

Report for the Mid-Career Researchers Grant

This document reports the outcomes of a Mid-Career Research grant.

1. Investigators:

- Dr. Masoud azizkhani: (AFAANZ membership # AF007550): **Mid-career researcher**
Tasmanian School of Business and Economic
University of Tasmania, Hobart
TAS 7001, Australia, Tel: +61362262638
E-mail: masoud.azizkhani@utas.edu.au
- Dr. Sarowar Hossain (AFAANZ membership # A002143): **Mid-career researcher**
School of Accounting,
UNSW Business School, UNSW Sydney
NSW 2052, Australia, Tel: +612 9385 6352
E-Mail: s.hossain@unsw.edu.au

2. **Project Title:** Effect of audit committee chair's characteristics on auditor choice, audit fees, and audit quality.

3. Updated Project summary

The project intends to examine the impacts of audit committee chair's characteristics (specifically, gender, financial expertise, tenure, industry experience and remuneration) on (a) auditor choice, (b) audit fees, and (c) audit quality. The chair of an audit committee plays vital roles ensuring the quality of financial reports through working with audit committee members, setting the committee agenda, and liaising with external auditors, board of directors, management, internal auditors, and engages in the selection of audit committee members in conjunction with the full board. Prior research shows that audit committee characteristics such as independence, expertise, size and activity are critical for the audit committee's effectiveness, however, a specific focus of the effects of the characteristics of an audit committee chair on financial reporting quality has been limited in the extant academic research. The findings will be important from the practice, academic and public policy perspectives as this study will examine the recommendation of regulators to have at least one member with financial expertise in the audit committee (e.g., AUSB 2017) and extends prior research on board gender-diversity by providing how the gender and other characteristics of the audit committee chair affects auditor choice, audit fees and audit quality.

Besides its contribution to the academic literature on the audit committee characteristics, given that regulators' recommendations to have at least one member with financial expertise in the audit committee (e.g., AUSB 2017), the results of this study can have policy implications for both regulators and firms seeking to improve the effectiveness of their audit committees. In addition, this study also extends prior research on board gender-diversity by providing how the gender and other characteristics of the audit committee chair affects auditor choice, audit fees and audit quality. The findings will be important from the practice, academic and public policy perspectives.

There is no variation between the undertaken project and the original application.

4. Funds granted

\$5000 plus GST

5. Detailed report on Expenditures of funds against Budget Items, with variations explained

As outlined in the Grant proposal, we hired a research assistant to collect data on the characteristics of audit committee chair from companies' annual reports. This research assistant was hired as CRA 1 at an approximate rate of \$42.89, for approximate of 100 hours. Here are the details of expenditures:

Item	Description	Cost
1	Salary	\$4,266.92
2.	Cas Pro Res Super	\$ 405.35
3.	Cas Prof Res Payroll Tax	\$285.01
4.	Cas prof Res Workers Comp	\$12.97
	Total	\$4,970.07

6. Outcomes

The outcome of this project is currently a working paper. We have the first draft of the paper which now has been distributed to more senior researchers for comments and feedbacks. As the next step, we plan to submit this paper to major conferences (e.g., The 2020 Annual conference of the European Accounting Conference, AFAANZ 2020,

etc). Finally, we aim to submit this paper to a high ranked research journal in mid-late 2020.

Here is the current abstract of the paper:

This project examines the impacts of different characteristics of audit committee (AC) chair, specifically- gender, expertise, tenure, and remuneration on (a) auditor choice, (b) audit fees, and (c) audit quality. Using data from Australian firms listed in ASX for 2004-2017, this study finds that that Big 4 and industry specialist auditors are more likely to be hired by AC chairs with longer tenure, professional and university qualification, and higher remunerations. We also find positive associations between audit fee and AC chair's tenure, professional and university qualifications; and negative associations between chair's remuneration, accounting and finance experience and audit fees. For the impact on audit quality, we find that auditors are less likely to issue a going concern opinion for the clients with AC chairs that have; longer tenure, professional and university qualification, and earn higher remuneration. We also find that auditors are more likely to issue a going concern opinion for clients with a female as the AC chair. The findings provide insights on the association between different characteristics of AC chair and auditor choice, audit efforts and audit quality which will be important to policy makers and companies to hire an AC chair.