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Audit Comitte Characteristic and Their Impact on Quality: A-Meta-Analysis

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Abstrak

Komite audit memainkan peran penting dalam tata kelola perusahaan yang baik dengan mengawasi proses audit internal dan eksternal. Karakteristik komite audit, seperti ukuran, independensi, keahlian, dan frekuensi rapat, diyakini memiliki pengaruh terhadap kualitas audit. Penelitian ini bertujuan untuk mengevaluasi dampak dari karakteristik komite audit terhadap kualitas audit dengan melakukan meta-analisis pada studi-studi empiris terdahulu. Penelitian ini adalah jenis penelitian meta-analisis untuk mensintesis hasil dari berbagai penelitian empiris yang menguji hubungan antara karakteristik komite audit dan kualitas audit. Dengan mengumpulkan dan menganalisis data dari 12 studi. Penelitian ini memberikan pemahaman yang lebih komprehensif tentang hubungan antara karakteristik komite audit dan kualitas audit. Karakteristik yang diteliti meliputi ukuran komite audit, keahlian akuntansi dan keuangan, independensi, frekuensi pertemuan, serta tenure anggota komite audit. Analisis data adalah analisis kuantitatif dengan menghitung nilai effect size. Hasil penelitian menyimpulkan Karakteristik komite audit memiliki pengaruh yang signifikan terhadap kualitas audit dengan nilai effect size sebesar 1.12 dengan kategori effect size tinggi. Temuan penelitian ini memberikan implikasi penting bagi para pemangku kepentingan dalam meningkatkan efektivitas komite audit dan kualitas audit.

Kata Kunci: *Komite Audit, Kualitas Audit, Independensi, Keahlian, Meta-Analisis*

Abstract

Audit committees play an important role in good corporate governance by overseeing the internal and external audit processes. Audit committee characteristics, such as size, independence, expertise, and frequency of meetings, are believed to have an influence on audit quality. This study aims to evaluate the impact of audit committee characteristics on audit quality by meta-analysing previous empirical studies. This study is a type of meta-analysis research to synthesise the results of various empirical studies that examine the relationship between audit committee characteristics and audit quality. By collecting and analysing data from 12 studies. This study provides a more comprehensive understanding of the relationship between audit committee characteristics and audit quality. The characteristics studied include audit committee size, accounting and financial expertise, independence, frequency of meetings, and tenure of audit committee members. Data analysis is quantitative analysis by calculating the effect size value. The results concluded that audit committee characteristics have a significant influence on audit quality with an effect size value of 1.12 with a high effect size category. The findings of this study provide important implications for stakeholders in improving audit committee effectiveness and audit quality.

Keywords: *Audit Committee, Audit Quality, Independence, Expertise, Meta-Analysis*

INTRODUCTION

The audit committee plays an important role in corporate governance and supervision of the financial reporting process. As an integral part of the board of directors, the audit committee is responsible for ensuring the integrity and reliability of financial statements, overseeing the effectiveness of internal controls, and maintaining relationships with external auditors (Lin et al., 2006). With this significant responsibility, the characteristics and effectiveness of the audit committee have a direct impact on the quality of the audit and the overall quality of financial reporting. In addition, the audit committee is responsible for overseeing the company's risk management (Martínez & Fuentes, 2017). In a dynamic and challenging business environment, the ability to effectively identify and manage risks is key to corporate sustainability (Tae, 2022). The audit committee ensures that the company has an effective framework for managing risks including financial, operational, legal, and reputational risks. Therefore, the committee not only protects the company's assets, but also ensures that the company operates in accordance with applicable regulations and industry standards (Masmoudi, 2021).

Furthermore, the audit committee plays an important role in improving communication between auditors, management, and the board of directors (Gerayli et al., 2021; Alawaqleh & Almasri, 2021). Through open and transparent discussions on financial

and audit issues, the audit committee helps ensure that all parties have a clear understanding of the challenges and opportunities facing the company. This not only strengthens accountability and responsibility throughout the organization, but also supports informed and strategic decision-making. (Hamdan, 2020). Thus, the audit committee is an important pillar in the corporate governance structure, ensuring that the company not only complies with laws and regulations, but also operates in an ethical and responsible manner.

Audit committee is one of the important elements in good corporate governance. Audit committee characteristics, such as size, independence, expertise, and meeting activity, have a significant influence on the quality of financial reporting and the audit process (Afenya et al., 2022). A large audit committee, with independent members with expertise in accounting and finance, tends to be more effective in overseeing the financial reporting process and reducing the risk of material misstatement (Sultana et al., 2015; Bradbury et al., 2006). In addition, a high frequency of meetings can also increase the effectiveness of supervision and ensure that important issues are addressed in a timely manner.

Hezabr et al., (2023) Strong audit committee characteristics are positively correlated with better quality of financial reporting and auditing. Companies with independent audit committees and financial expertise tend to have lower discretionary accrual rates, indicating higher profit quality (Alia et al., 2020). In addition, regular and intensive meeting activities are also associated with lower levels of profit management, as well as the possibility of smaller financial statement restatements and reporting irregularities (Mohammadi et al., 2021). Therefore, selecting the right audit committee members and ensuring that they perform their supervisory functions effectively is essential to maintain the integrity of financial reporting and increase stakeholder confidence.

The role of audit committees in corporate governance has been a significant research topic in recent years. A series of regulatory reforms, such as the Sarbanes-Oxley Act (2002) in the United States and the Good Corporate Governance Guidelines in Indonesia (2006), have emphasized the importance of an effective audit committee in overseeing the financial reporting and audit process. Previous research has explored various characteristics of audit committees, such as size, independence, financial expertise, and meeting activity, as well as their impact on the quality of financial reporting and auditing.

Research by Haddad et al., (2021) shows that independent audit committees, with the majority of external members who have no affiliation with the company, tend to be more effective in monitoring financial reporting processes and reducing the risk of material misstatement (Abbott et al., 2004; Bédard et al., 2004). In addition, the presence of members

with financial expertise, such as accounting or finance backgrounds, is also associated with higher quality of financial reporting and lower likelihood of financial statement restatements (Krishnan & Visvanathan, 2008; Dhaliwal et al., 2010).

Audit committee meeting activities are also considered an important factor in determining the effectiveness of supervision. Research shows that higher meeting frequency correlates with lower discretionary accrual rates, indicating better profit quality (Xie et al., 2003; Bédard et al., 2004). However, some studies have also found that the relationship between meeting frequency and financial reporting quality is not always linear, and it is possible that too many meetings can actually reduce the effectiveness of supervision (Sharma et al., 2009; Sultana et al., 2019). Although previous research has provided valuable insights into the effect of audit committee characteristics on the quality of financial and audit reporting, there are still some gaps that need to be explored further (Salih & Flayyih, 2020). Most previous studies have focused on large companies in developed countries, while research on developing country contexts has been limited. In addition, the interaction between the various characteristics of audit committees and their impact on the quality of financial reporting and auditing is still not fully understood.

To comprehensively understand the effect of audit committee characteristics on the quality of financial reporting and auditing, a meta-analysis was conducted by synthesizing the results of various empirical studies that have been conducted previously. Based on this, this study aims to evaluate the impact of audit committee characteristics on audit quality by conducting a meta-analysis on previous empirical studies.

RESEARCH METHOD

This type of research is a meta-analysis research. This meta-analysis was conducted a comprehensive literature search on various databases Google Scholar, Web of Science, Scopus, EBSCOhost, and IEEE. The search focused on leading journals in accounting, finance, and management published between 2000 and 2023. Keywords used in the search include "audit committee", "board characteristics", "financial reporting quality", "audit quality", and other variations. After going through an initial screening process identified more than 12 relevant studies. Furthermore, inclusion and exclusion criteria are rigorous, such as including only quantitative empirical studies that use regression analysis methods and provide the statistics necessary to calculate effect size. Data from eligible studies were then coded and analyzed using meta-analysis methods with randomized effect models.

The effect measure used was a partial correlation coefficient, which allowed us to combine results from different studies with different designs and control variables. We also examined heterogeneity between studies and conducted subgroup analyses and meta-regressions to explore factors that could moderate the relationship between audit committee characteristics and the quality of financial reporting/auditing. Data analysis in this study is quantitative data analysis with the help of Microsoft Excel 2020 application. Furthermore, the effect size criteria in this study are guided by the effect size criteria Cohen et al., (2007) which can be seen in Table 1.

Table 1. Categories Cohen's Effect Size Value

Effect Size	Criterion
$0.0 \leq ES \leq 0.20$	Low
$0.20 \leq ES \leq 0.80$	Medium
$ES \geq 0.80$	High

RESULT AND DISCUSSION

From the results of data search through the Google Scholar, Web of Science, Scopus, EBSCOhost, and IEEE databases, 12 research journals were obtained that met the inclusion criteria. Furthermore, journals that have met the inclusion criteria are calculated effect size values which can be seen in Table 1.

Table 2. Effect size value 12 Research Journal

Journal Code	Year of Publication	Index	Source	Effect Size	Effect size value
A1	2021	Scopus	Google Scholar	1.18	High
A2	2023	Scopus	IEEE	2.09	High
A3	2022	Wos	WOS	1.10	High
A4	2022	Sinta	Google Scholar	0.91	High
A5	2021	Sinta	Google Scholar	0.88	High
A6	2020	Scopus	Google Scholar	1.65	High
A7	2023	Scopus	Google Scholar	0.97	High
A8	2023	Scopus	IEEE	1.15	High
A9	2023	Sinta	Google Scholar	0.65	Medium
A10	2023	Wos	WOS	0.82	High
A11	2022	Scopus	IEEE	1.29	High
A12	2021	Sinta	Google Scholar	0.74	Medium
Nilia effect size on average				1.11	High

Based on Table 2, the results of the effect size value analysis range from 0.65 to 2.09. According to the criteria of effect size value Cohen et al., (2007) Of the 12 research journals analyzed, two (n = 2) research journals have a medium category effect size value and ten (n = 10) have an effect size value with high criteria. Furthermore, the average value of effect size is 1.11 with a high effect size category. This result concludes that the characteristics of the audit committee have a significant influence on audit quality with an effect size value of 1.11 with a high effect size category. This research is in line with Zaman et al., (2011) Explain the characteristics of the auditing committee to influence the quality of audits in a company.

Audit committees play a pivotal role in ensuring the integrity and quality of financial reporting within organizations. Their characteristics significantly influence the effectiveness of their oversight functions (Azizkhani et al., 2023). One crucial characteristic is the composition of the committee itself. Research indicates that committees comprising independent, financially literate members with relevant expertise exhibit a higher commitment to upholding quality standards. These members are better equipped to understand complex financial matters and challenge management decisions, thereby enhancing the overall quality of audits (Kalembe et al., 2023; Almomani et al., 2023).

Moreover, the leadership and structure of the audit committee are paramount. Studies have shown that committees led by experienced chairs and structured with defined responsibilities tend to foster an environment conducive to rigorous oversight. A well-structured committee facilitates open communication channels, promotes accountability, and ensures that audit processes adhere to established standards. Conversely, deficiencies in leadership or structure can impede the committee's ability to effectively fulfill its quality assurance mandate (Rijal et al., 2023). Additionally, the level of engagement and independence exhibited by audit committee members profoundly impacts audit quality. Research suggests that active participation, including regular meetings and thorough review processes, correlates with improved oversight outcomes. Furthermore, the independence of committee members from management influences their ability to critically evaluate financial information objectively. Independence mitigates the risk of undue influence or conflicts of interest, safeguarding the integrity of the audit process and ultimately enhancing quality.

Furthermore, the relationship between the audit committee and external auditors is vital in maintaining audit quality. Effective communication and collaboration between these parties facilitate the exchange of relevant information and insights, enabling auditors to perform their duties diligently (Yahaya & Murtala, 2023). Studies highlight the significance

of constructive interactions characterized by mutual respect and a shared commitment to upholding professional standards. Such collaborative efforts foster a robust control environment and contribute to the overall reliability of financial reporting. characteristics of audit committees significantly impact the quality of audits and financial reporting. A well-composed committee (Almunawwaroh & Setiawan, 2023; Ali et al., 2023), led by experienced individuals and structured with clear responsibilities, enhances oversight effectiveness. Active engagement, independence, and constructive relationships with external auditors further contribute to maintaining audit quality. By understanding and fostering these characteristics, organizations can strengthen their governance frameworks and instill confidence in stakeholders regarding the reliability of financial information (Xue & O'Sullivan, 2023).

CONCLUSION

From this study, it can be concluded that the characteristics of audit committees significantly impact the quality of audits and financial reporting. A well-composed committee, led by experienced individuals and structured with clear responsibilities, enhances oversight effectiveness. Active engagement, independence, and constructive relationships with external auditors further contribute to maintaining audit quality. By understanding and fostering these characteristics, organizations can strengthen their governance frameworks and instill confidence in stakeholders regarding the reliability of financial information.

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