Association of Audit Committee Accounting and Finance Expertise with Earning Quality

Marita[1], Sri Astuti[2], Indah Kartika Sandhi[3]
{marita@upnyk.ac.id[1], astoeti2013@gmail.com[2], indahkartika@upnyk.ac.id}

UPN “Veteran“ Yogyakarta, Yogyakarta[1], UPN “Veteran“ Yogyakarta, Yogyakarta[2], UPN “Veteran“ Yogyakarta, Yogyakarta[3]

Abstract. This research examines the association of audit committee accounting and finance expertise with earnings quality, and examines earnings quality in complex companies and audit committees with accounting-financial expertise is higher than earnings quality in less complex companies and audit committees with accounting-financial expertise. Research variable consist of the dependent variable, namely the quality of earnings. The dependent variable consists of the audit committee's accounting and finance expertise and industry complexity. While the control variables consist of the number of audit committees, the number of independent audit committee members, the number of audit committee meetings, ROA and sales growth. The sample in this study consisted of all companies listed on the IDX from 2018 to 2020, except banking companies and financial institutions. While the data that is processed is 149. The data is processed using multiple linear regression. The test results prove that the audit committee's accounting and financial expertise is associated with earnings quality. Meanwhile, the hypothesis which states that earnings quality in complex companies and audit committees with accounting-financial expertise is higher than earnings quality in less complex companies and audit committees with accounting-financial expertise is not supported.

Keywords: Earnings Quality, Audit Committee, Industrial Complexity

Introduction

The separation of functions between management and owners has the consequence of a conflict between the two because of different interests. Management has its own interests, and does not always act in the best interests of the owners. Conflicts of interest between management and owners create information asymmetry issues stemming from management's ability to access and use information for its own benefit (Jensen & Meckling, 1976). Situations in which management does not always act in the best interests of owners encourage owners to establish a control mechanism. Agency theory argues that the monitoring system is one important solution to reduce the conflict of interest so as to increase the reliability and subsequently the quality of financial reporting (Jensen & Meckling, 1976). From the agency theory point of view, the audit committee is an important monitoring mechanism in the corporate governance structure (Fama & Jensen, 1983).

The audit committee is one of the committees under the board of commissioners whose main function is to review the company's financial reporting process. Thus, in carrying out its functions, the audit committee simultaneously monitors management practices and helps owners overcome the problem of information asymmetry so as to reduce agency costs (Abbott et al., 2004; Fama & Jensen, 1983).

Indonesian regulations require companies listed on the Indonesia Stock Exchange to form an audit committee. The audit committee is one of the committees under the Board of Commissioners whose function is to monitor and review financial reports prepared by management. In order to function effectively, the audit committee is equipped with various requirements, one of which is competence. Financial Services Authority Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee requires at least one member of the audit committee to have accounting and financial expertise. These requirements are relevant to the main task of the audit committee. Previous research found that audit committees with accounting and financial expertise are associated with forward-looking disclosure (Abad & Bravo, 2018), earnings quality (Weber, 2020), internal audit function (Oussii & Boulila, 2020), audit fees (Ghafran & O'Sullivan , 2017; Kim et al., 2017), tax aggressiveness (Deslandes et al., 2019), and timeliness of audit reports (Raweh et al., 2021).

Agency theory underlies the importance of the existence of various audit committee expertise so that the financial reporting review function can be carried out effectively (Cohen et al., 2008; Fama & Jensen, 1983). An effective audit committee is expected to mitigate agency conflict issues and minimize business risks. Previous research has confirmed that an effective audit committee as an internal governance mechanism reduces audit risk and the effort associated with the preparation of auditor reports, thereby encouraging companies not to be late in publishing audited financial statements (Abernathy et al., 2014; Ghafran & O'Sullivan, 2017; Sultana & Mitchell Van der Zahn, 2015).

The purpose of this study is to investigate the attributes of audit committee expertise that are important in improving the quality of financial reporting. The expertise of the audit committee referred to in this study is accounting and finance expertise. The design in this study is designed to explore various dimensions of audit committee expertise in relation to improving the quality of financial reporting. Namely by investigating the association of audit committees with accounting and financial expertise and earnings quality, and examining associations of audit committees with accounting and financial expertise with earnings quality in industries with high and low accounting complexity.

Literature Review

Institutional conditions in Indonesia

Indonesia adheres to a two-tier board system, namely a corporate governance system with separate functions and roles of the Board of Commissioners and the Board of Directors. The Board of Commissioners carries out the function of supervising and monitoring the decisions of the board of directors, while the board of directors has the role of implementing and managing the company. In carrying out its functions, the Board of Commissioners forms one or several committees, such as the audit committee, compensation/remuneration committee, nomination committee, and other committees according to the company's needs. The audit committee assists the Board of Commissioners in fulfilling its supervisory responsibilities, especially the review of the annual report and audited financial statements, the review of the financial reporting process and internal control system, as well as supervision of the audit process. In its capacity, the audit committee is responsible for opening and maintaining and maintaining communication between the audit committee and the Board of Commissioners, directors, internal auditors, external auditors and managers.

All public companies in Indonesia are required to form an audit committee. The existence of an audit committee for public companies in Indonesia began in 2001 in Indonesia, namely the

Circular Letter of Bapepam (Capital Market Supervisory Agency) No: SE–03/PM/2000 which contains an appeal to the need for an audit committee to be owned by each issuer. In its development, the Board of Directors of the Jakarta Stock Exchange required a listed company to form an audit committee (Letter of the JSX Board of Directors Number Kep-315/BEJ/06/2000 Securities Listing Regulation Number I-A: Regarding General Provisions for Listing Equity Securities on the Exchange). The Board of Directors' letter also stipulates the number, composition, and duties of the audit committee. The minimum number of audit committees is three members, one of whom is an Independent Commissioner who also serves as the chairman of the audit committee. Other members are independent external parties, at least one of whom is competent in accounting and/or finance. The audit committee's duties include reviewing the company's financial information, the adequacy of audits carried out by public accountants, the effectiveness of the company's internal control, and the level of compliance with relevant laws and regulations, as well as examining allegations of errors in the decisions of the board of directors' meetings or irregularities in the implementation of the results of the decisions. board of directors meeting.

In the next course, the obligation to form an audit committee is stated in the Decree of the Chairman of Bapepam No. Kep–41/PM/2003, Bapepam–LK Regulation No. IX.I.5. concerning the Establishment and Work Implementation Guidelines of the Audit Committee dated December 22, 2003 and amended by Decree of the Chairman of Bapepam No. Kep–29/PM/2004, Regulation No. IX.I.5. concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee dated September 24, 2004. Finally, it is regulated in the Decree of the Chairman of Bapepam No. Kep–643/BL/2012, Regulation No. IX.I.5. concerning the Establishment and Work Implementation Guidelines of the Audit Committee dated December 7, 2012. The transfer of the authority to regulate and supervise financial services activities in the Capital Markets sector from the Capital Market and Financial Report Supervisory Agency (Bapepam-LK) to the Financial Services Authority (OJK), the regulations for the establishment and The Audit Committee Work Implementation Guidelines issued prior to the formation of OJK were also amended into OJK Regulations. Therefore, OJK issued OJK Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee which was stipulated on December 23, 2015.

The Indonesian regulator's efforts to strengthen the role of the audit committee are manifested in the Decree of the Chairman of Bapepam Number Kep–643/BL/2012 which expands the duties and responsibilities of the audit committee. Previously, the duties and responsibilities of the audit committee were limited to internal matters, such as reviewing financial information produced by public companies, reviewing compliance with laws and regulations, and reviewing the performance of internal auditors. However, starting from the 2012 regulation, the role of the audit committee has expanded to become a mediator between management and the external auditor in the event of a difference of opinion between management and the external auditor. In addition, strengthening the role of the audit committee lies in its task of recommending the appointment of an external auditor to the board of commissioners. Financial Services Authority Regulation Number 13/POJK.03/2017 concerning the Use of Public Accountants and Public Accountant Firms in Financial Services Activities emphasizes the role of the audit committee in the appointment of external auditors that the proposed appointment of public accountants and KAP submitted by the board of commissioners must take into account the recommendations of the audit committee (Article 13 Paragraph 4). The role of the audit committee is also enhanced by evaluating the work of public accountants and public accounting firms post-audit. The audit committee also evaluates the potential risk of using the services of a KAP that has been using its services for a long time to recommend auditor replacement.

Previous Research and Hypothesis Development

Agency theory provides a basis for the importance of the audit committee as part of a company's board of commissioners (Jensen & Meckling, 1976). The separation between owner and manager (management) creates an agency conflict, especially if the two have different interests. It is in the interest of the owner to align the interests of management in order to act in the best interests of the owner. The audit committee as an independent party in the company is expected to reduce agency costs arising from the differences in the interests of owners and management. The audit committee is in charge of reviewing the financial reports prepared by management.

The audit committee functions well if it meets certain criteria. DeZoort et al. (2002) defined the characteristics of the audit committee as composition, authority, resources, and activities. These four attributes are important determinants of the effectiveness of the audit committee. Several studies have proven the relationship between audit committee characteristics and financial reporting quality (Ghafran & O'Sullivan, 2013). Another study specifically examines one of the attributes of the audit committee, for example financial expertise, one of the elements of the audit committee that has been widely studied (Bilal et al., 2018).

Several studies have found evidence that audit committee effectiveness increases with financial expertise (Dhaliwal et al., 2006; Sharma & Kuang, 2014). Other evidence shows that audit committee financial expertise is positively associated with earnings quality via restrictions on aggressive earnings management (Badolato et al., 2014; He & Yang, 2014; Zalata et al., 2018). Sun et al. (2012) confirmed these findings by providing evidence that audit committee accounting, finance, and insurance expertise is associated with more accurate loss reserve estimates. Research conducted outside the United States shows the same conclusion. Sultana (2015) examined the financial expertise of audit committees in Australia and found that audit committee members with financial expertise and experience improve earnings quality with earlier loss recognition than audit committee members without such expertise. These results were also found in New Zealand (Sharma & Kuang, 2014), China (Lee, 2014), Germany (Albersmann & Hohenfels, 2017; Velte & Stiglbauer, 2012), and Malaysia (Nelson & Devi, 2013).

This study argues that audit committees with financial expertise have better knowledge and experience in understanding accounting policies and practices so that they can carry out monitoring more effectively. Furthermore, audit committees with financial expertise are better able to limit management activities to manipulate earnings. In line with this expectation, this study proposes the following hypothesis:

H1: Audit committee accounting and financial expertise is positively associated with earnings quality.

H2: Earnings quality in complex firms and audit committees with accounting-financial expertise is higher than earnings quality in less complex firms and audit committees with accounting-financial expertise.

Research Method

Sample population and research period

The population in this study are all companies listed on the Indonesia Stock Exchange in 2018-2020, except the financial and banking industries. In 2018 as many as 600 ((142 financial and banking institutions); in 2019 as many as 632 (financial and banking institutions as many as 142); in 2020 as many as 632 (financial and banking institutions as many as 142).

Description	2018	2019	2020
Population	600	632	632
Finance and Banking	142	142	142
Incomplete data and Outlier	339	448	442
Total Tested Sample	59	42	48

Operational Variable

This research hypothesis was tested using multiple regression analysis for the period 2015-2020. The dependent variable in this study is earnings quality while the independent variable is the audit committee with accounting and financial expertise and industry complexity. While the control variables in this study are the number of audit committees, the number of independent audit committee members, the number of audit committee meetings, ROA and sales growth. Audit committee data is collected manually from the statements contained in the company's annual report. Financial data to calculate earnings quality is obtained from the company's financial statements. Most of the data on the control variables were obtained from the company's financial statements.

Earnings quality in this study was measured using the performance-adjusted modified Jones model introduced by Kothari et al. (2005) as used by Weber (2020). This measure is an extension of the modified Jones model developed by Dechow et al. (1995). The performance-adjusted modified Jones model controls for the effect of firm performance on the measured discretionary accruals. Kothari et al. (2005) claim that controlling for the effect of firm performance strengthens the specification of the test statistic and makes it more powerful. All variables in the regression model used to predict abnormal accruals are divided by total assets of the previous period to reduce heteroscedasticity. Therefore, the residuals from the cross-sectional regression model are used as estimates of discretionary accruals as follows:

$$\frac{TA_{it}}{A_{i\,t-1}} = \propto 0\left(\frac{1}{A_{i\,t-1}}\right) + \propto 1\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{i\,t-1}}\right) + \propto 2\left(\frac{PPE_{it}}{A_{i\,t-1}}\right) + \propto 3\left(\frac{ROA_{it}}{A_{i\,t-1}}\right) + \varepsilon_{it} \quad (1)$$

In this case TAit is the total accruals for company i in year t. Total accruals in year t are obtained from the difference between earnings before extraordinary items and discontinued operations and net cash flows from operating activities. Ait-1 is total assets in year t-1; REVit is the change in year t income from year t-1 revenue; RECit is the change in year t income from year t-1 revenue; PPEit is the gross value of property plant and equipment of company i in year t; ROAit is the total assets divided by the net profit of company i in year t. This study uses the absolute value of discretionary accruals (AbsDA) as the dependent variable in the main regression model. The lower the absolute value of discretionary accruals adjusted for company performance (measured by ROA), the higher the earnings quality.

Measurement of audit committee accounting and financial expertise following Velte (2019). The audit committee is classified as having accounting and financial expertise if it has experience as a president director (CEO), Director of Finance (CFO), Director of Operations (COO), holds a Certified Public Accountant (CPA) degree, has an accounting or management education background, has worked in an accounting firm public as an auditor, or have work experience in the accounting/management field. If it meets the above qualifications, it is coded 1, if it does not meet the above qualifications, it is coded 0.

The criteria for grouping companies into complex and non-complex industries follow Francis & Gunn (2015) as used by Butar-Butar & Indarto (2018) and Cairney & Stewart (2019). The classification of companies according to the Jakarta Stock Industrial Classification (JASICA) is

compared with the list of industry groups according to Francis & Gunn (2015) to determine whether the company falls into the category of complex or less complex industry. If it is in the complex category, it is coded 1 and if not, it is coded 0.
The control variables in this study were divided into two groups, namely governance variables and company-specific characteristics variables. The control variables included in the research model were based on previous literature reviews. The governance variables included in this study are (1) RAK, namely the number of meetings or audit committee meetings reported in the annual report for one year, (2) AKA, namely the number of audit committees including the chairman of the audit committee, (3) KAI, namely the proportion of independent members audit committee, and (4) ROA, (5) PERTPENJ namely sales growth.

Research Model

This study uses panel data regression analysis to test hypotheses 1 to 2. Hypothesis 1 suggests that audit committee accounting and financial expertise is positively associated with earnings quality. Meanwhile, hypothesis 2 suggests that earnings quality in complex companies and audit committees with accounting-financial expertise is higher than earnings quality in less complex companies and audit committees with accounting-financial expertise.
The regression model to test H1 and H2 is as follows:
(H1) $AbsAD_{it} = \beta_0 + \beta_1 KK_{it} + \beta_2 AKA_{it} + \beta_3 KAI_{it} + \beta_4 RKA_{it} + \beta_5 ROA_{it} + \beta_6 PERTPENJ_{it} + \varepsilon_{it}$
(H2) $AbsAD_{it} = \beta_0 + \beta_1 KI_{it} + \beta_2 AKA_{it} + \beta_3 KAI_{it} + \beta_4 RKA_{it} + \beta_5 ROA_{it} + \beta_6 PERTPENJ_{it} + \varepsilon_{it}$

In this case AbsADit shows the absolute value of discretionary accruals adjusted for company performance i year t. KKit is the accounting and finance expertise of the audit committee of the company i year t. RKAit is measured as the number of audit committee meetings in a company year i year t. AKAit is the number of members of the audit committee of company i year t. KAIit is the number of independent members of the audit committee of company i year t. ROAit is net income before special dividends divided by average total assets. PERTPENJit is sales growth which is calculated as the difference between sales of company i in year t and year t-1 divided by sales in year t-1. IP is an industrial complexity.
In this case KKit is a dummy variable with number 1 if the audit committee has accounting and financial expertise in complex companies and number 0 for others. This regression model is designed to examine differences in earnings quality in high-complex companies with accounting-financial expertise audit committees and lower-complex companies with financial-accounting expertise audit committees. The prediction 1 is positive and significant. The regression coefficient 1 is positive, which means that earnings quality is higher in companies with high complexity with accounting-financial expertise audit committees than in companies with lower complexity with audit committees with accounting-financial expertise.

Result and Discussion

Here are the results of multiple linear tests to test the first hypothesis

Table 1 Hypothesis Result (H1)

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	160.080	83.976		1.906	.059		
	X1K	20.761	19.768	.080	1.050	.295	.948	1.055

	X2	-3.805	50.270	-.011	-.076	.940	.271	3.684
	X3	-98.709	58.211	-.240	-1.696	.092	.278	3.601
	X4	3.603	3.049	.093	1.182	.239	.892	1.121
	X5	.055	.121	.034	.454	.650	.982	1.018
	X6	-5.589	1.127	-.372	-4.961	<.001	.987	1.013

The results of testing the first hypothesis, namely testing the association of audit committee accounting and financial expertise with earnings management, the results are supported. The test results show a positive association between the audit committee's accounting and financial expertise and earnings management of 0.080, although it has no significant effect. The percentage of the number of audit committees that have expertise in accounting and finance is 0.78, and the average number of audit committees studied is 3. Audit committee members are required to have expertise in finance. An audit committee was formed to oversee the financial reporting process and to limit the reporting of opportunistic managers (Badolato 2014). The Sarbanes-Oxley Act of 2002 (SOX) emphasizes the importance of the role of audit committee expertise in improving the quality of financial reporting (Badolato et al. 2014). Financial Services Authority Regulation Number 55/POJK.04/2005 concerning the establishment and guidelines for the implementation of audit committee work states that companies must have at least 1 (one) member of the audit committee with educational background and expertise in accounting and finance.

Several previous studies found that expertise in finance was able to limit earnings management actions by management (Dhaliwal et al. 2010). This finding is supported by other studies which found that audit committees with expertise in accounting/finance were able to reduce the tendency of fraud (Lawrence et al. 2004) and earning restatement (Agrawal and Chadha 2005). Meanwhile, Farber (2005) found that companies that commit fraud or overstate their earnings (DeFond and Jiambalvo 1991) tend to have a smaller number of audit committees.

One of the reasons for the lack of influence of accounting expertise and financial expertise on earnings management is the placement of audit committee team members with accounting and financial expertise only to comply with existing regulations (Khomsiyah et al. 2005). This finding is not in line with Chang and Sun (2009) who found that if the company has at least one member of the audit committee with accounting expertise, it will reduce earnings management. Likewise, the findings of Nelson and Devi (2013) which state that the presence of accounting expertise on the audit committee team will reduce the company's earnings management.

While the results of linear regression testing to test hypothesis 2 are as follows:

Table 2 Hypothesis Result (H2)

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	158.922	85.260		1.864	.064		
	X2	6.603	50.918	.019	.130	.897	.265	3.772
	X3	-104.664	57.787	-.254	-1.811	.072	.282	3.542
	X4	4.077	3.022	.105	1.349	.179	.910	1.099
	X5	.048	.121	.030	.394	.694	.978	1.022
	X6	-5.513	1.123	-.367	-4.908	<.001	.995	1.005

X1I	-16.556	18.297	-.072	-.905	.367	.866	1.155

The results of testing the second hypothesis, namely earnings quality in complex companies and audit committees with accounting and financial expertise is higher than earnings quality in less complex companies and audit committees with accounting and financial expertise. The test results show a negative association between industrial complexity and earnings management of -0.072, although it has no significant effect. The percentage of companies that have industry complexity is 0.32. The association in this test shows negative, meaning that complex companies tend not to carry out earnings management. So the hypothesis in this study is not supported. Based on the processed data, this is probably because the percentage of complex companies that are processed is only 0.32 of the sample.

According to several studies. The more the company has many subsidiaries, the more difficult the accounting complexity of the company will be. Thomas et al. (2004) found that companies that have more subsidiaries tend to conduct earnings management more aggressively through transactions with parties that have special relationships with them. When the parent company has a dominant relationship with an affiliated company, the parent company can regulate or structure transactions between its company and its affiliates so that the company can achieve its profit reporting targets. Thus it can be concluded that companies with many subsidiaries will increase organizational complexity and then increase information asymmetry between managers and investors. Such information asymmetry can open up opportunities for earnings management because investors may not have sufficient incentives, resources and access to monitor managers' actions (Warfield et al. 1995). According to the agency conflict hypothesis, the ability of managers to distort information and manipulate earnings depends on the level of complexity of the company (El Mehdi & Seboui, 2011). Diversified companies provide more favorable conditions for earnings management. This is because the problem with diversified companies is that they have many subsidiaries, making it difficult for shareholders to monitor the performance of managers. Geographically diversified companies have subsidiaries located overseas. This can increase information asymmetry as well as agency problems or conflicts. Managers in overseas subsidiaries can practice earnings management without being noticed by company owners because of the lack of supervision. Research by El Mehdi and Seboui (2011) results that geographical diversification has a positive effect on earnings management, while research by Verawati (2012) shows that geographical diversification has a negative effect on earnings management.

The earnings volatility hypothesis states that company diversification can result in lower earnings variability because the profits generated from various company units are less than focused companies (El Mehdi & Seboui, 2011). Industry diversified companies operate in different business segments. This causes managers in subsidiaries to find it difficult to manipulate earnings through accruals because accruals generated from different business units tend to be written off. Therefore, industry diversified companies can reduce earnings management. Research by El Mehdi and Seboui (2011) results that industry diversification has a negative effect on earnings management.

Conclusion

The audit committee is one of the committees under the board of commissioners whose main function is to review the company's financial reporting process. Thus, in carrying out its

functions, the audit committee simultaneously monitors management practices and helps owners overcome the problem of information asymmetry, thereby reducing agency costs.
The first hypothesis is to test the association of audit committee accounting and financial expertise with earnings management. The results are supported. The test results show a positive association between the audit committee's accounting and financial expertise and earnings management of 0.080, although it has no significant effect. The percentage of the number of audit committees that have expertise in accounting and finance is 0.78, and the average number of audit committees studied is 3.
The second hypothesis is that earnings quality in complex companies and audit committees with accounting and financial expertise is higher than earnings quality in less complex companies and audit committees with accounting and financial expertise. The test results show a negative association between industrial complexity and earnings management of -0.072, although it has no significant effect. The percentage of companies that have industry complexity is 0.32. The association in this test shows negative, meaning that complex companies tend not to carry out earnings management. So the hypothesis in this study is not supported.

This research examines accounting and finance expertise together, not separately. Meanwhile, basically, there is a difference between expertise in finance and expertise in accounting. Accounting expertise focuses on the financial reporting process to produce financial statements that describe the company's financial condition, while financial expertise usually focuses more on how to manage finances in the company's operational activities. This condition indicates the need for separation between audit committees with accounting expertise and those with financial expertise to illustrate that accounting expertise has a more specific effect on earnings management than financial expertise.
This study uses industry complexity variables in the test. The grouping of industries in this study is based on the grouping conducted by JASICA. There are several industries whose grouping is different for each year, so there needs to be another model for measuring industry complexity.

Acknowledgment
This research conducted and funded by LPPM UPN “Veteran“ Yogyakarta

References

Abad, C., & Bravo, F. (2018). Audit committee accounting expertise and forward-looking disclosures: A study of the US companies. *Management Research Review*, *41*(2), 166–185.
Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit committee characteristics and restatements. *Auditing*, *23*(1), 69–87. https://doi.org/10.2308/aud.2004.23.1.69
Abernathy, J. L., Beyer, B., Masli, A., & Stefaniak, C. (2014). The association between characteristics of audit committee accounting experts, audit committee chairs, and financial reporting timeliness. *Advances in Accounting*, *30*(2), 283–297. https://doi.org/10.1016/j.adiac.2014.09.001
Albersmann, B. T., & Hohenfels, D. (2017). Audit committees and earnings management – Evidence from the German two-tier board system. In *Schmalenbach Business Review* (Vol. 18, Issue 2).
Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit committee financial expertise and

earnings management: The role of status. *Journal of Accounting and Economics*, *58*(2–3), 208–230. https://doi.org/10.1016/j.jacceco.2014.08.006
Bilal, Chen, S., & Komal, B. (2018). Audit committee financial expertise and earnings quality: A meta-analysis. *Journal of Business Research*, *84*(December 2017), 253–270. https://doi.org/10.1016/j.jbusres.2017.11.048
Butar-Butar, S., & Indarto, S. L. I. L. (2018). Does auditor industry expertise improve audit quality in complex business environments? *Jurnal Akuntansi Dan Keuangan*, *20*(1), 1–12.
Cairney, T., & Stewart, E. G. (2019). Client industry characteristics and auditor changes. *Review of Accounting and Finance*, *18*(2), 245–267. https://doi.org/10.1108/RAF-01-2017-0017
Cohen, D. A., Dey, A., & Lys, T. Z. (2008). Real and accrual-based earnings management in the pre-and post-Sarbanes-Oxley periods. *The Accounting Review*, *83*(3), 757–787.
Cohen, J. R., Hoitash, U., Krishnamoorthy, G., & Wright, A. M. (2014). The effect of audit committee industry expertise on monitoring the financial reporting process. *Accounting Review*, *89*(1), 243–273.
Danos, P., Eichenseher, J. W., & Holt, D. L. (1989). Specialized knowledge and its communication in auditing. *Contemporary Accounting Research*, *6*(1), 91–109.
DANOS, P., EICHENSEHER, J. W., & HOLT, D. L. (1989). Specialized knowledge and its communication in auditing. *Contemporary Accounting Research*, *6*(1), 91–109. https://doi.org/10.1111/j.1911-3846.1989.tb00746.x
Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting earnings management. *The Accounting Review*, *70*(2), 193–225.
Deslandes, M., Fortin, A., & Landry, S. (2019). Audit committee characteristics and tax aggressiveness. *Managerial Auditing Journal*, *35*(2), 272–293.
DeZoort, F. T., Hermanson, D. R., Archambeault, D. S., & Reed, S. A. (2002). Audit committee effectiveness: A synthesis of the empirical audit committee literature. *Journal of Accounting Literature*, *21*, 38–75.
Dhaliwal, D. S., Naiker, V., & Navissi, F. (2006). Audit committee financial expertise, corporate governance and accruals quality: An empirical analysis. *Corporate Governance and Accruals Quality: An Empirical Analysis (May 2006)*.
Faleye, O., Hoitash, R., & Hoitash, U. (2018). Industry expertise on corporate boards. *Review of Quantitative Finance and Accounting*, *50*(2), 441–479.
Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics and Economics*, *26*(2), 301–325.
Francis, J. R., & Gunn, J. L. (2015). Industry accounting complexity and earnings properties: Does auditor industry expertise matter? *Working Paper*, University of Missouri and the University of Pitts.
Ghafran, C., & O'Sullivan, N. (2013). The governance role of audit committees: Reviewing a decade of evidence. *International Journal of Management Reviews*, *15*(4), 381–407. https://doi.org/10.1111/j.1468-2370.2012.00347.x
Ghafran, C., & O'Sullivan, N. (2017). The impact of audit committee expertise on audit quality: Evidence from UK audit fees. *British Accounting Review*, *49*(6), 578–593. https://doi.org/10.1016/j.bar.2017.09.008
He, L., & Yang, R. (2014). Does Industry Regulation Matter? New Evidence on Audit Committees and Earnings Management. *Journal of Business Ethics*, *123*(4), 573–589. https://doi.org/10.1007/s10551-013-2011-9
Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360.

Kim, H., Kwak, B., Lim, Y., & Yu, J. (2017). Audit committee accounting expertise, CEO power, and audit pricing. *Asia-Pacific Journal of Accounting & Economics*, *24*(3–4), 421–439.

Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, *39*(1), 163–197.

Lee, P.-C. (2014). Better effectiveness with audit committees: Evidence from China. *Universal Journal of Accounting and Finance*, *2*(4), 97–115.

Nelson, S. P., & Devi, S. (2013). Audit committee experts and earnings quality. *Corporate Governance: The International Journal of Business in Society*, *13*(4), 335–351.

Oussii, A. A., & Boulila, N. (2020). Evidence on the relation between audit committee financial expertise and internal audit function effectiveness. *Journal of Economic and Administrative Sciences*, *37*(4), 659–676.

Raweh, N. A. M., Abdullah, A. A. H., Kamardin, H., & Malek, M. (2021). Industry expertise on audit committee and audit report timeliness. *Cogent Business & Management*, *8*(1), 1920113.

Sharma, V. D., & Kuang, C. (2014). Voluntary audit committee characteristics, incentives, and aggressive earnings management: Evidence from New Zealand. *International Journal of Auditing*, *18*(1), 76–89.

Sultana, N. (2015). Audit Committee Characteristics and Accounting Conservatism. *International Journal of Auditing*, *19*(2), 88–102. https://doi.org/10.1111/ijau.12034

Sultana, N., & Mitchell Van der Zahn, J. L. W. (2015). Earnings conservatism and audit committee financial expertise. *Accounting and Finance*, *55*(1), 279–310. https://doi.org/10.1111/acfi.12042

Sun, F., Wei, X., & Xu, Y. (2012). Audit committee characteristics and loss reserve error. *Managerial Auditing Journal*, *27*(4), 355–377.

Velte, P. (2019). Associations between the financial and industry expertise of audit committee members and key audit matters within related audit reports. *Journal of Applied Accounting Research*, *21*(1), 185–200.

Velte, P., & Stiglbauer, M. (2012). Impact of auditor and audit firm rotation on accounting and audit quality: A critical analysis of the EC regulation draft. *Journal of Governance and Regulation*, *1*(3), 7–13. https://doi.org/10.22495/jgr_v1_i3_p1

Wang, C., Xie, F., & Zhu, M. (2015). Industry expertise of independent directors and board monitoring. *Journal of Financial and Quantitative Analysis*, *50*(5), 929–962.

Weber, L. (2020). Is Audit Committee Expertise Related to Earnings Quality? Evidence from Germany. *Journal of Managerial Issues*, *32*(3), 294–317.

Zalata, A. M., Tauringana, V., & Tingbani, I. (2018). Audit committee financial expertise, gender, and earnings management: Does gender of the financial expert matter? *International Review of Financial Analysis*, *55*, 170–183.