J. Appl. Environ. Biol. Sci., 4(10S)74-81, 2015

© 2015, TextRoad Publication

ISSN: 2090-4274
Journal of Applied Environmental and Biological Sciences
www.textroad.com

Audit Committee Composition and Auditor Reporting: A Malaysian Case

Roziani Ali, Shazalina Mohamed Shuhidan, Noor Liza Adnan

Faculty of Accountancy
Universiti Teknologi MARA (Terengganu), 23000 Dungun, Terengganu, Malaysia

Received: October 19, 2014
Accepted: December 27, 2014

ABSTRACT

In the wake of corporate failures following economic crisis, the role of audit committees as corporate governance mechanism has become more important to regulators, the accounting profession and the business community. This study is conducted to examine the relationship between the composition of financially distressed firm's audit committees and the likelihood of receiving going-concern report in Malaysian context by examining published information for the year 2002.Consistent with Carcello and Neal (2000), this study found an inverse relationship between percentage of affiliated directors on audit committee and the likelihood of receiving modified going concern report, however the relation exist is not significant. Therefore, the study document evidences that the likelihood of receiving a going concern report for financially distressed firms (PN4 companies) in Malaysia is not significantly affected by the audit committee composition.
KEYWORDS: Audit Committee, Distressed Companies, Auditor Reporting.

INTRODUCTION

When a company fails shortly after the issuance of a clean report, there is often a public perception that users' of the financial statement should have received an early warning signal from the auditors [1, 2, 3, 4]. In [5] posed a question of "why do so many accountants fail to warn the public that the companies they audit are on the verge of collapse?"

In response to public expectations, the professional standards related to going concern evaluation have become more stringent over the past 20 years. Following this Auditing Standard Board has issued SAS No 34 (AICPA 1981) and SAS No 59 (AICPA 1998). These standards have increased the auditors' responsibility for detecting and reporting going concern uncertainties. One may expect auditors to have increased their propensity to modify a bankruptcy related opinions in the face of these more stringent standards [6]. In [7] historical analysis suggests that audit committees were established primary to safeguard the independence of external auditors. Prior research such as in [8] suggests that audit committees strengthen the auditor's position in disputes with the management. However, according to [9, 10], audit committee members do not always perform their duties adequately. Their performance could be influenced by their independence of the management. In another words, members of audit committee such as affiliated directors may have personal interest and economic dependence on the company management [11] which could affect their independence.

For companies experiencing financial distress, external auditors might issue going concern reports in order to show a true and fair view of the companies' financial position. According to agency theory, since the management and the owner of the companies are different, the management will try hard to avoid receiving an unfavourable audit report to secure their position. In such an event, the management of the companies will pressure the external auditor so that such a report will not be produced. An independent audit committee should help mitigate such pressure by supporting the external auditors in this disputes with management [12]. Therefore, it is expected that the greater the percentage of affiliated directors on the audit committee, the lower the likelihood of going concern reports for a financially distressed companies.

A study was conducted by [13], examining the relationship between audit committee independence and auditor reporting behavior in the United States (US). The study found an inverse relationship between the likelihood of receiving a going concern report and the percentage of affiliated directors on the audit committee among distressed companies. Consequently, this study is conducted to examine the relationship between the audit committee independence and the auditor's reporting behaviour in Malaysia. This study is motivated by a number of considerations. First, evidence has been fragmentary from newly industrialized economies like Malaysia on ethical issues which may have an impact on perceptions of independence. Second, the issue on audit committee independence and the auditor become more important. For example, the NYSE (New York Stock Exchange) and NASD (National Association of Securities Dealers) have sponsored Blue Ribbon Committee [14], and the first recommendation addresses the composition of audit committees and calls for audit committee members to be independence. This shows that the role of audit committees continues to be important to regulators, the accounting profession and the business community and a research on this area is needed to increase many parties' understanding on the area. The general objective of the research is to

Corresponding Author: Roziani Ali, Faculty of Accountancy, Universiti Teknologi MARA (Terengganu), 23000 Dungun, Terengganu, Malaysia, E-mail: roziani@tganu.uitm.edu.my

examine the relationship between the audit committee composition and auditor reporting behaviour among PN4 companies in Malaysia. The specific objective of the research is to test the relationship between the percentage of affiliated directors on board and the going concern report received from the auditor.

LITERATURE REVIEW

Regulators often view independent auditors as "public watchdogs" of a corporation. However, according to [15], the chairman of Securities and Exchange Commission, even these watchdogs need help in performing their vital role, and the responsibility belongs to the audit committee. In line with this, in [7] historical analysis suggested that audit committee was established primarily to safeguard the independence of the external auditor. Prior research by [8] found that audit committee could strengthen the auditor's position in disputes with the management. Recently, in [16] has indicated that safeguarding the independence of the accounting profession has never been more important.

In a financial distress companies' environment, the management might pressure the auditor against the issuance of a going concern report. Prior research associates modified reports with stock price declines [17], difficulty in raising debt capital [18], and the perception by the management that a modified report might precipitate the company's failure [19]. It is therefore expected that the management would resist a modified report [20]. The independent audit committee should provide an important role in corporate governance.

Consistent with the existing literature [21, 22], the issuance of a going concern report is viewed as the outcome of an often contentious negotiations among the management, the auditor and the audit committee. The management might imply that issuing a going concern report would adversely affect the auditors. For example, a client receiving a going concern report is more likely to switch auditors [23, 24, 20]. Other adverse consequences might include increased fee pressure, a reduction in the purchase of non audit services, and deterioration in the working relationship with incumbent management [13].

Prior research suggested that the going concern reporting decision was one of the most difficult and ambiguous audit tasks [25, 4]. Moreover, in [26] found that auditors facing an ambiguous situation were likely to adopt the client's position. In [16] argued that it was in these "gray areas" where the "temptation to see it the way your client does is subtle, yet real". In [22] examined certain contextual factors in the auditor-client conflict influence that perceived the ability of auditors to resist client pressure. The factors include the nature of conflict issue, client's financial condition, the provision of client's management advisory services by the audit firm and the degree of competition in the audit service market. The difficulty and ambiguity in the going concern reporting decision might render the auditor susceptible to the management pressure. An independent audit committee could help mitigate such pressure by supporting the auditor in disputes with the management [12]. It is expected that an audit committee that is independent from the management is more likely to mitigate any management pressure on auditors to issue a clean opinion when a going concern report is warranted [27]. Consistent with [13], it is expected that the greater the percentage of affiliated directors on the audit committee, the lower the likelihood of going concern reports for financially distress companies.

DATA AND RESEARCH METHODOLOGY

This study replicates the study done by [13]. The focus of the study is to test the relationship between the composition of audit committee and the likelihood of receiving a going concern report. The sample of the study involves public companies listed on Bursa Malaysia which are classified as PN4 companies for the year 2002. PN4 status firms are distressed public listed companies with negative shareholder funds and irregular financial conditions. The primary sample of this study contains 97 PN4 status companies listed on Bursa Malaysia. Financial distress index [28] is used to identify distressed companies. This model is the most frequently used by researchers [6, 29].

Prior research done by [13] has identified several variables of the study. The type of audit report received would depend on the percentage of affiliated directors on board, default status of a company, audit opinion received in prior year, size of a company, the degree of financial distress based on Zmijewski's financial condition (ZFC) index [29] and a status of a company. However, for this study, we have extended the variables to include the percentage of independent directors, the number of meeting conducted, the size of audit committee, the commitment and the type of audit firm. Statistical Package for the Social Sciences (SPSS) Window package is used to analyze the data gathered. The relationship between the audit committee composition and the auditor report is tested using the following logistic regression model.

$$\text{REPORT} = b_0 + b_1\text{AFFILIATED} + b_2\text{DEFAULT} + b_3\text{PRIOROPN} + b_4\text{DEVELOP} + b_5\text{SIZE} + b_6\text{ZFC} + b_7\text{INDDIR} + b_8\text{NOMTG} + b_9\text{SIZEAUDCOM} + b_{10}\text{COMMT} + b_{11}\text{TYAUDIT} \quad (1)$$

The variables in the model are defined as follows:

REPORT: The type of audit report issued on the entity's 2002 financial statement. (1 = going concern, 0 = others)

AFFILIATED: The percentage of audit committee members classified as affiliated directors. A negative relation between the percentage of affiliated directors on the audit committee and the receipt of a going concern report is expected. In [13] further split affiliated directors into Gray Director and Inside Director. The percentage of affiliated directors is calculated by reading the director's report in the annual report. Companies in Malaysia are required to disclose any affiliation of all directors in the annual report. Further investigation of the directors is done by reading Form 49 filed in Registrar of Companies.

DEFAULT: In [30] found that debt default increases the likelihood the auditor would issue a going concern report. It argues that difficulty in complying with debt agreements evidenced by missed payments or covenant violations, clarifies the company's going concern problems. Since the auditor is more likely to be blamed for failing to issue a going concern report after events suggesting that such an opinion may have been appropriate, the cost of failing to issue a going concern report when a company is in default is particularly high. Therefore, it is expected that the default will increase the likelihood that the auditor will issue a going concern report. A dummy variable will be used to measure whether the entity is in default before the issuance of the audit report (1 = debt default, 0 = other).

PRIOROPN: In [31] interviews with practicing auditors suggested that companies receiving a going concern opinion in the prior year are more likely to receive the same opinion in the current year. In [32] found that after auditors have issued a going concern opinion, a company must show significant financial improvement to receive a clean opinion in the subsequent year. It is expected that a going concern report in the prior year will increase the auditor's propensity to issue another going concern report in the current year. A dummy variable is used to measure whether the entity received a going concern report in the preceding year (1 = prior year going concern report, 0 = other).

SIZE: Prior studies found a negative relation between the client size and a going concern report [6, 34]. Large companies might be less likely to fail [6], and auditors might also hesitate to issue a going concern report to a large client due to the concern about losing the significant fees that large clients generate [33]. SIZE is measured as the natural log of total sales (in thousands of dollars), and it is expected that a negative relation between the client size and the receipt of a going concern report.

ZFC: Prior studies found that the greater the client's financial distress, the greater the probability of receiving a going concern report [6, 33, 34]. Financial distress would be measured using ZFC score.

DEVELOP: In [35] concludes that financial information might not truly reflect current activities and may not be predictive of a start up company's going concern status. The auditor is likely to view the "financial distress" of a development stage entity as a function of the company's stage in its life cycle rather than as an indication of impending failure. Therefore, after controlling the financial distress level, it is expected that development-stage entities will be less likely to receive going concern reports than well-established entities. Development-stage entities are identified by examining financial statement headings.

INDDIR: The variable of interest in this study is the percentage of independent director, which represents the percentage of the total number of board members who are considered independent directors. The ultimate responsibility for all corporate activities however, lies with the company's board of directors. Independent boards increase financial reporting quality by playing a crucial role in monitoring the senior management. Research suggests that, as the proportion of independent board members increases, the likelihood of financial fraud in a firm decreases [36], earnings overstatement is less frequent [37], the magnitude of abnormal accruals is lower [38] and the external audit fee is greater [39].

NOMTG: Recent studies examining corporate governance in an audit context have found that the number of meetings of the audit committee and the board [40] and the financial expertise of its members [42] do indeed proxy for effective monitoring. In [41] find that the meeting frequency of the audit committee and its financial expertise are significantly associated with the likelihood of a financial statement.

SIZEAUDCOM: Best practices suggest at least three members [43, 14], which provides the necessary strength and diversity of expertise and views to ensure appropriate monitoring. In [44] find a significantly negative relationship between the committee size and suspicious auditor switches, but [41] find no significant association between the size and earning misstatements.

COMMT: Percentage of attendance to meetings by independent director. We examine the frequency attendance by independent director to the meetings held. An audit committee eager to carry out its functions of control must maintain a constant level of activity [45] and the best practices suggest three or four meetings a year [43, 46].

TYAUD: Prior research suggests auditors' tenure can affect the audit quality, the auditor independent and reporting. As the auditor tenure increases, client's specific knowledge is enhanced possibly improving audit quality, in [47, 48] report negative associations between auditor tenure and the measurement of discretionary accruals, and [49] report a negative association between auditor tenure and the likelihood of failures in auditor reporting.

The study focuses on the relationship between the audit report type received by a financially distressed company and the composition of audit committee. Hence, the hypotheses that are tested in a directional form are:

H_1: The greater the percentage of affiliated directors on the audit committee, the lower the likelihood of going concern reports for financially distressed companies.
H_2: The greater the percentage of INSIDE directors on the audit committee, the lower likelihood of going concern reports for financially distressed companies.
H_3: The greater the percentage of GRAY directors on the audit committee, the lower likelihood of going concern reports for financially distressed companies.

ANALYSIS AND RESULTS

Table 1 presents mean, standard deviation and different mean by the audit report type for each of the independent and control variables under study. Approximately, 65.9% of the sample companies received a going concern report. As expected, the average affiliated directors on audit committee for companies receiving going concern reports are lower than those of companies receiving a clean report ($p > 0.05$). For entities receiving going concern reports, the average percentage of affiliated directors is one percent compared to the average of 10% for companies receiving an unmodified report. However, there is no significant difference between the two means for the groups. This finding is inconsistent with the findings found by [39].

Evidence on the relation between the percentage of inside director and gray directors on audit committee and the type of audit reports received also support the above findings. The value of parametric t-test is insignificant at 95% confidence level.

As expected, companies that received going concern reports are more likely to be financially distressed. This is evidenced by significantly ($p < 0.05$) higher average of the ZFC score for companies receiving going concern reports (calculated using Zmijewski's financial distress prediction model) compared to companies receiving unmodified audit reports for the year 2002. However, further analysis shows that 100% of the companies under study are in the default status regardless of whether they received a going concern report or not as evidenced by their debt restructuring and default payment. Normally, size plays an important factor in determining the strength of a company. On average, it is found that the size of companies receiving an unmodified audit report is lower than the size of companies receiving a going concern modified report. However, the difference between average sizes of the two groups is not significant.

The analysis of other variables shows insignificant difference between companies receiving a going-concern report and an unmodified report. It is also found that there is no significant difference between the types of auditors (big 4 audit firms or non big 4 audit firms) for the companies receiving a going concern report and those received a clean report.

Table 1: Mean and standard deviation and different mean

Variable	Going-Concern Report (n = 29)	Clean report (n = 15)	Difference	Sig. Level (independent t test)
Affiliated	0.0114	0.10	0.9886	0.125
	0.0613	0.207		
Inside	0.000	0.0887	0.0887	0.088
	0.000	0.1873		
Gray	0.0114	0.000	0.0114	0.479
	0.0613	0.000		
PRIOROPN	0.90	0.71	0.19	0.202
	0.31	0.469		
INDDIR	68.21	69.93	1.72	0.681
	12.832	13.662		
NOMTG	4.54	4.46	0.08	0.885
	1.575	1.391		
SIZEAUDCOM	3.55	3.6	0.05	0.868
	0.948	0.828		
COMMT	92.21	75.38	16.83	0.074
	14.838	29.912		
TYAUD	0.59	0.501	0.089	0.117
	0.33	0.488		
LogSize	13.7563	14.8462	1.0899	0.227
	2.309	3.569		
ZFC	3.683	2.533	1.15	0.031
	1.505	1.701		

The association of the dependent variable that is the audit report type is tested against the independent variable (percentage of affiliated directors on audit committee) and also the control variables. Table 2 summarizes the cross tabulation result. It shows that there is a significant relationship between dependent variables and the independent variables (AFFILIATED and INSIDE). The result implies that at 5% confidence level, there is significant relationship between the likelihood of receiving a going concern report and the percentage of affiliated directors in audit committee. The existence of the relation is contributed by inside directors since gray directors do not have any significant relationship with the dependent variable. The relation between the dependent variable and control variables shows that there is no significant relationship between dependent variable and control variables.

Table 2: Cross tabulation results between audits report and independent variable and other variables

Variables	Pearson chi-square	Significant value
AFFILIATED	6.615	0.037
INSIDE	6.224	0.045
GRAY	0.529	0.467
PRIOROPN	2.301	0.190
INDDIR	2.731	0.842
NOMTG	8.295	0.217
SIZEAUDCOM	1.322	0.858
COMMT	14.061	0.080
TYAUD	2.529	0.112
Size	44	0.429
ZFC	33.75	0.528

Regression Analysis

Table 3 presents the result of the logistic regression model used to test the relationship between the audit committee composition and the auditor reporting behavior. The overall model is highly significant ($p < 0.05$), and the model's pseudo-R-square is 0.276%. Inconsistent with the previous study done [13], it is found from the result that the greater the percentage of affiliated directors' on board the lower the likelihood of receiving a going concern report ($p > 0.05$). However, according to the significant value, it can be said that at 95% confidence level, there is not enough evidence to infer that the percentage of affiliated directors on audit committee have significant relationship with the likelihood of receiving a going concern audit report. Therefore, the directional hypothesis shows that the higher the percentage of affiliated directors on audit committee, the lower the likelihood of receiving a going concern audit report is rejected. This result is inconsistent with the prior study done by [13].

The relation between going-concern reports and the control variables such as size, prior opinion and financial distress level are consistent with the prior study. It was found that the bigger the company, the lower the likelihood of receiving a going concern report. The type of report previously received by the company does determine the type of report received in the current year. The degree of financial distress as indicated by ZFC index that has a positive relationship with the incidence of a going concern report received in the current year 2002. However, none of the relationship exist is significant ($p > 0.05$). The debt default and the development stage of the company are removed by the logistic regression analysis because of its constant value.

Model 1

Table 3: Logistic regression of a going concern modified report on percentage of affiliated directors and control variables

$$[\text{Report} = \beta_0 + \beta_1\text{AFFILIATED} + \beta_2\text{PRIOROPN} + \beta_3\text{SIZE} + \beta_4\text{ZFC} + \varepsilon]$$

Variables	Predicted relation	Estimated coefficient	Standard error	Wald chi square chi
Intercept	None	2.281	0.822	0.822
AFFILIATED	+	-5.997	3.751	2.556
PRIOROPN	-	0.696	0.979	0.506
SIZE	+	-0.155	0.153	1.031
ZFC	+	0.006	0.007	0.844

Number of observation : 44
Chi-square for model : 9.467
P-value : 0.05
Pseudo R-square : 0.276
Concordant pairs : 69.8%

Additional Analysis

In [13] suggested a few additional control variables that should be added to the model such as the size of audit committee and the audit firm type that might influence the incidence of a going-concern report. Further analysis is done by adding the other two variables one by one into the original model.

Size of Audit Committee

In [36] found that the likelihood of fraudulent financial reporting increased with board size. In [13] suggested that if smaller committees were more effective, audit committee size might be associated with a higher incidence of going-concern reports for financially distressed companies. Audit committee size is added to the model. It is found that audit committee size has insignificant negative relationship with the incidence of a going-concern report while other inferences are not affected.

Audit-Firm Type

Prior research concluded that Big Six auditor provided higher audit service [50]. In [34] found univariate evidence that Big Six auditor were more likely to issue going-concern reports to companies experiencing financial distress. The audit firm type (dummy variable) is included in the model. The result of the study is consistent with [13] where the relation is insignificant except that the study continuously found an insignificant negative relation between a going-concern report incidence and percentage of affiliated directors on audit committee.

This study adds three more variables to the model. It is expected that the percentage of independent directors in audit committee, number of meetings and their commitment to the meeting do affect the likelihood of receiving a going concern report. Each of the variables is included in the model one by one. But, the result shows that none of the variables significantly affects the incidence of going-concern.

Partitioning Affiliated Directors into Inside and Gray Directors

In [13] treated the affiliated as a single class and this is consistent with the regulator's current concern that neither inside directors nor gray directors are independent of the management. However, according to them further analysis might be useful.

Table 4 presents the result of the original model after partitioning the affiliated directors into inside directors and gray directors. The beta value shows that there is insignificant ($p > 0.05$) negative relationship between the percentage of inside directors on the audit committee and the receipt of a going concern modified report. However, it also shows that gray directors have insignificantly positive relationship with the going-concern report. The result implies that at 95 percent confidence level both of the percentage of inside directors and gray directors could not significantly affect the receipt of a going concern report for a company experiencing financial distress. Therefore, the directional hypothesis (H_2 and H_3) is rejected.

Table 4: Logistic regression of a going concern modified report on percentage of inside and gray directors and control variables

$$[\text{Report} = \beta_0 + \beta_1\text{INSIDE} + \beta_2\text{GRAY} + \beta_4\text{PRIOROPN} + \beta_5\text{SIZE} + \beta_6\text{ZFC} + \varepsilon]$$

Variables	Predicted relation	Estimated coefficient	Standard error	Wald Chi square
Intercept	None	3.574	3.040	1.382
INSIDE	+	-58.54	51554	0.000
GRAY	-	59.63	121796	0.000
PRIOROPN	-	0.235	1.073	0.048
SIZE	+	0.179	0.179	1.456
ZFC	+	0.005	0.006	0.707

Number of observation : 44
Chi-square for model : 12.581
P-value : 0.028
R-square : 0.354
Concordant pairs : 72.1%

CONCLUSION, LIMITATION AND FUTURE RESEARCH

This study presents evidences on the relation between corporate governance mechanism (audit committee composition) and auditor reporting behavior among PN4 companies in Malaysia. Consistent with [13] it is found that the lower the percentage of affiliated directors on audit committee, the higher the tendency of receiving a going concern report. However, based on 95 percent confidence level, the relationship exist is not significant. The result of the study however inconsistent with [51] which found positive relationship between percentage of affiliated directors on audit committee and the tendency of receiving going concern report.

The result of the study implies that in the Malaysian environment, for a financially distressed firm, especially PN4 companies, the composition of an audit committee does not significantly influence their chances of getting a going concern audit report. This finding can imply that in the Malaysian environment, the attitude of affiliated directors is very positive and the degree of professionalism among external auditors is very high that they could not easily influenced by the pressure given by affiliated directors in the audit committee.

It is also found in the study that majority of the company fulfilled the requirement to have at least three members in an audit committee or more. However, there are companies which did not follow the rules to have a majority of independent directors in the committee. Independent directors should also be urged to be more responsible in attending the meeting held. Even though the result does not support many parties such as the shareholders and Malaysia Stock Exchanges', it concerns that the audit committee should consist entirely of independent, outside directors, the result of this study adds to the existing literature regarding the audit committee and corporate governance in Malaysian context.

This study uses published data in 2002 to find the association between the audit committee composition and auditor reporting among PN4 companies in Malaysia. It is suggested that future research to utilize latest data and using [28] financial condition index to recognize the distressed companies. Finally, a study could also include primary data gathering from interviews and questionnaires which could complement the published information. This will enable the researcher to obtain the practitioners such as auditors, the management and audit committee members' view on the matters pertaining to corporate governance in general and their roles in promoting good corporate governance.

ACKNOWLEDGEMENT

The authors would like to thank Mr Zairi Ismael Rizman for his guidance and assistance in getting this paper published.

REFERENCES

1. Berton, L., 1985. Accountants Aim to Prevent Audit Failures. Wall Street Journal, 4.
2. Berton, L. and B. Ingersoll, 1990. Rep. Dingell to Take Aim at Accountants, SEC, in Hearings on Profession's Role as Watchdog. The Wall Street Journal on Accounting, pp: 45-48.
3. Campbell, J.E. and J. Mutchler, 1988. The 'Expectations Gap" and Going Concern Uncertainties. Accounting Horizons, 2 (1): 42-49.
4. Carmichael, D.R. and K. Pany, 1993. Reporting on Uncertainties, Including Going Concern. In the Proceedings of the Expectation Gap Roundtable Conference, pp: 35-58.
5. Berton, L., 1992. Convenient Fiction: Inventory Chicanery Tempts More Firms, Fools More Auditors. Wall Street Journal 12: 14.
6. Carcello, J.V., D.R. Hermanson and H.F. Huss, 1995. Temporal Changes in Bankruptcy-Related Reporting. Auditing: A Journal of Practice & Theory, 14 (2): 133-143.
7. Birkett, B.S., 1986. The Recent History of Corporate Audit Committees. The Accounting Historians Journal, 13 (2): 109-124.
8. Knapp, M.C., 1987. An Empirical Study of Audit Committee Support for Auditors Involved in Technical Disputes with Client Management. Accounting Review, 62 (3): 578-588.
9. Pitt, H.L., 2001. How to prevent future Enrons. Wall Street Journal. 11.
10. Sommer Jr, A.A., 1991. Auditing Audit Committees: An Educational Opportunity for Auditors. Accounting Horizons, 5 (2): 91-93.
11. Baysinger, B.D. and H.N. Butler, 1985. Corporate Governance and the Board of Directors: Performance Effects of Changes in Board Composition. Journal of Law, Economics and Organisation, 1 (1): 101-124.
12. Parker, S., 2000. The Association between Audit Committee Characteristics and the Conservatism of Financial Reporting. In the Proceedings of the 2000 American Accounting Association Annual Conference.
13. Carcello, J.V. and T.L. Neal, 2000. Audit Committee Composition and Auditor Reporting. The Accounting Review, 75 (4): 453-467.
14. Blue Ribbon Committee, 1999. Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees. The Business Lawyer, 54 (3), 1067-1095.
15. Levitt, A., 1998. Corporate governance: Integrity in the information age. Speech presented at Tulane University.
16. Levitt, A., 2000. Renewing the covenant with investors. Retrieved from http://3197d6d14b5f19f2f440-5e13d29c4c016cf96cbbfd197c579b45.r81.cf1.rackcdn.com/collection/papers/2000/2000_0510_LevittRenewing.pdf.
17. Jones, F.L., 1996. The Information Content of the Auditor's going Concern Evaluation. Journal of Accounting and Public Policy, 15 (1): 1-27.
18. Firth, M., 1980. A Note on the Impact of Audit Qualifications on Lending and Credit Decisions. Journal of Banking & Finance, 4 (3): 257-267.
19. Mutchler, J.F. and D.D. Williams, 1990. The Relationship between Audit Technology, Client Risk Profiles, and the Going Concern Opinion Decision. Auditing: A Journal of Practice & Theory, 9 (3): 39-54.
20. Mutchler, J.F., 1984. Auditors' Perceptions of the Going-Concern Opinion Decision. Auditing: A Journal of Practice & Theory, 3 (2): 17-29.
21. Antle, R. and B. Nalebuff, 1991. Conservatism and Auditor-Client Negotiations. Journal of Accounting Research, 29: 31-54.
22. Knapp, M.C., 1985. Audit Conflict: An Empirical Study of the Perceived Ability of Auditors to Resist Management Pressure. The Accounting Review, 60 (2): 202-211.
23. Chow, C.W. and S.J. Rice, 1982. Qualified Audit Opinions and Auditor Switching. Accounting Review, 57 (2): 326-335.

24. Geiger, M.A., K. Raghunandan and D.V. Rama, 1998. Cost Associated with Going-Concern Modified Audit Opinions: An Analysis of Auditor Changes, Subsequent Opinions, and Client Failures. Advances in Accounting, 16 (1): 117-139.
25. Chow, C.W., A.H. McNamee and R.D. Plumlee, 1987. Practitioners' Perceptions of Audit Step Difficulty and Criticalness: Implications for Audit Research. Auditing: A Journal of Practice and Theory, 6 (2): 123-133.
26. Salterio, S. and L. Koonce, 1997. The Persuasiveness of Audit Evidence: The Case of Accounting Policy Decisions. Accounting, Organisations and Society, 22 (6): 573-587.
27. McMullen, D.A., 1996. Audit Committee Performance: An Investigation of the Consequences Associated with Audit Committees. Auditing: A Journal of Practice & Theory, 15 (1): 87-103.
28. Zmijewski, M.E., 1984. Methodological Issues Related to the Estimation of Financial Distress Prediction Models. Journal of Accounting Research, 22: 59-82.
29. Chen, K.C. and K.J. Wei, 1993. Creditor's Decisions to Waive Violations of Accounting-Based Debt Covenants. The Accounting Review, 68 (2): 218-232.
30. Chen, K.C. and B.K. Church, 1992. Default on Debt Obligations and the Issuance of Going-Concern Opinions. Auditing: A Journal of Practice & Theory, 11 (2): 30-49.
31. Mutchler, J.F., 1985. A Multivariate Analysis of the Auditor's Going-Concern Opinion Decision. Journal of Accounting Research, 23 (2): 668-682.
32. Nogler, G.E., 1995. The Resolution of Auditor Going Concern Opinions. Auditing: A Journal of Practice & Theory, 14 (2): 54-73.
33. McKeown, J.C., J.F. Mutchler and W. Hopwood, 1991. Towards an Explanation of Auditor Failure to Modify the Audit Opinions of Bankrupt Companies. Auditing: A Journal of Practice & Theory, 10: 1-13.
34. Mutchler, J.F., W. Hopwood and J.M. McKeown, 1997. The Influence of Contrary Information and Mitigating Factors on Audit Opinion Decisions on Bankrupt Companies. Journal of Accounting Research, 35 (2): 295-310.
35. Rosman, A.J., I. Seol and S.F. Biggs, 1999. The Effect of Stage of Development and Financial Health on Auditor Decision Behavior in the Going-Concern Task. Auditing: A Journal of Practice & Theory, 18 (1): 37-54.
36. Beasley, M.S., 1996. An Empirical Analysis of the Relation between the Board of Director Composition and Financial Statement Fraud. The Accounting Review, 71 (4): 443-465.
37. Dechow, P.M., R.G. Sloan and A.P. Sweeney, 1996. Causes and Consequences of earnings manipulation an analysis of firms subject to enforcement actions by the SEC. Contemporary Accounting Research, 13 (1): 1-36.
38. Klein, A., 2002. Audit Committee, Board of Director Characteristics and Earning Management. Journal of Accounting and Economics, 33 (3): 375-400.
39. Carcello, J.V. and T.L. Neal, 2003. Audit Committee Characteristic and Auditor Dismissal Following "New" Going-Concern Reports. The Accounting Review, 78 (1): 95-117.
40. Abbott, L.J., S. Parker, G.F. Peter and K. Raghunandan, 2003. The Association between Audit Committee Characteristics and Audit Fees. Auditing: A Journal of Practice & Theory, 22 (2): 17-32.
41. Abbott, L.J., S. Parker and G.F. Peter, 2004. Audit Committee Characteristics and Restatements. Auditing: A Journal of Practice & Theory, 23 (1): 69-87.
42. Carcello, J.V. and T.L. Neal, 2003. Audit Committee Independence and Disclosure: Choice for Financially Distressed Firms. Corporate Governance: An International Review, 11 (4): 289-299.
43. A. Cadbury, 1992. Report of the committee on the financial aspects of corporate governance. Gee Publishing.
44. Archambeault, D. and T. Dezoort, 2001. Auditor Opinion Shopping and the Audit Committee. An Analysis of Suspicious Auditor Switches. International Journal of Auditing, 5 (1): 33-52.
45. National Commission on Fraudulent Financial Reporting, 1987. Report of the national commission on fraudulent financial reporting. Retrieved from http://www.coso.org/publications/ncffr.pdf.
46. KPMG Accountants N.V., 2009. Shaping the audit committee agenda: A reference guide for effective audit committees. Retrieved from http://www.kpmg.com/NL/en/Issues-And-Insights/ArticlesPublications/Documents/PDF/Audit-Committee-Institute/Shaping-Audit-Committee-Agenda.pdf.
47. Frankel, R.M., M.F. Johnson and K.K. Nelson, 2002. Non-Audit Fees Paid Auditors: Do They Lead to Managed Earning. Journal of Directorship, 6-8.
48. Johnson, V.E., I.K. Khurana and J.K. Reynolds, 2002. Audit Firm Tenure and the Quality of Financial Reports. Contemporary Accounting Research, 19 (4): 637-660.
49. Geiger, M.A. and K. Raghunandan, 2002. Auditor Tenure and Audit Reporting Failures. Auditing: A Journal of Practices & Theory, 21 (1): 67-78.
50. Palmrose, Z.-V., 1986. Audit Fees and Auditor Size: Further Evidence. Journal of Accounting Research, 24 (1). 97-110.
51. Ali, R., 2001. Audit committee composition and auditor reproting: A study in Malaysian environment, Master's thesis, Universiti Teknologi Mara.