Perceptions on the Impact of Audit Committees on Financial Reporting Quality: Evidence from Bahrain

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Abstract

The current study aims mainly to examine perceptions of financial managers, accountants and internal auditors working in listed companies in Bahrain on the effect of audit committee, as a new phenomenon in the Bahraini environment, upon the quality of financial reporting. To accomplish this aim, a questionnaire was developed and disseminated to a sample of 320 respondents. In addition to descriptive statistics, non-parametric tests such as the Chi-square Test, Univariate analysis and the Kruskal-Wallis Test were used as well. Chi-square values for all questions were significant for the four groups of the 26 questions (p < 0.05) indicating that respondents’ answers for each question were not equally distributed among the different levels of agreement on audit committee’s formation in listed companies in Bahrain and its impact upon the quality of financial reporting in all groups. Kruskal-Wallis Test revealed that it is indicated that there are statistically significant differences in perceptions of study groups (Financial Managers, Accountants, Internal auditors and Others) concerning Group 1, 2 and 4 of questions. This result confirms the univariate results which reported earlier. The results also indicate that there are significant differences between experience groups and the other groups of education regarding respondent’s perceptions on all groups of questions, and therefore, there is some consensus among experience and education groups on their perceptions. These results confirm results of univariate analysis. The study recommended that future research is needed to investigate this issue of research in other developing countries in general and GCC countries in particular. The study also suggested that other respondent groups such as external auditors, shareholders, regulators and members of the audit committees might be included in future research.

Key Words: Audit committees, financial reporting quality, Bahrain listed companies, Bahrain Bourse, Central Bank of Bahrain (CBB), independence of audit committees.