

Corporate governance reforms, among others, are aimed at increasing control mechanisms to decrease information asymmetry between opportunistic managers and investors and provide the highest quality of financial information to investors. As a result, two important developments have taken place: The actual formation of Audit Committees (ACs) and increased demands to deliver a better quality of external financial reporting. ACs evaluate the credibility and relevance of financial information in collaboration with external auditors, and in some larger organizations also internal auditors.

For a long time, business people, regulators, and researchers have discussed the characteristics of ACs in the context of board composition. The literature on corporate governance has acknowledged that the profile of board members (diversity), activity, and size may affect the way these boards function and their efficiency. However, the topic of AC characteristics has not been widely researched in the contexts of emerging capital markets and Central and Eastern Europe.

The Poland, the most recent version of the Code of Best Practice on the Warsaw Stock Exchange states that companies should be supervised by an effective and competent supervisory board, and that one of its roles is to issue opinions on a company's performance (WSE, 2015). Additionally when drafting more detailed rules (recommendation II.R.2), the Code specifies that decisions makers responsible for supervisory board appointments need to ensure that the composition of the board is comprehensive and diverse in terms of gender, education, age, and professional experience, among others (WSE, 2015). At the same time, according to the Auditing Act (2009), the AC is required to have at least three members and at least one of them is expected to be independent and to have qualifications in accounting or auditing.

The aim of this research project is to investigate the link between specific characteristics of ACs (profile of its members, engagement, and size) and financial reporting quality (FRQ). **This project aims to contribute to the growing literature on corporate governance, and to focus on the impact of various characteristics on the ability of effective oversight of financial reporting quality.** More specifically, the project will examine the association between different characteristics of ACs using a sample of companies listed on the Warsaw Stock Exchange. **In general, based on prior research and our own observations, we hypothesize that a better profile of AC members (assured diversity on the board), more active ACs, and bigger ACs in terms of size, will positively influence the quality of financial reporting.**

Quantitative analysis will allow us to assess the association between AC characteristics and FRQ. Information on ACs' characteristics will be hand collected and include such variables as number of independent AC members, number of AC members with accounting and auditing expertise, number of experienced AC members, presence of women on ACs, number of AC meetings, and AC size.

However, the dependent variable (FRQ) is inherently unobservable. Consistent with prior literature we plan to use two different measures as proxies for FRQ: (1) earnings management, and (2) audit lag.

The sample used for the study consists of companies listed on the Warsaw Stock Exchange. It is estimated that the sample will have a time horizon of 11 years, from 2005 to 2015, inclusive. The structure of the data determines the use of the dynamic panel models to verify our hypotheses.

There are two reasons why this project can be valuable:

Poland is an interesting case to study, as the country lags behind other countries in the European Union in reaching gender balance on boards, for instance. It is expected that the results of this effort may be useful to policymakers, who can verify the usefulness of policies related to the promotion of diversity on supervisory boards as prescribed in the Code of Best Practice on the WSE 2016 and motivate regulators to take still more action to promote more balanced diversity and also to promote a higher level of activity and size of supervisory boards and audit committees in Poland. The research may also provide additional insight to policymakers on the importance of diversity to ensure more effective monitoring and better financial reporting quality overall.

This research project also offers a potential contribution to the literature by providing further insights into the specific aspect of board diversity and its link to financial reporting quality in a setting outside the usually widely researched Anglo-Saxon corporate governance model by focusing on the Polish capital market, which has not been explored in depth. The Polish capital market can be described as emerging and can be characterised by significant ownership concentration, lower levels of protection for minority shareholders, and a stronger presence of block holders. In such a setting, the specific features of its corporate governance system may affect board efficiency, and especially audit committee efficiency, and their ability to oversee an auditor's work. This effort may also have implications related to financial reporting quality and, as a result, to the quality of financial reporting.