



AUDIT COMMITTEE CHARACTERISTICS AND CORPORATE FRAUD

HUA-WEI HUANG
Dept. of Accounting
State University of New York College at Old Westbury
U.S.A
huangh@oldwestbury.edu

SHEELA THIRUVADI
Dept. of Accounting
Morgan State University
U.S.A
Sheela.thiruvadi@morgan.edu

Abstract

The role of audit committee is of much interest to regulators & the public in corporate governance. This study examines the relationship between audit committee characteristics (the number of audit committee meetings, the number of audit committee members and the number of audit committee financial experts) and fraud, a proxy for potential fraudulent financial reporting. Using a final sample of 218 firms from S&P SmallCap600 with a December 31, 2003 fiscal year-end and audit committee characteristics data collected from the SEC database. We find that the (1) Meeting frequency of the audit committee is not associated with fraud prevention; (2) Number of audit committee members does not significantly affect fraud prevention and (3) Financial expert is significantly associated with fraud prevention; (4) Audit committees that have at least one female director function differently from all male audit committees; (5) Big 4's clients are more likely to have audit committee financial experts than Non-Big 4's clients. This study provides direct support to SEC's assertion about the importance of audit committee financial expertise for effective corporate governance practice and financial reporting. In addition, few studies [e.g., Sheela Thiruvadi, 2008] have examined the impact of gender differences on audit committee characteristics. We also provide empirical evidence to show that audit committees that have a female director function differently than all male audit committees.

Keywords: Audit committee characteristics, fraud, SEC, SOX, gender, Big 4, U.S.A.

1. Introduction

The role of audit committee is of much interest to regulators & the public in corporate governance. Earlier, the function of the audit committee was to oversee corporate financial reporting and disclosure for public companies [Marsh and Powell, 1989]. However in recent years, the role of audit committee has become more pronounced by Securities & Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB) & Blue Ribbon Commission (BRC) due to the various economic

events that has shaken the stability of the financial markets & investor's confidence. Due to a number of corporate accounting scandals, the Sarbanes-Oxley Act of 2002 (SOX), also known as the Public Company Accounting Reform and Investor Protection Act of 2002 has stressed the importance of audit committee's responsibility by increasing the requirements in terms of audit committee membership and composition. SOX has included a number of BRC's recommendations in order to increase the operational efficiency, effectiveness and independence of the audit committee. The BRC recommendations require audit committees to be responsible for the appointment, compensation, and oversight of the external auditor.

Currently, the audit committee of a publicly traded company in the U.S. must be comprised of independent and outside directors referred to as non-executive directors and the SEC's Final Rule requires that the public companies need to disclose whether at least one of the audit committee members is a financial expert; and if there is no financial expert in the audit committee, then the public company must give justifiable explanations for the absence of a financial expert. In addition, the audit committee has to monitor regulatory compliance and risk assessments besides ensuring the quality of the financial statement in the post-SOX period.

An effective audit committee has to exercise professional care by working hard and meeting frequently in order to ensure good financial reporting quality. Robert K. Herdman [2002], the chief accountant of Securities and Exchange Commission (SEC), indicated the importance of audit committee in the post-SOX period that "...the role of the audit committee is central to ensuring the integrity of published financial statements on which investors rely, and which are central to the efficiency of our capital markets..." . Furthermore, the American Institute of Certified Public Accountants (AICPA) addressed fraud prevention in audit committee guidance, that the guidance outlines specific steps to identify the risk of management overriding established internal safeguards. Audit committees in the U.S. are expected to operate more efficiently in fraud prevention after the enactment of SOX related requirements. The examination of audit committee characteristics and their influences on corporate governance is of relevant importance to the current regulators, legislator and public investors; hence the purpose of this study is to investigate whether good audit committee characteristics effectively improve the fairness of financial reporting and disclosure, which results in fewer fraudulent financial reporting events in the post-SOX period. This study finds that audit committee financial expertise is negatively and significantly associated with fraudulent financial reporting. Although prior studies have extensively discussed the issue of audit committee characteristics in various contexts, this paper is one of a few studies to directly examine audit committee characteristics and fraud study. The empirical evidence of this study contributes to the current literature and asserts SEC's views that audit committee financial expertise facilitates effective corporate governance and transparency of financial disclosure [Carcello et al., 2006]. Our results also provide relevant contributions for the SEC regarding the importance of audit committees in promoting high quality financial reporting.

The issue of gender is another topic of interest in corporate governance research. Wood [2003] indicates that masculine characteristics may be viewed as the standard in male styles of leadership and management, while feminine styles of leadership and communication such as supportiveness, attentiveness, and collaboration, are marginalized. Li and Wearing [2004] document that female nonexecutive directors are at a disadvantage in gaining promotions to positions such as chair of the audit committee. It is likely that audit committees with one or more female directors would

function differently than audit committees with all male directors. However, few studies have examined the impact of gender differences on audit committee characteristics. This study also investigates the relationship between gender and audit committee characteristics by one way ANOVA analysis.

2. Background and Literature

Prior research relating to audit committees and corporate fraud can be categorized into two sections. The first section deals with the function structures of audit committees and fraud prevention. Beasley et al. [2000] identify six key areas¹ including effective audit committees to detect and prevent fraud. After the collapse of Enron, investors started losing their confidence for external auditors' assurance services. Owen III [2004] states that in the wake of Enron and other business scandals, the audit committee has resurfaced as a key tool for preventing fraud and ensuring sound financial management. Hence, it is very important that audit committee members fully exercise their duty. Especially in the post-SOX period, audit committee members should fully understand their roles in carrying out the potential liability and responsibility of the management and their auditors by overseeing management and auditor's activity.

Srinivasan [2005] finds that there is a greater likelihood of audit committee director departure due to restatement severity for firms that overstate earnings. Vafeas [2005] shows that the measures of audit committee and board structure are related to earnings quality in a manner that is generally consistent with the predictions of agency theory. Furthermore, Harrast and Mason-Olsen [2007] indicate that audit committees help deter management fraud and enhance the integrity of financial reporting. SOX has brought a sweeping change in all aspects of the accounting profession. For this reason, it is important to directly examine fraud cases to show the relationship between audit committee characteristics and fraud prevention.

The second section examines the characteristics of audit committees and their possible effects. The topic of audit committee independence has been widely investigated during the pre-SOX period. Abbott et al. [2000] show that firms with audit committees which are composed of independent directors and which meet at least twice per year are less likely to be sanctioned for fraudulent or misleading reporting. Audit committee independence affects both companies' earnings management and also investors' perceptions. Klein [2002] indicates that reductions in audit committee independence are accompanied by large increases in abnormal accruals. Raghunandan and Rama [2004] document that good audit committees can affect shareholder perceptions related to the auditor, particularly in those situations where shareholders might perceive an increased threat to auditor independence. However, the issue of audit committee independence is no longer popular today because the new stock exchange rules now require that all members of the audit committee be independent [SEC, 2002]².

Two other important characteristics of audit committees are meeting frequency and number of members of the audit committee. In order to address risks, audit

¹ The six key areas are: (1) types of companies engaged in fraud and employees involved; (2) nature of the frauds; (3) ineffective audit committees and board governance; (4) industry-specific traits; (5) incentives for fraud due to ownership, financial conditions, and market expectations; (6) audit firms.

² However, an exception is permitted for one non-independent audit committee member, if there is sufficient reason to allow it, and the SEC requires that any such exceptions and the reasons for it be disclosed [SEC 2002].

committee members need to communicate the accounting problems with managers, and internal and external auditors on time. In the post-SOX period, agenda control and diligence has become the key quality factors of audit committees [SEC, 2002]. Mustafa and Meier [2006] show that the percentage of independent members in audit committees and the average tenure of audit committee members are significantly and negatively related to the incidence of misappropriation of assets in publicly held companies in both the random and the matched models while the number of audit committee meetings is not significant. Harrast and Olsen [2007] indicate that the audit committees gain significant clout under SOX and have greater power to participate in the financial reporting process. Raghunandan and Rama [2007] show that there are more audit committee meetings in firms that (1) are larger, (2) have high outsider block-holdings, (3) are in litigious industries, or (4) have more board meetings. Firms operating in poor corporate environment seem more likely to tip over the edge into fraud if there are fewer outsiders on the audit committee and outside directors appear overcommitted [Crutchley et al., 2007]. Owens-Jackson et al. [2009] state that the likelihood of fraudulent financial reporting, given a totally independent audit committee is inversely related to the level of managerial ownership and the number of audit committee meetings. Based on the above literature, we expect that increase in audit committee meetings and audit committee members; greater oversight on the company's financial reporting. The following are our two hypotheses:

H₁: *The audit committee meeting frequency is negatively associated with the probability of fraud.*

H₂: *The number of audit committee members is negatively associated with the probability of fraud.*

The topic of audit committee financial expertise has been widely discussed by accounting researchers. Questions were also raised by public investors whether the exchange requirements of financial reporting and financial expertise of audit committee members have been well addressed [SEC, 2002]. Raghunandan et al. [2001] find that committees comprised of at least one member having an accounting or finance background are more likely to (1) have longer meetings with the chief internal auditor; (2) provide private access to the chief internal auditor; and (3) review internal audit proposals and results of internal auditing. Likewise, the financial expertise of audit committee may also affect audit services. Audit committee considers the audit fee as a way to monitor whether the scope of fieldwork is sufficient [SEC, 2002]. Abbott et al. [2003] document that audit committee financial expertise is significantly, positively associated with audit fees. Information content of audit committee financial expertise has already been documented. Defond et al. [2005] claim that a positive market reaction to the appointment of financial experts assigned to audit committees is found however, there is no reaction to non-financial experts assigned to audit committees. Davidson et al. [2004] show significant positive stock price reaction when new members of audit committees have financial expertise. Archambeault et al. [2008] find that there is a predicted positive relation between short-term incentive compensation (short-term stock option grants) for audit committee members and likelihood of restatement. We assume that the presence of audit committee financial expertise could help the company from fraud prevention in the following hypothesis.

H₃: *The number of financial expert is negatively associated with the probability of fraud.*

3. Method and Data

This study employs the following model [Bonner et al., 1998] to examine the relationships between audit committee characteristics and fraud frequency:

Fraud Frequency (LIT) = f (test variables as ACMEET, NMEM and ACXPRT; control variables as LnTA, ProbZ, NYSE, TECH and FIN)

Where:

LIT = litigation firms in 2004 to 2006 = 1; the other non-litigation firms in 2004 to 2006 = 0, to proxy for fraudulent firms,

ACMEET = times of audit committee meeting in 2003,

NMEM = number of members engaged in the audit committee in 2003,

ACXPRT = number of financial experts in the audit committee in 2003,

LnTA = natural log (total assets) in 2003,

ProbZ = bankruptcy probability in 2003,

NYSE = 1 if the firm was listed in New York Stock Exchange in 2003,

TECH = 1 if the firm was in technology industry in 2003,

FIN = 1 if the firm was in financial service industry in 2003.

3.1. Dependent Variable

The dependent variable is a dummy variable for the presence (1) or absence (0) of fraud. This study uses litigation firms associated with potential fraudulent financial reporting to proxy for corporate frauds, as in Bonner et al. [1998]. The litigation firms data, LIT, was obtained from Stanford Law School Database and the SEC Accounting and Auditing Enforcement Releases.

3.2. Test Variables

In order to test the three hypotheses and determine which variable plays a more influencing role in fraud detection, the following audit committee characteristic variables are used in this study: ACMEET, NMEM and ACXPRT. ACMEET proxies for audit committee meeting frequency, NMEM proxies for number of members engaged in the audit committee, and ACXPRT proxies for number of financial experts in the audit committee.

3.3. Control Variables

The control variables relating to client characteristics such as firm size, bankruptcy and firm's industry are included in the model [Bonner et al., 1998]. Firm size is measured by LnTA. Firm's bankruptcy probability is measured by Prob Z (Z score). NYSE is an indicator variable; whether the company is listed on the NYSE (1 = yes, 0 = no). Since technology and financial services companies appear to have higher litigation rates [Bonner et al., 1998], the model includes the TECH which is set to 1 for firms with SIC codes 357s and 737s and the FIN which is set to 1 for firms with codes in the 600-639s and 670s.

3.4. Sample Selection

The initial sample includes 600 firms listed in the S&P SmallCap600 with a December 31, 2003 fiscal year-end. 218 sample firms with 2003 financial and audit committee characteristics data are collected from the Compustat and SEC databases.

4. Result

4.1. Descriptive Statistics Analysis

Table 1 reports the descriptive statistics. For the 218 companies, the means of ACMEET, NMEM, and ACXPRT, are 6.9, 3.54, and 0.65, respectively. The medians of ACMEET, NMEM, and ACXPRT, are 7, 3, and 1, respectively.

N=218	LIT	LnTA	ProbZ	NYSE	TECH	FIN	ACMEET	NMEM	ACXPRT
Mean	0.10	20.17	-2.06	0.52	0.06	0.03	6.90	3.54	0.65
Median	0.00	20.20	-2.00	1.00	0.00	0.00	7.00	3.00	1.00
Std. Deviation	0.30	0.81	1.27	0.50	0.24	0.16	2.45	0.75	0.72

Table 2 reports the Pearson correlations matrix. As expected, the companies in technology industry (coefficient=+0.17, at p<0.01 level, one-tail) or financial distress (coefficient=+0.14, at p<0.05 level, one-tail) are facing a higher possibility of fraud.

	LIT	LnTA	ProbZ	NYSE	TECH	FIN	ACMEET	NMEM	ACXPRT
LIT	1.00								
LnTA	-0.09	1.00							
p-value (one-tail)	<i>0.10</i>								
ProbZ	0.14	0.43	1.00						
p-value (one-tail)	0.02	0.00							
NYSE	-0.11	0.40	0.23	1.00					
p-value (one-tail)	0.06	0.00	0.00						
TECH	0.17	-0.30	0.01	-0.26	1.00				
p-value (one-tail)	0.01	0.00	<i>0.45</i>	0.00					
FIN	0.04	0.02	-0.02	0.16	-0.04	1.00			
p-value (one-tail)	<i>0.29</i>	<i>0.36</i>	<i>0.39</i>	0.01	<i>0.27</i>				
ACMEET	0.00	0.12	0.15	0.04	-0.09	0.01	1.00		
p-value (one-tail)	<i>0.47</i>	0.03	0.02	<i>0.26</i>	0.09	<i>0.46</i>			
NMEM	-0.06	0.31	0.27	0.22	-0.16	0.03	0.19	1.00	
p-value (one-tail)	<i>0.19</i>	0.00	0.00	0.00	0.01	<i>0.34</i>	0.00		
ACXPRT	-0.11	-0.10	0.01	-0.13	0.12	-0.04	0.07	-0.02	1.00
p-value (one-tail)	0.05	0.07	<i>0.46</i>	0.03	0.04	<i>0.30</i>	<i>0.14</i>	<i>0.36</i>	

The companies listed in NYSE (coefficient=-0.11, at p<0.10 level, one-tail) are less likely to be associated with fraud. The correlation coefficients of ACMEET/NMEM

and LIT are insignificant. However, the correlation coefficient of ACXPRT and LIT is negatively significant (coefficient=-0.11, at $p<0.05$ level, one-tail). This initial testing result supports our H_3 .

4.2. Audit Committee Characteristic and Fraud Frequency Analysis

Panel A of Table 3 presents the analysis of ACMEET. As shown in the table, when the audit committee holds less than five meetings per year, the fraud frequency is 9, compared to 11 in the group holding 6 to 10 meetings per year, and 2 holding 11 meetings or more. Considering the total firms in different groups, the difference between the means of the three groups is not obvious (11.5% vs. 9.0% vs. 11.1%). No evidence is found to support our H_1 .

Panel B of Table 3 provides the analysis of NMEM. The fraud frequency drops from 14 in the group with three members in the audit committee to 1 in the group with five or six members in Panel B. Panel C shows that frequency of fraud drops to zero from 13 with the increase of financial experts in the audit committee. More obviously, the mean of the frauds is 12.5% when there are no financial experts in the audit committee; while it goes down to 0.0% when there are two financial experts and the percentage change is 100 % negative. Both findings provide evidence to support our H_2 and H_3 .

TABLE 3				
AUDIT COMMITTEE CHARACTERISTICS and FRAUDS				
Panel A: Test Variables for ACMEET				
ACMEET	0 - 5	6 - 10	11 - 15	
Fraud frequency	9	11	2	
Total firms	78	122	18	
Mean	11.5%	9.0%	11.1%	
% ↑	-	-21.9%	23.2%	
Panel B: Test Variable for NMEM				
NMEM	3	4	5&6	
Fraud frequency	14	7	1	
Total firms	129	65	24	
Mean	10.9%	10.8%	4.2%	
% ↑	-	-0.8%	-61.3%	
Panel C: Test Variable for ACXPRT				
ACXPRT	0	1	2	
Fraud frequency	13	9	0	
Total firms	104	90	24	
Mean	12.5%	10.0%	0.0%	
% ↑	-	-20.0%	-100.0%	

4.3. Logit Regression Result

Table 4 reports the Logit regression result. The Pseudo R2 for this model is 16.5%. Control variables, ProbZ, NYSE, and TECH are significant (at $p<0.1$ level, one-tail). Among the three test variables, ACMEET is insignificant; NMEM is also insignificant in preventing fraud ($p=0.29$), which is consistent with prior study

[Mustafa and Meier, 2006]. ACXPRT is negatively significant (coefficient=-0.94, at $p<0.01$ level, one-tail) in preventing fraud. The regression result shows that the number of financial expert reduces the probability of fraud, which supports H_3 .

TABLE 4
LOGIT REGRESSION ANALYSIS

Dependent Variable: Fraudulent Firms			
Variables	Coefficient	Wald	p-value (one-tail)
Constant	5.24	0.57	0.22
LnTA	-0.26	0.57	0.23
ProbZ	0.45	5.73	0.01
NYSE	-0.75	1.76	0.09
TECH	1.23	2.21	0.07
FIN	1.22	1.03	0.16
ACMEET	0.01	0.01	0.45
NMEM	-0.22	0.32	0.29
ACXPRT	-0.94	4.75	0.01
Persudo R ²	16.5%		
Model Chi-square	18.0		
N	218		

4.4. Sensitivity Test

This study provides the following sensitivity analyses. First, this study examines whether Big 4 auditors provide better services and help in fraud prevention. Big4 is included as a control variable and is found insignificant. The results are unchanged. ACXPRT is negatively significant (coefficient=-0.92, at $p<0.01$ level, one-tail). Second, internal control effectiveness may affect fraud prevention. The importance of the audit committees' understanding of the companies' internal control structure and their assessment of internal auditor's effectiveness is crucial in ensuring reliable financial reporting (SEC 2002). A dummy variable, MWD is included as a control variable in the model. MWD=1 if the company reports more than one material internal weakness. MWD is insignificant and ACXPRT remains negatively significant (coefficient=-0.92, at $p<0.01$ level, one-tail).

We then examined whether gender difference makes a significant impact on the firm's fraud prevention. Dennis and Kunkel [2004] argue that female managers in general are more competent, active/potent, emotionally stable, rational, independent, and less hostile than are male managers. For this reason, a female audit committee member may be more sensitive for firm's potential fraudulent financial reporting. However, we test and find there is no evidence to support the significance of a female audit committee member in fraud prevention.

4.5. Additional Analysis

Table 5 reports the relationship between gender and audit committee characteristics by one way ANOVA analysis³. We find that audit committees that have at least one female director will meet 7.8 times in average, which is significant higher than all

³ We examined the first name and the vita of the director to classify the person's gender.

male audit committees (6.66 times, at $p < 0.01$ level, one-tail). This result is consistent with the finding of a recent study [Sheela Thiruvadi, 2008] that audit committees that have a female director will be more diligent and have more frequency of meetings.

TABLE 5
AC and GENDER: ONE WAY ANOVA ANALYSIS

Characteristic	Gender	N	Mean	F value	p-value (one-tail)
ACMEET	Male	172	6.66	8.19	0.00
	Female	46	7.80		
	Total	218	6.90		
NMEM	Male	172	3.48	6.18	0.01
	Female	46	3.78		
	Total	218	3.54		
ACXPRT	Male	172	0.63	0.86	0.18
	Female	46	0.74		
	Total	218	0.65		

As expected, the larger the size of the audit committee, the more likely that female members may exist. The audit committees with at least one female director have 3.78 members in average, which is significantly higher than all male audit committees (3.48 times, at $p < 0.01$ level, one-tail). Gender does not have a significant impact on audit committee expertise.

Table 6 presents the relationship between firms' audit quality, Big4, and audit committee characteristics by one way ANOVA analysis.

TABLE 6
AC and BIG 4: ONE WAY ANOVA ANALYSIS

Characteristic	CPA Firm	N	Mean	F value	p-value (one-tail)
ACMEET	Non-BIG 4	12	6.17	1.13	0.15
	BIG 4	206	6.94		
	Total	218	6.90		
NMEM	Non-BIG 4	12	3.33	0.98	0.16
	BIG 4	206	3.55		
	Total	218	3.54		
ACXPRT	Non-BIG 4	12	0.33	2.47	0.06
	BIG 4	206	0.67		
	Total	218	0.65		

Collier and Gregory [1999] examine if firm specific agency factors affect the activity of the audit committee in major companies in United Kingdom. He finds that there is a positive association between audit committee activity and high quality (Big 4) auditors consistent with their agency theoretic view of monitoring. However, we do not find firms' audit quality having a significant impact on the frequency of meeting

or size of the audit committee. Rather, firms' audit quality is only associated with their audit committee expertise. Big 4's clients are more likely to have audit committee financial experts (0.67) than Non-Big 4's clients in average (0.33, at $p < 0.10$ level, one-tail).

5. Conclusion

The major function of the audit committee is to oversee the overall risk in corporate financial reporting. Audit committees should be champions of corporate ethics and, in particular, should be wary of granting exceptions to these codes [SEC, 2002]. This study investigates whether the three variables—the number of audit committee meetings, the number of audit committee members and the number of engaged financial experts—are related to fraud prevention. The empirical results provide some evidence to support the three primary hypotheses. The conclusions are summarized as follows: 1. Meeting frequency of the audit committee is not associated with fraud prevention; 2. Number of audit committee members does not significantly affect fraud prevention; 3. Financial expert is significantly associated with fraud prevention. 4. Audit committees that have at least one female director function differently than all male audit committees. 5. Big 4's clients are more likely to have audit committee financial experts than Non-Big 4's clients.

This study makes several contributions. It gathers information about the up-to-date research of the audit committees, including the issues about fraud prevention and audit committee characteristics. Additionally, this study provides direct evidence for the literature to document the association between audit committee characteristics and fraud prevention. Third, this study proves one aspect; that the financial experts play a relatively important role in preventing fraud, adding further support to SEC's viewpoint about the importance of audit committee financial expertise for effective corporate governance and financial reporting. Fourth, few studies [e.g., Sheela Thiruvadi, 2008] have examined the impact of gender differences on audit committee characteristics. We provide empirical evidence to show that audit committees that have a female director function differently than all male audit committees.

The following limitation applies. The sample used in this study unavoidably reduces the power of the model due to its small size and therefore, the results should be explained with caution. Future studies can explore whether the changes of audit committee characteristics, such as increases in number of meetings or members, financial experts, and female members, affect the market value of the firms.

References

- Abbott Lawrence J, Young Park, Susan Parker. 2000. The Effects of Audit Committee Activity and Independence on Corporate Fraud. *Managerial Finance*: Vol. 26, Iss. 11; pg. 55-68.
- _____, Susan Parker, Gary F Peters, and K Raghunandan. 2003. The Association between Audit Committee Characteristics and Audit Fees. *Auditing*. 22, 2; pg. 17.
- Archambeault Deborah S, F Todd DeZoort, and Dana R Hermanson. 2008. Audit Committee Incentive Compensation and Accounting Restatements. *Contemporary Accounting Research*. Vol. 25, Iss. 4; pg. 1.
- Beasley Mark S, Joseph V Carcello, Dana R Hermanson December 2000. Preventing Fraudulent Financial Reporting. *The CPA Journal*. Vol. 70, Iss. 12; pg. 14, 6 pgs.
- Bonner Sarah, Zoe-Vonna Palmrose and Suan Young. 1998. Fraud Type and Auditor Litigation: An Analysis of SEC Accounting and Auditing Enforcement Releases. *The Accounting Review*: 503-532.

- Carcello Joseph V, Carl W Hollingsworth, and Terry L Neal. 2006. Audit Committee Financial Experts: A Closer Examination Using Firm Designations. *Accounting Horizons*. 20, 4; pg. 351.
- Collier Paul, and Alan Gregory. 1999. Audit Committee Activity and Agency Costs. *Journal of Accounting and Public Policy*. New York: Winter 1999. Vol. 18, Iss. 4, 5; p. 311-332.
- Crutchley Claire E., Marlin R.H. Jensen and Beverly B. Marshall. 2007. Climate for Scandal: Corporate Environments that Contribute to Accounting Fraud. *Financial Review*, Vol. 42, No. 1, pp. 53-73.
- Dennis M.R., Adrienne Dennis Kunkel Palmerston North 2004. Perceptions of Men, Women, and CEOs: the Effects of Gender Identity”, *Social Behavior and Personality*, Vol. 32 Iss. 2, pp. 155-173.
- Davidson III Wallace N, Biao Xie, and Weihong Xu. 2004. Market Reaction to Voluntary Announcements of Audit Committee Appointments: The Effect of Financial Expertise *Journal of Accounting and Public Policy*. Vol. 23, Iss. 4; p. 279.
- Defond Mark L, Rebecca N Hann, and Xuesong Hu. 2005. Does the Market Value Financial Expertise on Audit Committees of Boards of Directors? *Journal of Accounting Research*. Vol. 43, Iss. 2; p. 153.
- Harrast Steven A, Lori Mason-Olsen. 2007. Can Audit Committee Prevent Management Fraud? *The Accounting Journal*. Vol. 77, Iss. 1; pg. 24, 4 pgs.
- Klein. 2002. Audit Committee, Board of Director Characteristics, and Earnings Management. *Journal of Accounting & Economics*. Vol. 33, Iss. 3; p. 375.
- Li, Carmen A, and Bob Wearing. 2004. Between Glass Ceilings: Female Non-executive Directors in UK Quoted Companies. *International Journal of Disclosure and Governance*. London: Oct 2004. Vol. 1, Iss. 4; p. 355-372.
- Marsh, Hugh L., and Thomas E. Powell. 1989. The Audit Committee Charter: Rx for Fraud Prevention. *Journal of Accountancy*. Vol. 167, Iss. 2; p. 55-58.
- Mustafa Sameer T. and Heidi H Meier. 2006. Audit Committees and Misappropriation of Assets: Publicly Held Companies in the United States. *Canadian Accounting Perspectives*. Vol. 5, No. 2.
- Owen III John R. 2004. Nonprofits without Audit Committee: Risk Disaster. *Nonprofit World*. Vol. 22, Iss. 2; pg. 24, 2 pgs.
- Owens-Jackson Lisa A, Diana Robinson, Sandra Waller Shelton. 2009. The Association Between Audit Committee Characteristics, the Contracting Process and Fraudulent Financial Reporting. *American Journal of Business*. Vol. 24, Iss. 1; pg. 57, 9 pgs.
- Raghunandan K and Dasaratha V Rama. Audit Committee Composition and Shareholder Actions: Evidence from Voting on Auditor Ratification. *Auditing*. 2003. 22, 2; pg. 253.
- _____, and _____. Determinants of Audit Committee Diligence. 2007. *Accounting Horizons*. 21, 3; pg. 265.
- _____, William J Read and Dasaratha V Rama. 2001. Audit Committee Composition, “Gray Directors,” and Interaction with Internal Auditing. *Accounting Horizons*. 15, 2; pg. 105.
- Sheela Thiruvadi. 2008. Gender Differences and Audit Committee Characteristics. *Working Paper*.
- Srinivasan Suraj. 2005. Consequences of Financial Reporting Failure for Outside Directors: Evidence from Accounting Restatements and Audit Committee Members. *Journal of Accounting Research*. Vol. 43, Iss. 2; p. 291.
- The American Institute of Certified Public Accountants (AICPA). 2002. Management Override of Internal Controls: The Achilles Heel of Fraud Prevention. <http://www.aicpa.org/audcommctr>.
- U.S. Securities and Exchange Commission (SEC). 2002. Speech by SEC Staff: Making Audit Committees More Effective. Tulane Corporate Law Institute. New Orleans. <http://tw.search.yahoo.com/search?fr=yfp&ei=UTF-8&p=speech+audit+committee>.
- Vafeas Nikos. Audit Committees, Boards, and the Quality of Reported Earnings. 2005. *Contemporary Accounting Research*. Vol. 22, Iss. 4; p. 1093.

Wood, J.T. 2003. Gendered lives: Gender, Communication and Culture (5th ed.), Belmont, CA, Wadsworth.