

ANALYZING THE ROLE OF THE AUDIT COMMITTEE IN GOOD CORPORATE GOVERNANCE: INFLUENCE ON TRANSPARENCY AND ACCOUNTABILITY OF FINANCIAL REPORTS

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Article Info	Abstract
<p>Article History: Submission : 09-05-2025 Accepted : 29-07-2025 Online Publication : 30-07-2025</p>	<p><i>This article aims to improve the effectiveness of the audit committee's supervisory and monitoring tasks, to encourage transparency and accountability of a company's financial statements in order to create good corporate governance. This study was conducted by collecting data through qualitative methods based on literature reviews from various sources including research articles, online news, and relevant journals. The study uses international-based articles such as sciendirect, scopus, emerald and sinta with publication years 2020-2025. This study finally used 30 relevant journals. The role of audit committee characteristics in corporate governance, such as board size, board independence, and board expertise have a significant influence on creating good corporate governance. Although some studies still provide inconsistent results regarding the application of characteristics and are considered to be an opportunity for manipulation of a company's financial reporting. A good corporate governance system is needed to resolve agency conflicts, such as monitoring, supervising business operations, and making the right decisions to reduce errors or fraud that may occur in a company. This study contributes to the basis for further research on the problems that occur regarding the characteristics of the audit committee.</i></p>
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1. Introduction

The COVID-19 pandemic has had a significant impact on various economic sectors and companies around the world, including Indonesia. Many companies have been forced to adapt to rapid changes in the business environment, requiring them to strengthen their corporate governance structures. Accounting scandal cases in Indonesia, such as those that occurred in several large companies, demonstrate the importance of implementing good corporate governance principles to increase investor confidence and company performance (Putra, 2024). Disclosing the company's annual report is the main source of financial information for investors who invest, this information must be credible and reliable to help make the right decisions.

However, there is still inconsistency in the relationship between audit committees, external auditors and internal control systems (ICS) in the context of corporate oversight due to increasing public distrust of companies due to financial scandals that have occurred over the past few decades, such as the Enron and Wirecard cases (Wehrhahn & Velte, 2024). These scandals highlight the importance of effective oversight mechanisms to ensure the quality of financial reporting and prevent fraudulent acts. With increasing attention to corporate governance, an effective audit committee becomes critical in overseeing management activities and regulatory compliance (Al-Hadrami et al., 2020). There is international concern about the role of financial

reporting oversight and the effectiveness of board and audit committee monitoring to enforce audit quality. Many previous studies have focused on the relationship between audit committee effectiveness and internal control, but few have examined the role of audit committees on the quality of financial reporting in corporate governance.

From a Legal Perspective the term “hard law” in relation to mandatory legal standards, such as the Law of May 11, 2017 on mandatory auditors, audit firms, and public supervision. On the other hand, the term “soft law” in relation to recommendations. Good corporate governance practices are an example of soft law (Gad, 2023). The recent collapse of corporate entities, coupled with financial scandals in Asian countries, such as in the case of Satyam in India, Citic Pacific in China, and SK Networks in South Korea, are perfect examples of corporate governance failures (Al-Ahdal & Hashim, 2021).

Corporate governance reforms, which began with the Cadbury Report in the UK in 1992, have been implemented in many countries to increase investor confidence and improve corporate oversight practices. These reforms aim to increase board independence, financial reporting transparency, and management accountability (Dak-Adzaklo et al, 2024). Corporate governance has become a focus of attention in the academic world, this interest has been driven largely by a number of major corporate bankruptcies and accounting scandals around the world, many of the companies at the center of these scandals were later found to have ineffective or even non-existent systems (Almarayeh, 2024). In the context of globalization and rapid technological development, corporate governance has become a major focus for companies worldwide. Many investors have highlighted corporate oversight and governance.

In recent years, there has been increasing attention to the importance of good corporate governance mechanisms, including the role of audit committees in enhancing accountability and transparency of financial reporting. Good corporate governance incorporates the relationships and responsibilities of stakeholders and the organization, as well as laws, policies, practices, norms, and standards that may influence the direction and control of the organization (Cadbury, 1992) in (Fariha et al., 2022). One of the important parts of corporate governance is the audit committee, this committee is formed from the company's board of directors to oversee the company's management activities and ensure compliance with company regulations in general and financial guidelines in particular (Al-Hadrami et al., 2020). The audit committee is a “working group” that assists the supervisory board in fulfilling its obligations to continuously supervise the company's operations, especially in areas such as financial reporting, internal audit and risk management (Oplustil, 2010) in (Gad, 2023).

The audit committee in its duties “approve the remuneration and terms of engagement of external auditors”, “review and monitor the independence and objectivity of external auditors” and “develop and implement policies regarding the involvement of external auditors in the provision of non-audit services, taking into account the possible impact on independence”(Wigglesworth et al., 2023). The audit committee offers a proper corporate governance mechanism (Abbasi et al., 2023). Among the various corporate governance mechanisms, the monitoring task of the audit committee has been highlighted as important by regulators, policy makers and academics (Almarayeh, 2024). Therefore, understanding the corporate governance system and its impact on financial performance is very important for the long-term sustainability of the banking industry (Ahmed et al., 2024).

Companies with more international directors on audit committees pay higher fees. In addition, boards and audit committees that are more educationally diverse (a larger proportion of directors and committee members with different levels of educational attainment) also pay higher fees (Leung & Sane, 2023). A good corporate governance system can be ensured through the composition and formation of a dynamic board of directors (Fariha et al., 2022). The composition of the board of directors and its committees is one of the most important corporate governance mechanisms such as the audit committee and the compensation committee (Alkebeese et al., 2020).

The increasingly vital role of the audit committee in financial governance and oversight, especially after the various global financial crises regulated by the Sarbanes-Oxley Act, has the responsibility to oversee the accounting process, internal control (Haddad et al., 2022). The ever-evolving global market, companies are required to focus not only on profitability, but also on social and ethical responsibility. In this context, diversity at the managerial level, including in the audit committee, is expected to help companies face increasingly complex challenges (Sadaa et al., 2023). As a governance mechanism, the audit committee (AC) is defined by the US Financial Security Act (Sarbanes-Oxley) as “an independent advisory body formed by

and within the board of directors, which is primarily responsible for overseeing the accounting process, controlling financial information, and auditing financial statements (Haddad et al., 2022).

This study has differences with previous studies because this study focuses on variables that still have inconsistencies in the application of the Audit Committee to financial reports in order to be more transparent and accountable in a company. Some factors that differentiate in previous journals are: (1) Countries, researchers look at the development of audit committees in developing countries and in developed countries. Audit committee supervision is widely discussed in developed countries because they have good corporate governance (Gad, 2023). (2) The diversity of audit committee characteristics (audit committee size, audit expertise, and audit meetings) is significantly related to reporting quality through corporate governance characteristics (Erin et al., 2021). There are still many characteristics that support the implementation of an audit committee so that financial reports are more transparent and accountable.

This study aims to analyze the role of the audit committee on company performance in order to be more transparent and accountable to financial statements and reduce agency problems between owners and managers, to increase investor confidence in the financial statements of a company. As well as the role of the board of directors, especially members of the audit committee, in the financial reporting process in order to achieve Good Corporate Governance.

Based on the introduction above, a systematic approach was taken to answer several questions formulated in compiling the SLR as follows. Q1: Identify the development of the role of the audit committee in ensuring transparency and accountability of the company's financial reports? Q2: Identifying the differences in audit committees between countries and the effectiveness of audit committees in financial reports in good corporate governance?

This study contributes to the literature on corporate governance by identifying trends in the characteristics of the Audit Committee. Increasing shareholder confidence in investment decisions made based on audited financial statements. Showing the importance of the role of the audit committee so that the company's financial statements are more transparent and accountable. This study identifies several journals from developed and developing countries in order to see the differences that occur. Developed countries tend to have better governance practices. This is due to several main factors, such as strict regulation, higher transparency, and more effective supervision aimed at increasing transparency, accountability, and protection of shareholders. While in developing countries the role of the audit committee is influenced by internal factors of the Company and does not yet have Governance standards.

2. Research Methodology

This study was conducted by collecting data through qualitative methods based on literature reviews from various sources, including research articles, online news, and relevant journals. This study uses the Literature Review Study method, which is designed to identify and analyze relevant literature on the role of the audit committee tasked with overseeing financial statements in corporate governance. This study identified international journals such as sciendirect, scopus, emerald and sinta. The study uses data from 2020-2025 after the Corona crisis (Haddad et al., 2022). This study finally used 30 journals that were relevant to the author. The author filtered them based on certain criteria: (1) Clarifying research questions to determine literature criteria by comparing previous literature on corporate governance (Sadaa et al., 2023), characteristics of the audit committee (Al-Ahdal & Hashim, 2021) so that the author identified 173 journals so that 121 articles were deleted Reason article cannot be accessed, duplicate article. (2) Identifying agency theory (Makhlouf, 2022) which is in accordance with the literature discussion so that 14 articles were deleted to become 38 articles. (3) Searching for international based articles such as sciendirect, emerald and scopus so as to remove 8 articles that are not international based. (4) Eliminating 5 articles that were not related to the author's discussion, so that the final number selected was 30 articles used by the author discussing "audit committee", "corporate governance", "financial reporting" and "characteristics".

Figure 1 shows a systematic process in the form of a flowchart with several important steps that are common in the Systematic Literature Review (SLR) process or study identification in academic research. The process shows the stages of literature identification in a systematic review. It starts with searching for articles through databases and other additional sources. After that, duplicate articles are removed, then filtered based on the discussion. Irrelevant articles are excluded. The remaining articles are then reviewed in full to assess their eligibility. Some articles may be excluded at this stage for specific reasons. Finally, eligible articles are

included in qualitative analysis, depending on the type of data available. The researcher identification process is illustrated in **Figure 1**.

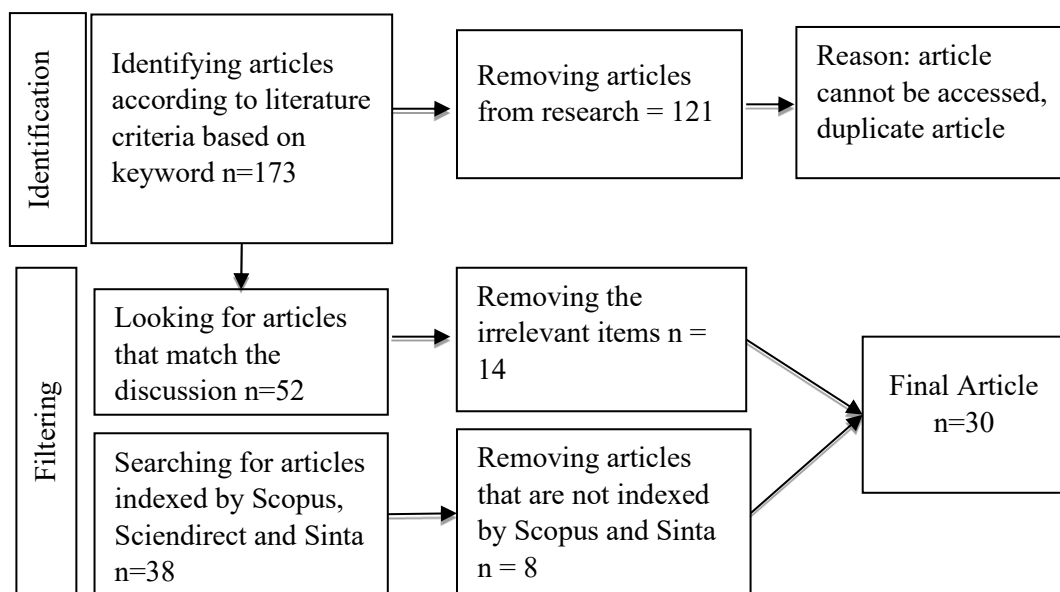


Figure 1 Identification Process

Source: Author's Own Work Data Selection Process

3. Result and Discussion

This section will discuss the articles that have been analyzed previously. There are two main discussions that will be outlined. The first is about the role of the audit committee in ensuring transparency and accountability of a company's financial reports and the second discussion regarding the characteristics of the audit committee that can be considered in the implementation of Good Corporate Governance.

3.1 Research Development on the Role of the Audit Committee in Financial Reporting

3.1.1 Article Index

Table 1 is the result of the identification which shows that the literature used comes from the number indexed to maintain the validity of the research. In order to produce high-quality and scientifically accountable studies, the selection of reference sources is a crucial aspect of the research process. One indicator of reference quality is the indexing of the journal in which the article is published. Indexing services such as Scopus and Sinta are often used as benchmarks for the credibility, visibility, and scientific impact of a publication. By referencing literature from high-reputation sources, this research is expected to present a comprehensive and relevant analysis that contributes to the development of knowledge in the field being studied.

Table 1 Article Sources

No	Index	Amount
1	Scopus Q1	17
2	Scopus Q2	10
3	Scopus Q3	2
4	Sinta 2	1

Source: Processed data (2025)

Based on **Table 1**, it can be seen that 27 out of 30 articles (90%) come from Scopus Q1 and Q2 indexed journals, which shows that the sources used have high scientific quality and are internationally recognized. Only 2 articles from Scopus Q3 and 1 from Sinta 2. This shows that researchers still open space for relevant

literature even though it comes from lower-ranked or local journals, but the portion is very small. With the dominance of references from reputable international journals, it can be said that the topic of the role of the audit committee in transparency and accountability of financial reports is a globally relevant topic and has strong theoretical and empirical support in the scientific literature.

3.1.2 Research Country

Table 2 shows the results of research conducted in various countries. To gain a comprehensive and representative understanding in a scientific study, it is important to include literature from various global perspectives. Therefore, this study refers to articles from various countries, both developed and developing, to provide broad coverage of the issues under review. The diversity of country origins indicates that the issue being studied has international relevance and is examined within different social, economic, and policy contexts. This enriches the analysis and strengthens the external validity of the findings in this study.

Table 2 Country Research

No	Country	Amount
1	Indonesia	2
2	Canada	2
3	Egypt	2
4	Bahrain	1
5	Bangladesh	2
6	Tunis	3
7	Ireland	1

No	Country	Amount
8	America	2
9	China	1
10	Iraq	1
11	Hong Kong	2
12	English	3
13	Africa	1
14	Poland	1

No	Country	Amount
15	India	1
16	Nigeria	2
17	Jordan	2
18	Pakistan	1
19	Germany	1
20	Malaysia	1
21	Türkiye	1

Source: Processed data (2025)

Based on **Table 2**, studies have used data from developed countries (Alkebsee et al., 2020) and there are several developing countries. The articles analyzed come from various countries, both developed such as England, Germany, the United States, and developing such as Indonesia, Tunisia, Nigeria. This shows that the role of the audit committee in GCG is a global issue and important in various economic systems. Most studies on audit committees have been conducted in developed countries that already have regulations and corporate governance standards such as: the United States (Sarbanes-Oxley Act), England (UK Corporate Governance Code), Germany (two-tier board), Japan (Japan's Corporate Governance Code), Canada (Canadian Securities Administrators (CSA) guidelines), and Australia (ASX Corporate Governance Principles).

Several articles come from developing countries such as Tunisia 3, Indonesia 2, Nigeria 2, Jordan 2, indicating that the challenges of implementing audit committee characteristics are more often studied in countries with developing or unstable governance systems. The diverse references reinforce the understanding that the effectiveness of audit committee characteristics (size, independence, expertise) in ensuring transparency and accountability of financial reporting is influenced by the local context, such as regulations, governance culture, and level of market integrity. With a fairly even distribution of articles and many countries discussing this theme, there is an international consensus that audit committees have a significant role in promoting reliable financial reporting as part of good governance.

3.1.3 Research Theory

Table 3 discusses the theories used in previous studies on the concept of articles and forms the basis for developing hypotheses, which are then discussed in the article. The use of theory in a study serves as a conceptual foundation that guides the systematic analysis and interpretation of data. In this study, various theories are employed to understand the phenomena under investigation, reflecting the diversity of academic approaches developed by researchers across different fields. This diversity of theories enriches the analytical approach in the study being examined, while also reflecting the complexity of the topic discussed and the importance of understanding various perspectives to obtain a more holistic picture.

Table 3 Research Theory

No	Theory	Amount
1	Policeman Theory	1
2	Audit society	1
3	Agency Theory	23
4	Source Credibility Theory	1
5	Institutional Theory	1
6	Resource Dependence Theory	1
7	Principal Agent Theory	1
8	Legitimacy Theory	1

Source: Processed data (2025)

Based on **Table 3**, it can be concluded that as many as 23 of the 30 articles ($\pm 77\%$) use Agency Theory, showing that the conflict of interest between owners (principals) and managers (agents) is the main framework in explaining the importance of the role of the audit committee in overseeing financial reporting and preventing manipulation. Other theories such as Policeman Theory, Audit Society, Institutional Theory, and Resource Dependence Theory were each only used once. This shows that there is interest in enriching perspectives in understanding the complexity of the audit committee role.

Agency theory states that there is a conflict of interest between stakeholders and managers (Makhlouf, 2022). According to agency theory, disputes and disagreements that arise between managers and shareholders often arise from managers prioritizing their own interests over the interests of shareholders (Al-Ahdal & Hashim, 2021). Stakeholder theory considers ethics through the integration of human values into operational management, functions, direction, regulation, and control, this theory covers the relationship between all stakeholders that are threatened by the opportunism of some of them (Haddad et al., 2022).

Theories such as Source Credibility Theory and Legitimation Theory also emerged, indicating attention to how public perception and auditor credibility affect the quality of financial reporting. The dominance of Agency Theory is also consistent with the main objective of GCG, which is to reduce information asymmetry and increase accountability through mechanisms such as audit committees.

Many findings support agency theory that audit committees serve as a monitoring mechanism to reduce conflicts of interest (Makhlouf, 2022; Haddad et al., 2022). However, there is also support for complementary theories such as Institutional Theory and Source Credibility Theory, which emphasize regulatory and public perception aspects (Almarayeh, 2024 Oussii & Boulila, 2021).

The results of this study are consistent with the theory of source credibility, namely that decision makers place high importance on AC independence (source bias) and competence (source expertise) which impact their investment decisions in the credibility of financial reports. The importance of the two AC variables, independence and competence, is important to highlight and should be included in the annual report as part of the corporate governance section (Al-Hadrami et al., 2020).

3.1.4 Table of Dependent and Independent Variable Indicators

Table 4 In an effort to understand the factors that influence the quality of financial reports, many previous studies have highlighted the role of audit committee characteristics as an important element in corporate governance. Various indicators have been used to measure these characteristics, reflecting the diverse dimensions that are considered capable of strengthening the audit committee's oversight function over the financial reporting process. The consistency and diversity of indicator usage in the literature indicate that the relationship between audit committee characteristics and financial statement quality is a complex yet crucial topic, particularly in the context of strengthening corporate governance and preventing reporting fraud.

Based on **Table 4**, Research shows that audit committee independence and expertise are the factors most frequently associated with improved financial reporting quality, both directly through accountability and transparency, and indirectly through firm performance and avoidance of manipulation. Audit Committee Independence (11 studies): This is the most widely studied indicator, indicating that independence is considered an important factor that can affect financial reporting quality. Audit Committee Expertise (9

studies): Also considered very important, indicating that the expertise of committee members has a significant impact on monitoring effectiveness. Gender Diversity (8 studies): Increased attention to inclusiveness and diversity in corporate governance. Meeting Frequency (6 studies): The more frequent meetings are held, the better the monitoring is assumed to be.

Table 4 Indicators of Dependent and Independent Variables

Variables	Indicator	Writer	Amount
Characteristics of the Audit Committee	Audit Committee Size	(Son, 2024),(Almarayeh, 2024)	2
	Independence of the Audit Committee	(Al-Hadrami et al., 2020),(Haddad et al., 2022),(Fariha et al., 2022),(Dwyer et al., 2023),(Wehrhahn & Velte, 2024),(Almarayeh, 2024),(Altin, 2024),(Umar et al., 2023),(Nejad et al., 2024),(Alkebsee et al., 2020),	11
	Audit Committee Expertise	(Al-Hadrami et al., 2020),(Elmashtawy et al., 2023),(Sadaa et al., 2023),(Almarayeh, 2024),(Altin, 2024),(Umar et al., 2023),(Gorshunov, 2023),(Nejad et al., 2024),(D'Andreamatteo et al., 2024),(Alkebsee et al., 2020),	9
	Frequency of Audit Committee Meetings	(Almarayeh, 2024),(Altin, 2024),(Umar et al., 2023),(Nejad et al., 2024),(Alkebsee et al., 2020),(Fariha et al., 2022),	6
	Gender Diversity in Audit Committees	(McLaughlin et al., 2021),(Erin et al., 2021),(Almarayeh, 2024),(Altin, 2024),(Umar et al., 2023),(Leung & Sane, 2023),(Abbasi et al., 2023),	8
Quality of Financial Reports	Accountability of Financial Reports	(Haddad et al., 2022),(Makhlouf, 2022),(Belhouchet & Chouaibi, 2024),(Oussii & Boulila, 2021),	4
	Transparency of Financial Reports	(Haddad et al., 2022),(Makhlouf, 2022),(Belhouchet & Chouaibi, 2024),(Oussii & Boulila, 2021),	4
	Company performance	(Putra, 2024),(Fariha et al., 2022),(Elmashtawy et al., 2023),(Wehrhahn & Velte, 2024),(Gad, 2023),(Erin et al., 2021),(Altin, 2024),(Umar et al., 2023),	9
	Avoidance of Financial Report Manipulation	(McLaughlin et al., 2021),(Elmashtawy et al., 2023),(Dwyer et al., 2023),(Almarayeh, 2024),(Gorshunov, 2023),(Nejad et al., 2024),	6

Source: Processed data (2025)

Accountability & Transparency (4 studies each): Both aspects are equally important as key features of financial reporting quality. Company Performance (9 studies): Often used as an indirect proxy of financial reporting quality. Avoidance of Financial Report Manipulation (6 studies): Another important indicator often used to assess audit committee effectiveness. Audit committee characteristics such as independence, expertise, diversity, and meeting activities play an important role in supporting Good Corporate Governance and increasing transparency and accountability of financial reporting. However, its effectiveness depends on the institutional context, governance culture, and synergy with other oversight mechanisms. Most studies show that characteristics such as independence, expertise, and frequency of audit committee meetings have a positive impact on audit quality, firm performance, and governance (e.g.: Al-Hadrami et al., 2020; Ahmed et al., 2024; Haddad et al., 2022; Altin, 2024). However, some studies show insignificant or even negative results, especially on audit committee size or the presence of foreign members, which can lead to agency costs and poor coordination (Putra, 2024; Umar et al., 2023; McLaughlin et al., 2021).

Audit committee characteristics have a significant impact on firm performance (Altin, 2024). Audit committee independence, expertise, size, and affiliation with four major companies all have positive and significant effects on firm performance. However, audit committee meetings were found to have an insignificant effect on firm performance. The results shows that gender diversity in audit committees

strengthens the positive relationship between firm situational factors and audit fees, indicating that female directors demand higher quality audits and assurance from external auditors when their firms are more complex and risky, contributing to the notion of a highly effective governance role of female directors (Alkebsee et al., 2020). Gender diversity as a moderating variable has a generally positive effect on the relationship between audit committee characteristics and financial performance (Ahmed et al., 2024).

The results of the study show that female directors on the audit committee perceive non-audit fees as having a negative impact on audit quality and thus reduce non-audit fees (Abbasi et al., 2023). According to research conducted (Leung & Sane, 2023) offers evidence that the inclusion of female directors, international directors, and directors with different levels of education increases the effectiveness of board/audit committee monitoring and provides economic significance by influencing the level of fees paid to audit firms. Research from various countries ((Alkebsee et al., 2020),(Abbasi et al., 2023),(Ahmed et al., 2024)) shows that gender diversity and educational background of audit committee members increases the effectiveness of supervision and strengthens internal governance mechanisms.

The results show that independent directors do not perform as per stakeholders' expectations, they can hardly contribute to profit growth and corporate governance implementation (Fariha et al., 2022). Conclude that audit committee independence, female members, and audit committee financial expertise have a negative impact on impression management which means a decrease in the opportunity for financial reporting manipulation (Makhlouf, 2022).

3.2 Comparison of Audit Committees in Developing and Developed Countries

3.2.1 Differences in Audit Committees

Table 5 shows the differences in the roles of audit committees in developed and developing countries. The role of audit committees in strengthening corporate governance (Good Corporate Governance/GCG) has been the focus of various studies around the world. However, there are striking differences in approach and findings between developing and developed countries. These differences are influenced by the institutional context, legal systems, and the level of regulatory maturity in each region. In general, it shows that while audit committees contribute to strengthening GCG in both groups of countries, their approaches and effectiveness are highly dependent on the institutional context and legal systems of each region. Therefore, it is important to understand local dynamics when evaluating the role of audit committees in relation to the quality of reporting and corporate governance.

Based on **Table 5**, Some results differ between developed and developing countries. For example: In countries such as Tunisia, the UK and Germany, the role of the audit committee is often associated with strong regulatory structures that support good corporate governance (Gad, 2023), (Wehrhahn & Velte, 2024). In developing countries such as Indonesia and Nigeria, the role of the audit committee is more influenced by internal company factors and does not always show optimal results (Son, 2024),(Erin et al., 2021).

Audit committees play an important role in strengthening transparency, accountability, and good corporate governance in various countries. Although their basic roles are similar, their approaches and effectiveness differ depending on the institutional and regulatory context of each country. In developing countries, audit committees still focus on strengthening basic functions and oversight structures, while in developed countries, audit committees have carried out more strategic and systematic functions in maintaining the integrity of financial reporting and governance efficiency. These differences reflect the level of maturity of the corporate governance system in each country.

Audit committee characteristics generally have a positive relationship with company performance across countries, but contextual factors such as the institutional environment can moderate this relationship (Altin, 2024). That in developed countries such as the UK, audit committees with diverse backgrounds have proven to be more effective in preventing corporate scandals, strengthening their strategic governance role (McLaughlin et al., 2021). There is a growing need for financial experts on audit committees in developed countries to combat financial corruption and ensure transparency.(Gorshunov, 2023).

However, Audit committee independence plays a key role in reducing earnings management in developing countries, but regulatory support is still needed (Almarayeh, 2024). In developing countries, audit committees still face structural weaknesses, but gender diversity can enhance their impact on financial performance (Ahmed et al., 2024).

Table 5 Differences in Audit Committees

Aspect	Developing country	Developed countries
Number of Studies	21 studies	9 studies
Country	Pakistan, Egypt, India, Nigeria, Bahrain, Yemen, Indonesia, Iran, Tunisia, Iraq, Bangladesh, China, MENA	UK, Germany, Poland, Canada, Western Europe
Research Focus	Independence, Gender diversity, Meeting frequency, Financial expertise, Committee effectiveness, Audit quality, Company performance	Legal compliance, Transparency of audit reports, Professional expertise, Prevention of scandals & corruption, Internal–external auditor synergy
Dominant Characteristics of the Audit Committee	Independence of members, Gender diversity, Audit competence, Number of meetings, Audit committee active in risk mitigation	Professional financial expertise, Legally compliant and pro-transparency audit committee, Focus on efficiency & corporate reputation
Primary Objectives of the Audit Committee	Improve financial performance, Reduce earnings management, Strengthen sustainability reporting and investment	Improving external auditor accountability, Maintaining capital market integrity, Improving governance efficiency
Relation to GCG	Supporting transparency & accountability in weak oversight systems, Need for regulatory strengthening	Already integrated into a strong GCG framework, more strategic and regulatory role
General Findings	Audit committees help strengthen GCG and performance, but often depend on local institutional and regulatory contexts.	Audit committees are more focused on systemic risk prevention and transparent reporting, with a more established role in the legal system.

Source: Processed data (2025)

3.2.2 Characteristics of the Audit Committee on Financial Reports

Table 6 shows the role of audit committees as an important part of corporate governance mechanisms continues to be a major focus in various global studies. Along with increasing demands for transparency, accountability, and fraud prevention in financial reporting, cross-country studies have examined various aspects of the characteristics and effectiveness of audit committees on audit quality, company performance, and reporting integrity. Overall, empirical evidence indicates that the effectiveness of audit committees is highly dependent on their characteristics, including independence, expertise, size, and diversity of members, as well as the regulatory context and organizational culture in which they operate. Therefore, a comprehensive understanding of global dynamics related to audit committees is essential for formulating adaptive and effective governance policies.

Based on **Table 6**, The role of the audit committee in increasing the accountability and transparency of a company's financial reports in order to attract the attention of stakeholders and improve supervision in corporate governance. Good corporate governance can be ensured through the quality and appropriate characteristics possessed by the board of directors. Several studies emphasize the importance of a coalition between the audit committee, internal and external auditors as one unit in creating effective GCG (Wehrhahn & Velte, 2024). The effectiveness of the audit committee also depends on legal support, risk disclosure, and the overall role of the board (Dwyer et al., 2023; Leung & Sane, 2023).

Companies can evaluate the effectiveness and independence of their audit committees and make necessary changes to improve their audit quality. As one of the corporate governance (CG) mechanisms, the audit committee (AC) assists the board in fulfilling its responsibilities and exercising oversight and control (Elmashtawy et al., 2023). Overall AC financial expertise is positively related to the implementation of internal audit report recommendations. However, our findings suggest that AC accounting financial expertise is more positively related to IAFE than AC non-accounting financial expertise (Oussii & Boulila, 2021).

Table 6 Findings of the Influence of Audit Committee Characteristics

No	Author of the Year	Country	Research result
1	(Elmashtawy et al., 2023)	Malaysia, Egypt	The independence of the audit committee, and the size of the audit firm negatively affect audit quality. In contrast, the influence of audit committee meetings on audit quality is positive and significant for corporate governance mechanisms.
2	(Al-Hadrami et al., 2020)	Bahrain	AC independence and AC competence have a positive and significant influence on investment decision making and improve the quality of financial reporting on corporate governance.
3	(Son, 2024)	Indonesia	The size of the audit committee and the number of audit committee meetings cannot improve company performance because they create agency problems and agency costs and make it difficult to coordinate with each other.
4	(Fariha et al., 2022)	Bangladesh	Audit committee and independence of audit committee chairman were found to have significant relationship to Good Corporate Governance whereas, all audit committee attribute variables were not found to be significant.
5	(Haddad et al., 2022)	Tunis	The true role of the AC is to assume additional responsibility for improving financial performance, not only as a governance and control mechanism but also as a continuous monitoring mechanism of a company's financial performance.
6	(Dwyer et al., 2023)	Ireland	Finding that auditors may replicate the risk disclosures identified by the audit committee or each other (Big 4 audit firms) the interaction between the Corporate Governance Code
7	(Wehrhahn & Velte, 2024)	German	Regulators should recognize audit committees, internal auditors, and external auditors as a three-way coalition in good corporate governance and should enhance their practical cooperation on financial and ESG topics.
8	(Alkebsee et al., 2020)	China	The role of female directors on audit committees varies from context to context.
9	(Sadaa et al., 2023)	Iraq	Board financial expertise, risk management committee, and foreign ownership have a negative impact on credit risk which is used for corporate governance dimensions.
10	(Dak-Adzaklo CSP & wong MK R, 2024)	United States of America	The analysis shows that corporate governance reforms lead to less and lower investment, and the effects are also stronger in low-trust countries.
11	(Adu et al., 2024)	English, Ghana	The BSRF-BCCI and BSCOM-BCCI associations are positively moderated by CORPGOVDISCIN, indicating that these relationships are dependent on the quality of bank corporate governance mechanisms.

No	Author of the Year	Country	Research result
12	(Gad, 2023)	Poland	Strict laws have a significant impact on corporate governance in the capital market, which appoints an audit committee in the supervisory board, increasing significantly.
13	(Al-ahdal & Hashim, 2021)	Malaysia	There is no evidence to suggest that audit committee characteristics improve the performance of non-financial firms whereas external audit quality was found to have a significant positive impact on firm financial performance.
14	(Umar et al., 2023)	Nigeria	The study revealed that audit committee size and foreign directors on the audit committee did not affect corporate philanthropic donations before and during COVID-19.
15	(Makhlouf, 2022)	Jordan	Audit committee independence, audit committee financial expertise, and female members negatively affect impression management, reduce financial reporting manipulation and reduce management practices in corporate governance.
16	(McLaughlin et al., 2021)	English	There is a negative but insignificant relationship between female chair of the audit committee, percentage of female members of the audit committee, qualified accountant members of the audit committee, presence of an audit committee, number of shares owned by audit committee members, remuneration of the audit committee, tenure of the board and the likelihood of corporate scandal, while tenure of audit members and frequency of audit committee meetings both have a positive relationship to the likelihood of corporate scandal.
17	(Wigglesworth et al., 2023)	English	Decrease in the ratio of NAF to total audit fees compared to other companies as an indication of strong corporate governance
18	(Oussii & Boulila, 2021)	Tunis	The audit committee's accounting financial expertise is likely to be positively related to a Company's implementation of internal audit report recommendations.
19	(Abbasi et al., 2023)	English, Pakistan	Female directors on the audit committee have a negative relationship with non-audit fees, indicating that non-audit fees reduce audit quality in corporate governance.
20	(Wehrhahn & Velte, 2024)	German	An audit committee equipped with adequate competencies produces a substitution effect for external auditors ensuring adequate and appropriate ICS and the overall quality of corporate governance.
21	(Almarayeh, 2024)	Jordan	Audit committee independence has a negative relationship with accrual-based earnings management of corporate governance policy makers.
22	(Ahmed et al., 2024)	Egypt	Audit committee characteristics, particularly audit committee size, audit committee activity, and audit committee gender diversity, are related to a company's financial performance.
23	(Leung & Sane, 2023)	Hong Kong, India	Companies with more international directors on their boards and audit committees pay higher fees. In addition, more educationally diverse boards and audit committees also pay higher fees.
24	(Sahyoun & Magnan, 2020)	United States, Canada	The level of VD in audit committee reports did not increase significantly from the reports of 10 industry and governance organizations that analyzed audit committee disclosures.

No	Author of the Year	Country	Research result
25	(Altin, 2024)	Türkiye	The audit committee's independence, expertise, size, and affiliation with the four major companies have a significant and positive effect on company performance, while audit committee meetings have an insignificant effect on the effectiveness of the company's governance structure.
26	(Belhouchet & Chouaibi, 2024)	Tunis	Expectations regarding the impact of audit committee attributes on IRQ. Indeed, independence and audit committee meetings have a significant positive impact on IRQ. However, no significant relationship was found between financial expertise and IRQ in the company.
27	(Gorshunov, 2023)	United States of America	Financial experts on the audit committee generally increase financial corruption. However, the effect is reversed when the audit committee has three or more financial experts, indicating that having at least three financial experts reduces financial corruption.
28	(Erin et al., 2021)	Nigeria	Board governance (board size, board gender diversity, and board expertise) and audit committee attributes (audit committee size, audit expertise, and audit meetings) are significantly related to sustainability reporting quality through corporate governance characteristics.
29	(Nejad et al., 2024)	English, Malaysia, Saudi Arabia	The negative relationship between audit tenure and financial statement fraud is due to the greater resources, expertise, quality control, oversight, reputation, and ethical behavior of Big-5 audit firms.
30	(D'Andreanmatteo et al., 2024)	Italy, Norway	Research shows that literature that uses the "Audit Society" theory is still limited in the application of good corporate governance.

Source: Processed data (2025)

The effectiveness and value of governance reforms vary with differences in subjective beliefs across countries. Specifically, we document that informal institutions, such as trust, play an important role in determining the effectiveness of regulatory reforms and should inform policymakers in designing strategies to strengthen corporate governance and other related reforms in different socio-cultural environments (Dak-Adzaklo et al 2024). We (Erin et al., 2021) measuring corporate governance using board governance (board size, board independence, board gender diversity and board expertise) and audit committee attributes (audit committee size, audit expertise and audit meetings) which have a positive influence.

Auditors may emulate the risk disclosures identified by the audit committee or each other (Big 4 audit firms), on the auditor's risk disclosures in the extended audit report (Dwyer et al., 2023). Although some studies have found that the size of the audit committee and audit committee meetings can improve company performance, this was not found in this study. The size of the audit committee and audit committee meetings that are too frequent can cause agency problems and agency costs and make it difficult to coordinate with each other (Putra, 2024).

The implementation of a comprehensive financial and non-financial reporting framework, in addition to effective fraud detection and prevention mechanisms, is expected to improve overall financial and non-financial performance, thereby enhancing the company's reputation (Wehrhahn & Velte, 2024). That all involvement of those with audit experience in audit committee work is associated with lower levels of NAF compared to total audit fees (Wigglesworth et al., 2023).

Effective corporate governance system is essential to resolve agency conflicts, monitor, supervise business operations, and make appropriate decisions to reduce risks (Sadaa et al., 2023). Confirms that the level of corporate transparency is largely related to the deeply rooted corporate governance model in a country (Gad, 2023). Foreign directors on audit committees were found to have an insignificant negative relationship with corporate philanthropic donations before and during the pandemic (Umar et al., 2023). Although there are many other characteristics that can influence corporate governance, this study only uses three audit

committee characteristics: board size, board independence, and board expertise (Belhouchet & Chouaibi, 2024).

4. Conclusion

Based on a systematic literature review, this study finally identified 30 relevant articles on the characteristics of the audit committee in good corporate governance to oversee financial reporting for greater transparency and accountability. With the focus of this journal's research using the keywords "audit committee", "corporate governance", "financial reporting" and "characteristics". The results of the analysis show that audit characteristics have a positive influence on the implementation of the audit committee in good corporate governance, such as board size, board independence, and board expertise. Similarly, gender diversity in the audit committee strengthens the positive relationship of improving internal monitoring mechanisms and communication.

Although there are still some studies with inconsistent results stating that the independence of the audit committee, female members, and the financial expertise of the audit committee have a negative impact on management which is considered to be an opportunity for financial reporting manipulation. And there is still a gap between research conducted in developed countries and developing countries in developing countries, the audit committee still focuses on strengthening basic functions and oversight structures, while in developed countries, the audit committee has carried out more strategic and systematic functions in maintaining the integrity of financial reporting and governance efficiency.

A good corporate governance system is needed to resolve agency conflicts, such as monitoring, supervising the course of business, and making the right decisions to reduce errors or fraud that may occur in a company. The implementation of this audit committee is expected to be a solution to create good corporate governance. With the inconsistency in some of the results of the reviewed articles, this shows that further research is needed to explain the complex relationship between the characteristics of the audit committee in corporate governance. Thus, this study provides a basis for further research on current problems regarding the characteristics of the audit committee. As well as the hope to increase the role of the audit committee in creating Good Corporate Governance in the future.

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