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The role of audit committees in improving the earnings quality

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ABSTRACT

The research aims to measure the impact of the audit committee's characteristics on earnings quality. A set of characteristics of the audit committee have been relied upon, perhaps the most important of which is the independence of the audit committee, its size, activities and experience, and its members 'ownership of the company's shares. The study was applied to a sample of companies in the countries of the Gulf Cooperation Council. The optional maturity variable was also relied upon to reflect the earnings quality in the sample under study. The study found the impact of the formation of the audit committee on the companies that make up the study sample for the countries of the Gulf Cooperation Council. Where the study found a positive impact on the earnings quality for the independence of the audit committee and the activities of the audit committee and the experience of the audit committee. There is also a positive impact on the audit committee members 'ownership of the company's shares, while there was a negative impact on the size of the audit committee. The study recommended the necessity of increasing the effectiveness of the audit committee in supervising the process of preparing financial reports and increasing the earnings quality.

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1. Introduction

The essential role of financial reporting is the effective delivery of financial information to the relevant parties in a timely manner. This information is the basis for many decisions made by its users, especially current and prospective investors. This information has become under suspicion, especially after the disclosure of the financial scandals of many international companies, and with the help of major accounting and auditing services institutions, for example, the misleading reports of Enron Energy with the help of Arthur Andersen Foundation for Accounting and Auditing, and what the KPMG Accounting and Auditing Office was exposed to about its role in the crises that Xerox suffered from it, in addition to the crisis experienced by the Italian company, Parmalat, and the Spanish company, Gescartera. The consensus is that the main reason for these crises is the establishment of the administrations of these companies. The application of certain practices aimed at manipulating the information contained in the financial reports, through what is known as profit management (Ammer and Zaluki, 2017; Du et al., 2020).

Where the administration exploits the flexibility of accounting standards and policies that allow it to freely choose between accounting alternatives to achieve certain goals, which led to an increase in the intensity of the conflict between the parties of the agency as a result of the conflict of interests between management and owners and the presentation of financial reports contrary to reality, which led to the collapse of the confidence of its users in it (Hamdan, 2020a). As a result of the increasing pressure from the users of financial reports and the continuous demand to improve the quality of the information contained therein, the need for an administrative mechanism that works to control and monitor the performance of the department in addition to supervising the process of preparing financial reports and ensuring that all controls and control mechanisms are working efficiently has emerged, which is the matter that This led to an increase in interest in applying the principles of corporate governance in general and the formation of audit committees in particular (Baioco and Almeida, 2017; Zalata et al., 2019).

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Given the important role that business enterprises play in the business environment in the Gulf Cooperation Council countries, and being like all other sectors, it needs to be managed in accordance with a general framework of appropriate practices and procedures that help control management performance, achieves accountability, and increase confidence and credibility in the financial statements (Wang et al., 2016). These companies have sought to form committees to review them out of their responsibility to examine the financial statements, review the applied accounting policies, ensure the correctness of measurement and the completeness of the disclosure in order to reduce the conflict of interest and the lack of uniformity of information and then limit the management's practice of managing profits, and then enhance the quality of accounting information, Therefore, the study attempts to verify an important hypothesis, which is "to test the significance of the role of audit committees in companies in the Gulf Cooperation Council region in reducing earnings management practices in order to enhance the quality of accounting information." (Beyer et al., 2019; Yoon et al., 2019).

1.1. The concept, dimensions, and importance of quality earnings

Due to the difference in the viewpoint of the users of the financial statements in terms of their goals and their perception of profits, and the extent of their continuation in the future, these profits must be appropriate and reliable in order to have the required quality in order to help predict future flows. As the many accounting scandals that led to the collapse of a large group of companies around the world revealed that the utilitarian management practices in accounting selection represent an important factor in what these companies were exposed to, the interest began to impose itself on the ground. Profit management reflects the desires and interests of management rather than the economic performance of the company. Whereas, profit management expresses unethical practices in selecting available accounting policies and estimates, which lead to changing accounting values to unreal values. These practices are carried out with the knowledge of management and in a planned manner under its supervision (Du et al., 2020). These definitions have set a general framework for the objectives of profit management, which is represented in misleading some groups of stakeholders about the economic performance of the company, and this occurs if the information available to managers is not available to other stakeholders (Hamdan et al., 2012; Cho and Song, 2017).

1.2. Motives for earnings quality practices

There are two different viewpoints about the motives for management's earnings quality practices, which are the opportunistic viewpoint and the informational viewpoint. As for the opportunistic viewpoint, the administration aims from the earnings quality practices to mislead interested parties about the real economic performance of the enterprise or influence its contractual results in order to achieve Self-benefits for it (Huynh, 2019). As for the informational viewpoint, the motive for management practices the quality of its profits is to influence the users of accounting information by disclosing information that is consistent with their expectations about the entity's future cash flows, and then the motive is to demonstrate the entity's efficiency. It is therefore difficult to judge whether the motivation of management towards adopting earnings quality practices is an opportunistic or informational motive (Ghafran and O'Sullivan, 2013; Khuong et al., 2020).

1.3. The different forms of earnings quality practices

The management depends on the practices of the earnings quality on several methods, through which it is possible to manipulate the determining profits in accordance with the targeted profits, the most important of which are the following (Suprianto et al., 2019):

Income smoothing: Income smoothing is one of the most important and most common methods of management as a prelude to managing its profits, and the idea of income is based on achieving stability in the number of profits by reducing the severity of the disparity and fluctuations in profits between different accounting periods, as profits are reduced in periods when profits are significantly higher Significant increase in profits during periods of a significant decline in profits, in order to maintain its stability. Income smoothing is defined as "a set of methods used by management to deliberately control income and limit its fluctuations in order to reach the required level of income" (Hamdan et al., 2012; Tee and Rassiah, 2020).

Cleaning the financial statements: It is a process carried out by the management in an exceptional year in which the facility suffers from a significant decrease in profits in the last quarter of the fiscal year, so it resorts to increasing the losses of the current period in a way that enables the management to achieve profits in the first quarter of the following year (Vo and Chu, 2019). The management may use exaggerated estimates of doubtful debts or postpone some revenues to later periods instead of showing them in the current period. This method is usually used when changing the executive management, appointing new management, or in the event of a decrease in profits so this affects the incentives of the administration. This method is manipulating profits overtime periods (Wang et al., 2016).

Protection reserves: It is one of the accounting practices that the enterprise uses to manipulate profits by creating reserves in years in which profits increase significantly, to be used in years that achieve low profits, this method is a commonly used profit management practice (Yoon et al., 2019).

Creative Accounting: Creative accounting is one of the methods used by management to mislead the users of the financial statements and influence the decisions of investors and lenders, by showing the information contained in the financial statements in an untruthful and unrealistic manner. Creative accounting is defined as "the legal use of accounting principles and rules in some way, to distort the lists. Finance and creative accounting depend on the flexibility provided by accounting principles and policies. It is often confined to the framework of recognized accounting principles and standards. Therefore, creative accounting represents a form of profit management (Zalata et al., 2019).

Accounting reservation: The accounting reservation is based on recognizing expected losses and not recording potential gains until they are actually realized. Therefore, the exaggeration in using the accounting reservation will lead to the management's practice of managing profits, through the formation of exaggerated reserves with the aim of reducing the profits of the current period and achieving profits in subsequent periods (Hamdan, 2020b). Also, laxity in applying the accounting reservation leads to an increase in profits in the current period. Therefore, the accounting reservation represents one of the methods of profit management (Cho and Song, 2017).

1.4. Determinants of earnings quality

There is a set of factors and determinants that control the behavior of management when practicing profit management, which is determined according to the characteristics that differ from one company to another and the different operational conditions that it passes through, and among these determinants are the following (Ammer and Zaluki, 2017):

The size of the company: The size of the company plays a role in the behavior of management, as large companies are the focus of attention of organizations, governments, and analysts because of their role in driving the economy, and there are two opposing views about the role of the size of the company in managing profits (Baioco and Almeida, 2017). The review of the first view indicates that the company Large-sized companies enjoy a tight internal control system by large audit firms and are trying to maintain their reputation and share price, which contributes to reducing their practice of managing profits (Beyer et al., 2019). As for the second view, you see that large-sized companies face great pressure to meet or exceed analysts' expectations, and they have the ability to negotiate aggressively with auditors to overlook the disclosure of their profit management practices, and large-sized companies are more vulnerable to political costs and government pressure.

Debt ratio: The companies that rely on debt to manage their economic activities have high indebtedness ratios and fewer investor returns and are more exposed to risks than others, they try to manage to reduce indebtedness ratios by resorting to profit management practices, so the management often tries to reduce indebtedness ratios by resorting to profit management practices and the choice of accounting policies and methods that transfer income from future financial periods to the current financial period (Suprianto et al., 2019).

Company profitability: The profitability of the company is an important performance indicator on which many of the motives that the management seeks to achieve depend. The practice of earnings quality is largely determined by the level of profits achieved by the company. Means and methods that affect the financial results (Cho and Song, 2017).

The quality of the audit process: The role of the external auditor is to impart confidence in the financial statements. The users of financial reports depend on the opinion expressed by the auditor. The quality of the audit depends on the independence of the auditor and the experience of the audit team (Du et al., 2020).

The nature of the industrial sector to which the company belongs: It refers to the nature of the activity that the company engages in, as the operating conditions differ from one sector to another. There are sectors that have what they can practice in managing profits, and other sectors that are limited to them (Hamdan, 2020a).

1.5. Implications for earnings quality practices

Despite the management's awareness that earnings quality practices bring benefits in the short term, they may lead to serious problems in the long run. Among the most important problems arising from earnings quality practices are the following:

Reducing the value of the enterprise: The existence of many operating decisions taken by the management with the aim of influencing profits in the short term, but they can harm the economic efficiency of the facility in the long term, for example, the efforts made by the management to increase revenues in the current year may lead the facility to sell the product at the end of the current year with conditions that would have been better if the same product had been sold to the same customer in the first month of the following year (Hamdan, 2020b; Huynh, 2019).

The conflict between the owner and management: The management, in its capacity as an agent for shareholders and a sponsor of their invested money, is supposed to work to achieve their interests and maximize profits in the long term. Nevertheless, short-term goals are necessary to improve productivity and the image of the enterprise. Focusing on achieving profits in the short term with the aim of obtaining maximum rewards, instead of focusing on the success of the economic performance of the facility in the long term, creates a kind of conflict between owners and management. Financial Sanctions and Re-Preparation of Financial Statements: In recent years, the US Stock Exchange Operations Control Commission has imposed severe penalties on firms that manage their profits (Karajeh, 2019).

Transfer of wealth: Profit management practices lead to transfers in wealth and these transfers are made in unfair conditions. Managers may receive fictional rewards that do not correspond to the real results achieved, and profit management practices result in the transfer of wealth from new shareholders to old shareholders or to management. Itself (Yoon et al., 2019; Khuong et al., 2020).

Creating additional agency costs: As a result of profit management, the information contained in the financial reports does not reflect the real economic performance of the establishment, which leads to investors making inappropriate decisions, and the behavior followed by management to hide the real performance of the establishment creates additional agency costs such as Control costs On management behavior to reduce profit management practices, costs to solve the problem of misuse and distribution of resources, costs of reducing information asymmetry between management and related parties, costs of obtaining additional information (Rezaee and Tuo, 2019).

2. Methodology

The study depends on clarifying the relationship between the tools and mechanisms of audit committees and the quality practices of profits in companies, and the following presentation explains the theoretical framework on which the researcher will depend in studying and testing the morale of this relationship in the study sample, by addressing the basic variables of the proposed model to prove the morale of this relationship. The first of these variables is the nature of the audit committee, which is represented as the framework in which companies exercise their existence and focus on the relationships between the company's management, shareholders, government policymakers, and other stakeholders, and how all these parties interact in supervising the company's operations. Corporate governance includes a set of principles that are represented in the rules, systems, and procedures that achieve the best protection and balance between the interests of the Board of Directors, shareholders, and other stakeholders affected by the company (Suprianto et al., 2019).

Independence of the audit committees: The consistency of the independence of the members of the audit committee is one of the conditions for the committee to achieve its objectives because the availability of independence reduces the opportunity for the central administration to influence the work of the committee, which enables it to reduce the opportunistic behavior of the management and improve the process of preparing financial reports.

The size of the audit committee: The size of the audit committee is represented by the number of its members, which is one of the necessary elements that help the committee achieve its objectives. Legislation related to corporate governance usually sets the minimum necessary for the formation of the audit committee without specifying a maximum, leaving each company to determine this number in light of Its circumstances, its need for the services of the committee, and the number of activities that the committee carries out (Tee and Rassiah, 2020).

The activities of the audit committee: The activities of the audit committee are expressed through the number of meetings held by the committee during the year, which is considered one of the fundamental matters affecting the effectiveness of the audit committee, in performing its tasks and similarly to the size of the committee, the corporate governance legislation sets the minimum number of these meetings during the year Without specifying its upper limit. Therefore, the committee holds its meetings in light of the nature of the company's activity and the size of the audit committee's responsibilities, as well as the strength of application of the principles and other mechanisms of corporate governance (Vo and Chu, 2019).

The experience of the audit committee: The experience of the audit committee refers to the extent of the existence of audit committee members who have experience in financial and accounting aspects. The availability of this feature in the audit committee is considered necessary to achieve its objectives, given that some of the responsibilities incumbent on the audit committee are of a financial or accounting character and need to be carried out effectively by the availability of an element of expertise in its members (Wang et al., 2016).

Ownership of company shares: The amount of shares owned by a member of the audit committee is relied upon as a share of the company's capital to determine the extent of the positive or negative impact on the effectiveness of the audit committee and its impact on the earnings quality and financial reporting as a whole. This ownership can have a positive effect if it represents an incentive for the member to be more aware of the responsibility entrusted to the committee towards the stakeholders, which makes him behave in a manner that increases the protection of these interests by preventing managers from manipulating profits to achieve their interest at the expense of the owners' interest.

Quality Dimensions Scale: This scale is based on the four quality dimensions used by the Financial Accounting Standards Board (FASB), which are predictive value, appropriate timing, neutrality, and honesty in representation, there are three measures to evaluate the earnings quality: Predictive ability, Relevance, and informational content, where the predictive ability was tested to estimate future quarterly profits, and suitability was tested by determining the measure of the highest profits in terms of explanatory strength, and in terms of the profitability multiplier, and the informational content was determined through the scale that has the largest explanatory power and gives the largest value of the coefficient Profits response, and on the dimensions of quality, the study of Yoon et al. (2019) and Zalata et al. (2019) focused on the dimensions of quality as the main measure of the quality of accounting profits (Baioco and Almeida, 2017).

A measure of continuing to achieve profits: This measure indicates the extent to which current profits are related to future profits, as this measure is based on income from continuing operations by dividing profits into cash flows and receivables, and receivables are used as an indicator of continuity and a measure of the earnings quality. In this context, the investors 'decision often depends on the establishment's continuity in achieving profits, which reflects the ability of the components that make up profits to continue in a stable manner from year to year. One of the most important studies that have relied on this measure is the study by Hamdan (2020a) as a measure of the earnings quality and their knowledge of It is the degree of continuity of current profits during the future period, and the simple regression equation that links current profits and future profits has been relied on, including the beta coefficient to measure the continuity of profits, and this relationship took the following form (Ammer and Zaluki, 2017):

$$\frac{Earn_t}{Total\ ASSE_{t-1}} = a + b \quad \frac{Earn_{t-1}}{Total\ ASSE_{t-1}} + \quad E_t$$

The previous equation shows the relationship between the number of current profits and future profits attributed to total assets at the beginning of the period and that b represents the slope coefficient of the regression relationship, and the closer this coefficient is to the correct one, the more permanent future profits will be (Baioco and Almeida, 2017):

The ability to predict profits: The predictive ability of profits can be defined by the ability of profits and their components to improve the user's ability to predict financial items, meaning that it is the ability of profits to predict themselves, and this feature is one of the sub-characteristics of the standard of informational convenience, which is the ability of current accounting profits to predict future profits. It is worth noting that the measure of predictability is a derivative of the model used to measure continuity, and quantitatively, this measure can be expressed through the square root of the variance of error derived from the regression model equation, which is the estimation error of the profit continuity equation (Beyer et al., 2019).

Accrual accounts measure: Accrual accounts arise as a result of applying the accrual basis principle in accounting with the aim of solving the timing and inconsistency problems associated with the cash flow information of the accounting period. The accrual basis consists of two parts, one of which is cash and appears in the form of cash dividends and the other part shows deferred accrual accounts obtained. Consistent with the foregoing, the gap between net profit and operating cash flows may arise as a result of Accruals through the company's management adjusting cash flows by relying on accounting receivables, as accruals accounting requires the assumption and estimation of future cash flows, and therefore receivables are a result of personal judgment and estimation. Receivables can be used as an indicator that reflects the quality of performance in companies. The measure of entitlement quality depends on describing the earnings quality as high whenever cash flows approach the number of profits. The study by Huynh (2019) relied on the value of total receivables as an indicator to determine the level of earnings quality according to the equation. next:

$$TAAC = \Delta WC + \Delta NCO + \Delta FIN$$

whereas, TAAC=Absolute Value of Total Receivables. ΔWC=Change in working capital. ΔNCO=Change in net non-current operating assets. ΔFIN=Change in net financial assets.

Through the ratio of each of the previous elements to the total assets, it is possible to judge the extent of the quality of the profits. The greater the financial receivables, this indicates the lower level of the quality of the profits. Cash from operating activities and then it has been based on linking current receivables with arrears and the current and future cash flow from operating activities through the following relationship:

$$\frac{TCA_{jt}}{ASSETS_{jt}} = a + b \quad \frac{CFO_{jt-1}}{ASSETS_{jt}} + \quad c\,\frac{CFO_{jt}}{ASSETS_{jt}} + e\,\frac{CFO_{jt-1}}{ASSETS_{jt}} + V_{jt}$$

whereas, TCA=total current receivables of firm j in year t. Assets=Average total assets of the firms from the current and previous year. CFO=Cash flows from operating activity for year t. vjt=lags which is the part that is not explained by the regression variables.

Profit-free measure of profit management practice: This scale is based on the previous measure of voluntary accrual accounts, as this measure reflects the extent to which the company deliberately managed its profits, and this measure relies on the percentage of voluntary receivables as evidence of the existence of profit management, and the lower the percentage, the more so High earnings quality.

3. Results and discussion

The study population is represented by all the companies operating in the countries of the Gulf Cooperation Council. While the study sample was adopted, a random sample of 21 companies was selected. The following Table 1 shows the necessary tests to verify the validity of the data for statistical analysis in order to verify their suitability for the hypothesis test.

Table 1: The validity test of the statistical data for the variables of the proposed models

	Variables	Normal distribution test		Linear interference test	
		Jarque-Bera Test		Multicollinearity	
		J-B	Prob.	Tolerance	VIF
1	Independence of the audit committee	1.385	0.185	0.817	1.239
2	The size of the audit committee	0.317	0.75	0.604	1.305
3	Activates of the audit committee	1.525	0.071	0.611	1.465
4	The experience of the audit committee	0.912	0.057	0.620	1.468
5	Ownership of company shares	0.799	0.134	0.632	1.354
6	Company size	0.647	0.064	0.713	1.363
7	Operating cash flows	1.456	0.050	0.504	1.267
8	Market value to book	1.746	0.068	0.801	1.318
9	Leverage	0.754	0.057	0.688	1.240
10	Return on assets	1.639	0.082	0.956	1.391
	Autocorrelation				1.528
	Heteroscedasticity (white test)				0.024

Table 1 shows that all the variables of the proposed model follow a normal distribution where (P-value) is greater than 5%. It is also clear from Table 1 that all the variables of the proposed models are less than five, which indicates that the models do not suffer from problems with linear interference. Through the use of the Durbin Watson Test, it is clear that the test result falls within the appropriate range from (1.5-2.5), which indicates that there is no problem in the autocorrelation test for the variables of the proposed models. Also, the test of the extent of the random error variance present in the proposed models indicates the stability of the standard error variance and that the proposed study models are valid for estimating the value of the independent and dependent variables.

3.1. The relationship between the independence, size, activities and experience of the audit committee and the ownership of the company's shares and the earnings quality

Table 2 presents the results of testing the relationship between the independence, size, activities and experience of the audit committee and the ownership of the company's shares and the earnings quality. Using the common regression model, and since the dependent variable represented by the earnings quality is a continuous variable, the least-squares method can be used in estimating multiple regression.

Table 2: Relationship of the independence, size, activities and experience of the audit committee and the ownership of the company's shares and the earnings quality

Variables	Beta	t-test	P-Value(Prob.)
Independence, size, activities and experience of the audit committee	-7.029	3.689	0.001
Ownership of Company shares	6.125	2.859	0.040
F-test	2.065	R	0.896
P-value (Prob.)	0.004	R^2	0.803
Adjusted R^2		0.795	

Table 2 shows that the value of the coefficient for the variable of independence, size, activities and experience of the audit committee (Beta) is positive, i.e. there is an inverse relationship where the lower it decreases with the increase in the earnings quality, and there is also a direct relationship between the ownership of the company's shares and the earnings quality, as it turns out that the calculated value of t-statistic The two variables are greater than their tabular value at the 95% confidence level, which is 1.67, and the (P-value) is less than 5% for both variables. The coefficient of determination was 0.795, meaning that the independent variables in the model explained 79.5% of the changes that occur in the dependent variable of the earnings quality.

3.2. The relationship between the size of the company and operating cash flows and the earnings quality, as the least-squares method was used in estimating the multiple regression

Table 3 shows the relationship between the size of the company and operating cash flows and earnings quality.

Table 3: Relationship between the size of the company and operating cash flows and the earnings quality

Variables	Beta	t-test	P-Value(Prob.)
Company size	3.108	1.624	0.043
Operating cash flows	0.359	0.795	0.039
F-Test	3.026	R	0.867
P-value (Prob.)	0.023	R2	0.752
Adjusted R2		0.742	

Table 3 shows the existence of a direct relationship between the size of the company and the earnings quality, as the private (Beta) coefficient shows a ratio of 3.108, which is a relatively high percentage, and this is evidence of the existence of large earnings quality practices among the companies of the study sample, and this confirms the calculated t-statistic value. This variable is less than its tabular value, which is 0.795, which is less than its index value of 1.67 at the 95% confidence level. As for the coefficient of determination, it reached (0.742), which indicates that the independent variables explain 74.2% of the changes that occur in the dependent variable, which is the earnings quality.

The relationship between market value to book value, leverage, return on assets, and quality of earnings.

Table 4 displays the results of testing the model variables and their impact on the earnings quality, as the least-squares method was used to estimate the multiple regression of the variables.

Table 4: Results of testing the relationship between market value to book value, financial leverage, return on assets, and earnings quality

Variables	Beta	t-test	P-Value(Prob.)
Market value to book	4.824	2.854	0.000
Leverage	0.257	2.408	0.031
Return on Assets	0.392	1.698	0.000
F-Test	7.921	R	0.650
P-value (Prob.)	0.031	R2	0.422
Adjusted R2	0.413		

The (Beta) market value to the book value (4,824) represents a positive value. This indicates the existence of a strong positive relationship towards the practice of earnings quality in the companies of the study sample, as the calculated t-statistic (2.86) is greater than its tabular value (1.67), and that the (P-value) was less than 5%. The leverage value (Beta) was positive (0.257) and slightly reduced due to the losses of some companies in the study sample. This indicates the attempt of some sample companies to reduce their profits in the year in which the management is changed, and then the new management tries to show the profits of the following years to demonstrate its good management of the available resources, as the value of t-statistic is (2.41) which is a value greater than its tabular value 1.67 and also in the value of (P-value) was less than 5%. Return on assets the value of (Beta) was positive (0.392), which indicates the relationship of this variable to the dependent variable. This variable also indicates an increase in the return on assets of the companies of the study sample, which explains its link to profit management practices in some companies of the study sample, where the t-statistic value was higher than its tabular value (1.67), and the (P-value) is less than 5%. It achieved (0.0026).

4. Discussion

This study aimed to measure the impact of the audit committee's characteristics on the earnings quality, and through the results of statistical analysis and reviewing the literature of accounting thought related to the subject of the study, the study concluded that there are a set of characteristics that the audit committee should have and that affect the effectiveness of achieving the goals for which it was formed, The most important of these are the independence of the audit committee, its size, activities and experience, and its members' ownership of the company's shares. There is also a variation among companies in the countries of the Gulf Cooperation Council understudy in the extent of their commitment to the controls of forming the audit committee, and there is a decrease in the earnings quality during the study period, and there is a positive impact on the independence of the members of the audit committee as well as the activities, experience and ownership of the company's shares on the earnings quality, while there is a negative effect of the size of the audit committee on the quality of earnings. The researcher recommends the need to develop tools and means that work to increase independence, and the need to work on establishing controls and restrictions on the process of audit committee members 'ownership of the shares of the company that participates in the membership of the audit committee. In addition to the need to work on finding tools and means that increase the positive impact of the audit committee on the earnings quality, which leads to an increase in the quality of financial reports, and then increases the benefit that accrues to the users of these reports. The most important strengths of this study were represented in the fact that it clearly identified the most important mechanisms that audit committees rely on to reduce profit practices, in addition to proving this relationship through the model included in the study. The most important strength of this study is also that it dealt with a study sample that was not previously addressed, namely, companies operating in the Arabian Gulf region, especially the Kingdom of Saudi Arabia, which is considered one of the most important economic entities in the Middle East. Before, and therefore this study represents the nucleus of a group of future studies that can be prepared along the lines of this study. While the most important weaknesses associated with this type of research topic is the difficulty of accessing the data under study, as well as the large size of the data.

Compliance with ethical standards

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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