



The Association Between Audit Committee Chair Characteristics And The Financial Reporting Process

Liesbeth Brynseels (KU Leuven)

Mercoledì 16 Dicembre 2015, ore 10.30 Aula della Scuola di Dottorato, Palazzo Cà Borin, Via del Santo 22, Padova

Prior research and governance stakeholders from practice have emphasized the importance of the audit committee chair in ensuring the effectiveness of audit committees. However, there is limited prior research on the association between audit committee chair characteristics and the quality of the financial reporting process. The purpose of this study is to address this gap. Specifically, we examine the role of audit committee chair financial expertise and status in enhancing audit committee effectiveness and achieving a high quality financial reporting process. Based on a sample of 3,824 public companies over the period of 2004-2013, we find that AC chair accounting financial expertise (AFE) is associated with lower levels of absolute discretionary accruals, income-increasing accruals, and internal control deficiencies; and higher audit fees. We further find that AC chairs who are AFEs and have high status constrain earnings management when accruals are income-increasing. We also find that audit committee chairs with supervisory financial expertise (SFE) who have high status are associated with fewer internal control weaknesses. Finally, we find that AC chair status is positively associated with higher audit fees, indicating a demand for a higher level of monitoring. In particular, the positive effects of AFE and SFE reported in prior research are found to be the result of such expertise residing in the AC chair and not in the rest of the AC. The implications for practice, research, and public policy are discussed.