Female Presence in Audit Committee and Their Influence on Audit Quality Within Non-Financial Sector in Pakistan

Wu Deli & Afshan Ali

Abstract

The purpose for this paper is to recognize female presence in ACs and experience female CFO as working in ACs as a chief in Audit firms, impact of the female with Audit fee and non-audit fee on audit quality, just as their relationship with financial reports of the non-financial sector of Pakistan. Using a combination of publicly available and manually collected data, using OLS regression, Fixed Effects Regression and Random effects and the Pakistan non-financial industries subsequently 2015 to 2019. Results show that this investigation tracks down an affirmative relationship between female directors on ACs and AQ. More, it proves that this affiliation is reliant upon the community bookkeeping aptitude of female ACs individuals and female presence in the ACs. This research adds to AQ literature and to the exploration distinguishing attributes driving female directors’ checking. In addition, it adds to the clashing proof identified with female accounting specialists on ACs and accounting reports observing, that the outcomes propose that the blended proof might be determined by the scientists’ inability to isolate economic ability. Likewise adds to the discussion on economic or non-economic mastery improves economic detailing observing. Additionally, it applies the hypothetical structure of unifying RDT (resource dependence theory) and AT (agency theory) to women directors on ACs. Moreover, the investigation upholds strategy producers’ endeavors towards more noteworthy presence of Women directors, it suggests this they ought to likewise deliberate the public bookkeeping aptitude of women directors.

Keywords: Auditing, Audit quality, Female presence in ACs, Female CFO, Audit fee, non-financial female presence, Agency theory, Resource dependence theory, China

Background

From 1960s to 1970s, while there was much logical demand for the importance of directors in audit committees, also require firms to leading an AC, show the presence of ACs members (directors), alignment and task of the ACs. Correspondingly in 1990s, the BRC (Blue Ribbon Committee), precisely concentrating and also pointed out that ACs perform an vital role in sustaining the reliability of account reporting and also delivered endorsements on “refining their proficiency, certifying their impartiality and spreading their omission” (DeZoort, 1997, Spira, 2006, (Pandit et al., 2017). ACs is the absolute most significant sustenance sub-committee inferable from its particular job of securing the concern of investors comparable to monetary omission and control (Aldamen et.al 2012) characterizes an ACs as “a committee (or comparable body) set up by and among the directorate of a backer to administer the bookkeeping and fiscal reporting cycles of the issuer and audits of the financial
reports of the issuer’.
An ACs is liable to the accompanying jobs: investigating the unswerving quality of economic reports; observing the correctness of exposes made in the accounting reports; on account of unacceptable viewpoints in accounting summaries, uncovering these perspectives to the meeting; checking the worthiness of inner accounting controls; observing the courses of action set up for the representatives to secretly unveil any unjust practices identified with financial reports; surveying the methods embraced by the IA work; exploring the relationship of the industry along the auditor (this incorporates prescribing their arrangement or end to the board, endorsing the charges regarding the audit, looking into the commitment terms, assessing their autonomy, objectivity and adequacy, evaluating the arrangement basically toward the twitch of the audit, and furthermore considering if audit led is proper) Smith Committee (2003),.
Committee of Cadbury in 1992 brings up the significance of ACs and states that they "reinforce the situation of the outside reviewer, by giving a channel of correspondence and gathering for issues of concern", give a stage where the auditor can show freedom on account of conflict with the administration, empower an autonomous climate for the IA and hence cause a more grounded audit capacity and upgrade the certainty of the general population in the dependability of monetary statements.
A quality and importance of audit is essential for the consistency of accounting statements and hence shields the financial investments of the firm’s investors besides different partners by impacting the worth of the financial reports arranged to the administration. In addition, auditing is probably going to be particularly significant in the current climate given the expanding intricacy associated with business transaction and bookkeeping (DeFond and Zhang, 2014), (Sulaiman, 2017). Further, the corporate disappointment of Carrilion has brought about substantial analysis of auditors, driving the controllers to investigate methodologies to improve audit quality (Doherty, 2018).
Current and existing research observed that the AT places that there is a partition of proprietorship and control, which is probably going to bring about irreconcilable situations among the board and investors and these agency clashes may bring about directors’ control of accounting reports for individual interests. Given that ACs are entrusted with the obligation to screen accounting reports a successful AC may upgrade observing and defend the believability of accounting reports, and in this manner decrease these agency costs (Zalata, Tauringana, and Tingbani, 2018, Dhaliwal, Naiker, and Navissi, 2010, Aldamen, Hollindale, and Ziegelmayer, 2018 & Dhaliwal et al., 2010).
Zalata et al., 2018 , DeZoort et.al, (2002), & Lai et al.,( 2017) contend that ACs viability is affected by how it is made. Subsequently, the viability of the ACs depends on the nature of chiefs addressed on it. As female chiefs are probably not going to be a piece of any all-man organizations, they are probably going to be more viable in checking. Further, keeping taking into account the significance of ACs as referenced in section 1.4, the controllers’ endeavors to expand female chiefs additionally propose that controllers anticipate that female directors should go about as better screens.
Hillman and Dalziel 2003, Zalata et al., 2018 , Adams and Ferreira, 2009, & Lai et al., 2017; present a hypothetical structure in which AT and RDT are combined to help clarify directors adequacy. Their view proposes that AT may call attention to that women directors on ACs develop the checking capacity, that they are probably not going to essential for the ‘old besides young men club and accordingly portray more
noteworthy freedom; nevertheless, joining RDT may demonstrate that this positive observation of women executive is probably going to subject to the quality of women management.

Also, current study of the researchers (Bravo and Alcaide-Ruiz, 2019; Bennouri et al, 2018; Zhang et al, 2019; Chtioui et al, 2018) proves this lady chiefs do develop observing viability, nonetheless, that effect is subject to the particular credits of lady chiefs. In this manner, inspecting lady financial and non-financial specialists on ACs as far as AQ additionally contributes towards the blended proof on the economic announcing oversight abilities of financial and non-financial specialists on ACs. Moreover, as Chief Financial Officers are liable for getting ready accounting reports (Billings, Gao, and Jia, 2014; Hence, the experimental testing CFO skill of lady finance specialists on ACs is additionally prone to contribute to side to the research by knowing the characteristics adding to the adequacy of female executives.

- Asses the relationship between FD on ACs and AQ.
- Assess female presence in the ACs as far as AQ.
- Investigate whether female CFO specialists on ACs are related with audit quality.
- To check the performance of female and male auditor are related with AQ.

In this research the examination adds to the study in different methods. First, by using the most suitable AQ intermediaries with regards to ACs, As the examination tracks down that female chiefs on ACs are decidedly connected with audit charges and adversely connected with meeting it adds to the AQ writing.

Second, this examination tests the different sorts of accounting ability of lady chiefs on ACs and tracks down that lady bookkeeping specialists, are emphatically connected with AQ. Besides, this finding likewise adds to the AQ writing, as it recommends that lady public bookkeeping specialists on ACs increment AQ.

Third and fourth, it assists the examination who require extra examination in which lady bookkeeping and non-bookkeeping specialists on ACs are inspected with regards to financial announcing oversight and by tracking down that specific lady financial specialists are incapable in observing financial reports, this investigation gives important bits of knowledge Zalata et al. (2018).

Fifth, there is blended proof (Ghafran and O'Sullivan, 2017; Badolato et al., 2014, , Hillman and Dalziel 2003) relating to whether bookkeeping or non-bookkeeping aptitude is powerful in administering financial revealing cycle. Subsequently, this present investigation's tracking down that female bookkeeping specialists, explicitly open bookkeeping specialists, on audit committees go about as successful checking component adds to the discussion encompassing the kind of financial mastery that is helpful for audit committee and audit quality.

**Literature review**

There are different systems through which female directors can decidedly influence the checking of accounting reports and consequently improve AQ. Ladies are probably going to display higher moral conduct than male (Arun, et al. 2015; Lai et al., 2017; Olcina-Sempere, et al. 2018;) “as a result of the more shared qualities into which ladies are mingled” track down that the occurrence of lady director brings about industeries being named as moral. Along these lines, Ruegger and Lord (1992) find that ladies portray more prominent moral conduct.

Moreover, Betz, et al (1989) find that ladies are probably not going towards participate in exploitative exercises like exchange of organization assets to their own records and abusing organization strategy in assessing cost reports to save time. Also,
ladies remain connected with aiding individuals, while male are centered around accounting increases (Arun et al., 2015). However, lady directors are probably going to be dedicated in nature (Ittonen et al., 2010;) and exhibit an absence of presumptuousness (Odean, 2001). As a component of proof of presentation this lady directors are low pompous as compare to male, Kisgen and Huang (2013) track down this lady chiefs are connected with low thin reach identified with profit figure. Additionally, Solberg and Huse (2006) assess this ladies are more ready in gatherings than males. Also, Thiruvadi (2012) proves that lady executives on ACs are emphatically connected with figure of AC gatherings. Along these lines, Adams and Ferreira (2009) proof this lady director is related along more noteworthy participation at executive gatherings.

Likewise, females may show more prominent consistence on the way to guidelines (Khlif and Achek, 2017), as proof that sexual orientation variety on sheets has a positive relationship with recording exact accounting reports Clatworthy and Strip (2013). Jones et al. (2006) discover that ladies are bound to charge agreeable. In this way, lady directors are probably going to show persistent observing (Srinidhi et al., 2011) and along these lines guarantee more noteworthy consistence with financial guidelines.

Existing literature inspects the impact of lady presence on ACs. Aldamen et al. (2018) tracks down that lady directors on ACs are decidedly connected with inspection charges. Additionally, Lai et al. (2017) proof that lady occurrence on ACs builds review charges in the US. They likewise use examiner decision (explicitly, industry expert examiner) as an extra extent to decide their inspecting adequacy and track down that lady directors on ACs are related with the advanced probability of picking an firm expert auditor. This proposes that a few partners hold affirmative perspectives about non-financial specialists’ checking capacity, as non-financial specialists might be more persuaded to upgrade observing to address their absence of financial information (Ghafran and O’Sullivan, 2017). DeZoort (1998) contends that ACs individuals with restricted financial abilities are probably going to be more careful and more persevering. Moreover, Dhaliwal et al. (2010) contend this money (non-economic) specialists profoundly associated with guaging income and surveying consolidations and acquisitions. In this manner, the accounting specialists may likewise have created financial announcing information concluded the knowledge of directing economic articulation investigation (Lee and Park, 2018).

Chen and Lee (2019) find that Chief Financial Officers who have stood firm on a past CFO foothold are decidedly connected with charge aversion. This is probably going to portray higher bookkeeping information on CFOs, as such ability, which empowers CFOs to exploit attentiveness in the bookkeeping rules to lessen charge payable, requires bookkeeping abilities (Chen et al., 2019).

**HYPOTHESIS DEVELOPMENT**

Previous research, for example, Betz et al. (1989), Cohen et al. (1998), Lord (1992) validate the higher moral guidelines of women. That is proof that women are bound to unveil fake accounting reporting. Thus, lady directors are probably going to upgrade AQ, as this reverberates with their superiority of being more attentive. Hardies et al. (2015) proof a optimistic connection among lady audit accomplices and audit charges. Hypothetical structure proposed by Hillman and Dalziel (2003) recommends that it is critical to think about both AT and RDT while looking at directors’ viability. According to these researchers, Bennouri et al. (2018), Elmaghri et al. (2019) track down that the hierarchical effect of women directors is dependent
upon that they have explicit properties.

**H1: Women directors on ACs are significantly associated through AQ**

Numerous studies give proof of the better checking capacities of financial specialists on ACs. Krishnan (2008) find that financial specialists on ACs are decidedly connected with financial traditionalism. Dhallwal et al. (2010), Cohen et al. (2014), DeFond et al. (2005) and Kim et al. (2017), report that financial specialists on ACs increment gatherings quality. Further proof that the arrangement of financial specialists to ACs prompts positive market response and a optimistic relationship between the occurrence of financial specialists on ACs and review expenses. Thus, we recommend that lady financial specialists on ACs are probably going to be decidedly connected with the observing of accounting reports and along these lines AQ.

**H2. Women accounting experts on ACs are significantly associated with AQ.**

Ghafran and O'Sullivan (2017) report that non-financial specialists on ACs increment audit expenses. Further, Goh (2009) tracks down that administrative mastery on ACs is emphatically identified with the opportune remediation of inner control shortcomings. Besides, Xie et al. (2003) proof that speculation investors on ACs diminish income the executives. Because of the contradicting sees on the checking viability of non-financial specialists on ACs, we don’t foresee the heading of our hypotheses relating to non-financial (account and administrative) specialists.

**H3. Women accounting experts (non-financial experts) on ACs are positively related with AQ.**

Ladies additionally attempt less dangers when contrasted with guys (Byrnes et al., 1999; Lai et al., 2017), which is probably going to come from the developed lady future making them seek after less dangers as then they will be protected from any likely disadvantageous repercussions because of too much danger techniques. Sundén and Surette (1998) find that ladies will in general choose investment procedures of a low risk. Ladies may show better relational abilities (Pucheta-Martínez, et al., 2018) and, consequently “perform better compared to males on bunch critical thinking and dynamic undertakings requiring conversation. Likewise, Mangena and Tauringana (2008) battle that financial reporting substances are intricate and, ladies bring new perspectives towards complex issues and accordingly improve critical thinking. These contentions recommend that ladies directors increase the excellence of judgements (Aldamen et al., 2018; Zalata et al., 2018).

**H4. Female s presence is better than male in ACs are significantly associated with AQ.**

**THEORETICAL FRAMEWORK**

**Resource Dependence Theory (RDT) and Agency theory (AT)**

AT, notwithstanding, can’t give an unmistakable clarification to the relationship between variety on records and authoritative execution (Gull et al., 2018). This is in accordance with Labelle (2013), who fight that using different speculations separated from AT gives high significant understanding into the viability of business administration systems. Utilization of just AT expects this all autonomous executives are successful screens, which overlooks the directors’ capacity to perform viable checking (Hillman, Nicholson, and Shropshire, 2008). Along these lines, that suspicion proposes this if lady directors portray more autonomy because of their absence of relationship with men organizations (Zalata et al., 2018) at that point that is sufficient for compelling checking. Nonetheless, that might not be the situation, as there could be explicit properties this may drive the checking viability of lady directors (Bennouri et al., 2018).

Then again, in resource dependency theory, directors’ capital, like information, mastery, and experience, could influence the exhibition of the individual,
accordingly influencing the association (Hillman and Dalziel, 2003). Besides, when a firm designates directors it anticipates that they should uphold the association (Hillman and Dalziel, 2003). Likewise, a chief director expresses that the directors’ viability depends on their capacity (Roberts, McNulty, and Stiles, 2005). In this way, on account of RTD, directors go about as suppliers of reserves as opposed to as a checking component of the executives’ exercises (Hillman and Dalziel, 2003). In any case, exclusively considering RTD expects that all executives in future the apply their abilities (Hillman et al., 2008). That is probably not going to be the situation, as the executives likewise should free from the executives to unbiasedly screen chiefs (Hillman et al., 2008). As woman managements are probably going to more free (Lai et al., 2017), that is relied upon to be in a superior situation to screen.

**RESEARCH METHODOLOGY**

In this section, the purposes behind choosing a specific exploration theory are introduced. Further, it additionally clarifies why a quantitative examination is appropriate for this investigation. Furthermore, it clarifies the exploration setting of the research, subtleties the information ways and clarifies the quantitative instruments adopted by this study. There is used panel data.

**Sample**

This current investigation’s attention on accessibility of information and the incorporation of huge just as little firms (Lueg, et al., 2014). Besides, economic industries (non-financial areas of Pakistan) are incorporated and non-economic industries are excluded from this investigation, as the administrative and financial system of economic industries varies from non-economic industries (Zalata et al., 2018). Furthermore, just the non-financial firms that are incorporated information has been taken from 2015-2019, listed top 10 industries panel data for the analysis. Utilizing a mix of publically accessible and physically gathered data, this paper utilizes an OLS model, Fixed Effect model and Random Effects Model to analyze female presence in audit committee influence on audit quality inside Pakistan Private non-financial areas and the outcomes in that.

In the wake of considering the above data and missing information, the absolute firm-year perceptions are 50. This example size is like other audit committee considers (for instance, Aldamen et al., 2018 and Kusnadi, Leong, Suwardy, and Wang, 2016). Information for this investigation was gathered from different sources. Corporate administration factors alongside the data relating to the auditors’ area and firms’ auxiliaries were gotten from yearly financial reports from stock exchange market of the Pakistan. To work with both information accessibility and similarity, we center around the private non-financial area of Pakistan institutions as far as either from 2015 to 2019. We hand gather data on audit fee, female presence in the audit committee, CFO female in ACs and ACs for sample organizations from websites and by contacting institutions via e-mails and additionally telephone when data isn’t available on the web.

\[
\text{logaqit} = \beta_0 + \beta_1 \text{acfpit} + \beta_2 \text{logafit} + \beta_3 \text{femCFOit} + \beta_4 \text{acsizeit} + \beta_5 \text{pstockit} + \beta_6 \text{Pakistanit} + \beta_7 \text{roait} + \text{IND} + \text{YE} + \epsilon_{it} \quad (i)
\]

In the above equation no one all variables of the model is defined in Tabel no 01. Women directors on ACs are determined as the extent of women directors on the AC (Zalata et al., 2018). This study likewise assumes a few control factors. According to the researchers contend that they pick those control factors in their investigation which the Pakistan research has resolved to be critical, as there is significant research on audit fee determinants and using control factors identified with the audit expenses model.
Given that the huge size of the ACs can be either powerful because of an assortment of directors’ encounters or prone to make the individuals disregard duty we don’t foresee the bearing of the connection between ACs size and audit charges.

In addition, because of the absence of commonality have authority directors with the executives autonomous executives and ACs independence are anticipated to be emphatically connected with audit expenses. Financial specialists may likewise be compelling, because of more prominent information about accounting reporting and are relied upon to decidedly influence audit expenses. Further, more prominent audit issues are probably going to be related to more ACs gatherings and hence expected to be decidedly connected with audit fee (Kent and Stewart, 2008; Zalata et al., Vafeas, 2005, 2018, Zaman et al., 2011, Ghafran and O’Sullivan, 2017).

Ghafran and O’Sullivan (2017), this investigation decides an ACs part to be a accounting master on the off chance that they has held or presently holds a business that is straight forwardly connected with financial and auditing, which incorporates CPAs, CFOs, CAOs, regulators and auditors while an separate is considered as a non-financial master in the event that they has held or right now holds a work that includes speculation banking, financial statement job, any job including financial administration or a job that includes managing financial explanations like Chief (CEO) or leader of an organization. Hence, an ACs part is considered as a accounting master in the event that they are either a financial master or a non-financial master.

Table 1 Detail of variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DV (Dependent variable):</strong></td>
<td></td>
</tr>
<tr>
<td>Logaq</td>
<td>Natural log of audit Quality</td>
</tr>
<tr>
<td><strong>IV (Independent variables):</strong></td>
<td></td>
</tr>
<tr>
<td>Pfempub</td>
<td>Women (female) directors proportion presence in ACs who have financial background (determined as 1 if the tempub is located in Pakistan otherwise 0)</td>
</tr>
<tr>
<td>Pfemcfo</td>
<td>Women (female) directors proportion on ACs who have CFO experience (determined as 1 if the femCFO is located)</td>
</tr>
<tr>
<td>Logaf</td>
<td>Natural log of Audit fee</td>
</tr>
<tr>
<td><strong>Control variables:</strong></td>
<td></td>
</tr>
<tr>
<td>SizeAC</td>
<td>Total meetings in a year for ACs</td>
</tr>
<tr>
<td>Lstock</td>
<td>Stock to assets</td>
</tr>
<tr>
<td>Debtor</td>
<td>Receivables to assets</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Variable of Dummy</td>
</tr>
<tr>
<td>LRooa</td>
<td>Liabilities to assets</td>
</tr>
<tr>
<td>Firm(IND)</td>
<td>Firm effects</td>
</tr>
<tr>
<td>Annual(YE)</td>
<td>Annual effects</td>
</tr>
</tbody>
</table>
Discussions

Table 2 Descriptive statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>LFEMP</td>
<td>50</td>
<td>1.2842</td>
<td>1.145207</td>
<td>.02</td>
<td>4.39</td>
</tr>
<tr>
<td>LAF</td>
<td>50</td>
<td>4.9246</td>
<td>1.221094</td>
<td>.57</td>
<td>6.56</td>
</tr>
<tr>
<td>LFCFO</td>
<td>50</td>
<td>6.5512</td>
<td>1.258992</td>
<td>.66</td>
<td>7.66</td>
</tr>
<tr>
<td>LAQ</td>
<td>50</td>
<td>2.1351</td>
<td>2.807252</td>
<td>.01</td>
<td>9.87</td>
</tr>
<tr>
<td>LSTOCK</td>
<td>50</td>
<td>5.9020</td>
<td>1.661564</td>
<td>.79</td>
<td>7.69</td>
</tr>
<tr>
<td>LROA</td>
<td>50</td>
<td>2.3568</td>
<td>2.353063</td>
<td>.04</td>
<td>7.69</td>
</tr>
<tr>
<td>SIZEAC</td>
<td>50</td>
<td>1.6284</td>
<td>1.774668</td>
<td>.01</td>
<td>7.65</td>
</tr>
</tbody>
</table>

All variables are defined in Table 01.

Table 2 shows the summary statistics for the institutions in our sample.

Table 3.
Ordinary least-squares regression (Audit Quality)

\[
\begin{align*}
\text{LFEMP} & \quad 0.854*** \\
\text{LFCFO} & \quad -0.37**
\end{align*}
\]

The equation for the fixed effects model becomes:

\[
\log(aqi_t) = \beta_0 + \beta_1 acfpi_t + \beta_2 logaf_it + \beta_3 femCFO_it + \beta_4 acsize_it + \beta_5 pstock_it + \beta_6 Pakistan_it + \beta_7 roa_it + \text{IND} + \text{YE} + \epsilon_it \quad (\text{iii})
\]

Aqi_t is the dependent variable (DV) where i = entity and t = time. – (acfpi, af, femCFO, acsize, stock, roa)it represents independent variable (IV) and control variables, – \( \beta \) is the coefficient for that IV, – \( \epsilon_it \) is the error term.
"The key insight is that if the unobserved variable does not change over time, then any changes in the dependent variable must be due to influences other than these fixed characteristics." (Stock & Watson, 2003, p.289-290).

"In the case of time-series cross-sectional data the interpretation of the beta coefficients would be "...for a given country, as IV varies across time by unit, Y increases or decreases by β units" (Bartels, Brandom, “Beyond “Fixed Versus Random Effects”:

Table 3.
Fixed-effects (within) regression

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LFEMP</td>
<td>2.024**</td>
<td>1.46</td>
<td></td>
</tr>
<tr>
<td>LFCFO</td>
<td>-0.341**</td>
<td>1.03</td>
<td></td>
</tr>
<tr>
<td>LAF</td>
<td>0.205*</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>LSTOCK</td>
<td>0.318**</td>
<td>1.33</td>
<td></td>
</tr>
<tr>
<td>SIZEAC</td>
<td>-0.025*</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>LROA</td>
<td>0.467***</td>
<td>1.75</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-1.271*</td>
<td>-0.35</td>
<td></td>
</tr>
</tbody>
</table>

Prob>F 0.04

Error u are correlated with Reg in FEM

corr(u_i, Xb) = -0.5931

sigma_u = sd of residuals within groups ui
sigma_e = sd of residuals (overall error term) ei

41% of the variance is due to differences across panels.

\[
\rho = \frac{(\text{Sigma}_u)^2}{(\text{Sigma}_u)^2 + (\text{sigma}_e)^2}
\]

corr(u_i, Xb) = -0.5931 is error u are correlated with the repressors in the FEM. Test F is less than 0.05 then model is okay whether all the coefficients in the models are different then zero. Coefficient of repressors show how much change DV when increase one unit IV. P value show all IVs are significant influence on the DV and have positive correlated except
fco negative correlated with DV. T test show hypothesis reject and acceptance according to the research hypothesis. 41% of the variance is due to differences across panels ‘rho’ is know as the interclass correlation.

**RANDOM-EFFECTS MODEL** “…the crucial distinction between fixed and random effects is whether the unobserved individual effect embodies elements that are correlated with the repressors in the model, not whether these effects are stochastic or not” [Green, 2008, p.183]

The equation for the Random effects model becomes:

\[
\log aq_{it} = \beta_0 + \beta_1 acfp_{it} + \beta_2 \log af_{it} + \beta_3 \text{femCFO}_{it} + \beta_4 \text{acsize}_{it} + \\
\beta_5 \text{pstock}_{it} + \beta_6 \text{Pakistan}_{it} + \beta_7 \text{roa}_{it} + \text{IND} + \text{YE} + \epsilon_{it} \tag{iii}
\]

<table>
<thead>
<tr>
<th>Table4. Random-effects (within) regression</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LFEMP</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>LFCFO</strong></td>
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<tr>
<td></td>
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<tr>
<td><strong>LAF</strong></td>
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<tr>
<td></td>
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<tr>
<td><strong>LSTOCK</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td><strong>SIZEAC</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>LROA</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Constant</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Prob&gt;F</td>
</tr>
<tr>
<td>corr(u_i, X)</td>
</tr>
<tr>
<td>sigma_u = sd of residuals within groups u_i</td>
</tr>
<tr>
<td>sigma_e = sd of residuals (overall error term) e_i</td>
</tr>
<tr>
<td>23% of the variance is due to differences across panels. rho</td>
</tr>
</tbody>
</table>

Like FEM according to the results corr (u_i, X) = 0 so that is uncorrelated with repressors REM

**Conclusion**

There is find out to check the impact of female presence in ACs on AQ in financial firms (Private Banks) of the banks of Pakistan. Manually and old data calculated through email, non-financial statements from Stock exchange company of the Pakistan from 2015 to 2019. OLS methodology, FEM and REM used for the regression check. There is positive
significant presence of the females in ACs, women directors in ACs, having CFO experience in ACs as compare to males because female has good decision power as compare to the female in ACs. According to the existing research and current research in the auditing field female has fair auditing as compare to males in financial reporting of the financial sectors. This examination has different ramifications for strategy creators and firms. In the first place, albeit the outcomes support the significant endeavors of controllers relating to the more prominent portrayal of female chiefs, the discoveries propose that controllers ought to likewise zero in on the particular characteristics/qualities of female chiefs. Moreover, the proof doesn't uphold the lawmakers' endeavors of executing female quantities without contemplating the characteristics or the abilities moved by them. Second, in the event that the organizations expect to expand their review quality, they ought to remember female chiefs for review boards of trustees; nonetheless, the organizations ought to likewise focus on the profile of these chiefs and incorporate bookkeeping specialists, explicitly those with public bookkeeping ability, on review advisory groups. Thirdly, this current examination's proof backings the administrative endeavors of endeavoring to see just bookkeeping skill as the solitary classification to be adequate for characterizing monetary aptitude on review advisory groups. Fourthly, controllers' endeavors to expand bookkeeping ability on review boards ought to be centered around the bookkeeping skill got from public bookkeeping experience than from CFO experience.

**Limitations of the Study**

The limits and ideas for future examination of this investigation are as per the following. This proposal depends on the yearly reports of financial organizations (private Banks) to gather information on the kind of monetary mastery moved by female chiefs on review advisory groups. Along these lines, the exactness of isolating different female monetary specialists on review advisory groups and setting them into various classifications relies upon the data given by the organizations. In addition, this examination just uses quantitative exploration in dissecting the examination questions, accordingly, future examination can offer further investigation by leading subjective exploration through interviews with female review panel individuals and data can be extend from these sectors till 2020.

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