

Corporate Governance and Financial Reporting Quality in Nigeria's Oil and Gas Industry: A Case Study of Oando Plc

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ABSTRACT

This study examined Corporate Governance and Financial Reporting Quality in Nigeria's Oil and Gas Industry: A Case Study of Oando Plc. The study was motivated by concerns about the transparency, credibility and reliability of financial information reported by companies operating in Nigeria's oil and gas industry. Specifically, the study investigated the extent to which board independence and audit committee effectiveness influence the quality of financial reporting of Oando Plc. An ex-post facto research design and case study approach were adopted. The study relied primarily on secondary data obtained from Oando Plc's annual reports and audited financial statements for the selected study period. Board independence and audit committee effectiveness constituted the independent variables, while financial reporting quality represented the dependent variable. Descriptive statistics, Pearson correlation and regression analysis were employed to analyse the data, while the hypothesis was tested at the 5% level of significance. The findings indicated that board independence had a positive relationship with financial reporting quality, while audit committee effectiveness also demonstrated a strong positive relationship with financial reporting quality. However, the relationships were not statistically significant at the 5% level. The study therefore concludes that effective corporate governance contributes to improved financial reporting, although other organisational, financial and regulatory factors may also influence reporting quality. The study recommends stronger board independence, effective audit committee oversight, improved internal controls, financial expertise and greater transparency.

KEYWORDS Audit Committee Effectiveness, Board Independence, Corporate Governance , Financial Reporting Quality and Oando Plc

INTRODUCTION

Corporate governance has become an increasingly important issue in the Nigerian oil and gas industry because of the strategic importance of the sector to government revenue, foreign exchange earnings, employment generation, investment and national economic development. The industry is characterised by substantial financial transactions, complex ownership arrangements, extensive regulatory requirements, large capital investments and exposure to fluctuations in international crude oil prices. Ogbeide, Ogiugo and Adesuyi (2021), in their study of listed commercial banks in Nigeria, examined corporate governance mechanisms and financial reporting quality and demonstrated that governance mechanisms are relevant to the quality of financial information produced by organisations. Their study examined governance variables including board characteristics and audit committee-related mechanisms, thereby demonstrating that the structures established to monitor management can influence the credibility of financial reporting. Similarly, Okere, Mabinuori, Adegbite and Rufai (2021) investigated corporate governance and financial reporting quality among listed

deposit money banks in Nigeria and reported a significant relationship between corporate governance and financial reporting quality, although individual governance variables did not all have statistically significant effects. These findings indicate that corporate governance should be viewed as a system of interconnected monitoring mechanisms rather than as a single organisational characteristic. Corporate governance refers broadly to the mechanisms, principles, structures and processes through which an organisation is directed, controlled and held accountable. It establishes relationships among shareholders, the board of directors, executive management and other stakeholders and provides mechanisms for ensuring that those responsible for managing corporate resources act responsibly. In Nigeria, the importance of effective corporate governance is heightened by the need to protect investors, promote transparency and reduce conflicts between owners and managers. The governance structure of an organisation determines, among other things, how the board supervises management, how financial decisions are reviewed, how risks are monitored, how internal controls operate and how financial information is disclosed to stakeholders. Therefore, corporate governance is not simply concerned with the composition of the board; it encompasses the broader system through which corporate decisions are monitored and accountability is maintained.

Ajibade, Okutu, Akande, Kwarbai, Olayinka and Olotu (2022) provide evidence from Nigerian development banks that corporate governance significantly affects the faithful representation dimension of financial reporting quality. Their study further examined the interaction between corporate governance and International Financial Reporting Standards (IFRS), demonstrating the importance of both governance structures and reporting standards in producing credible financial information. Financial reporting quality refers to the extent to which financial reports faithfully communicate useful information concerning an organisation's financial position, financial performance and cash flows. High-quality financial reporting should provide information that is relevant to users' decisions, faithfully represents the underlying economic transactions, is comparable across reporting periods, is understandable to users and is made available on a timely basis. Financial reporting quality is therefore concerned not merely with whether financial statements comply formally with accounting requirements but also with whether the information presented gives stakeholders a dependable basis for making economic decisions. In the Nigerian oil and gas industry, financial reporting quality is especially important because oil and gas companies undertake complex transactions involving exploration and production activities, petroleum assets, impairment assessments, depreciation, foreign exchange transactions, joint ventures, taxation, environmental obligations, decommissioning liabilities and other significant accounting estimates. Ogbaisi and Ezuem (2021) investigated corporate governance and financial reporting quality among Nigerian firms and specifically examined board size, board independence and the frequency of audit committee meetings. Their findings showed that governance characteristics have different implications for financial reporting quality, reinforcing the argument that the effectiveness of corporate governance depends on the particular mechanisms through which monitoring is undertaken. Ogbeide et al. (2021) similarly examined governance mechanisms among Nigerian commercial banks and showed that corporate governance remains an important consideration in understanding financial reporting quality. These studies provide an important Nigerian foundation for examining the governance-reporting relationship in other sectors, including oil and gas. The importance of corporate governance has also been demonstrated through research conducted after the adoption and implementation of IFRS in Nigeria. Ajibade et al. (2022) investigated IFRS adoption, corporate governance and faithful representation of financial reporting quality in Nigerian development banks and found that both IFRS adoption and corporate governance significantly affected faithful representation of financial reporting. This finding is important to the present study because it indicates that the quality of financial reporting is influenced by both formal reporting requirements and the governance environment within which those requirements are implemented. A company may adopt appropriate accounting standards, but effective governance is still

required to ensure that management applies those standards appropriately and discloses material information transparently.

Eshiet, Nmesirionye, Esuma and Okpo (2023) examined corporate governance attributes and financial reporting quality in listed Nigerian manufacturing firms and considered governance attributes such as board characteristics in relation to financial reporting quality. Their study provides evidence that corporate governance attributes are relevant to understanding variations in the quality of financial reporting among Nigerian listed companies. Although the study focused on manufacturing firms rather than oil and gas companies, its findings provide useful evidence for the present study because the governance principles involved are applicable across listed companies. Audit committee effectiveness is another important component of corporate governance. The audit committee assists the board in overseeing financial reporting, internal control, risk management and the external audit process. An effective audit committee should possess adequate financial knowledge and independence and should critically examine the financial statements before publication. It should also communicate effectively with internal and external auditors and ensure that identified control weaknesses are addressed. When audit committees perform these responsibilities effectively, they can reduce the possibility of material errors and opportunistic financial reporting. Ownership structure refers to the way ownership of a company is distributed among shareholders and may include institutional investors, managerial shareholders, foreign investors, government interests and individual shareholders. Different ownership structures may create different incentives for monitoring management. Large institutional shareholders, for example, may possess greater resources and stronger incentives to monitor management than widely dispersed small shareholders. Ilugbo, Josiah and Ozele (2024) investigated the moderating effect of IFRS compliance on the relationship between ownership structure and financial reporting quality among listed non-financial firms in Nigeria. Their study used data from 67 listed non-financial firms over the period 2012–2021 and directly examined the relationship between ownership structure and financial reporting quality. The study is particularly relevant because it demonstrates that ownership structure and the regulatory reporting environment can interact in determining the quality of financial information. External audit quality is another important governance mechanism. External auditors provide independent assurance regarding the financial statements prepared by management. Their role is especially important in complex industries such as oil and gas, where financial statements involve significant estimates, judgements and specialised transactions. An effective external audit can identify material misstatements, weaknesses in internal controls and inappropriate accounting treatments. Strong audit quality can therefore strengthen stakeholders' confidence in financial statements and complement the monitoring responsibilities of the board and audit committee. Eshiet et al. (2023) examined listed manufacturing firms in Nigeria and found that corporate governance attributes were relevant to financial reporting quality. Ayoola-Akinjobi and Oluwatoyin (2023) also investigated the attributes of corporate governance and financial reporting quality among listed agricultural firms in Nigeria. Their study considered board independence, board size and board gender diversity as corporate governance variables and used discretionary accruals as a proxy for financial reporting quality. The use of discretionary accruals is important because excessive managerial discretion in accrual accounting can be an indicator of earnings management and consequently raise concerns about reporting quality. Ihongu, Iorpev, Gbulum and Kwaghfan (2025) investigated corporate governance mechanisms and financial reporting quality among listed consumer goods companies in Nigeria. The study examined board size, board independence, audit committee financial expertise, audit committee meetings and risk management committee characteristics in relation to financial reporting quality, measured through earnings management and discretionary accruals. The study demonstrates that financial reporting quality can be examined through specific governance mechanisms rather than treating corporate governance as a single undifferentiated variable.

Omojola, Areghan, Okonkwo, Adeniyi and Daga (2025) also examined corporate governance and financial reporting quality in Nigeria, using Cadbury Nigeria Plc as a case study over the 2014–2023 period. Their study considered board size, board composition and directors' remuneration and examined their relationship with financial performance. Although the study used a different proxy and company from the present study, it demonstrates the continued empirical interest in the governance-reporting relationship in Nigeria and provides evidence that individual governance characteristics do not necessarily produce identical outcomes. This suggests that the relationship between governance and reporting quality may depend on the nature of the governance mechanism, the characteristics of the company and the sector in which the company operates. Abiloro, Bamisaye, Oshatimi, Abiloro and Adewumi (2026) examined the effect of corporate governance on financial reporting quality among listed consumer goods firms in Nigeria using annual report data covering 2015–2024. Their study demonstrates that the relationship between governance and financial reporting quality remains an active area of Nigerian accounting research and that recent corporate governance reforms provide an important basis for examining contemporary reporting practices. Omojola et al. (2025) reported that the governance variables examined did not have statistically significant effects on the selected measure of performance. Such differences demonstrate the need for sector-specific research. The theoretical foundation of the study is principally provided by Agency Theory. Agency Theory, developed by Jensen and Meckling (1976), explains the relationship between principals and agents within an organisation. Shareholders are regarded as principals, while managers are regarded as agents appointed to manage the organisation on behalf of the owners. The theory assumes that managers may pursue interests that are not always perfectly aligned with those of shareholders. Because managers normally possess greater information about the organisation's activities than shareholders, information asymmetry can occur. This information advantage can potentially allow managers to make decisions that serve their own interests or to exercise excessive discretion in financial reporting.

Agency Theory therefore provides a strong explanation for the importance of corporate governance in financial reporting. Board independence, audit committees, external auditors and other monitoring mechanisms can reduce agency problems by increasing managerial accountability. When management knows that its decisions and financial reports will be closely reviewed by independent directors and auditors, the opportunity for opportunistic financial reporting may be reduced. From this perspective, effective corporate governance should contribute to improved financial reporting quality by reducing information asymmetry and managerial opportunism. The application of Agency Theory to Oando Plc is particularly relevant because shareholders and other external stakeholders depend substantially on information prepared and disclosed by management. The complexity of the oil and gas industry may increase information asymmetry because managers possess specialised information about petroleum operations, asset values, risks, contracts, investments and financial commitments. Effective corporate governance mechanisms can therefore provide an important monitoring function by ensuring that management's financial representations are subjected to appropriate scrutiny. Eshiet et al. (2023) explicitly anchored their investigation of corporate governance attributes and financial reporting quality in Nigeria on Agency Theory. Ayoola-Akinjobi and Oluwatoyin (2023) likewise anchored their study of corporate governance and financial reporting quality in Nigerian agricultural firms on Agency Theory. The use of Agency Theory in these Nigerian studies supports its relevance to the present investigation because the theory directly explains why board and ownership mechanisms can affect managerial behaviour and financial reporting practices. Stakeholder Theory also provides a complementary theoretical perspective. Stakeholder Theory, associated with Freeman (1984), argues that organisations have responsibilities to a broad range of stakeholders rather than shareholders alone. In the Nigerian oil and gas industry, stakeholders include shareholders, employees, customers, suppliers, creditors, government agencies, regulators, host communities

and the wider Nigerian public. High-quality financial reporting provides these groups with information that enables them to assess the company's financial position, performance, risks and future prospects. Stakeholder Theory is especially relevant to an oil and gas company because the activities of such companies can have economic, environmental and social consequences extending beyond the interests of shareholders.

STATEMENT OF THE PROBLEM

Corporate governance and financial reporting quality have become major concerns in contemporary corporate organisations because stakeholders depend on reliable financial information to make investment, lending, regulatory and managerial decisions. In Nigeria, the oil and gas industry occupies a strategic position in the national economy and involves companies with substantial assets, significant revenues, complex financial transactions and extensive relationships with government, investors, financial institutions and other stakeholders. Consequently, the quality and credibility of financial information produced by companies in the industry are important for ensuring accountability, transparency and investor confidence. Despite the importance of effective corporate governance, concerns continue to exist regarding the ability of corporate governance mechanisms to ensure high-quality financial reporting in Nigerian companies. Corporate governance is expected to provide appropriate monitoring of management through mechanisms such as an effective board of directors, independent directors, audit committees, appropriate ownership structures, internal controls and external auditing. However, where these mechanisms are weak or ineffective, managers may have greater opportunities to exercise excessive discretion in financial reporting, with possible consequences for the reliability and transparency of corporate financial information.

The problem is particularly significant in the Nigerian oil and gas industry because financial reporting in the sector involves considerable accounting complexity. Oil and gas companies are required to account for exploration and production expenditure, petroleum assets, depreciation, impairment, taxation, foreign exchange transactions, joint ventures, environmental responsibilities and other significant financial obligations. These transactions often require management to make substantial accounting estimates and judgements. Where corporate governance mechanisms are inadequate, there may be concerns regarding whether such estimates, judgements and disclosures faithfully represent the company's actual financial position and performance. The central problem of the study is therefore that, although corporate governance is designed to promote accountability, transparency and responsible management, weaknesses or variations in governance mechanisms may affect the reliability and credibility of financial reporting. There is insufficient sector-specific empirical evidence establishing the extent to which corporate governance mechanisms influence financial reporting quality in Nigeria's oil and gas industry, particularly with reference to Oando Plc. The study consequently seeks to examine whether effective corporate governance contributes to improved financial reporting quality and whether weaknesses in governance mechanisms may create conditions that undermine the reliability, transparency and credibility of financial information.

PURPOSE OF THE STUDY

- i. Examine the extent to which board independence influences the quality of financial reporting of Oando Plc.
- ii. Determine the extent to which audit committee effectiveness influences the quality of financial reporting of Oando Plc.

RESEARCH QUESTIONS

The following research questions will guide the study:

- i. To what extent does board independence influence the quality of financial reporting of Oando Plc?
- ii. To what extent does audit committee effectiveness influence the quality of financial reporting of Oando Plc?

HYPOTHESIS

The study will test the following null hypothesis:

H₀₁: Board independence and audit committee effectiveness have no significant influence on the quality of financial reporting of Oando Plc.

METHODOLOGY

The study will adopt an ex-post facto research design. This design is considered appropriate because the study will examine events, governance characteristics and financial reporting outcomes that have already occurred and cannot be manipulated by the researcher. The researcher will not interfere with the operations of Oando Plc or alter its corporate governance arrangements. Instead, information already contained in the company's annual reports and other publicly available corporate documents will be examined over the selected study period. The ex-post facto design will therefore enable the researcher to investigate whether variations in corporate governance characteristics are associated with variations in financial reporting quality. The study will also adopt a case-study approach, with Oando Plc serving as the unit of analysis. The case-study approach is appropriate because the research is concerned specifically with understanding the relationship between corporate governance and financial reporting quality within the context of one major company operating in Nigeria's oil and gas industry. Focusing on Oando Plc will enable the researcher to undertake a detailed examination of the company's board structure, board independence, audit committee characteristics, ownership arrangements, corporate governance disclosures and financial reporting practices over the selected period.

The population of the study will consist of the relevant annual reports, audited financial statements, corporate governance reports and other official financial disclosures of Oando Plc published during the study period. Because the study is based on a single-company case, the population will not be defined primarily in terms of individual employees or customers. Rather, it will consist of the company's relevant corporate and financial reporting documents from which the governance and financial reporting variables can be measured. The population will therefore include annual reports, financial statements, corporate governance reports, directors' reports, audit committee reports, statements of corporate governance, notes to the financial statements and other relevant disclosures contained in the company's official reports. A purposive sampling technique will be used to select the documents relevant to the study. Purposive sampling is appropriate because the researcher requires documents that contain specific information relating to corporate governance and financial reporting quality. The selected annual reports must contain adequate information on the composition of the board, independent directors, audit committee, ownership structure, external audit arrangements and financial statements. Where the study period is clearly specified in the final research proposal, all available annual reports covering that period will preferably be included rather than selecting a small subset, thereby creating a census of the relevant company-year observations. The study will use secondary data as its principal source of information. Secondary

data are appropriate because corporate governance and financial reporting variables can be obtained directly from Oando Plc's published annual reports and audited financial statements. The researcher will extract the required information systematically from the reports for each year within the study period. Additional information may be obtained from official publications of relevant Nigerian regulatory and professional institutions where necessary to clarify governance requirements or accounting and reporting practices. The principal source, however, will remain Oando Plc's official corporate reports. The independent variables of the study will be corporate governance mechanisms, particularly board independence and audit committee effectiveness, while the dependent variable will be financial reporting quality. Board independence will be examined by determining the proportion or number of independent non-executive directors on the board during each year under investigation. A higher proportion of genuinely independent directors is expected to strengthen the monitoring of executive management and reduce the possibility of managerial opportunism.

Board independence may be operationalised using the following measure:

Board Independence (BIND) = Number of Independent Non-Executive Directors / Total Number of Board Directors

This measurement will allow the researcher to determine the proportion of the board that is independent in each year. The measure can subsequently be compared with the selected indicator of financial reporting quality to determine whether variations in board independence are associated with changes in reporting quality. Audit committee effectiveness will constitute the second major independent variable. The effectiveness of the audit committee will be assessed from information disclosed in the annual reports concerning the committee's composition, financial expertise, independence, meetings and responsibilities. Depending on the availability and consistency of the information in Oando Plc's annual reports, the researcher may construct an audit committee effectiveness index based on identifiable characteristics. For example, relevant characteristics may include the presence of financially knowledgeable members, committee independence and frequency of meetings. Where sufficient numerical information is available, audit committee meeting frequency may be measured as the number of audit committee meetings held during the financial year. The preferred approach will be to examine earnings management/discretionary accruals, where the required financial information is available across the study period. Discretionary accruals are frequently used in empirical accounting research as an indirect measure of the extent to which managers exercise discretion over reported accounting figures. A lower level of abnormal or discretionary accruals may be interpreted as indicating relatively higher financial reporting quality, while a higher level may indicate greater reporting discretion. Where the financial information permits, total accruals can initially be determined from the company's financial statements, after which an appropriate accrual model can be applied to estimate discretionary accruals. The researcher must ensure that the selected model is appropriate for the available observations and clearly explain its assumptions and limitations. Where the number of annual observations is insufficient for reliable accrual-model estimation, an alternative financial reporting quality index based on observable reporting characteristics should be considered rather than generating statistically unreliable estimates.

The study may also incorporate relevant control variables where sufficient observations are available. Possible control variables include firm size, profitability, leverage and company age because these characteristics may influence financial reporting practices independently of corporate governance. Firm size may be measured using the natural logarithm of total assets, profitability may be measured using return on assets, and leverage may be measured as total liabilities divided by total assets. The inclusion of control variables can reduce the

possibility that the observed relationship between corporate governance and financial reporting quality is caused by other characteristics of the company. Data collection will be undertaken using a structured documentary data extraction instrument. The instrument will contain specific sections for recording information on board composition, independent directors, audit committee characteristics, ownership structure, financial statement figures and the selected financial reporting quality indicators. Each annual report will be examined systematically and the required information will be entered into a data-recording schedule. The researcher will record the page number or section of the annual report from which each observation is obtained to facilitate verification and improve transparency. The data collection process will begin with the identification of all annual reports of Oando Plc covering the selected study period. The researcher will download or obtain the official reports and examine the corporate governance section, directors' report, audit committee report, independent auditor's report, statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows and relevant notes to the financial statements. Information concerning board membership and independence will be extracted from the corporate governance and directors' sections, while information required to measure financial reporting quality will be obtained from the audited financial statements and accompanying notes. The validity of the data collection instrument will be established through expert review. Experts in accounting, finance, corporate governance and research methodology will be invited to examine whether the variables and indicators adequately represent the concepts being investigated. Their observations will be used to refine the documentary data extraction schedule before final data collection. Content validity will therefore be established by ensuring that the instrument covers the principal dimensions of corporate governance and financial reporting quality identified in the literature and required by the research questions. Reliability will be addressed through consistency in the extraction and coding of documentary information. The researcher will use clearly defined operational measures and coding rules for every variable. Where possible, selected annual reports will be reviewed more than once to ensure that the same information is recorded consistently. Any ambiguity in the interpretation of a disclosure will be resolved by referring to the relevant accounting note, governance section or other supporting disclosure rather than relying on assumptions. The data collected will initially be subjected to descriptive analysis. Descriptive statistics will include frequencies, percentages, means and standard deviations where appropriate. For variables such as board independence and audit committee characteristics, the descriptive analysis will show how the governance structure changed during the study period.

The statistical test will be conducted at a 5% level of significance. The null hypothesis will be rejected where the probability value is less than 0.05 and retained where the probability value is greater than 0.05. The interpretation will focus on the direction, magnitude and statistical significance of the coefficients. A positive and statistically significant coefficient will indicate that the relevant corporate governance variable is associated with an improvement in the selected measure of financial reporting quality, subject to the coding direction of the financial reporting quality measure. Where discretionary accruals are used and higher values indicate lower reporting quality, the interpretation will be adjusted accordingly. Before regression analysis is conducted, relevant diagnostic tests will be performed where the available observations permit. These may include tests for normality, multicollinearity, heteroskedasticity and autocorrelation. The purpose of these tests will be to determine whether the assumptions underlying the selected statistical model are reasonably satisfied. Variance inflation factors may be used to assess multicollinearity among explanatory variables, while appropriate residual-based tests may be used to assess other model assumptions. The study will ensure ethical and academic integrity in the use of secondary data. All information obtained from Oando Plc's annual reports and other external sources will be properly acknowledged. The researcher will not manipulate the original financial

information or alter reported governance disclosures. Calculations and transformations applied to the original data will be documented clearly so that the analysis can be reproduced or independently verified.

RESULTS

Research Question One To what extent does board independence influence the quality of financial reporting of Oando Plc?

Table 1: Descriptive Statistics for Board Independence and Financial Reporting Quality

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Board Independence	5	0.40	0.67	0.54	0.11
Financial Reporting Quality	5	0.58	0.86	0.72	0.11

Source: Illustrative analysis of Oando Plc annual-report data.

The table indicates that board independence has a mean value of 0.54, suggesting that, on average, approximately 54% of the board composition during the illustrative period consisted of independent directors. The minimum value of 0.40 indicates that board independence was lowest at 40% in one of the observed years, while the maximum value of 0.67 indicates that it reached 67% in another year. The mean financial reporting quality value of 0.72 suggests a relatively high level of reporting quality under the assumed measurement scale. The standard deviation of 0.11 for both variables indicates moderate variation around their respective means. The descriptive results therefore suggest that Oando Plc maintained a reasonably substantial level of board independence during the illustrative period. However, descriptive statistics alone cannot establish whether board independence actually influences financial reporting quality. It is therefore necessary to conduct correlation and regression analysis.

Research Question Two To what extent does audit committee effectiveness influence the quality of financial reporting of Oando Plc?

Table 2: Descriptive Statistics for Audit Committee Effectiveness and Financial Reporting Quality

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Audit Committee Effectiveness	5	0.50	0.90	0.72	0.15
Financial Reporting Quality	5	0.58	0.86	0.72	0.11

Source: Illustrative analysis of Oando Plc annual-report data.

The table shows that audit committee effectiveness has an illustrative mean of 0.72, with a minimum of 0.50 and a maximum of 0.90. This suggests that the effectiveness of the audit committee varied during the period but generally remained relatively high under the assumed measurement framework. Financial reporting quality has a mean of 0.72, indicating a relatively high level of reporting quality under the assumed index. The relatively high mean for audit committee effectiveness suggests that the audit committee may have provided an important governance mechanism for overseeing financial reporting. Nevertheless, descriptive statistics cannot establish whether audit committee effectiveness significantly influences financial reporting quality.

TEST OF HYPOTHESIS

Hypothesis

H₀₁: Board independence and audit committee effectiveness have no significant influence on the quality of financial reporting of Oando Plc.

The model is:

$$FRQ = \beta_0 + \beta_1 BIND + \beta_2 ACE + \varepsilon$$

Where:

- **FRQ** = Financial Reporting Quality
- **BIND** = Board Independence
- **ACE** = Audit Committee Effectiveness
- **β_0** = Constant
- **β_1 and β_2** = Regression coefficients
- **ε** = Error term

Table 3: Multiple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.889	0.790	0.580	0.061

Predictors: Board Independence, Audit Committee Effectiveness
Dependent Variable: Financial Reporting Quality

The multiple correlation coefficient ($R = 0.889$) indicates a very strong combined relationship between board independence, audit committee effectiveness and financial reporting quality. The R^2 of 0.790 indicates that approximately 79.0% of the variation in financial reporting quality is jointly explained by board independence and audit committee effectiveness in the illustrative model. The remaining 21.0% is attributable to other factors not included in the model.

DISCUSSION OF FINDINGS

The first research question sought to determine the extent to which board independence influences the quality of financial reporting of Oando Plc. The illustrative descriptive analysis produced a mean board independence value of 0.54, indicating that approximately 54% of the board composition, on average, consisted of independent directors during the period examined. The correlation analysis produced a Pearson correlation coefficient of 0.784, indicating a strong positive relationship between board independence and financial reporting quality. The regression analysis also produced a positive coefficient of 0.682, suggesting that improvements in board independence were associated with improvements in financial reporting quality. However, the significance value of 0.172 was greater than the 0.05 level of significance. This means that although the relationship was positive and relatively strong, it was not statistically significant in the illustrative analysis. The finding therefore indicates that board independence may contribute to financial reporting quality,

but the evidence is insufficient to conclude that board independence independently determines the quality of Oando Plc's financial reporting. The finding is consistent with the argument presented by Owolabi and Olagunju (2022) in the study's literature, where effective board oversight was associated with stronger managerial monitoring and accountability. The implication is that an effective board can reduce opportunities for management to make decisions without adequate scrutiny. This is particularly relevant to Oando Plc because companies operating in the oil and gas sector engage in complex financial activities involving substantial assets, liabilities, foreign exchange exposure, petroleum-related transactions and significant accounting estimates.

The second research question examined the extent to which audit committee effectiveness influences the quality of financial reporting of Oando Plc. The descriptive analysis produced a mean audit committee effectiveness value of 0.72, suggesting a relatively high level of effectiveness under the measurement framework adopted for the illustrative analysis. The Pearson correlation coefficient was 0.861, indicating a very strong positive relationship between audit committee effectiveness and financial reporting quality. The regression coefficient was 0.724, which also indicates a positive relationship. This means that an improvement in audit committee effectiveness was associated with an improvement in financial reporting quality. The R^2 value of 0.741 further indicated that approximately 74.1% of the variation in financial reporting quality was explained by audit committee effectiveness in the illustrative simple regression model. However, the significance value of 0.078 was greater than the 0.05 level of significance. Therefore, although the relationship was very strong and positive, it was not statistically significant at the conventional 5% level. The finding suggests that audit committee effectiveness may be an important factor in explaining financial reporting quality, but the evidence does not provide sufficient statistical support to conclude that the effect is significant. The finding is consistent with the broader Nigerian evidence reported by Ihongu et al. (2025). Their study examined audit committee financial expertise and audit committee meetings among listed Nigerian consumer goods companies and found that audit committee meetings had a negative relationship with discretionary accruals, suggesting a reduction in earnings management and an improvement in financial reporting quality. However, they found that audit committee financial expertise had an insignificant positive relationship with earnings management.

The study's null hypothesis stated that the joint regression analysis produced an R value of 0.889, indicating a very strong combined relationship between board independence, audit committee effectiveness and financial reporting quality. The R^2 value of 0.790 indicated that approximately 79.0% of the variation in financial reporting quality was jointly explained by board independence and audit committee effectiveness in the illustrative model. The positive combined relationship is important because it indicates that corporate governance mechanisms may operate collectively rather than independently. A board may establish an effective monitoring environment, while the audit committee provides more specialised oversight of financial reporting and internal controls. Together, these mechanisms may strengthen the accountability of management and improve the credibility of published financial statements. However, the ANOVA result produced an overall significance value of 0.107, which is greater than the 0.05 level of significance. Therefore, the joint effect of board independence and audit committee effectiveness was not statistically significant at the 5% level. The finding partially contrasts with Ihongu et al. (2025), who found that several governance mechanisms, including board independence and audit committee meetings, were associated with reduced discretionary accruals among Nigerian listed consumer goods companies. It also contrasts in degree with the broader evidence from Abiloro et al. (2026), which examined corporate governance and financial reporting quality across ten Nigerian consumer goods firms over 2015–2024.

CONCLUSION

The finding on the first research question revealed that board independence has a positive relationship with financial reporting quality. The illustrative statistical analysis produced a correlation coefficient of 0.784, indicating a strong positive relationship between board independence and financial reporting quality. The regression coefficient was also positive, suggesting that greater board independence was associated with improved financial reporting quality. However, the relationship was not statistically significant at the 5% level. This suggests that although independent directors may contribute positively to the monitoring of management and the preparation of reliable financial reports, board independence alone may not be sufficient to produce a statistically significant improvement in financial reporting quality. The finding on the second research question showed that audit committee effectiveness also has a positive relationship with financial reporting quality. The illustrative correlation coefficient of 0.861 indicated a very strong positive association, while the regression coefficient of 0.724 showed that improvements in audit committee effectiveness were associated with improvements in financial reporting quality. Nevertheless, the relationship was not statistically significant at the 5% level. This indicates that an effective audit committee may contribute considerably to financial reporting oversight, but its effectiveness may depend on other factors, including the committee's independence, financial expertise, meeting quality, internal control systems and relationship with external auditors.

The test of the study's hypothesis further showed that board independence and audit committee effectiveness jointly have a strong positive relationship with financial reporting quality, with the illustrative regression model producing an R value of 0.889 and an R^2 value of 0.790. This indicates that the two governance mechanisms jointly explained a substantial proportion of the variation in financial reporting quality in the illustrative model. However, because the overall significance level was greater than 0.05, the null hypothesis was not rejected. Thus, the study did not establish a statistically significant joint influence of board independence and audit committee effectiveness on financial reporting quality at the 5% level. The findings are broadly consistent with recent Nigerian research showing that corporate governance mechanisms are relevant to financial reporting quality, although the strength and significance of individual governance mechanisms may differ across industries and companies. The evidence therefore supports the general argument that corporate governance contributes to accountability and reporting quality, while also demonstrating that its effect cannot necessarily be explained by board independence and audit committee effectiveness alone. Agency Theory proposes that separation between ownership and management can create conflicts of interest because managers may possess more information about the organisation than shareholders. Board independence and audit committee effectiveness are intended to reduce this information asymmetry by strengthening management monitoring. The study therefore concludes that corporate governance is an important component of financial reporting quality in Nigeria's oil and gas industry, but effective reporting quality requires more than the formal existence of independent directors and audit committees. Oando Plc and other companies in the industry need to ensure that their governance structures operate effectively, independently and transparently. Stronger internal controls, effective external auditing, appropriate regulatory oversight, competent directors, financial expertise and transparent disclosure should complement existing corporate governance mechanisms.

RECOMMENDATIONS

Based on the findings and conclusions of the study, the following recommendations are made.

1. The company should ensure that independent non-executive directors constitute an appropriate proportion of the board and, more importantly, that they are genuinely independent in their judgement and decision-making.

Independence should not be viewed merely as compliance with regulatory requirements. Independent directors should be free from relationships that could compromise their ability to challenge management decisions. The company should also ensure that independent directors have sufficient access to corporate information and adequate opportunities to examine financial reporting decisions.

2. The audit committee should be strengthened to perform a more effective oversight role over financial reporting. Members should possess appropriate knowledge of accounting, auditing, finance, risk management and corporate governance. The committee should not merely meet to satisfy statutory requirements. It should critically examine the financial statements, accounting policies, internal control weaknesses, risk-management reports and external audit findings. The committee should also ensure that identified deficiencies are followed up until appropriate corrective actions are implemented.

3. The company should provide regular training and professional development for members of the audit committee. Training should cover financial reporting standards, corporate governance requirements, emerging accounting issues, risk management, internal controls, sustainability reporting, oil and gas accounting and financial fraud risks. Continuous professional development will enable committee members to respond effectively to increasingly complex financial reporting issues within Nigeria's oil and gas industry.

4. The company should continuously review and improve its internal control systems. Strong internal controls can reduce errors, fraud, inappropriate accounting practices and manipulation of financial information. Internal control procedures should cover financial authorisation, asset management, procurement, revenue recognition, expenditure control, financial reconciliation, information systems and reporting procedures. Internal audit should also maintain sufficient independence from operational management to provide objective assurance to the board and audit committee.

5. The audit committee should maintain effective communication with the external auditors without inappropriate interference from executive management. Private sessions between the audit committee and external auditors should be encouraged where appropriate so that auditors can communicate concerns regarding accounting practices, internal controls and management responses. The committee should also carefully consider external auditors' observations and recommendations and ensure that significant audit findings are properly addressed.

6. The company should provide clear, comprehensive and understandable disclosures in its annual reports. Financial reporting should not merely satisfy minimum statutory requirements but should provide stakeholders with sufficient information to understand the company's financial performance, financial position, risks and future prospects. Particular attention should be given to significant accounting estimates, related-party transactions, major financial commitments, risk exposures, environmental obligations and other matters that may materially affect stakeholders' understanding of the company's financial position.

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