

Audit Committee Effectiveness and Financial Reporting Quality: Review and Synthesis of Empirical Evidence

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Abstract

We review and synthesize the results of empirical studies of associations between corporate oversight measures and financial reporting quality (FRQ). We examine one oversight component, audit committee characteristics. For the component, we summarize associations between variables contributing to monitoring effectiveness and one presumptive FRQ monitoring outcomes: earnings management (EM). Our classification scheme provides synthesizing the implications of empirical findings, highlighting the role of corporate governance mechanism in enhancing FRQ. This synthesis has the potential to inform regulators, and forensic accountants who are concerned with improving the oversight of public corporations and reducing opportunities for managers and others to engage in EM.

Keywords: Audit Committees, Corporate Governance, Earnings Management, Financial Reporting Quality.

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