

Take-aways from the online Masterclass by Ann Vanstraelen

On Friday 5 March 2021, Ann Vanstraelen (professor of Accounting and Assurance Services at Maastricht University) presented an online Masterclass on the drivers and impact of audit committee involvement on audit quality. The related FAR-project is executed together with research team members Rogier Deumes, Ganesh Krishnamoorthy, Caren Schelleman and Ulrike Thürheimer.



The Masterclass on audit committee involvement is timely, since the topic plays an important role in the current debate: the AFM recently published their report on the (monitoring) role of the audit committee in the audit process: <https://www.afm.nl/nl-nl/nieuws/2021/feb/aanbevelingen-auditcommissies>

The research of Vanstraelen's team goes beyond the regulated, functional characteristics of the audit committee (like number of members, member age, independence of the committee members

etc.). The study gathers both survey data from partners and their client's audit committees as well as archival data concerning the engagements from the audit firms.

The preliminary results are promising. Based on the survey responses, analyses show that both audit partners and audit committee members associate the relative power of the audit committee (as opposed to management) and social cohesion within the audit committee to higher audit committee involvement. Interestingly, higher audit committee involvement is significantly correlated with joint audit input, process and output. For example, audit committee involvement is correlated with the level of support the auditor gets from the audit committee and with the overall quality of the external audit. This is particularly relevant when disagreements arise. From an audit partner's perspective, greater audit committee involvement indicates a lower amount of significant risk and lower materiality. Also, when companies are more profitable and have higher financial leverage, the interaction between audit committee and auditor tends to be more frequent.

To conclude, the level of audit committee involvement is important at all stages of the external audit. Audit committees should fulfill a critical and supportive role in their relationship with the auditor in order to obtain better audit quality. This seems to be in line with the more general notion that there should be cooperation and mutual trust between management, audit committee and the auditor.

For more insights on this project, please [click here](#). The full recording of this Masterclass will be published soon.