLUSION AND RECOMMENDATIONS

Covid-19 has already been the reason for the closing of several businesses and the closure of supermarkets, which today seems to be barren. As a result, many economists fear and expect that the pandemic will hurt the economy. For example, Bloomberg Economics warns that "full-year GDP growth could fall to zero in the worst-case pandemic scenario." There are a variety of markets and industries that tend to be most vulnerable due to this pandemic, such as both demand and supply.

Also, the aims are to examine the connection between monitoring attributes, as one of the important features of corporate governance, and audit quality in oil and gas companies in Nigeria. Concentrating on institutional ownership, Independent directors and Audit committee as variables for monitoring attributes, and audit firm size as a proxy for audit quality. The analysis shows that institutional ownership positively significant relationship with audit quality. Therefore, the study concludes that institutional ownership is a significant determinant of audit quality. In other words, institutional shareholders select the choice of high-quality auditors.

The concentration of ownership is positively and substantially linked to the efficiency of the audit of listed oil and gas companies in Nigeria. The study concludes that the largest shareholders or block-holders have an effect on audit efficiency. That is to say, oil and gas companies are inclined to employ high-quality auditors (Big4) as the proportion of block-holders has risen, such results can be explained by a concentration of ownership to use one of the Big-4 audit firms as high-quality auditors in order to maintain ownership.

Therefore, the study recommends that proactive measures in the addition to traditional audit practices and transparency imperatives on oil and gas companies in Nigeria:

* Economic diversification and transparent management. The economy has to be improved first for a thing like an audit best practices to fall in line.
* Increase in salaries and wages as soon as possible.
* Funding for the health system.
* Impact individuals and firms with broad, timely, targeted fiscal and financial sector initiatives.
* Reducing the burden on the financial system and stop being equal.
* recovery and mitigate the possible scarring impact of the crisis by policy action.
* Nations to collaborate, organize and support each other to solve this fatal pandemic first in order to save the global economic system in line with the finding of IMF (2020)

Specifically, with regard to investing protection and monitoring through institutional shareholding, independent director and audit committee on the audit quality report of listed oil and gas companies in Nigeria, which is the main concern of this study, we suggest that in this era of COVID-19 and the ensuing economic crisis which could lead to a recession in the economy, some of the imperatives discussed in this work Yet efficient supervision, probity, honesty, integrity, Prudence, transparency and the finest values of audit practice are important to the post-COVID-19 Nigerian economy in the sense of world best practice.

FUTURE RESEARCH DIRECTIONS

This research could lead to further investigations in the future. First, this analysis centered on oil and gas companies. However, due to sectoral peculiarities, other studies might be a focus in the other region of the economy. Secondly, Monitoring attributes that not captured may be used by another research. Thirdly, the establishment, Selection and the Committees members have been recently become legally binding in Nigeria. It will be of importance to determine how it is made up, especially in terms of institutional directors, independent director, and audit committee influences others. Fourthly, Nigeria's economy dominated by small and medium-sized enterprises (SMEs). In this regard, how institutional directors affect corporate governance and its characteristics, especially concerning SEC, is a matter for further research. Finally, the impact on the compensation exposed by the disparity of the percentages of institutional directors named by one or more institutional investors could also be an attractive problem to be addressed

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APPENDICES

Appendix Descriptive Statistics

Variable	Obs	Mean Std	Dev	Min	Max
ADQ	120	.65	.4789695	0	1
INS	120	.2054614	.1043533	.002352	.394008
INDEP	120	.1035612	.0365128	.0526316	.1666667
AUCOM	120	.4066865	.0525313	.25	.5
LEV	120	.3156206	.1415467	.0495448	.6489305

Appendix Correlational Matrix

Variable	AQ	LEV	IND	INS	AUDCOM
ADQ	1.0000				
LEV	0.1389	1.0000			
INDEP	-0.0176	0.0448	1.0000		
INS	-0.1490	-0.2758	-0.1884	1.0000	
AUCOM	-0.1904	-0.0191	0.3190	-0.1553	1.0000

Appendix Variance inflation factor and Tolerance level

Variable	VIF	1/VIF
INS	1.40	0.716573
INDEP	2.09	0.478923
FS	1.05	0.949122
LEV	3.73	0.749530

Appendix Logistic Regression

	Coef.	z	P>|z|
INS	-5.548265	-1.65	0.100
INDEP	6.996676	1.75	0.080
AC	-8.149584	-2.56	0.010
LEV	-.8218142	-2.12	0.018
LR chi2(4)	10.72		
Prob - F> chi2	0.0000		
Pseudo R2	0.5219		
Root MSE	.46416		

Source: STATA Output Result