

The Effect of Critical Audit Matters on Financial Information Quality: The Role of Audit Committee Expertise

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Abstract : Purpose: This study aims to examine whether critical audit matters (CAM) affect financial information quality. We also investigate the moderating role of the audit committee on the association between CAM and financial information quality. Design/Methodology/Approach: The analysis is based on GLS and GMM regressions explaining the absolute value of discretionary accruals by using 52 Tunisian listed firms on the Tunisia Stock Exchange (TSE) for the period 2017-2020. Findings: We find evidence that managers react to the CAM by increasing the quality of financial disclosures. This study provides insights into how a change in the auditor's report model might impact the quality of financial information. It suggests that external auditors and audit committees serve as a beneficial mechanism for enhancing financial information quality by reducing information asymmetry. In addition, our results indicate that CAM is an efficient monitoring mechanism that increases financial reporting quality and supervises managers. Originality: This study is important for potential investors who should assess CAM when evaluating firms. Furthermore, the authors expect the findings to be interesting to firms, as this study highlights the effectiveness of the auditor in reducing managerial opportunistic behavior and improving information quality. The results could encourage audit regulators to ameliorate the standards, as this research reinforces the role of the auditor in increasing the quality of financial disclosure by offering the required information for shareholders.

Keywords : critical audit matters, audit committee, information quality, Tunisian firms

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