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Audit Committee Characteristics and Auditor Opinions: Evidence from Pakistan's Listed Firms

Imdad Khan
Lahore School of Accountancy and Finance, University of Lahore, Pakistan
Marc Audi
Abu Dhabi School of Management, Abu Dhabi, United Arab Emirates
Amjad Ali
Lahore School of Accountancy and Finance, University of Lahore, Pakistan

ABSTRACT

In this paper, we examine audit committee independence, the financial qualifications of its members, the frequency of its meetings, its size, the type of auditors, whether big-four or non-big-four, and the impact of these factors on the quality of financial reporting. To analyse how these committee characteristics affect the auditor's opinion, we select a sample of 103 companies listed on the Pakistan Stock Exchange for the financial year 2024 and apply logistic regression analysis. The results show that companies with more independent audit committees and those audited by Big Four firms are less likely to receive a modified audit opinion. This finding is consistent with prevailing perceptions and highlights the role of independence and external audit quality in safeguarding the integrity of financial reporting in the context of Pakistan as a developing economy. However, the results are unexpected when examining the impact of meeting frequency on reporting quality. We find a positive association between the number of audit committee meetings and the likelihood of receiving a modified opinion, which contrasts with previous studies suggesting that meeting frequency is linked to improved reporting quality. The quality of financial reporting does not appear to be influenced by the size of the committee or the financial expertise of its members. This study contributes to the literature by offering insights into how governance mechanisms function in developing economies such as Pakistan. The results suggest the need for higher proportions and substantive independence, training of members and chairs for substantive oversight, and evaluation of members' performance.

Keywords: Audit Committee Independence, Auditor Opinion, Corporate Governance,

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1. Introduction

The quality of financial reporting and the occurrence of financial scandals around the world have been major factors in increasing attention on the importance of corporate governance for ensuring reliable financial reporting. These scandals, involving issues such as financial misstatements, restatements in financial statements, and concerns over auditor independence, have significantly damaged investor confidence (Rezaee, 2004). Consequently, the accounting and reporting scandals within the global financial community have intensified criticism of financial reporting quality (Brown et al., 2010; Agrawal; Chadha, 2005; Enobakhare, 2010; Siddique et al., 2025). These deficiencies in financial reporting highlight the need to improve the quality of financial information, particularly through enhanced supervision and stronger governance structures (Beekes and Brown, 2006; Karamaou and Vafeas, 2005; Firth et al., 2007; Petra, 2007; Brown and Caylor, 2006; Ammar et al., 2025).

Investment decisions in capital markets are often based on financial disclosures, which are therefore crucial to stakeholders such as owners, creditors, partners, and regulators. Financial information not only provides a historical assessment of a firm's performance but also assists in estimating future profitability and managing the stewardship of the firm (Bushman and Smith, 2001; 2003). Corporate governance plays a central role in fostering and enhancing credibility, supporting organizational sustainability, and providing the structure for stability and continuity. It achieves this by establishing rules, procedures, and practices under which an organization is controlled and directed (Docekalova et al., 2011; Dabor and Adeyemi, 2009; Iqbal et al., 2025). Good corporate governance is built on principles such as transparency, accountability, responsibility, and fairness (Ali et al., 2019; Karsono, 2023; Adeniran et al., 2024; Amir et al., 2025). Effective governance fosters ethical practices and accountability, which are essential for building investor confidence and protecting the interests of all stakeholders, including shareholders, employees, customers, and the wider community. By ensuring compliance with accurate financial reporting and regulatory requirements, corporate governance can mitigate the risks of financial misconduct and fraud.

The audit committee is a critical element of the governance framework. It has multiple roles that affect the organization's direction, control, and accountability. As a part of the

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board of directors, it carries ultimate responsibility for overseeing the governance system. The audit committee is involved in both internal and external audits, internal controls, accounting and financial reporting, regulatory compliance, and risk management, with each function having equal importance (Al-Baidhani and Mohsen, 2014; Farras et al., 2025). It also plays an accountability role by demonstrating independence, which enhances its effectiveness in multiple ways. This independence is essential to building confidence in the governance system (Spira, 1999). Without independence, unbiased oversight is lost, and management may influence financial reporting and auditing functions. Greater independence in the audit committee can therefore contribute to higher quality financial statements (Vlaminck and Sarens, 2015; Arshi et al., 2025; Zahid et al., 2025).

An independent audit committee, predominantly comprised of knowledgeable non-executive directors, enhances confidence in financial disclosures and strengthens stakeholder trust. Responsible corporate governance practices provide balance to investment, development, and management decisions, support long-term performance, and foster value creation by reducing potential conflicts of interest and bias. However, minimum independence of the audit committee alone will not achieve the intended outcomes. The effectiveness of the audit committee distinguishes one corporate governance structure from another. The financial reporting of companies with effective audit committees should provide substantiated information for investment decisions and other advisory purposes (Owolabi and Dada, 2011). There is also a positive link between quality corporate governance and value creation, as concluded by Vig and Datta (2018). In summary, in an increasingly complex and globalised business environment, effective corporate governance, of which an independent and effective audit committee is an integral component, is a critical corporate asset. It can manage risk, strengthen resilience, and enable sustainable growth. Additionally, overall board independence and gender diversity make positive contributions toward sustainable growth (Rao et al., 2021; Rafique et al., 2025).

Key characteristics necessary for the effectiveness and performance of an audit committee generally include independence, relevant financial and industry expertise among committee members, and the structure and frequency of committee meetings. The role of statutory auditors is equally important since both the audit committee and auditors

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have significant involvement in the oversight process. The committee is primarily responsible for oversight of financial reporting, while auditors provide an external and independent check to ensure compliance with accounting and regulatory requirements. Together, they ensure financial reporting quality by assuring that financial statements are true, fair, and free from material misstatements. This research examines how audit committee characteristics, including the number of members, their independence, financial qualifications and expertise, and the frequency of meetings, influence the committee's oversight role in maintaining financial reporting quality.

2. Literature Review

The existing literature values effective audit committees as they are central to providing investors with reliable financial information (Carcello and Neal, 2000). An effective audit committee is composed of qualified members who have the authority and resources to advance stakeholder interests. It fulfils this role by ensuring reliable financial reporting, overseeing internal controls to ensure their effectiveness, and managing risk (DeZoort et al., 2002). Independence is a crucial factor in audit committee effectiveness. Independence enhances unbiased oversight of financial reporting processes and reduces the risk that management bias will lead to financial misstatements.

Klein (2002) observes that highly independent audit committees are less likely to engage in accrual earnings management, a major factor that can cause deviation from financial reporting standards. This suggests that independence may limit earnings management and improve financial reporting quality. Research further indicates that a well-structured audit committee, with independent and financially literate members, can increase the reliability of financial disclosures and promote investor confidence. Abbott et al. (2000) find that highly independent audit committees face fewer penalties from regulators, while Abbott et al. (2004) report that financial expertise within committees correlates negatively with financial restatements. While independence is essential, its impact on reporting quality depends on overlapping factors such as regulatory support, expertise, cultural attitudes, and broader corporate governance structures.

Saeed et al. (2022) examined audit committee independence and auditor reporting in financially distressed firms in Pakistan, using data from 86 firms listed on the Pakistan Stock Exchange between 2011 and 2019. Their logistic regression results show that higher audit committee stock ownership reduces the likelihood of going concern reports,

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implying that stock ownership may compromise substantive independence. Hasan et al. (2022) studied corporate governance and financial reporting quality in Pakistan and the UK using three accrual-based models and 1,550 firm-year observations from 2009 to 2018. Pakistani firms found a negative relationship between audit committee independence and reporting quality, attributing this to the influence of controlling shareholders. They conclude that independence improves effectiveness only when it is genuine. This contrasts with Pakistan's Code of Corporate Governance, which requires one-third independent directors on audit committees, but does not ensure their true independence. Similar principles are seen in the US Sarbanes-Oxley Act of 2002, which mandates independent audit committees, independent members, and at least one member with financial expertise. Shah et al. (2019) analysed 150 non-financial companies in Pakistan from 2008 to 2017 using pooled OLS, random effects, fixed effects, and feasible generalised least squares. They found that the mere presence of an independent audit committee does not necessarily prevent managerial opportunism. When ownership is highly concentrated, independence may be compromised, and board members may lack the ability to act autonomously. These findings highlight that true independence is not simply a matter of compliance on paper. It must be genuine and robust for directors to make impartial decisions and conduct effective oversight of financial reporting. Without meaningful independence, audit committees risk existing in name only, lacking the authority to challenge management and ensure transparency, accountability, and the integrity of financial reporting.

Al-Matari (2012) examined how specific features of the audit committee, as part of internal corporate governance, influence company performance in Saudi Arabia. He concluded that audit committee independence, frequency of meetings, members' shareholdings, and meetings with the chief internal auditor are insignificantly related to both accounting and market performance measures. He suggested that the lack of significant results for audit committee independence may occur because simply having independent members is not enough for the audit committee to fulfil its monitoring role and enhance firm value. He emphasised that a majority of expert-independent members can improve company value more effectively than those focusing solely on independence. These findings indicate that independence should be complemented by in-depth knowledge of accounting, finance, and auditing, along with relevant qualifications and

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industry experience, to provide effective oversight.

Fodio et al. (2013) investigated governance mechanisms in the Nigerian insurance industry and their ability to mitigate earnings management. Analysing 25 listed insurance firms from 2007 to 2010 with multiple regression in SPSS, they found that larger boards, independent boards, and bigger audit committees reduced earnings management. However, they also found that independent audit committees and external audits were associated with higher discretionary accruals. This suggests that independent members may lack adequate financial literacy and industry experience, reducing monitoring effectiveness. An independent audit committee member can only reduce the risk of asset misappropriation if they possess the required financial expertise (Mustafa and Youssef, 2010). Studies by DeZoort (1997) and Bedard et al. (2004) show that members believe all committee members should have sufficient expertise in accounting, auditing, and law. These studies report a negative relationship between aggressive earnings management and both financial and governance expertise of audit committee members, especially when combined with independence and a clear mandate. Such competencies help members understand complex accounting issues, assess disclosures, and evaluate internal controls, ultimately improving reporting reliability (Chen & Komal, 2018; Sultana et al., 2019; Alhaji et al., 2012).

Babalola et al. (2025) state that including financial experts on the audit committee increases confidence that financial reports are accurate and comply with regulatory standards. The FR Council (2008) notes that independent committees may still lack the authority, resources, or time to effectively challenge management decisions. Thus, in addition to expertise and independence, committees require adequate resources to perform their duties. Small or overworked committees may struggle to review financial statements, internal controls, and audit findings in detail. Dobija (2011) similarly concludes that audit committee oversight can be unstructured and symbolic, with procedures followed on paper but not in practice. If corporate governance laws are not enforced strictly, companies may comply with independence requirements on paper without implementing effective oversight. Baysinger and Butler (1985) also argue that members may lack independence due to psychological ties or economic dependence on management.

In Pakistan, the effectiveness of audit committees is undermined by weak enforcement of governance laws and political instability. Large family-owned businesses, government

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http://amresearchreview.com/index.php/Journal/about

entities, and foreign-owned multinationals dominate corporate ownership. Family business groups often create pyramid structures to maintain control with minimal capital, which undermines transparency and corporate governance. Although shareholder rights are legally protected, they are weak in practice (Javid and Iqbal, 2010). Successful monitoring of financial reporting, risk management, and internal controls depends on the financial and auditing expertise of committee members. These skills are essential for detecting errors, fraud, or misstatements, which ultimately improve reporting quality. Badolato et al. (2014) found that financial experts on audit committees help reduce accounting irregularities and that the hierarchy within a committee affects the influence of financial specialists. They caution that increasing the number of financial experts may not help if these individuals have less influence than other members, potentially making it harder to challenge management.

DeFond et al. (2005) used an alternative method to examine the connection between the financial expertise of audit committee members and market reactions. They investigated whether markets respond positively to announcements of new directors with financial expertise on the audit committee. Analysing a pre-Sarbanes-Oxley Act period, they found a favourable market reaction to appointments of members with accounting-related financial expertise, while no significant reaction was observed for those lacking such expertise. They concluded that financial specialists on audit committees enhance corporate governance by improving oversight of financial reporting quality. Cohen et al. (2014) expanded this work by incorporating industry expertise alongside financial expertise. They found that committees with members possessing both types of expertise were more effective in preventing earnings manipulation, suggesting that integrating financial and industry knowledge improves reporting quality more than financial expertise alone. Similarly, Kieback et al. (2022) found that investors respond more positively when firms appoint financial professionals with relevant industry experience, indicating that industry outsiders may face greater difficulty providing effective oversight. The interaction between audit committees and external auditors also plays a vital role in safeguarding shareholder interests, ensuring financial transparency, and improving governance. A strong audit committee supports external auditor independence, enhancing audit quality and reducing the risk of reporting errors. Hoitash and Hoitash (2009) examined this relationship following new composition and responsibility requirements

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and found that, after the Sarbanes-Oxley Act, stronger audit committees increased audit quality and auditor independence. Auditors became less influenced by management, and negative audit opinions were less likely to result in dismissals, improving the audit process and limiting management influence.

Khalik (2022) assessed whether auditor choice (Big Four versus non-Big Four) influences financial reporting quality in Pakistan's banking sector between 2011 and 2018. Using discretionary accruals calculated via the Modified Jones Model and multivariate regression analysis, the study found no significant difference between banks audited by Big Four or non-Big Four firms. Similarly, Yasar (2013), analysing 290 firm observations from manufacturing companies listed on the Istanbul Stock Exchange, found that audit firm size did not significantly affect earnings management, suggesting comparable audit quality between Big Four and non-Big Four firms in Turkey. Kabir et al. (2011) investigated the same question in Bangladesh using 382 firm-year observations from 2000 to 2003 and concluded that Big Four affiliation did not substantially improve accruals quality, particularly in smaller developing economies with weak investor protection and limited regulatory oversight. In Pakistan, both Big Four and non-Big Four firms undergo mandatory quality control reviews by the Institute of Chartered Accountants of Pakistan, ensuring a minimum assurance standard and leading to comparable reporting quality across both auditor types.

Regarding the frequency of audit committee meetings, findings in the literature are mixed. Mardessi (2021) found that more frequent meetings do not necessarily improve error detection in financial reports. Shadrach et al. (2015) reported that increased meeting frequency and higher attendance improve reporting quality. Salehi and Shirazi (2016) found an inverse relationship between disclosure quality and the number of meetings, while Walid et al. (2021) reported that more frequent meetings are associated with reduced discretionary accruals. While extensive research has examined audit quality and financial reporting quality, limited attention has been given to how audit committee characteristics influence the likelihood of receiving a modified audit opinion, which can serve as an important measure of reporting quality.

Although prior research has examined the influence of audit committee characteristics on financial reporting quality, much of the evidence remains fragmented and context-specific, with limited focus on how these attributes affect the likelihood of

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http://amresearchreview.com/index.php/Journal/about

receiving a modified audit opinion, particularly in developing economies such as Pakistan (Saeed et al., 2022, Hasan et al., 2022, Shah et al., 2019; Iqbal et al., 2025; Zafar et l., 2025). Studies have largely addressed independence, financial expertise, meeting frequency, and auditor type in isolation rather than assessing their combined effect within a single analytical framework (Abbott et al., 2004; Badolato et al., 2014; Cohen et al., 2014; Khalid et al., 2025; Ali et al., 2025). Moreover, existing findings often conflict, with some showing independence and expertise improve oversight (Klein, 2002; DeFond et al., 2005; Aziz et al., 2025) while others report insignificant or even negative effects in concentrated ownership environments (Hasan et al., 2022; Al-Matari, 2012). Research on the interaction between audit committees and external auditors also shows mixed outcomes, especially regarding the role of Big Four affiliation in enhancing audit quality in smaller markets with weaker investor protection (Kabir et al., 2011; Khalik, 2022; Hashmi et al., 2025). The inconsistent evidence on meeting frequency further underscores the need for clarity, as prior work alternately links it to improved, diminished, or negligible reporting quality (Mardessi, 2021; Salehi and Shirazi, 2016; Walid et al., 2021). These gaps highlight the importance of a focused empirical investigation into how key audit committee attributes jointly influence auditor opinions in the context of Pakistan's regulatory and ownership structures, where formal compliance may not always reflect genuine oversight capacity.

3. Theoretical Methodology

A positivist approach has been adopted to assess the impact of audit committee features on the quality of financial reporting. This approach is appropriate as positivism emphasises objective quantitative data and hypothesis testing to enable generalisation, aligning with the purpose of this study. An extensive literature review was conducted before formulating hypotheses, which are based on established theoretical foundations consistent with the positivist paradigm. The variables used in this study—independence, expertise, frequency of meetings, size of committee, and financial reporting quality—are measurable and reflect the fundamental aspects of the positivist approach. Aifuwa and Embele (2019) analysed the relationship between board attributes and the quality of financial reporting among listed manufacturing companies, adopting a positivist research philosophy and a deductive approach. Similarly, Ghazalia and Shafie (2019) used a positivist paradigm and deductive approach to examine the relationship between audit committees and financial

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Volume 3, Issue 8 (2025)

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http://amresearchreview.com/index.php/Journal/about

reporting quality. The model of the study becomes:

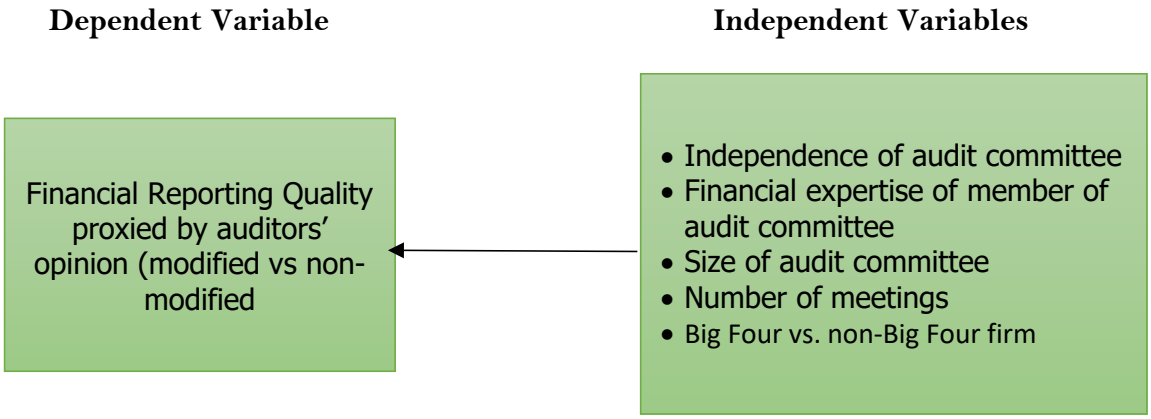


Figure 1: Schematic Representation of Variables

NOACM = Number of audit committee members

INDM = Independent members' proportion of total members

FEXPM = Financially expert members as a proportion of total members

NOM = Number of audit committee meetings held during the year

Big4 = Binary indicator (1 = audited by a Big 4 firm, 0 = otherwise)

Secondary financial data were used, drawing from publicly available financial statements, audit reports, and corporate governance disclosures of companies listed on the Pakistan Stock Exchange, ensuring objectivity and replicability. The audit opinion is used as a proxy for financial reporting quality, which aligns with positivist principles and the deductive approach, as it represents an externally verifiable outcome rather than a subjective assessment. Hypotheses are drawn from existing literature and tested using empirical data. Theoretical assumptions about audit committee characteristics influencing auditor reporting decisions, with the audit opinion serving as a proxy for financial reporting quality, are tested using logistic regression analysis.

The data are drawn from a sample of 103 non-financial companies listed in Pakistan for the financial year 2024. Banking companies, insurance companies, and non-banking deposit-taking companies are excluded due to their distinct regulatory environments, specialised reporting frameworks, and the historically low percentage of modified auditors' reports within these sectors. The required information was obtained from publicly available sources, including the official websites of the respective companies,

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http://amresearchreview.com/index.php/Journal/about

the Pakistan Stock Exchange, and other relevant online repositories. The dataset includes annual reports, auditors' reports, and profiles of board directors, providing the variables necessary for the analysis.

This study uses a positivist paradigm with a deductive research approach and a quantitative methodology to analyse financial reporting quality. By applying a logistic regression model to secondary data, it ensures an objective and replicable analysis of audit committee characteristics and their impact on financial reporting quality, with audit opinion serving as the dependent variable.

4. Results and Discussion

Table 1 presents the descriptive statistics for the variables used in the analysis. The average number of audit committee members is 3.45, with a minimum of 3 and a maximum of 5, indicating limited variation across the sample. The proportion of independent members on audit committees averages 0.45, while the proportion of members with financial expertise is lower at 0.26. On average, companies hold 4.2 audit committee meetings annually. Additionally, approximately 32 percent of the sampled companies are audited by one of the Big Four audit firms.

Table 1: Descriptive Statistics

Variables	Mean	Std. Dev	Min	Max
NOACM	3.45	0.65	3	5
INDM	0.45	0.19	0.25	1.00
FEXPM	0.26	0.23	0.10	1.00
NOM	4.20	0.55	4	7
Big 4	0.32	0.47	0	1

Pearson correlation analysis, as shown in Table 2, revealed generally weak correlations among the independent variables, indicating minimal multicollinearity. A moderate positive relationship was observed between the proportion of independent members on the audit committee and the proportion of members with financial expertise (correlation coefficient = 0.26), suggesting that firms with more independent directors also tend to appoint members who possess financial expertise. The number of audit committee members and the presence of a Big Four audit firm also showed a positive correlation (correlation coefficient = 0.23), which may indicate that companies audited by large audit

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http://amresearchreview.com/index.php/Journal/about
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http://amresearchreview.com/index.php/Journal/about

firms are more likely to have stronger governance structures.

Table 2: Correlation Matrix

	NOACM	INDM	FEXPM	NOM	BIG-4
NOACM	1				
INDM	-0.05	1			
FEXPM	-0.01	0.26	1		
NOM	0.12	0.18	0.09	1	
BIG-4	0.23	0.15	0.12	0.04	1

The logistic regression results are summarised in Table 3. The dependent variable in the analysis is the audit opinion, where a value of one denotes a modified opinion and a value of zero denotes an unmodified opinion. The proportion of independent members on the audit committee is significantly and negatively associated with the likelihood of receiving a modified opinion, suggesting that greater independence within the audit committee enhances the quality of financial reporting. In contrast, the number of meetings held by the audit committee shows a positive and statistically significant relationship with the likelihood of a modified opinion, which may indicate that more frequent meetings signal underlying governance concerns or issues requiring heightened audit attention. Companies audited by Big Four audit firms are significantly less likely to receive a modified opinion, providing support for the reputation and audit quality hypothesis. The other variables, including the total number of audit committee members and the proportion of members with financial expertise, are not statistically significant at the five percent level.

Table 3: Logistic Regression Results

Variable	Coefficient	Std. Error	P-value	Odds Ratio
Intercept	8.487	7.758	0.274	4849.93
NOACM	-4.614	2.884	0.110	0.0099
INDM	-6.719*	2.341	0.004	0.0012
FEXPM	0.466	1.705	0.785	1.5938
NOM	1.939*	0.882	0.028	6.9506
Big 4	-3.205*	1.258	0.011	0.0406

* Statistically significant at 5% level.

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http://amresearchreview.com/index.php/Journal/about

To address potential endogeneity, a generalized method of moments estimation was conducted using lagged values of the proportion of independent members on the audit committee and the use of a Big Four audit firm as instruments (Table 4). The signs and significance levels remained consistent with the logistic regression results, particularly for the proportion of independent members, the number of audit committee meetings, and the use of a Big Four audit firm. The Hansen J-test ($p = 0.47$) did not reject the null hypothesis of instrument validity, and the AR(2) test ($p = 0.31$) indicated no evidence of second-order autocorrelation, thereby confirming the robustness of the findings.

Table 4: GMM Results

Variable	Coefficient	Std. Error	P-value	Instrument Used
NOACM	-3.91	2.65	0.137	Exogenous
INDM	-5.88	2.12	0.006	Lag of INDM
FEXPM	0.62	1.58	0.708	Exogenous
NOM	1.76	0.74	0.019	Exogenous
Big 4	-2.99	1.11	0.008	Lag of Big 4

The coefficient for the number of audit committee members is negative (-4.614), indicating that a higher number of members is associated with lower odds of receiving a modified audit opinion. Although this relationship is not statistically significant at the five percent level, the odds ratio (0.0099) suggests a potentially strong practical effect. This result implies that larger audit committees may provide enhanced oversight, thereby reducing the likelihood of audit qualifications. The proportion of independent members shows a statistically significant and strong negative relationship with modified audit opinions (-6.719). This suggests that increasing the proportion of independent members on the audit committee substantially decreases the likelihood of financial reporting issues that could lead to a modified opinion. The result is consistent with corporate governance theory, which emphasises the role of independence in ensuring effective oversight and objectivity, and supports earlier research by Abbott et al. (2004) and Klein (2002) that links audit committee independence with improved reporting quality.

The coefficient for financial expertise of audit committee members is positive (0.466) but not statistically significant, with the odds ratio (1.59) indicating a weak and unreliable effect in this sample. Although financial expertise is considered important in theory, its practical influence on audit opinion outcomes in the companies studied appears

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http://amresearchreview.com/index.php/Journal/about

limited or dependent on context. This may indicate that formal qualifications alone are insufficient without the necessary independence and authority to act effectively, a finding that contrasts with the results of Bedard et al. (2004). The number of audit committee meetings shows a positive and significant association with modified audit opinions (1.939). This finding is counterintuitive, suggesting that more frequent meetings may occur as a response to existing financial reporting challenges, indicating a reactive rather than proactive role in governance. Companies with governance concerns may convene more meetings to address emerging risks, yet still receive modified opinions.

The results for audit firm affiliation show a statistically significant negative relationship between being audited by a Big Four firm and the likelihood of receiving a modified audit opinion (-3.205). This indicates that companies audited by Big Four firms are less likely to receive modified opinions compared to those audited by non-Big Four firms. However, in Pakistan, both Big Four and non-Big Four audit firms are regulated by the Institute of Chartered Accountants of Pakistan and subject to the Quality Control Review process. Only firms with a satisfactory rating are allowed to audit listed companies, ensuring that all such firms meet consistent professional standards. As a result, the difference in audit outcomes may reflect market perceptions, client profiles, or institutional factors rather than differences in actual audit quality. Big Four firms often serve clients with more complex structures, international operations, or more established governance systems, which may indirectly reduce modification rates. At the same time, the Quality Control Review framework ensures that non-Big Four firms operating in Pakistan also deliver high-quality audits for listed entities, contributing to the credibility of financial reporting.

5. Conclusions

This study provides valuable insight into how audit committee characteristics and the choice of auditor influence the quality of financial reporting. One of the key findings is the strong and significant link between audit committee independence and audit opinion, with results showing a lower probability of receiving a modified audit opinion when a company's audit committee has a higher proportion of independent members. This suggests that independent members are better positioned to exercise unbiased judgment, question management when necessary, and protect the interests of shareholders. Another notable finding is the positive association between the frequency of audit committee

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http://amresearchreview.com/index.php/Journal/about

meetings and the likelihood of receiving a modified audit opinion. While it might initially appear that more meetings would indicate stronger governance, the results suggest that frequent meetings may be a reactive measure in response to existing financial or operational issues. More meetings in this scenario likely reflect an effort to address identified problems rather than evidence of proactive oversight. The results also show that companies audited by Big Four firms are significantly less likely to receive modified audit opinions. This supports the perception that Big Four auditors provide higher quality audits, potentially due to their technical expertise, global reputation, and the fact that they often work with larger and more transparent companies with stronger internal controls. However, these results should be interpreted within Pakistan's regulatory framework, where all audit firms approved to audit listed companies, whether Big Four or otherwise, are subject to the same Quality Control Review requirements imposed by the Institute of Chartered Accountants of Pakistan. In contrast, the size of the audit committee and the financial expertise of its members are not statistically significant in influencing audit opinion outcomes. This suggests that having a larger committee or more qualified members may not automatically translate into stronger oversight unless there is genuine independence and active engagement. A large, well-qualified committee may still fail in its role if it lacks the authority or willingness to challenge management practices.

For policymakers and regulators, these findings underscore the importance of moving beyond compliance-based requirements. Simply mandating the formation of audit committees or the inclusion of financially qualified members is not sufficient. Efforts should focus on ensuring true independence, preventing conflicts of interest, and creating conditions where audit committees have the mandate and the capacity to take meaningful action rather than functioning as procedural formalities. The study provides insights, but with a few possible limitations, by including a sample for the year 2024 only, which may limit the generalization across time periods and prevailing economic conditions. Further, other important governance factors such as overall board structure, ownership concentration, internal audit function, and different forms of management incentives could also differ the results. The future research may extend the study by including multiple years for the same companies, the remaining governance factors, and the compound effect of multiple governance factors, e.g., independence and financial expertise on auditors' opinions.

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