THE EFFECT OF THOSE CHARGED WITH GOVERNANCE AND THE ADOPTION OF THAI STANDARDS ON AUDITING (B.E. 2555) ON AUDIT QUALITY

TANIKAN VIRIYACHINKARN

Chulalongkorn University, Department of Accountancy, Bangkok, Thailand
E-mail: tu_tanikan1@hotmail.com

Abstract- Using a unique setting that arises from the enforcement of the revised Thai Standards on Auditing ("the revised TSAs") in 2012, this study examines the effect of Those Charged with Governance ("TCWG") on audit quality. The revised TSAs emphasizes on roles of TCWG by promoting effective two-way communication and constructive relationship between auditors and TCWG and by adding a single paragraph about the management responsibility on the auditor's report. From existing audit quality literatures, roles of TCWG, as demand-side factors of audit quality, have rarely been explored as compared to auditors' traits, as supply-side factors. I investigate four effective characteristics of TCWG which are low manipulation risk of management, non-family ownership of management, independence of audit committee, and accounting expertise of audit committee. I find that, after the revised TSAs adoption, audit quality improves greater for firms monitored by the high potential manipulators, family managers, and dependent audit committees. The improvement of audit quality is more pronounced for the firms monitored by the less-effective groups of TCWG, indicating the success of the revised TSAs implementation in Thailand. This paper offers an understanding of the consequences of the revised TSAs adoption and the importance of TCWG effectiveness on audit quality. Moreover, the results identify issues that may assist regulators and standard setters for

Index Terms- those charged with governance, auditing standards, audit quality

I. INTRODUCTION

Following trends of auditing standards adoption, Thailand has adopted International Standards on Auditing (ISAs) since January 1, 2012. There are ten new standards and each of the standards is considered as significantly, moderately, or slightly changed standard as compared to the old standards. One of major goals of auditing standards improvement is to increase audit quality. The revised TSAs (B.E. 2555) are different from the prior version of TSAs in many aspects. This paper emphasizes on the increasing roles of TCWG as it is newly identified in the revised TSAs. In large entities, TCWG can be a board of directors, an audit committee, a committee of management, and management personnel. The revised TSAs aim to promote effective two-way communications and constructive relationship between the auditor and TCWG. Moreover, a single paragraph about the management responsibility has been added on the auditor's report.

This research explores four effective characteristics of TCWG. The first two characteristics of management are risk of earnings manipulation and family ownership. The other two characteristics are traits of audit committee; independence and accounting expertise. Under the revised TSAs, the high potential manipulators could be less likely to manipulate earnings due to simultaneous communication between the auditor and TCWG, leading to higher audit quality. For family ownership, the Stock Exchange Commission of Thailand (SEC) concerns about the conflict of interest in ownership structure, especially the family ownership structure that causes the entrenchment effect of self-interest purposes by family managers. Regulators expect lower probability of earnings management by family managers after the revised TSAs adoption. To add, the regulations about audit committee rotation and accounting-only expertise are controversial issues. To date, there is no regulation related audit committee rotation in Thailand which leads to concerns about independence of audit committee under bonding effect or familiarity between audit committees and the entity. Moreover, SEC regulation allows audit committee to have either financial or accounting expertise, and some companies choose not to have any accounting expert on audit committee.

In this paper, I predict that the more effective characteristics of TCWG will always support the auditor to perform high quality audits either before or after the revised TSAs adoption. On the other hand, the less effective TCWG may increase their cooperation with the auditor under the revised TSAs because the revised TSAs encourages simultaneous communication between TCWG and the auditor throughout the audits. Therefore, audit quality under the revised TSAs enforcement may improve greater when the auditor works with less effective TCWG.

The research is important for many reasons. The findings provide the consequence of the revised TSAs adoption on audit quality which has been rarely gained attention from researchers, as compared to other regulations such as International Financial Reporting

Standards (IFRS) and the Sarbanes-Oxley Act of 2002 (DeFond and Zhang 2013). Moreover, this paper offers an understanding of the impact of TCWG characteristics on audit quality and identifies issues that may assist regulators and standard setters for shaping future policy related to the qualification of TCWG.

II. LITERATURE AND HYPOTHESIS DEVELOPMENT

A. Audit quality

The meaning of audit quality is not conclusive either in academic or in practice. Different stakeholders are likely to have different aspect about the definition of audit quality. Recently, DeFond and Zhang (2013) define audit quality as a function of client demands and auditor supply under the regulatory intervention. Therefore, audit quality can be improved by the harmonized coordination among audit clients, auditors, and regulators. In this paper, I define audit quality as the degree to which auditors perform their audit work that meets auditing standard requirement and assure the reliability and the fair presentation of financial statements.

B. Those charged with governance ("TCWG")

TSA 260 defines TCWG as management personals or owner-manager with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. The revised auditing standards emphasize roles of TCWG by altering form of auditor's report and encouraging effective two-way communication between the auditor and audit client. In this paper, I examine management and audit committee on the client-side demand for audit quality because management and audit committees are the key persons who closely monitor the entity, prepare public financial reports, and communicate directly with the auditor during audit fieldwork. TCWG effectiveness is measured in four dimensions: low manipulation risk of management, non-family ownership of management, independence of audit committee, and accounting expertise on the audit committee.

1. Low manipulation risk of management

Agency theory has long been one of the most important theories in accounting and auditing because it allows us to incorporate conflicts of interest and incentive problems (Lambert, 2001). Jensen and Meckling (1976) defines agency relationship as "a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent". Watt and Zimmerman (1983) show that auditing can reduce agency cost by detecting and reporting the misreporting of financial information prepared by management. A number of studies have examined the detection of earnings management to favor the users in stock markets but relatively little work has examined the association between propensity of earning manipulation by management and audit quality under the circumstance of the regulatory intervention. In this paper, I investigate whether the revised auditing standards improve the quality of audit through the auditor's emphasis on risk of material manipulation by management. Obviously, the regulators expect that the revised auditing standards assist the auditor in improving audit quality by theoretically reducing the principal-agent problem. Constrained by the revised TSAs, I believe that management has less opportunity to involve in earnings manipulation because the auditor shall perform iterative risk assessment process throughout the audit period.

H1: Audit quality improves greater for firms monitored by management with high risk of manipulation under the revised TSAs adoption.

2. Non-family ownership of management

In this paper, a family firm is a firm where a family exerts control over the organization through ownership, top management, or board position (Lau, 2010; Chu, 2011; Suehiro and Wailerdsak, 2004). The most dominant theory adopted in empirical studies of listed family controlled firms is agency theory. Family firms usually encounter into Type II agency problem where the conflicts of interest shift from manager-shareholder problem (Type I agency problem) to conflicts between controlling shareholders, or the managers who own equity of the firm, and minority shareholders. According to Type II agency problem, controlling shareholders have opportunities to pursue their own interests at shareholders' expense, leading to greater agency costs. Thus, managerial family ownership represents a less governance-effective characteristic of management. Because of the conflict of interest between controlling family and minority owners, both shareholders need to bond themselves with the more extensive auditor to reduce agency costs. The auditors play an important role to mitigate the conflicts. I expect that the revised TSAs assist the auditors to perform better audit works especially when they communicate with family managers who may have less opportunity to engage in earnings management due to a closer observation by the engagement auditor.

H2: Audit quality improves greater for firms monitored by management with family ownership under the revised TSAs adoption.

3. Independence of audit committee

According to Notification of Stock Exchange of

Thailand number Bor.Jor/Ror. 25-00, the Stock Exchange Commission of Thailand ("SEC") publishes "Audit Committee Handbook" in December 2010 and recommends that the audit committees who had expired from the terms of office period, usually 2 - 5 years to ensure continuity of audit committee work performance, should not be re-selected because the familiarity between the audit committees and the firm may decrease independence of audit committees. Since the SEC has not yet enforced this re-election rule to audit committee, I study the characteristic of audit committees under this re-selection policy to proxy their independence. Prior research report various evidence about the effect of audit committee independence on multiple measures of accounting quality. Some studies report positive effects of audit committee independence on lower likelihood of fraud (Beasley, 1996), reliability of auditor's report (Carcello and Neal, 2000), and less internal control problem (Krishnan, 2005). On the other hand, some studies report no effect of audit committee independence on accounting quality (Rainsbury et al., 2009; Tengamnuay and Stapleton, 2009). In this paper, I believe that the revised TSA which emphasis the communication between the auditor and audit committees, together with the launched Best Practices for Audit Committee Handbook by the SEC in 2010 would enhance the quality of audit by strengthening cooperation between the auditor and independent audit committees to enhance quality of financial reports. Thus, I expect that audit quality improves greater after the revised TSAs adoption when the auditor audits the firms with dependent audit committees because the firms with independent audit committees are expected to always support high level of audit quality either before or after the revised TSAs adoption.

H3: Audit quality improves greater for firms with dependent audit committees under the revised TSAs adoption.

4. Accounting expertise of audit committee

The main duty of audit committees is to review the financial reporting process to ensure the best quality of financial reports. The expertise of audit committee is a controversial issue in Thailand because the guidance allows audit committee to have either accounting or financial expertise. Researchers have investigated the inconclusive definition of audit committee expertise in many ways and the results are mixed. Some studies find positive effects of audit committee expertise on less internal control problem (Krishnan, 2005), positive market reaction (DeFond et al, 2005), and monitoring of accruals quality (Dhaliwal et al., 2010) Interestingly, some studies find no effect of audit committee expertise on financial reporting quality (Rainsbury et al., 2009), and earnings quality (Bryan et al.,2013). In this paper, I study whether the accounting-only expertise on audit committee enhance effectiveness and efficiency of communication between auditor and the committee, thus leading to increase in quality of audit. I expect that audit quality improves greater after the revised TSAs when the auditor audits the firm with non-accounting expertise on audit committees because the firms with accounting expertise on audit committee are expected to always support high level of audit quality either before or after the revised TSAs adoption.

H4: Audit quality improves greater for firms with no accounting expertise on audit committees under the revised TSAs adoption.

III. MATERIAL AND METHOD

C. Sample data

The samples used in this study consist of all listed companies in the Stock Exchange of Thailand during 2010-2013. We select this four-year period for analysis because the objective of this study is to examine audit quality in the periods before (2010-2011) and after (2012-2013) the revised TSAs adoption. Total samples are 145 listed companies, excluding the companies which have changed audit firms during four-year period, companies in financial service and insurance industries, companies under rehabilitation, and non-December year-end companies.

D. Measurement

1. Audit quality

I use the performance-adjusted discretionary accruals (Kothari et al., 2005) as a proxy of audit quality. This measure is the most common proxy of audit quality (Hope et al., 2013; Johl et al., 2013; Dou et al., 2013) because it considers the overall quality of financial reporting or earnings quality by measuring the deviation of accruals from a certain norm. (Behn et al. 2008; Francis and Yu 2009: Knechel et al. 2013). Gros and Worret (2014) conduct a Spearman's rank correlation analysis of fifteen different audit quality measures and find that the performance- adjusted discretionary accruals model is the most consistent measure of audit quality.

$$Accr_{i,t} = \alpha_0 + \alpha_1(\frac{1}{TA_{i,t-1}}) + \alpha_2(\Delta REV_{i,t} - \Delta REC_{i,t}) + \alpha_3 PPE_{i,t} + \alpha_4 ROA_{i,t} + \varepsilon_{i,t}$$

Variables	Definitions
$Accr_{i,t}$	Total accruals, measured as income before extraordinary items minus operating cash flows, scaled by lagged total assets for firm i in year t
$TA_{i,t-1}$	Lagged total asset for firm i in year t
$\Delta REV_{i,t}$	Annual change in revenues scaled by lagged total assets for firm i year t
$\Delta REC_{i,t}$	Annual change in receivables scaled by lagged total assets for firm i year t
$PPE_{i,t}$	Property, plant, and equipment for firm i in year t scaled by lagged total assets
$ROA_{i,t}$	Net income for firm i year t scaled by average total assets

The residuals from the industry-year regression model are used to proxy discretionary accruals. My test uses the absolute value of discretionary accruals (AbsDA) as a proxy of audit quality because I do not predict upward or downward earnings manipulation. The higher value of AbsDA indicates lower audit quality.

2. Low manipulation risk of management

The variable LOW_MANIPULATE is a binary variable, equals to one if the firm is a low potential manipulator and zero otherwise. To separate our sample into low-potential and high-potential manipulators, I use M-Score from Beneish (1999)'s model to estimate the weighted value of management manipulation. The model is constructed from eight ratios from the companies' financial statements to describe the degree of earnings manipulation.

$$M\text{–}Score = -4.84 + 0.92 * DSRI + 0.528 * GMI + 0.404 * AQI + 0.892 * SGI + 0.115 * DEPI - 0.172 * SGAI + 0.327 * LVGI + 4.679 * TATA$$

$$(1)\ \text{DSRI} = \text{Day's sale in receivables index} = \frac{\text{Receivables}_t/\text{Sales}_t}{\text{Receivables}_{t-1}/\text{Sales}_{t-1}}$$

$$(2)\ \text{GMI} = \text{Gross margin index} = \frac{(\text{Sales}_{t-1} - \text{Cost of goods sold}_{t-1})/\text{Sales}_{t-1}}{(\text{Sales}_t - \text{Cost of goods sold}_t)/\text{Sales}_t}$$

$$(3)\ \text{AQI} = \text{Asset quality index} = \frac{(1 - \text{Current assets}_t - \text{PP\&E}_t)/\text{Total assets}_t}{(1 - \text{Current assets}_{t-1} - \text{PP\&E}_{t-1})/\text{Total assets}_{t-1}}$$

$$(4)\ \text{SGI} = \text{Sale growth index} = \frac{\text{Sales}_t}{\text{Sales}_{t-1}}$$

$$(5)\ \text{DEPI} = \text{Depreciation index} = \frac{\text{Depreciation}_{t-1}/(\text{Depreciation}_{t-1} + \text{PP\&E}_{t-1})}{\text{Depreciation}_t/(\text{Depreciation}_t + \text{PP\&E}_t)}$$

$$(6)\ \text{SGAI} = \text{Selling and administration(S\&A) } expense \text{ index} = \frac{\text{S\&A } expense_t/\text{Sales}_t}{\text{S\&A } expense_{t-1}/\text{Sales}_{t-1}}$$

$$(7)\ \text{LVGI} = \text{Leverage index} = \frac{(\text{Long tern debt}_t + \text{Current liabilities}_t)/\text{Total assets}_t}{(\text{Long tern debt}_{t-1} + \text{Current liabilities}_{t-1})/\text{Total assets}_{t-1}}$$

$$(8)\ \text{TATA} = \text{total accruals to total assets ratio} = \frac{\text{Total accruals}_t}{\text{Total assets}_t}$$

Beneish et al. (2013) classify their observations with a predicted M-Score value greater than -1.78 as potential manipulators. Thus, I use this cut off point as a rule of thumb to flag my samples as low or high risk of manipulation. The variable LOW_MANIPULATE equals to one if the four-year average predicted M-Score of the low potential manipulator is equal to or lower than -1.78 and equals to zero if the M-Score is greater than -1.78.

3. Family ownership of management

I use NON_FAM as a binary variable to separate non-family managers from family managers. Following family ownership literatures in Thailand, I define family ownership as at least 10 percent of the firm's equity owned by a single shareholders or members of his or her family related by blood or marriage either individually or as a group.

4. Independence of audit committee

AC_INDEP is measured by the four-year average percentage of new audit committees of year t as compared to year t-1. This variable is useful for future audit committee rotation policy.

5. Accounting expertise of audit committee

AC_ACC is measured by the four-year average percentage of audit committee with accounting expertise on total numbers of audit committees. I define accounting expertise on audit committee as either a minimum of bachelor degree in accounting or work experience in accounting or auditing field. This measure is useful for future policy about audit committee qualification.

E. Multiple regression analysis

I use the following model to test H1 to H4:

$$\Delta AbsDA = \beta_0 + \beta_1 TCWG_EFFECTIVENESS_i + \beta_2 \Delta Log_Asset_i + \beta_3 \Delta OCF_i + \beta_4 \Delta LEVERAGE_i + \beta_5 \Delta MB_i + \beta_6 \Delta ROA_i + \beta_7 Big4 + Industry + \varepsilon_i$$

Variables	Definitions
$\Delta AbsDA_i$	The average AbsDA in 2013 and 2012 minus the average AbsDA in 2011 and 2010 (Post-Pre) for firm i
TCWG_ EFFECTIVENESS	H1: *LOW_MANIPULATE* H2: *NON_FAM* H3: *AC_INDEP* H4: *AC_ACCOUNT*
ΔLog_Asset_i	The average of natural log total assets in 2013 and 2012 minus that in 2011 and 2010
ΔOCF_i	The average of net operating cash flow scaled by lagged total assets in 2013 and 2012 minus that in 2011 and 2010
$\Delta LEVERAGE_i$	The average of ratio of total liabilities to total assets in 2013 and 2012 minus that in 2011 and 2010
ΔMB_i	The average of ratio of ratio of market value to book value of equity in 2013 and 2012 minus that in 2011 and 2010
ΔROA	The average of ratio of Ratio of net income to total assets in 2013 and 2012 minus that in 2011 and 2010
$Big4_i$	Equal to one if if the firm's auditor is from Big 4 audit firms

IV. EMPIRICAL RESULTS

F. Descriptive statistics

Table 1 shows the descriptive statistics of the variables used in this study. The mean value of change in absolute discretionary accruals (ΔbsDA) is 0.11 indicating low level of change in audit quality from the pre-adoption period in 2010-2011 to the post-adoption period in 2013-2012. Most of the listed firms in Thailand are monitored by less-effective TCWG as seen in mean values of LOW_MANIPULATE, NON_FAM, AC_INDEP, and AC_ACCOUNT are lower than the medians. About fifty percent of total samples are audited by Big 4 audit firms.

Fig. 1 Descriptive statistics

Variables	No. of Obs.	Mean	Std.	Min	Max
ΔAbsDA	145	0.01067	0.07712	-0.300116	0.552726
LOW_MANIPULATE	145	0.16552	0.37293	0	1
NON_FAM	142	0.19014	0.39380	0	1
AC_INDEP	145	0.09307	0.13405	0.0000	0.6667
AC_ACCOUNT	145	0.27721	0.23390	0.0000	0.8333
ΔLog_Asset	145	0.18736	0.34421	-0.9497	2.7382
ΔOCF	145	0.00936	0.09363	-0.3423	0.7043
ΔLEVERAGE	145	0.00091	0.12409	-0.4597	0.4840
ΔMB	145	0.75952	2.56023	-2.5500	25.9750
ΔROA	145	0.00767	0.07798	-0.4446	0.3097
Big4	145	0.50345	0.50172	0	1

G. Regression results

I analyze the data using STATA tool for statistical analysis. Fig. 2 presents regression results for the four hypotheses. Supporting the first hypothesis, the LOW_MANIPULATE is positively related with ΔAbsDA at 5% significant level, indicating that, after the revised TSAs adoption, audit quality improves greater for firms monitored by high potential manipulators. Theoretically, the revised TSAs encourage the two-way communication between management and the auditors which mitigates agency problem. The standards offer lower probability of earnings manipulation, and thus high audit quality. Supporting the second hypothesis, the variable NON_FAM is positively related with ΔAbsDA at 5% significant level, implying that the companies monitored by family managers have less opportunity to involve in earnings manipulation after the revised TSAs adoption. Supporting the third hypothesis, the variable AC_INDEP is positively related with ΔAbsDA at 10% significant level, showing that audit quality of the companies whose audit committees have not been rotated often or audit quality of the companies monitored by dependent audit committees improves greater than those monitored by independent audit committees. However, the forth hypothesis find no significant association between accounting expertise of audit committees and the changes in audit quality after the revised TSAs adoption. Two control variables, Log_Asset and OCF, are significantly associated with dependent variables at 1% level suggesting that small firms and firms with low cash flow from operating are less likely to manage earning.

Fig. 2 Regression results

Y = ΔAbsDA		Management				Audit committee			
		Low risk of manipulationn		Family ownership		Independence		Accounting expertise	
		coefficient	t-stat	coefficient	t-stat	coefficient	t-stat	coefficient	t-stat
TCWG EFFECTIVENESS									
LOW_MANIPULATE	H1	**0.0376****	2.2858						
NON_FAM	H2			**0.0261****	2.0905				
AC_INDEP	H3					**0.0738***	1.6637		
AC_ACCOUNT	H4							-0.0153	-0.5928
CONTROLS									
Log_Asset		**-0.0770*****	-4.0510	**-0.0627*****	-4.1426	**-0.0782*****	-4.0664	**-0.0779*****	-3.9483
OCF		**0.2563*****	4.0595	**0.4360*****	8.1347	**0.2629*****	4.1347	**0.2717*****	4.2527
LEVERAGE		-0.0452	-0.8668	-0.0301	-0.7349	-0.0208	-0.3948	-0.0299	-0.5667
MB		-0.0030	-1.2994	-0.0030	-1.6440	-0.0037	-1.5373	-0.0031	-1.3148
ROA		**0.1238***	1.6497	-0.0812	-1.2994	0.1067	1.4101	0.1167	1.5237
Big4		-0.0103	-0.8920	-0.0129	-1.3863	-0.0130	-1.1285	-0.0162	-1.3942
No. of Obs.		145		142		145		145	
Prob > F		0.0000		0.0000		0.0000		0.0000	
R-squared		0.3126		0.4710		0.3000		0.2871	
Adj. R-squared		0.2444		0.4173		0.2305		0.2163	

Note: ***, **, * indicate significance at 1%, 5%, and 10% levels, respectively (two-tailed tests) and the regression controls for industry fixed effect.

CONCLUSION

The major objective of this study is to examine the effect of characteristics of TCWG and the recent adoption of the revised TSAs in Thailand in 2012 on audit quality. I use multiple regression analysis to analyze the data from the listed companies in the Stock Exchange of Thailand from the period 2010 to 2013 in order to study the change of audit quality during that specified period. I find that the implementation of the revised TSAs influence the collaboration between auditor and audit clients. This paper practically contributes mainly to standard setters and regulators about the qualifications of TCWG which have not been enforced yet. My research results support the enforcement of rules related to audit committee's reselection policy, but the rules about accounting expertise surprisingly has no effect on audit quality. It may be because even though audit committees do not have accounting expertise, they must have financial expertise which is enough to oversee and monitor financial reporting of the companies. Moreover, this paper shows that M-Score from Beneish (1999)'s financial model is a useful tool to measure earnings management. Regulators and investors can utilize this model when they oversee the specific listed companies. Not only the great improvement of auditing standards, but the coordination among regulators, auditors, and audit clients is also the very important component for a better future of audit quality.

REFERENCES

[1] M.S. Beasley, "An empirical analysis of the relation between the board of director composition and financial statement fraud," The Accounting Review, vol. 71, pp. 443-466. 1996.

[2] B. Behn, J. Choi, and T. Kang, "Audit quality and properties of analyst earnings forecasts," The Accounting Review, vol. 83(3), pp. 327-349. 2008.

[3] M.D. Beneish, "The Detection of Earnings Manipulation," Financial Analysts Journal, vol. 55(5), pp. 24-36. 1999.

[4] M.D. Beneish, M.C. Lee, and D.C. Nichols, "Earnings manipulation and expected returns," Financial Analysts Journal, pp. 57-82. 2013.

[5] D. Bryan, C. Liu, S.L. Tiras, and Z. Zhuang, "Optimal versus suboptimal choices of accounting expertise on audit committees and earnings quality," Review of Accounting Studies, vol. 18, pp. 1123-1158. 2013.

[6] J.V. Carcello, and T.L. Neal, "Audit committee composition an auditor reporting," Accounting Review, vol. 75, pp. 453-467. 2000.

[7] W. Chu, W., "Family ownership and firm performance: Influence of family management, family control, and firm size," Asia Pacific Journal of Management, vol. 28, pp. 833-851. 2001.

[8] M. DeFond, and J., Zhang, "A review of archival auditing research," Journal of Accounting and Economics, vol. 58(2), pp. 275-326. 2014.

[9] M. DeFond, R.N. Hann, and X. Hu, "Does the Market Value Financial Expertise on Audit Committees of Boards of Directors?," Journal of Accounting Research, vol. 43, pp. 153–193. 2005.

[10] D. Dhaliwal, V. Naiker, and F. Navissi, "The association between accruals quality and the characteristics of accounting experts and mix of expertise on audit committees," Contemporary Accounting Research, vol. 27(3), pp. 787-827. 2010.

[11] Y. Dou, O.K. Hope, W.B. Thomas, and Y. Zou, "Blockholder heterogeneity and financial reporting quality," Working paper, New York University, University of Toronto, University of Oklahoma, and George Washington University. 2013.

[12] J.R. Francis, and M. D. Yu, "Big 4 office size and audit quality," The Accounting Review, vol. 84(5), pp. 1521-1552. 2009.

[13] M. Gros, and D. Worret, "The challenge of measuring audit quality: some evidence," International Journal of Critical Accounting, vol. 6(4), pp. 345-374. 2014.

[14] O.K. Hope, W.B. Thomas, and D. Vyas, "Financial reporting quality of U.S. private and public Firms," The Accounting Review, vol. 88(5), pp. 1715-1742. 2013.

[15] M.C. Jensen, and W.H. Meckling, "Theory of the firm: Managerial Behavior, agency costs and ownership structure," Journal of Financial Economics, vol. 3, pp. 305-360. 1976.

[16] S.K. Johl, N. Subramaniam, and B. Cooper, "Internal audit function, board quality and financial reporting quality: evidence from Malaysia, "Managerial Auditing Journal, vol. 28(9), pp. 780 - 814. 2013.

[17] R.W. Knechel, G.V. Krishnan, M.B. Pevzner, L. Shefchik, and U. Velury, "Audit Quality: Insights from the Academic Literature," Auditing: A Journal of Practice & Theory, vol. 32 (Supplement 1), pp. 385-421. 2013.

[18] J. Krishnan, "Audit committee quality and internal control: An empirical analysis," The Accounting Review, vol. 80(2), pp. 649-675. 2005.

[19] R. Lambert, R., "Contracting theory and accounting," Journal of Accounting and Economics, vol. 32, pp. 3-87. 2001.

[20] J. Lau, "Defining listed family controlled corporations - An agency theory perspective," Journal of Enterprising Culture, vol. 18(4), pp. 377-397. 2010.

[21] E.A. Rainsbury, M. Bradbury, and S.F. Cahan, "The impact of audit committee quality on financial reporting quality and audit fees," Journal of Contemporary Accounting and Economics, vol. 5, pp, 20-33. 2009.

[22] A. Suehiro, and N. Wailerdsak, "Family business in Thailand: Its management, governance, and future challenges," ASEAN Economic Bulletin, vol. 21(1), pp. 81-93. 2004.

[23] K. Tengamnuay, and P. Stapleton, "The role of audit committee in Thailand: a mature monitoring mechanism or an evolving process?," Journal of Management & Governance, vol. 13(3), pp. 131-161. 2009.

[24] R.L. Watts, and J.L. Zimmerman, "Agency problems, auditing, and the theory of the firm: some evidence," Journal of Law and Economics, vol. 26 (3), pp. 613-633. 1983.

★★★