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Research Article

Effects of Audit Committee Independence, Effectiveness on Audit Quality: Evidence from Yemen

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Abstract

This study investigates the impacts of audit committee independence and effectiveness on audit quality using quantitative research methods. The sample consists of 75 individuals from various roles within the National Trading Company (NATCO) group of companies in Yemen between 2019 and 2023. Data were collected through a Google Form and analyzed using Statistical Package for the Social Sciences (SPSS). The results indicate a positive impact of audit committee independence on audit quality, Audit committee effectiveness also demonstrates a positive relationship with audit quality. Furthermore, a strong positive correlation between audit committee independence and effectiveness on audit quality was observed, highlighting the importance of robust audit committee frameworks in financial reporting credibility. The findings suggest that both audit committee independence and effectiveness contribute positively to audit quality, with independence playing a more critical role. These results align with previous research and underscore the significance of audit committee independence in ensuring high-quality audits. However, limitations such as the restricted study period and examination of only two independent variables suggest avenues for future research. Recommendations include expanding the study period and incorporating additional independent variables to enhance research comprehensiveness.

Keywords: *Audit Committee Independence, Audit Committee Effectiveness, Audit Quality, signaling theory, Corporate Governance.*

INTRODUCTION

The research examines the extent to which audit committee independence, effectiveness impacts audit quality in the National Trading Company (NATCO). Numerous significant corporate scandals, such as those involving Enron and WorldCom in the United States, have been linked to inadequate audit quality, often stemming from concerns over auditor independence. These instances of alleged "audit failures" were attributed to auditors' purported inability to identify or disclose material errors or misstatements in financial statements. To bolster independence and mitigate the risk of audit failures, mandatory auditor rotation has frequently been proposed as a potential solution (Siregar et al., 2012). In response to a series of corporate scandals in the early 2000s, Congress introduced the Sarbanes-Oxley Act of 2002 (SOX). This legislation broadened the duties of audit committees. Whereas previously their main focus was on ensuring the accuracy of financial reporting, SOX extended their role to include supervision of external auditors. Audit committees are now tasked with actively evaluating the qualifications and impartiality of auditors, deliberating the audit's scope, setting auditor fees, assessing the quality of audits, and mediating any disputes regarding financial reporting between management and auditors.

The Securities and Exchange Commission (SEC) currently mandates certain disclosure requirements for audit committees. These requirements were primarily established in 1999 based on suggestions from the Blue-Ribbon Committee. However, there are currently no mandates for audit committees to disclose details about their oversight procedures, such as how they select audit partners or firms, or how they evaluate the audit process. Previous research has explored audit committee diligence by examining factors like the frequency of audit committee meetings, but there is no explicit requirement for such disclosures. Yet, relying solely on the frequency of audit committee meetings might offer only a restricted perspective on the diligence of audit committees (Bratten et al., 2022).

The audit committee (AC) plays a crucial role in corporate governance by overseeing auditing standards. An effective and independent AC, equipped with relevant expertise, is expected to improve auditing practices, thereby enhancing audit quality. Quality audits are vital for maintaining the credibility of financial statements and safeguarding the economic interests of stakeholders. However, instances of corporate and auditing failures, such as the Enron-Andersen scandal in the USA, have prompted scrutiny of the AC's role and responsibility in ensuring the integrity of financial reporting and audit quality (Sulaiman, 2017). Previous studies have indicated that a proficient audit committee would insist on a superior standard of auditing and, consequently, would engage an auditor specialized in the industry, presuming that they would be more adept at identifying significant errors in financial statements (Sulaiman, 2017).

In order to bolster public confidence and ensure that investors and other stakeholders can rely on the accuracy of audited financial statements, Article 44 of Law 4449/2017 stipulates that each public interest entity (PIE) must establish an Audit Committee (AC) comprising a minimum of three members (Chalevas et al., 2021). This committee can either be an independent entity or a subgroup of the company's board of directors. Its composition includes non-executive members of the board and individuals elected by the shareholders' general meeting. Collectively, the AC members are required to possess sufficient expertise in the relevant field of the audited entity's operations. Additionally, they are expected to maintain a high level of independence from the audited entity, as defined by the provisions outlined in the Greek Corporate Governance Law (3016/2002). Furthermore, at least one member of the AC must be a statutory auditor on temporary leave or retirement or possess significant expertise in auditing and accounting. Notably, neither European nor Greek legislation offers a precise definition of what constitutes adequate knowledge in accounting or auditing for AC members.

Previous research has addressed certain aspects of the connection between audit committees (AC) and financial reporting quality (FRQ). For instance, Alawaqleh & Almasri, (2021) discussed notable instances of corporate misconduct involving companies like WorldCom, Enron, Cadbury, Intercontinental Bank PLC, and Afribank, which were involved in widespread fraud and misrepresentation in financial statements. To combat dishonesty in financial reporting, companies take diverse measures, including setting up committees tasked with thoroughly examining financial reports from their creation to their publication. According Alawaqleh & Almasri, (2021) this committee comprises several members within an organization who are tasked with overseeing the company's accounting and financial reporting (FR) as a component of corporate governance (CG). This function serves to enhance the credibility of financial reporting (FR).

Literature review and Hypothesis development

signaling theory

The concept of signaling theory originated from Spence's 1973 influential study on the labor market (Appuhami, 2018). This theory primarily addresses the issue of information asymmetry among different parties involved in exchanges, leading to the problem of adverse selection. According to Appuhami, (2018), in situations where information asymmetry exists in the labor market, the educational qualifications of job seekers serve as valuable "signals" to potential employers, helping them distinguish between highly productive and less productive employees. Essentially, the theory demonstrates how one party in an exchange seeks signals from another party to evaluate hidden actions and reduce information asymmetry between them.

This theory suggests that firms use signals to convey information about their quality to external stakeholders. The presence of independent and effective audit committees signals to investors, creditors, and other stakeholders that the organization is committed to transparent and reliable financial reporting. This positive signal can enhance stakeholders' confidence in the organization's financial statements and audit quality.

In the context of audit committees, which play a crucial role in overseeing the financial reporting process, they are likely to communicate important signals to participants in the capital market. When there are doubts about the credibility of information, capital providers are particularly interested in the characteristics of audit committees as indicators of the reliability of internal monitoring processes. The absence of trustworthy information can significantly decrease the perceived value of firms in the eyes of capital providers, leading to higher costs of capital. Therefore, the characteristics of audit committees serve as signals that can alleviate capital providers' concerns regarding the accuracy of a firm's disclosures and subsequently reduce the firm's cost of capital.

Connelly et al., (2011), present a signaling model that illustrates how firms with different levels of quality may choose to signal their true quality to outsiders. In this example, there are two types of firms: high-quality and low-quality. While the firms themselves know their true quality, outsiders like investors or customers do not, leading to information asymmetry.

In this scenario, each firm has the option to signal or not signal its true quality to outsiders. When high-quality firms choose to signal, they receive a payoff denoted as A, whereas if they do not signal, they receive a payoff denoted as B. Conversely, low-quality firms receive a payoff denoted as C when they signal and a payoff denoted as D when they do not signal.

For high-quality firms, signaling is a favorable strategy when the payoff from signaling (A) exceeds the payoff from not signaling (B), and when the payoff from not signaling (D) is greater than the payoff from signaling (C). Under these conditions, high-quality firms are incentivized to signal their true quality to outsiders, while low-quality firms are not motivated to do so. This leads to a separating equilibrium where high-quality firms signal their quality, allowing outsiders to differentiate between high and low-quality firms.

Audit quality

Pinatik, (2021) define audit quality as the effectiveness of the audit process in identifying and disclosing material misstatements within financial statements. They suggest that the ability to detect misstatements reflects the competence of auditors, while the act of reporting them reflects the ethical standards and independence of the audit, particularly in terms of integrity. According Kusumawati & Syamsuddin, (2018), a quality audit serves as a management tool aimed at assessing, confirming, or validating activities pertaining to quality. It involves independent and systematic examination to ascertain whether the quality of company-related activities aligns with predetermined standards and whether these standards have been effectively implemented to achieve the company's objectives. Audit quality stands as a paramount concern within the auditing profession. When the auditor successfully identifies and reports material misstatements, the audit process is deemed to have achieved a higher standard of quality (Pinatik, 2021). Researchers have discovered that audit professionals primarily define audit quality based on adherence to professional auditing standards, whereas investors place more emphasis on the individual attributes of the audit team conducting the audit (Christensen et al., 2016). The focus of investors on auditor characteristics suggests that providing additional disclosures related to inputs could be beneficial for financial statement users in assessing audit quality. Regarding specific characteristics of audit quality related to engagements, both audit professionals and investors consider attributes of the audit opinion, outcomes of the review process, and the payment of reasonable audit fees as important factors in determining audit quality. Auditors also highlight that the timely completion of audit planning and fieldwork contributes to achieving high audit quality.

Audit Committee Independence

According to Abbott et al., (2003), independent audit committee members, serving as outside directors, may perceive their role on the board as a means of bolstering their reputations as experts in decision-making oversight. While serving on the audit committee can enhance their reputational capital, it also exposes them to increased reputational risk in the event of financial misstatements. Moreover, in cases of financial misstatement, non-audit committee directors external to the company may seek to transfer their liability to audit committee members by claiming reliance on the audit committee for matters such as the adequacy of the firm's financial reporting and its relationship with external auditors (Abbott et al., 2003).

Independence in auditing entails maintaining an impartial perspective during test execution, evaluation of examination outcomes, and preparation of audit reports (Ardillah & Chandra, 2022). As outlined by Pinatik, (2021), independence refers to the state of being unaffected by external influences, maintaining autonomy, and adhering to honesty when evaluating facts and formulating impartial opinions. The independence of public accountants serves as a fundamental pillar for public confidence in the accounting profession and stands as a critical factor in assessing the quality of audit services and the subsequent audit outcomes. Pinatik, (2021) further elucidates that independence implies resilience against undue influences, as auditors carry out their responsibilities in the interest of the public. Various factors can impact the independence of public accountants, such as financial ties with clients, their position within the company, engagement in conflicting businesses, provision of additional services to audit clients, personal and familial relationships, compensation for professional services, acceptance of goods or services from clients, and provision of goods or services to clients.

Audit committee independence on audit quality

In contemporary corporate governance, the independence of audit committees stands as a cornerstone for ensuring the integrity and reliability of financial reporting processes. As fiduciaries entrusted with oversight responsibilities, independent audit committees are expected to provide objective assessments of financial statements and internal controls, thereby enhancing audit quality. However, the extent to which audit committee independence influences audit quality remains an area of scholarly inquiry.

Yeboah & Agyei Mensah, (2019), found that when audit committee members have ownership stakes in a company, they may have reduced motivation to discourage earnings management. Therefore, maintaining independence within the audit committee is considered crucial for strengthening its ability to prevent inaccuracies in financial statements hence provide audit quality.

According to Khudhair et al., (2019), the independence of the audit committee is crucial for ensuring the integrity of the financial reporting process. This suggests that non-executive members of the audit committee are likely to be more effective in overseeing audited financial statements.

AMAR, (2014) examined how different aspects of audit quality, such as the presence and independence of audit committees, influence earnings management among a sample of 120 prominent French publicly traded companies between 1999 and 2001. Through OLS regression analysis, the researchers determined that the existence of an audit committee, rather than its independence, acts as a deterrent to the manipulation of earnings upwards. Drawing from a theoretical review and previous research explanations, the formulated research hypothesis is outlined as follows.

H1: Audit committee independence positively impacts audit quality.

Impact of Audit committee effectiveness audit quality

The audit committee (AC) is appointed by a company to facilitate communication between the board of directors and external auditors. Typically consisting mostly of non-executive directors, the committee is expected to maintain an impartial stance when overseeing the company's activities. Acting as a crucial intermediary in the financial reporting process, the AC connects major stakeholders such as the board of directors, corporate management, internal auditors, and external auditor (Agyei-Mensah, 2019). Its primary role involves monitoring and oversight functions, including reviewing auditor nominations, determining the scope of audit activities, and ensuring the implementation of internal controls. The AC convenes with external auditors to discuss various aspects of accounting, auditing, internal controls, and financial reporting.

Alawaqleh & Almasri, (2021) investigate the perspectives of audit partners, audit committee (AC) members, and financial officers to understand how economic and regulatory factors influence the enhancement of audit quality. Participants were tasked with assessing different factors related to audit committees and their effect on financial reporting quality (FRQ), with auditors being identified as one of the most critical factors contributing to improved audit quality. Interviewees underscored the role of the audit committee in ensuring high standards of audit quality.

Al-Hajaya, (2019), within the Malaysian context, present evidence reinforcing the conclusions established in audit literature. They suggest that companies with robust corporate governance structures, such as an effective audit committee, are inclined to demand comprehensive audit services. Consequently, this results in higher audit fees. Drawing from the literature review and previous research outcomes, the hypothesis can be articulated as follows:

H2: Audit committee effectiveness positively impacts audit quality.

Relationship between audit committee independence and effectiveness on audit quality

The present research adopts a complementary perspective on the connection between the attributes of audit committees and audit quality, focusing on audit fees and the selection of audit agents. It proposes that insurance firms in Jordan, equipped with effective audit committees characterized by size, diligence, and independence, are inclined to mitigate agency issues with shareholders by insisting on higher standards of auditing (Javadikasgari et al., 2018). This serves to signal their commitment to non-opportunistic conduct. It is anticipated that members of audit committees who possess independence will demonstrate greater objectivity and are less inclined to ignore potential shortcomings related to the misuse and manipulation of financial reporting. According to agency theory, it is believed that independence plays a critical role in diminishing agency costs and information imbalances, and it also contributes to enhancing the quality of audits. This independence applies to various stakeholders, including external auditors, board members, and directors of audit committees.

Odudu et al., (2018) explore the impact of audit committee independence on audit quality in Australia. Their study examined a sample of 458 companies out of 510 listed on the ASX between 2000 and 2001. Data analysis was conducted using logistic regression. The results indicate a meaningful and positive relationship between audit committee independence and audit quality.

Al-taee & Flayyih, (2022) investigated the correlation between the attributes of an effective audit committee, the efficacy of the audit process, and audit quality within the Indian context. Analyzing 74 non-financial companies listed in the Nifty 100, they employed one-way random effect panel data regression spanning from 2014 to 2019. The study emphasizes that organizations with appropriately sized, knowledgeable, and effective audit committees tend to execute various audit processes successfully. It asserts that the audit committee's objective of ensuring a high-quality audit is facilitated by the presence of an efficient audit process.

Odudu et al., (2018) examined the effect of audit committee on audit quality within the Malaysian context. Their study encompassed a population of 76 companies listed on the Malaysian financial market spanning from 2002 to 2005. Questionnaires were distributed to the internal executive auditors of these companies. The results revealed a notable and positive correlation between the audit committee and audit quality.

Aryan, (2015) investigates the correlation between audit committee characteristics (independence and effectiveness) and audit quality in Nigeria. The research selected 69 out of 91 companies in the industry, covering the timeframe from 2009 to 2014. Data analysis was conducted using multiple regression techniques. The findings indicate an inverse association between independence and effectiveness and audit quality. Based on the provided explanation, the hypothesis can be formulated as follows:

H3: There is a positive relationship between audit committee independence and effectiveness on audit quality.

Research Method

The researchers utilized a form of quantitative research for this study. The research sample comprises 75 individuals employed across different roles such as Audit and Accounting departments, directors, senior, and management staff at NATCO (National Trading Company) group of companies in Yemen from 2019 to 2023. The sampling method utilized was purposive sampling, which involves selecting the sample based on specific criteria or attributes. Data were gathered through the use of a Google Form. The data collected thus far were analyzed using the Statistical Package for the Social Sciences (SPSS) to derive meaningful insights. The analytical methods utilized included descriptive statistics and various statistical tests (t-tests, R2 analysis, F-statistic tests, and examination of multicollinearity coefficients), all conducted with a standard 95% confidence level (i.e., a significance level of 0.05). To explore the relationships between audit committee independence, effectiveness, and audit quality, multiple linear regression analysis was employed. The analysis was presented using tables.

This paper utilizes the framework proposed by Odudu et al., (2018) as a basis but with adjustments tailored to the specific context of the research. Hence, the model for the study is presented below with modifications to align with the research environment.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where Y = Audit quality

a = constants

e = error

β = regression coefficient

X_1 = Audit committee independence

X_2= Audit committee effectiveness

Result and discussion

This study utilized information spanning the years 2019 through 2023, drawing from a pool of 75 employees affiliated with the NATCO (National Trading Company) group in Yemen. The participants included individuals from various levels within the Audit and Accounting departments, encompassing directors, senior staff, and management personnel.

Table 1 Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Audit committee independence	75	2.00	5.00	4.0489	1.02182
Audit committee efficiency	75	2.00	5.00	3.8800	1.00955
Audit Quality	75	2.00	5.00	4.1933	.92230
Valid N (listwise)	75				

Sources: from process Data

The descriptive statistics from Table 1 offer valuable insights into three key variables audit committee independence, efficiency, and audit quality across a sample of 75 employees within the NATCO group in Yemen. Audit committee independence demonstrates a mean score of approximately 4.05, with a standard deviation of around 1.02, indicating a relatively high level of independence with a range spanning from 2.00 to 5.00. This signifies robust oversight of financial reporting and adherence to regulatory standards. Audit committee efficiency, with a mean score of approximately 3.88, with a standard deviation of about 1.01, suggests a generally reasonable level of effectiveness, though there is variability across the sample. Scores ranging from 2.00 to 5.00 highlight differences in operational efficiency that may impact financial reporting quality and internal controls. Notably, audit quality shows the highest mean score of around 4.19, and a standard deviation of around 0.92, reflecting strong compliance with auditing standards and financial transparency.

Table 2 Adjusted R table (Model Summary

Coefficients	Model
R	.924[a]
R Square	.853
Adjusted R Square	.849
Std. Error of the Estimate	.35834

a. Predictors: (Constant), ACE, ACI Sources: from process Data
b. Dependent Variable: AQ

Table 2 above, presents the Model Summary for a regression model with "Audit Quality" (AQ) as the dependent variable and "Audit Committee Efficiency" (ACE) and "Audit Committee Independence" (ACI) as predictors.

The coefficient of determination (R^2) indicates that approximately 85.3% of the variability in AQ is explained by ACE and ACI. The remaining 14.7%, conversely, can be attributed to variables beyond the scope of the research hypothesis and is compounded by errors. The adjusted R^2, which considers the number of predictors and sample size, is slightly lower at 84.9%, suggesting a robust relationship between the predictors and AQ.

The standard error of the estimate is relatively small, suggesting that the model fits the data well. In general, the Model Summary indicates that the regression model adequately accounts for a substantial portion of the variability observed in AQ, underscoring the significance of ACE and ACI in forecasting audit quality.

Table 3 F-Test ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	53.701	2	26.851	209.106	.000[b]
Residual	9.245	72	.128		
Total	62.947	74			

a. Dependent Variable: AQ Sources: from process Data
b. Predictors: (Constant), ACE, ACI

Table 3 illustrates the results of an F-test ANOVA applied to a regression model, examining the impact of independent variables on a dependent variable. The findings suggest notable significance, indicating that the regression model effectively accounts for a significant proportion of the variability observed in the dependent variable. The F-ratio of 209.106, with a p-value of .000 is lesser than 0.005 (0.000<0.005), confirms the statistical significance of the regression model. This suggests that the independent variables (audit committee independence and audit committee efficiency significantly impact the dependent variable (audit quality).

		Audit committee independence, effectiveness, and audit quality.	Audit Quality
Audit committee independence, effectiveness, and audit quality	Pearson Correlation	1	**.923****
	Sig. (2-tailed)		.000
	N	75	75
Audit Quality	Pearson Correlation	**.923****	1
	Sig. (2-tailed)	.000	
	N	75	75

**. Correlation is significant at the 0.01 level (2-tailed). Sources: from process Data

Table 4 above showcases the Pearson correlation coefficients pertaining to audit committee independence, effectiveness, and audit quality. These coefficients indicate both the magnitude and direction of the linear associations among the variables.

The correlation between audit committee independence and audit quality stands at 0.923**, denoting a robust positive relationship. This signifies that as audit committee independence strengthens, audit quality typically improves. The statistical significance of this correlation is underscored by a p-value of .000, indicating an extremely low probability of this association happening by random chance.

Similarly, the correlation coefficient between audit committee effectiveness and audit quality is also 0.923**, revealing a robust positive correlation. This implies that increased levels of audit committee effectiveness are associated with higher audit quality. This correlation is statistically significant as well, with a p-value of .000.

In conclusion, these results emphasize a strong positive relationship among audit committee independence, effectiveness, and audit quality within the studied sample comprising 75 employees from Audit and Accounting departments, directors, senior, and management staff at NATCO (National Trading Company) group of companies in Yemen spanning from 2019 to 2023. This underscores the significance of having well-established audit committee frameworks and procedures in upholding the credibility and precision of financial reporting within organizations.

Table 5. T test result Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.831	170		4.885	.000
ACI	.522	.164	.578	3.183	.002
ACE	.322	.166	.352	2.939	.046

a. Dependent Variable: AQ Sources: from process Data

Y = 0.831 + 0.578 + 0.352+ e

Audit committee independence (ACI), the coefficient (B) stands at 0.522 with a standard error of 0.164. The standardized coefficient (Beta) is 0.578. With a t-value of 3.183 and a significance level (Sig.) of 0.002, the results indicate a statistically significant positive relationship between audit committee independence and audit quality.

Regarding audit committee effectiveness (ACE), the coefficient (B) is noted as 0.322 with a standard error of 0.166. The standardized coefficient (Beta) is 0.352. While a positive correlation is observed, with a t-value of 2.939, the significance level (Sig.) is 0.046, which is slightly above the conventional threshold of 0.05. Despite this, the analysis suggests a reasonable positive association between audit committee effectiveness and audit quality.

DISCUSSION

The impacts audit committee independence on audit quality

This study asserts that audit committee independence positively affects audit quality, the results demonstrate a significant positive coefficient for ACI (0.522) with a high level of statistical significance ($t = 3.183$, $p = 0.002$), (3.183> 1.99714) and the significance level is less than 0.05 (0.002< 0.05). The standardized coefficient (Beta) further emphasizes the substantial impact of ACI (0.578), affirming that greater independence within the audit committee correlates with higher audit quality. This mean that H1 is accepted (Audit committee independence positively impacts audit quality). This implies that audit committee independence has a positive impact on audit quality. That is to say that the more independence audit committee are the higher the audit quality. This research aligns with the findings of previous studies of Yeboah & Agyei Mensah, (2019), whose studies found that when audit committee members who have ownership stakes in a company and independence within the audit committee is considered crucial for strengthening its ability to prevent inaccuracies in financial statements and provide audit quality.

The impacts Audit committee effectiveness on audit quality

The findings from the data analysis in this study suggests a positive relationship between audit committee effectiveness and audit quality, the analysis indicates a positive coefficient for ACE (0.322). Despite the significance level being somewhat below the conventional threshold ($p = 0.046$), the standardized coefficient (Beta) for ACE (0.352) implies a reasonable impact on audit quality. (2.939 > 1.99714) and the significance level is less than 0.05 (.046< 0.05). Hypothesis 2 (H2: audit committee effectiveness positively impacts audit quality) as well accepted. This implied that audit committee effectiveness positively impacts audit quality. This research is also supported by prior research done by

Al-Hajaya, (2019), who conducted research within the Malaysian context, present evidence reinforcing the conclusions established in audit literature. He found out that companies with robust corporate governance structures, such as an effective audit committee, are motivated to demand comprehensive audit quality.

Relationship between audit committee independence and effectiveness on audit quality

The analysis results here demonstrate that there is a positive relationship between audit committee independence and effectiveness on audit quality). here as well the hypothesis (there is a positive relationship between audit committee independence and effectiveness on audit quality) is also accepted. This research revealed strong positive correlation between audit committee independence and effectiveness on audit quality, as evidenced by correlation coefficients of 0.923** for both variables, underscores the significance of well-established audit committee frameworks and procedures in upholding the credibility and precision of financial reporting within organizations, supported by statistical significance with p-values of .000. The analysis of the provided data confirms the positive contributions of both audit committee independence and effectiveness to audit quality. Nonetheless, the evidence suggests that independence plays a more critical role, underscoring its significance in ensuring high-quality audits. This research is also supported by the research done by Odudu et al., (2018) who research team in Australia investigated the influence of audit committee independence and effectiveness on audit quality. Their study analyzed a sample of 458 out of 510 companies listed on the Australian Securities Exchange (ASX) during the period of 2000 to 2001. Data analysis involved logistic regression techniques. The findings revealed a significant and favorable association between audit committee independence, effectiveness, and audit quality. And opposed by the research done by Aryan, (2015) who in Nigeria investigated the correlation between audit committee characteristics, specifically independence and effectiveness, and audit quality. He selected 69 out of 91 companies in the industry, covering the timeframe from 2009 to 2014, and utilized multiple regression techniques for analysis. his findings indicate an inverse association between the independence and effectiveness and audit quality.

Conclusion and Recommendations

In conclusion, the research conducted between 2019 and 2023 affirms the positive impacts of audit committee independence and effectiveness on audit quality. The findings indicate that audit committee independence significantly influences audit quality, supported by a substantial coefficient for ACI (0.522) with high statistical significance ($t = 3.183$, $p = 0.002$). Similarly, audit committee effectiveness demonstrates a positive relationship with audit quality, as evidenced by the positive coefficient for ACE (0.322) and statistical significance ($t = 2.939$, $p = 0.046$). Additionally, the analysis reveals a positive correlation between audit committee independence and effectiveness on audit quality, further emphasizing the importance of well-established audit committee frameworks in upholding the credibility and precision of financial reporting within organizations. While both independence and effectiveness contribute positively to audit quality, the evidence suggests that independence plays a more critical role. These findings underscore the significance of audit committee independence in ensuring high-quality audits during the specified research period.

Limitations

Future researchers should take into account certain limitations of this study to enhance the quality of their findings. These limitations include: (1) the study's sample was restricted to data spanning from 2019 to 2023, thereby providing insights solely into the situation during this period; (2) the researchers only examined two independent variables, audit committee independence and audit committee effectiveness impact on audit quality. However, there exist several other variables that could potentially explain and influence the dependent variable (audit quality).

Recommendations

Future researchers may consider expanding their study by utilizing sample data from a longer period, thereby enabling the findings to capture real-world conditions more comprehensively and mitigate limitations associated with data sources. Additionally, researchers could explore incorporating additional independent variables to diversify the scope of their research findings.

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