

Audit committee Characteristics and Financial Reporting Quality in Iraq Public Listed Firm

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Abstract

The ineffectiveness of corporate board of directors in discharging their responsibilities coupled with the escalation in financial scandals throughout the world has elevated a countless criticism about the Financial Reporting Quality. Owing to this, The Iraqi Securities Commission has emphasized the internalization of corporate governance culture, with a focus on responsibility and openness. This study examines the influence of Audit Committee characteristics on financial reporting quality in Iraqi firms. Data were collected using a questionnaire and personally administered at random to collect the data from 125 respondents in the study area. For analysis purpose, Partial Least Squared Structural Equation Model (Smart PLS-3.0) was used and the results show that audit committee size, audit committee independence and audit committee expertise positively and significantly relates to financial reporting quality. The results of this research have contributed significantly to the body of existing literature, provided a guide to managers and policies makers, and proffered suggestion for future research based on limitation of the study.

1.0 Introduction

Financial reporting quality (FRQ) is important for investor confidence, and it is linked to better stock performance (Penman, 2007). The FRQ is a key tool for reducing information irregularity between enterprises and investors (Bala, Amran, & Shaari, 2019; Lin, Wang, & Lin, 2018) and improving financial reporting (FR) transparency (Akhtaruddin & Haron, 2010). Quality reporting is believed to protect shareholders' rights, because investors could use the disclosed information to make decisions and invest.

Concerning the improvement of financial reporting (FR), corporate governance (CG) in developing economies such as Asia is primarily concerned with the absence of corporate openness and disclosure (Cohen, Krishnamoorthy & Wright, 2014; Elghuweel et al., 2017;

Madhani, 2016; Muda et al., 2018). Recent company failures and financial scandals at Satyam in India and SK Networks in South Korea show CG's inability to improve FR (Beatty, Liao & Yu, 2013). In addition, shareholders in a number of Iraqi public companies were unable to evaluate their companies' operations due to a lack of reliable information (Muda et al., 2018).

Moreover, as noted by Alsmarraie and Ahmed (2018) and Khudhair et al. (2019), Iraq faces a formidable challenge from a variety of business issues. First, disclosure is not widely employed in Iraqi enterprises; as a result, Iraqi companies lack transparency and information disclosure, which has negative effects on CG practises. Second, the enterprises listed on the Iraq Stock Exchange have an unpredictable return and a significant degree of risk. Thirdly, there is a great deal of speculation in Iraq, where speculators influence the market for the benefit of significant shareholders; and fourthly, Iraqi firms are still expanding and are not as mature as enterprises in industrialised nations, which will result in ineffective CG system practises.

Additionally, the growth of company size and the separation of ownership from management diminished the capacity to observe managers' behaviours. Many companies in East Asia experienced financial difficulties. They witnessed the audit committee's scandals and the lack of sufficient management in observation and oversight. Due to insufficient competence and experience, lack of transparency, and disregard for the application of accounting rules, financial reporting was of poor quality. Therefore, the purpose of governance rules and controls is to establish fairness and transparency and to ensure responsible firm management.

Studies have looked at how the CG mechanism such as AC characteristics affect FRQ (for example, D'onza and Lamboglia (2014), Akeju and Babatunde (2017), Ibrahim and Jehu (2016), Ilaboya and Lodikero (2017)). But based on the Iraq scenario, studies on AC characteristics, are important because corporate transparency and disclosure practises are a major concern of CG in Iraq for improving FR.

In ACs, there haven't been many studies on developing markets. Most research in developing countries like Iraq has been on the effect of corporate authority reforms on market value (Black et al., 2006). AC is seen as one of the most important ways for the company to keep an eye on itself (Ali & Kamardin, 2018) It is an important part of keeping an eye on financial policy and making sure FRQ and Company are responsible (Zhang, Zhou, & Zhou, 2007). But the value of AC depends on how well its members do their jobs.

This study aims to fill in the gaps in research by looking at how well corporate governance affects the quality of financial reporting by publicly traded firms in Iraq. In particular, this study looks at how the characteristics of AC affect the FRQ of Iraqi public listed firms. The results of this study will help the CG agenda prosper, especially in countries with developing economies like Iraq. The study is important for practitioners because it has highlighted the factors that have the capability to enhance the FRQ. From the results of the study, practitioners can get an idea of which factors they should focus on more to improve the quality of their RF. Also, the study will give the Boards of Directors (BODs) and audit committee of Iraqi trade and service companies a new way to find and focus on FRQ.

The research is structured as follows. The first section introduces the background of the study. The second section provides a literature review on the study variables. The third section describes the data source and research methodology. The fourth section presents the results, while the fifth section concludes the studies and makes recommendations for future research.

2.0 Literature review and hypothesis development

The main goal of financial reporting is to give all of a company's stakeholders accurate financial information (Chu et al., 2018). Financial reporting quality is how well information about a company's activities is presented in financial reports (Ibrahim & Jehu, 2018). It is important to give good financial reporting information because it will make well inform to investors and other stakeholders in making their decisions.

To achieve the above goals, corporate governance mechanism is essence to complement FRQ (Cohen et al., 2004). According to the agency theory, shareholders (whether in firms with diffused or concentrated ownership) bear the burden of the business. Typically, the board of directors are viewed as a monitoring tool for reducing agency costs, including information asymmetry issues (Akhtaruddin & Haron, 2010; Alzoubi, 2012; Beasley, et al., 2009), by tracking the actions of managers to encourage them to share more information. According to the principle of agencies, auditors are the primary source of transparency. This study measure Board size, Board Independence and Board expertise as proxies for BOD characteristics. This research proposes that Board of Director (BOD) characteristics influence the effectiveness of FR as a whole, which consequently affects the quality of reporting. This relationship is modeled in Figure 1.

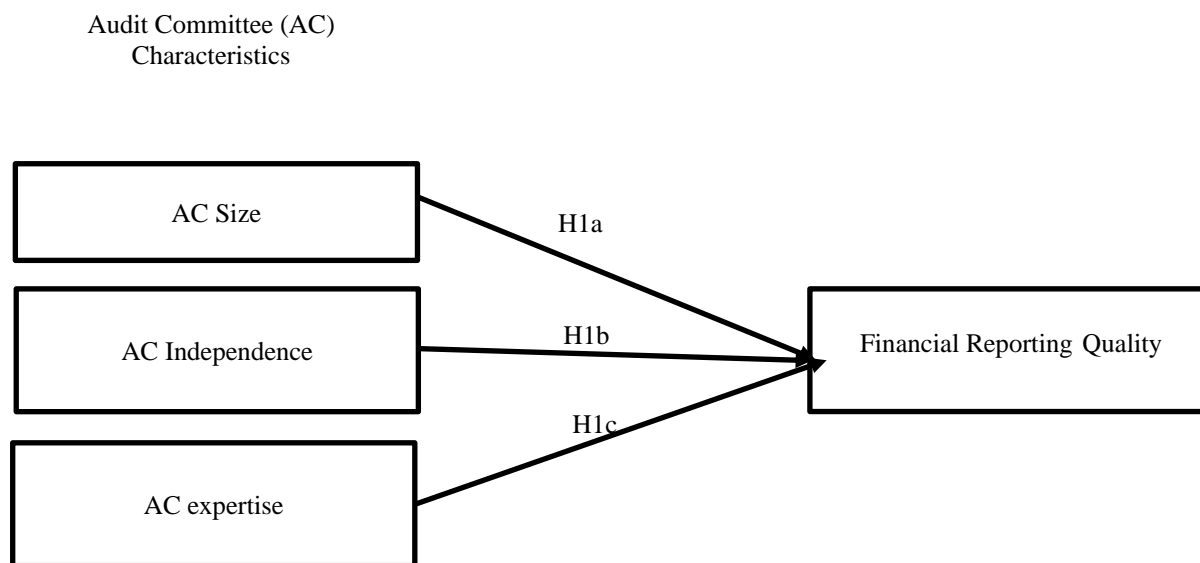


Figure 1: *Research framework*

The below sub-section outlines the study's hypotheses for assessing the link between AC characteristics (size, independence, and expertise), and FRQ. The assumptions are based on the theoretical framework in Figure 1 and past research on CGE and FRQ.

2.1 Audit committee characteristics and FRQ

ACs are primarily responsible for serving as an internal control tool to monitor the financial reporting process (Salleh & Haat, 2014; Song & Windram, 2004). Consequently, an effective AC may be able to reduce managers' involvement in actual profit management via accretive share repurchases. The role of the AC is to defend a company by exercising its authority to question top management regarding the handling of financial reporting responsibilities and ensuring that corrective and necessary actions are taken (Haji- Abdullah & Wan-Hussin, 2015).

According to agency theory, the characteristics of an AC determine its effectiveness in carrying out its obligations (Garca et al., 2012; Karamanou & Vafeas, 2005). A cursory review of the literature indicates that the presence of a review committee is associated with higher FRQ, which promotes more deliberate disclosures and more reliable financial information. This research measures AC size, AC independence, and AC expertise as substitutes for AC characteristics.

AC size specifies the number of AC directors. The greater the number of directors in the AC, the greater and more diverse their expertise. This diversification enhances the AC's monitoring. Once more directors are added to the AC, it ensures that more information and skills will be utilised to monitor the quality of FR (Yap & Foo, 2012). Moreover, prospective concerns disclosure in business reporting is exposed due to the increased number of AC members (Mohd Ghazali, 2014).

In addition, committee members are selected from the company's board of directors, with the chief executive officer also selected from the board. The AC should also serve as a mediator between management and external auditors, as each may hold differing views on how to implement accounting standards most effectively (Klein 2002). Consequently, the presence and independence of AC members assists them in balancing divergent management and external auditor opinions, resulting in a higher quality FR.

Additionally, audit committee expertise is an essential characteristic. AC effectiveness is contingent upon AC expertise. Numerous researchers concurred that the expertise of the AC increases its effectiveness. It expands their role in monitoring and supervising the quality of FR. Members of AC are typically responsible for oversight of FR practise and corporate disclosures practises. Thus, members of the AC must have adequate accounting and finance knowledge to implement effective monitoring of the FR process and disclosure practises of the firm (Xie, Davidson & DaDalt, 2003). Based on the above arguments, we proposed the following hypothesis:

H2: There is a positive relationship between audit committee characteristics and FRQ.

H2a: There is a positive relationship between audit committee size and FRQ.

H2b: There is a positive relationship between audit committee independence and FRQ.

H2c: There is a positive relationship between audit committee independence and FRQ.

3.0 Research Methodologies

This study is based on post-positivism philosophy and used deductive approaches to confirm the theory. The data is based on primary data by using questionnaire to observe the variables. the population of this study covers Iraqi companies registered on the Iraqi Stock Exchange and numbered (125) companies. The respondents consist of Chief Executive Officer (CEO), Chairman Audit Committee (CAC), and Chief Financial Officer (CFO) of each firm which have a direct knowledge and expertise on the study field.

According to Sekaran & Bougie, (2016b), choice of a structured questionnaire is a suitable method as it is less time-consuming. It has been considered an effective instrument of data collection particularly when the researcher is mindful of what is needed and how to measure the variables that are involved in the research framework. A questionnaire is comparatively easy to analyze, low cost to administer, familiar to most people, and helps to reduce bias as the researcher's effect on the participant's answers is lessened (Krosnick & Fabrigar, 1997; Malhotra, Agarwal, & Peterson, 1996).

A seven-point Likert scale from "strongly disagree" to "strongly agree" was used because researchers thought it would increase the number of answers and the quality of those answers (Boone & Boone, 2012; Joshi, Kale, Chandel, & Pal, 2015; Sachdev & Verma, 2004). The Likert scale offers measurements in a list which makes it easy to fill in and less time-consuming for the respondents (Collis & Hussey, 2013; Johnston, 2014). The first version of the survey instrument consisting of four sections comprises 76 items, as well as the demographic information. The development of the survey instruments has been done using the English language.

The questionnaire was structured into three main sections as follows:

Section 1 consists of items related to the respondent profile (gender, age, workplace, educational level, experience, and position). Section 2 is designed to determine the degree of agreement or disagreement of the Financial Reporting Quality (FRQ) from the respondents' perspective. Whereas Section 3 is designed to determine the degree of AC Characteristics achievement from the respondents' perspective.

As statistical tools, the researcher used Statistical Package for the Social Sciences (SPSS) version 26.0 as well as PLS version 3.0 to analyse the data and meet the study's goals. Validity and reliability are the key criteria used to evaluate the measurement model. Reliability refers to how consistently a measuring instrument measures whatever it is supposed to be measuring. On the other hand, validity is a test that is carried out to show how well an instrument measures the particular concept it is intended to measure (Hair, 2007; Sekaran & Bougie, 2016a). Hence to ensure the goodness of the survey items adapted the validity and reliability tests was conducted on the items and data from the study.

3.1 Measurements of variables

The measurement variables for this study which are either adopted or adapted from preceding studies were deliberated as below:

3.2 Financial Reporting Quality

Most recent studies of corporate transparency used a particular index of transparency to calculate FRQ (Hassan and Marston 2010). This research uses an annual reporting FRQ index adopted by Van Beest et al. (2009) and Braam and Van Beest (2013) with some adjustment for calculating FRQs. Such indices were selected among other indices, because they were able to completely evaluate the consistency of the quality of financial and non-financial reporting information in the annual report taking. Table 1 disclose the measurement of FRQ.

3.3 Audit Committee Size

The size of the AC denotes the number of AC members (Bhasin, 2013). The number of directors participating on this committee is calculated using secondary data from earlier research (Peasnell et al., 2005; Leung & Horwitz, 2010). This study solely employed the survey approach, using items from previous studies such as Ammann et al., (2010); Khongmalai et al., (2010, p.627), and it is measured as follows:

Table 1: Measures of Financial Reporting Quality

S/N	Items Relevance	Sources
R1	The annual reports disclose forward-looking information.	
R2	The annual reports disclose information in terms of business opportunities and risks.	
R3	The company uses fair value as measurement basis.	
R4	The annual report provides feedback information on how various market events and significant transactions affected the company.	
R5	The presence of forward-looking statements helps the development of expectations and predictions by the users regarding the future	
Faithful Representations		
F1	The annual report explains the assumptions and estimates made clearly.	
F2	The annual report explains the choice of accounting principles clearly.	
F3	The annual report highlights the positive and negative events in a balanced way when discussing the annual results.	
F4	The annual report includes an unqualified auditor's report	
F5	The annual report extensively discloses information on corporate governance issues	Van Beest et al. (2009), Braam and Van Beest (2013)
Understandability		
U1	The annual report is well-organized.	
U2	The notes to the balance sheet and the income statement are clear.	
U3	The use of language and technical jargon is easy to follow in the annual report.	
U4	The annual report included a comprehensive glossary Understandability total score.	
Comparability		
C1	The notes to changes in accounting policies explain the implications of the change.	
C2	The notes to revisions in accounting estimates and judgments explain the implications of the revision.	
C3	The company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates.	
C4	The results of current accounting period are compared with results in previous accounting periods.	
C5	Information in the annual report is comparable to information provided by other organizations.	

3.4 Audit Committee Independence

The independence of the AC reflects the number of independent members of the company's AC (Be'dard, Chtourou, & Courteau, 2004). This attribute is determined by the proportion of independent directors who sit on the AC. Some preceding studies such as Anderson et al. (2004) and Ghosh et al. (2010) used this metric. This research used survey method only and adapts items from studies of Khongmalai et al. (2010); Okpara (2010). Table 3 explain the measurement of Audit Committee Independence.

Table 2: Measures of Audit committee Size

S/N	Items	Sources
1.	The size of my AC enables understanding of the operating environments, offers better guidance.	
2.	The AC size of my company enables communicating the clearly-specified segregation of duties and authorization.	Amman et al., (2010),
3.	The audit committee is the right size sufficiently diverse, bringing requisite knowledge, abilities and skills to the table.	Khongmalai et al., (2010,
4.	Your audit committee has at least one member who possesses the requisite level of financial reporting knowledge or acquires such knowledge soon after joining the committee.	p.627)
5.	The audit committee size is adequate to improve the quality of financial information.	

Table 3 Measures of Audit Committee Independence

S/N	Items	Source
1.	Audit committee is wholly composed of independent board members.	
2.	Audit committee participate on the selection of the corporation's accounting policies.	
3.	Audit committees form a forum to link directors with auditors.	Khongmalai et al. (2010);
4.	Audit committees set the scope of the external auditors.	Okpara(2010).
5.	Audit committee has a written charter or terms of reference.	
6.	Audit committee (independently from the auditor) make its own assessment of the factors that could affect audit quality and communicate expectations for the next year to the auditor.	

3.5 Audit Committee Expertise

Audit committee expertise has been calculated by analyzing that how many members have the knowledge and understanding of financial audit (Cohen & Krishnamoorthy, 2014). This study used only the survey method, and adapts items from studies of Bathula (2008) and Post et al., (2011). Table 4 explains the measurement of Audit Committee Expertise.

Table 4: Measures of Audit Committee Expertise

S/N	Items	Source
1.	The audit committee members provide recommendations to improve internal control.	
2.	The audit committee members aligned the audit program with corporate strategy.	
3.	The audit committee members have an adequate number of qualified internal auditors.	Bathula (2008) and
4.	The audit committee members emphasize risk-based audit.	Post et al.,(2011)
5-	The audit committee members use its expertise and experience to review and challenge management on the significant reporting judgments.	
6-	Audit committee members meet the requirements for financial expertise and financial literacy.	

4.0 Results

The objective of this study, based on the research design, was to administer a questionnaire to 315 managers Chief Executive Officer (CEO), Chairman Audit Committee (CAC), and Chief Financial Officer (CFO), of which managers of listed companies in Iraq (105 firms in each 3 respondents after conducting a pilot study with 20 firms) returned 177 questionnaires for a response rate of 56.1%. Obtaining the required response rate requires continuous phone calls and SMS to the company's secretary to encourage the return of questionnaires that are still in the possession of some respondents three weeks later.

Table 5: Response Rate of the Questionnaire Survey

Response	Frequency	Percentage (%)
No. of questionnaire administered	315	100.0
Returned questionnaires	177	56.1
Retained and usable questionnaires	177	56.1
Questionnaires not returned	138	43.9
Valid response rate		56.1

4.1 Respondent Profile

According to Table 6, 156 (88 percent) of respondents were male, while 21 (12 percent) were female. 14 (31.6%) of the respondents were chief executive officers, while 120 (68%) were chief financial officers.

CFO while the remaining 43 (24 percent) held the position of Audit Committee Chairman (CAC). The majority of respondents, 103 (58 percent), had a bachelor's degree, while 43 (24 percent) had a degree or high school diploma, and 23 (13 percent) had a master's degree. Only eight (five percent) completed a Ph.D. In addition, the majority of firms were young enterprises between the ages of 6 and 10 years, with 80% (45%) falling within this age range, followed by those between the ages of 11 and 15 years with 68%. (38 percent). 29 (17 percent) are 15 or older.

It could also be seen from the table that the respondents come from a variety of business sectors, with the largest number of respondents coming from the industries sector (45, 25 percent), followed by hotels (39, 22 percent), agriculture (25, 24 percent), investment (24, 14 percent), banks (22, 13 percent), money transfer (14, 8 percent), communications (6, 3 percent), and insurance (2, 2 percent) (1 percent). Since the sample is comprised of listed and large firms on the Iraqi market. Above IQD100 million, 177 (one hundred percent) of the firms have the highest turnover and total assets. Table 5.6 reveals that the largest proportion of respondents, 102 (57 percent), are from large firms, while 75 (46 percent) are from medium firms.

4.2 Descriptive Analysis of Constructs

Based on table 7, the mean value of AC characteristics and FRQ are in the range of 5.11 and 5.16. These indicate that most of the items are highly agree.

Table 6: Questionnaires Respondents' Profile

Respondent Description	Frequency	Percentage %
Gender		
Male	156	88
Female	21	12
Position		
Chief executive officer CEO	14	8
Chief financial officer CFO	120	68
Chairman audit committee (CAC)	43	24
Number of Employees		
10-49	16	9
50-199	10	57
More than 200	259	37
Educational Qualification		
Bachelor Degree	103	58
High Diploma Postgraduate	43	24
Master	23	13
PhD degree	8	5
Age of Organization		
1-5 Years	0	0
6-10 Years	80	45
11-15 years	68	38
15 andAbove	29	17
Sectors		
Industries company	45	25
Investment and Services company	24	14
Communications company	6	3
Agriculture	25	14
Money transfer company	14	8
Banks	22	13
Hotels	39	22
Insurance	2	1
Turnover for your company in the last Financial year?		
Above IQD100 million	177	100
company's estimated total assets up to the last financial year		
Above IQD100 million	177	100

Table 7: Descriptive Analysis of Constructs

Latent Constructs	N	Mean	Std. Deviation	Level
ACC	177	5.11	.993	High
FRQ	177	5.16	1.03	High

4.3 Direct Path Coefficients Assessment

The result of the structural model for the direct relationships between AC characteristics and FRQ is presented in the Table 8.

Hypothesis	Paths	Beta	STDEV	T-Statistics	P Values	Remark
H1	ACC -> FRQ	0.500	0.086	5.825	0.000	Accepted
H1a	ACS -> FRQ	0.177	0.031	5.780	0.000	Accepted
H1b	ACI -> FRQ	0.162	0.034	4.706	0.000	Accepted
H1c	ACE -> FRQ	0.205	0.034	6.088	0.000	Accepted

Audit committee characteristics that were investigated with respect to FRQ in Iraqi companies. To that end, the researcher developed Hypothesis H1, which states that, “There is a positive relationship between audit committee characteristics and FRQ” The outcome of the PLS-SEM bootstrapping analysis shows that a positive significant association between audit committee characteristics and FRQ, at ($\beta=0.500$, t- value=5.825, p-values=0.000) significance at $p<0.01$, which indicated support for H1. However, our findings support the findings of Abbott et al. (2000), Beasley and Salterio (2001), Pucheta-Martinez and De Fuentes (2007), and Kamarudin et al. (2012) that ACC considerably improves the FRQ. Following previous corporate failures, the importance of creating an independent ACC to improve the quality of FRQ has been highlighted. An ACC serves a critical function in the corporate governance framework of Iraqi enterprises, preventing false financial reporting and restoring users' faith in financial statements. As a result, the purpose of this research is to investigate the quality of financial reporting for enterprises that created high-quality ACs in a newly regulated environment. The sub-hypotheses were explained below:

The first sub-hypothesis is the relationship between AC size and FRQ in Iraqi companies is found statistically significant at 95 per cent confidence interval ($\beta=0.177$, t-value=5.780, p-values=0.000) significance at $p<0.01$, which indicated support for H2a. This result is consistent with previous studies the examined audit committee size in companies industrial (Mohd Ghazali, 2014; Yap & Foo, 2012). The study's findings are congruent with those of Felo, Krishnamurthy, and Solieri (2003). The findings support the idea that the efficacy of the ACC is dependent on the right size of the ACC (Felo, Krishnamurthy, & Solieri, 2003; Rahman & Ali, 2006). Therefore, the hypothesis is accepted.

The audit committee's oversight of financial reporting improves as the number of member's increases. While this study discovered that a reduced degree of discretionary accruals may result in worse financial reporting quality. This shows that a large audit committee is preferable than a small audit committee, which is consistent with the findings of DeZoort and Hermanson (2002). (1974). In contrast, the efficacy of the audit committee may be compromised if it is too big, since this may result in further losses. Process and workload allocation may be excessive. As a result, past research has found that audit committees of adequate or high size can improve financial reporting quality. For the audit committee meeting to total meeting ratio and audit committee members with accounting or finance competence. It might be attributed to a low number of accounting or finance professionals, which conforms with SET standards requiring at least one auditor with accounting or finance knowledge. When the proportion is larger, internal control constraints or corruption concerns, including the prevention of customer gains from management wrongdoing, may be directed. Accounting processes, financial reporting, and appropriate information disclosure may also be recommended.

The second relationship is between AC committee independence and FRQ is found statistically significant at 95 per cent confidence interval ($\beta=0.162$, t- value=4.706, p-values=0.000) significance at $p<0.01$, which indicated support for H2b. This result is consistent with previous studies the examined committee independence in Iraq companies (Chen et al., (2015); Jennings et al., (2006); Graham et al., (2005); García et al., (2014).

The study intended to ascertain the relationship between audit committee independence and financial reporting quality, as determined by the ratio of questioned transactions to an annual budget. The correlation test findings demonstrated a negative and significant relationship between audit committee independence and financial reporting quality in Iraqi companies as evaluated by the ratio of questioned transactions. The findings imply that increasing audit committee independence decreases the percentage of questioned transactions, implying an improvement in financial reporting quality. The audit committee independence and ratio of questioned transactions to annual budget regression analysis found that audit committee independence explained substantial changes in the ratio of queried transactions to an annual budget. The discovery also verified the existence of a significant positive linear link between audit committee independence and the ratio of inquired transactions to an annual budget of Iraqi companies.

The last proposed relationship is between audit committee expertise and FRQ in Iraqi companies is found statistically significant at 95 per cent confidence interval ($\beta=0.205$, $t\text{-value}=6.088$, $p\text{-values}=0.000$) significance at $p<0.01$, which indicated support for H2c. This result is consistent with previous studies the examined audit committee expertise in industrial companies Azmi, et al., (2013); Akhtaruddin and Haron (2010) and KPMG (2009). According to Be'dard, Chtourou, and Courteau (2004), AC competence is an important aspect in fostering ACC efficacy and improving FR quality. As a result, the theory is accepted. Furthermore, our data suggest a favorable and statistically significant link between AC expertise and the FRQ. This finding agrees with that of Badolato et al. (2014), Kusnadi et al. (2015), and Alzeban and Sawan (2015). An ACC member's degree of industry experience might vary depending on the amount of years spent in the business or the number of different firms in Iraq in a certain sector with which a person has been linked. In theory, the more experience an AC member has in the industry, whether in terms of years or multiple firms, the better he or she is supposed to perform in terms of improving financial reporting process monitoring. We utilized the following technique to assess the level of industry expertise in Iraqi firms.

5.0 Conclusion

In recent years, each Iraqi listed corporation has been forced to distribute its reports in formats that are compatible with corporate governance processes. The goal of this rule was to strengthen Iraqi enterprises' FRQ. Given the study findings that cast doubt on the influence of corporate governance systems on FRQ, the question of the extent to which corporate governance measures may improve FRQ should be of more importance. The purpose of this research is to see if corporate governance procedures are linked to improvements in the FRQ of Iraqi listed enterprises. The study, which used a sample of 105 enterprises, found that AC characteristics are substantially associated with FRQ in Iraq firms. It is suggested that AC size, independence and expertise are matter for FRQ. As a result, it is critical to establish the nature of the interaction between corporate governance mechanisms, such as the features of the AC characteristics to improve FRQ in Iraq. The current study's findings may assist owners, investors, and other interested parties in understanding the interplay between audit committee characteristics and financial reporting quality. Furthermore, these data give a larger and more complete comprehension of the agency theory expectations. There are various drawbacks to this study. For starters, the study's sample is restricted to the industrial sector. It might be broadened by looking at other industries. Second, only three FRQ measures are explored. Other indicators, such as earnings persistence, loss avoidance, and investor response, can be used in future investigations. The findings suggest the significance of CG, which has immediate ramifications for practitioners, international standard setters, and regulators. Furthermore, the findings are relevant to analysts and investors who need to comprehend CG and FRQ difficulties in emerging countries.

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