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The effect of CEO overconfidence, audit committee expertise, and internal control weakness on financial statement restatement with audit quality as a moderating variable

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ABSTRACT

This study examines the relationships of CEO overconfidence, audit committee expertise, and disclosed internal control weakness with financial statement restatement, including the proposed moderating role of audit quality. Using annual-report data for 53 Consumer Non-Cyclicals firms listed on the Indonesia Stock Exchange over 2021–2025 (265 firm-year observations), the study applies binary logistic regression. The capital-expenditure-to-operating-cash-flow proxy for CEO overconfidence is positively associated with restatement in the reported main-effects model (B = 1.078; odds ratio = 2.938; p = 0.002). Audit committee expertise and internal control weakness do not show statistically significant Wald results, although extreme coefficient estimates suggest caution in interpreting these findings. Neither estimable audit-quality interaction is statistically significant in the reported output, while the interaction involving internal control weakness cannot be estimated, leaving its moderation hypothesis unresolved. The findings highlight the potential relevance of executive financial-reporting judgments and support closer scrutiny of optimistic assumptions and investment decisions as a governance consideration. However, the data do not establish that these actions, or the Big Four audit-quality proxy, causally prevent restatements.

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1. INTRODUCTION

Financial statements are a primary source of information for investors and stakeholders in assessing a company's condition and performance. Therefore, the information presented in financial statements must be of high quality, relevant, and reliable to support decision-making (Amirah et al., 2020). However, in practice, some companies still restate their financial statements because of errors, inaccuracies, or noncompliance in the presentation of financial information. Restatements raise concern because they indicate that previously published information requires correction and may reduce financial statement users' confidence. Prior evidence has documented that announcements of accounting restatements can generate adverse market reactions (Palmrose et al., 2004).

Financial statement restatements remain an issue among companies in Indonesia. In its March 2026 update on the financial services sector, the Financial Services Authority (OJK) stated that insurance and reinsurance companies were still restating their 2024 financial statements as part of completing their 2025 financial reporting. OJK also requested that companies submit progress

reports and action plans concerning the completion of audit and restatement processes (OJK, 2026). This indicates that financial statement restatements remain an issue in corporate financial reporting practices in Indonesia.

An empirical gap remains because the cited studies address different mechanisms or outcomes: prior research examines managerial overconfidence and restatements (Presley & Abbott, 2013), audit committee characteristics (Abbott et al., 2004), and internal control reporting quality (Doyle et al., 2007), whereas evidence on their joint specification with audit-quality interactions in Indonesian Consumer Non-Cyclicals firms is not established by those studies. This makes it important to reassess whether each proposed relationship is detectable within a single sector and observation window, rather than assume that results from other settings generalize automatically.

One factor affecting financial statement restatements is the individual characteristics of the CEO, particularly CEO overconfidence. Overconfident CEOs tend to hold excessive beliefs about their abilities and decisions, which can encourage bolder and more optimistic decision-making (Karningsih, 2026). In financial reporting, CEO overconfidence may increase management's tendency to maintain overly optimistic estimates or reporting decisions, potentially increasing the likelihood of restatements (Epriana, 2026). Research has associated managerial overconfidence with financial misreporting and restatements (Presley & Abbott, 2013; Schrand & Zechman, 2012), while related studies examine its implications for investment and earnings forecasts (Malmendier & Tate, 2005; Hribar & Yang, 2016).

In addition to CEO characteristics, monitoring mechanisms involving audit committee expertise are important for maintaining financial reporting quality. Audit committees with members who possess accounting and financial expertise are expected to understand reporting issues, identify risks of errors, and improve oversight of financial statement preparation (Putra, 2020). The presence of audit committee members with relevant expertise may reduce the likelihood of reporting errors that lead to restatements (Nugroho et al., 2022). Earlier studies have assessed audit committee financial expertise in relation to restatements (Abbott et al., 2004; Agrawal & Chadha, 2005), while research on CFO expertise offers complementary evidence about the importance of financial knowledge in reporting (Aier et al., 2005).

Another factor is internal control weakness. Weak internal controls may increase the likelihood of errors in recording, processing, and presenting financial information. When weaknesses in internal controls prevent errors from being detected or prevented at an early stage, companies become more likely to restate their financial statements (Boulhaga et al., 2022). Prior evidence links weaknesses in internal control to lower accruals quality (Doyle et al., 2007) and greater information risk (Ashbaugh-Skaife et al., 2009).

Although internal corporate factors may increase or decrease the likelihood of restatements, the quality of external parties conducting examinations may also play a role in these relationships. Audit quality reflects auditors' ability to conduct examinations independently and detect material misstatements in financial statements (Nugroho et al., 2022). Higher-quality auditors are expected to be better able to detect errors and encourage companies to correct their financial reporting (Hartono & Laksito, 2022). In this study, audit quality serves as a moderating variable to determine whether it strengthens or weakens the effects of CEO overconfidence, audit committee expertise, and internal control weakness on financial statement restatements. Evidence also links the size of Big Four audit offices to client restatements (Francis et al., 2013), while auditor quality and audit committee accounting expertise have been associated with the timeliness of restatement disclosures (Schmidt & Wilkins, 2013).

The proposed moderation by audit quality follows the audit-risk framework: weaknesses in internal control increase control risk, while the procedures and professional judgment of the external auditor may influence detection risk. Nevertheless, better detection can lead either to correction before financial statements are issued or to subsequent disclosure and restatement of previously issued information. The observed direction of moderation therefore depends on the timing and

detection of errors; using a Big Four indicator represents a limited proxy for this mechanism rather than a direct measure of audit effectiveness (Francis et al., 2013; Schmidt & Wilkins, 2013).

Based on the preceding discussion, this study aims to analyze the effects of CEO overconfidence, audit committee expertise, and internal control weakness on financial statement restatements, with audit quality as a moderating variable, among Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025.

The study contributes to this literature by examining executive decision-making, board-level monitoring, and disclosed control weaknesses within the same firm-year model, while explicitly evaluating the estimability of audit-quality interactions. Its practical relevance is to distinguish a detectable association for the CEO overconfidence proxy from governance and control relationships for which the available estimates are inconclusive. The study does not establish that changing CEO behavior would causally prevent restatements.

Agency Theory explains the relationship between principals, as company owners, and agents, as parties responsible for operating the company. This relationship may create conflicts of interest because management's interests and objectives do not always align with those of the owners (Wahyudi et al., 2025). In addition, information asymmetry means that management has more information about the company's condition than the principals. This may encourage opportunistic managerial behavior, including in the preparation and presentation of financial statements, thereby increasing the likelihood of financial statement restatements (Chen & Fransiska, 2021). The agency perspective builds on the separation of ownership and management and the resulting agency costs (Jensen & Meckling, 1976).

Audit Risk Theory explains that auditors face the risk of expressing an inappropriate opinion on financial statements containing material misstatements. Audit risk comprises three principal components: inherent risk, control risk, and detection risk (Ashifa, 2022). Inherent risk concerns the likelihood of misstatements before considering internal controls, while control risk concerns the failure of internal controls to prevent or detect misstatements (Ratih, 2025). Detection risk, meanwhile, is the risk that audit procedures will fail to identify material misstatements in financial statements. In this study, audit risk theory helps explain how internal control weakness can increase the risk of misstatement, while audit quality enhances auditors' ability to detect misstatements that may result in financial statement restatements.

Financial statement restatement refers to the reissuance of financial statements to correct errors or inaccurate information in statements from prior periods (Chen & Fransiska, 2021). Restatements are undertaken to provide financial statement users with more accurate and reliable information. In this study, financial statement restatement is measured using a dummy variable, coded 1 if a company restates its financial statements and 0 if it does not (Epriana, 2026).

CEO overconfidence refers to a condition in which a CEO has excessive confidence in their abilities, knowledge, and decisions in managing a company. This may cause CEOs to overestimate the probability of corporate success and underestimate the risks associated with their decisions (Amirah et al., 2020). CEO overconfidence may encourage management to make overly optimistic decisions, thereby increasing the risk of financial reporting errors. In this study, CEO overconfidence is measured as the ratio of capital expenditure to operating cash flow, with higher values indicating a stronger tendency toward overconfidence (Karningsih, 2026).

Audit committee expertise refers to the abilities and knowledge of audit committee members in accounting, finance, or auditing that support their oversight of corporate financial reporting (Putra, 2020). Such expertise enables audit committees to evaluate and monitor the financial statement preparation process more effectively. In this study, audit committee expertise is measured using a dummy variable, coded 1 if at least one audit committee member has accounting or financial expertise and 0 if no member possesses such expertise (Nugroho et al., 2022).

Internal control weakness is a condition in which a company's internal controls cannot effectively prevent or detect errors and misstatements. Internal control weaknesses may increase the risk of errors in preparing and presenting financial statements (Ratih, 2025). In this study, internal

control weakness is measured using a dummy variable, coded 1 if the company discloses an internal control weakness and 0 if it does not disclose such a weakness (Boulhaga et al., 2022).

Audit quality refers to an auditor's ability to perform an audit, obtain sufficient appropriate evidence, and detect material misstatements in financial statements (Ashifa, 2022). High audit quality can improve the reliability of financial information and reduce the likelihood that material errors remain undetected. In this study, audit quality is measured using a dummy variable, coded 1 if a company is audited by a Big Four public accounting firm and 0 if it is audited by a non-Big Four firm (Hartono & Laksito, 2022).

CEO overconfidence may lead CEOs to have excessive confidence in their abilities and decisions and consequently to overlook potential risks. This may influence decision-making and financial reporting because CEOs may be overly optimistic in assessing the company's condition (Karningsih, 2026). Such excessive confidence potentially increases the risk of errors or inaccuracies in financial statements, which may ultimately cause financial statement restatements. Thus, the higher the level of CEO overconfidence, the greater the likelihood of a company restating its financial statements.

H1: CEO Overconfidence has a positive effect on Financial Statement Restatement. Audit committee expertise enables members to exercise more effective oversight of corporate financial statement preparation and reporting. Expertise in accounting and finance helps audit committees identify errors or inaccuracies in financial information and thereby prevent financial statement restatements (Nugroho et al., 2022). Accordingly, greater audit committee expertise is expected to be associated with a lower likelihood of financial statement restatement.

H2: Audit Committee Expertise has a negative effect on Financial Statement Restatement. Internal control weakness indicates deficiencies in a company's internal control system that can hinder the prevention and detection of financial reporting errors (Boulhaga et al., 2022). This increases the risk of misstatements because errors in financial recording and reporting may not be detected or corrected promptly. The greater the likelihood of internal control weaknesses, the greater the likelihood that a company will restate its financial statements to correct errors from previous reporting periods (Chen & Fransiska, 2021). Internal control weakness is therefore expected to have a positive relationship with financial statement restatement.

H3: Internal Control Weakness has a positive effect on Financial Statement Restatement. High audit quality may improve auditors' ability to detect misstatements arising from decisions and reporting influenced by CEO overconfidence. Auditors from Big Four public accounting firms generally have more substantial resources, experience, and audit procedures, which may strengthen oversight of financial statements (Hartono & Laksito, 2022). High audit quality is expected to weaken the positive effect of CEO overconfidence on financial statement restatement because the risks of errors or inaccurate reporting may be identified and corrected more promptly.

H4: Audit Quality weakens the positive effect of CEO Overconfidence on Financial Statement Restatement. Audit committee expertise may enhance the effectiveness of financial reporting oversight and thereby reduce the likelihood of financial statement restatement. High-quality auditors may strengthen this oversight function through more effective audit procedures for identifying material misstatements (Hartono & Laksito, 2022). Audit quality is expected to strengthen the negative effect of audit committee expertise on financial statement restatement because the combination of audit committee expertise and audit quality may improve the effectiveness of financial reporting oversight (Wahyudi et al., 2025).

H5: Audit Quality strengthens the negative effect of Audit Committee Expertise on Financial Statement Restatement. Internal control weakness may increase the risk of errors or misstatements in financial statements, potentially leading to financial statement restatements. High audit quality may improve auditors' ability to detect misstatements through more effective and adequate audit procedures (Hartono & Laksito, 2022). Audit quality is expected to weaken the positive effect of internal control weakness on financial statement restatement because higher-quality auditors are better able to identify and reduce the impact of internal control weaknesses on financial reporting

(Nurcahyati, 2025). Under the audit-risk framework, stronger external audit procedures could mitigate detection risk even when control risk is elevated. However, greater auditor vigilance may also increase the probability of detecting and disclosing a pre-existing misstatement; therefore, the sign of an interaction between disclosed control weaknesses and the Big Four proxy cannot be assumed to be mechanically protective. H6: Audit Quality weakens the positive effect of Internal Control Weakness on Financial Statement Restatement.

2. RESEARCH METHOD

This study adopts a quantitative, associative approach to examine CEO overconfidence, audit committee expertise, and disclosed internal control weakness in relation to financial statement restatement, with audit quality as a proposed moderator. The study covers Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025, using purposively selected annual-report data. Binary logistic regression was applied in SPSS because financial statement restatement is coded 1 when a company restates previously issued financial statements and 0 otherwise.

The Consumer Non-Cyclicals sector provides a relatively focused context for examining financial-reporting judgments, monitoring arrangements, and disclosed internal-control deficiencies without pooling markedly different industries. The 2021–2025 period spans five consecutive reporting years and enables repeated observations of firms. The sample comprises 53 companies and 265 firm-year observations. A detailed account of the eligible population, screening exclusions, and missing-data decisions is not reported; this constrains independent replication of the purposive sampling procedure.

The main-effects specification reports CEO overconfidence (X1), audit committee expertise (X2), internal control weakness (X3), and audit quality (M), followed by a moderation specification involving the proposed interaction terms. The reported coefficient tables do not identify firm-size, leverage, profitability, or observation-year controls, so the estimates cannot be presented as adjusted for these characteristics or for year effects. Furthermore, repeated observations of the same firms may exhibit within-firm dependence; the reported output does not document a firm-clustered adjustment. Accordingly, the coefficients describe associations within the specified logistic models and should not be interpreted as estimates robust to unmodeled firm or year heterogeneity.

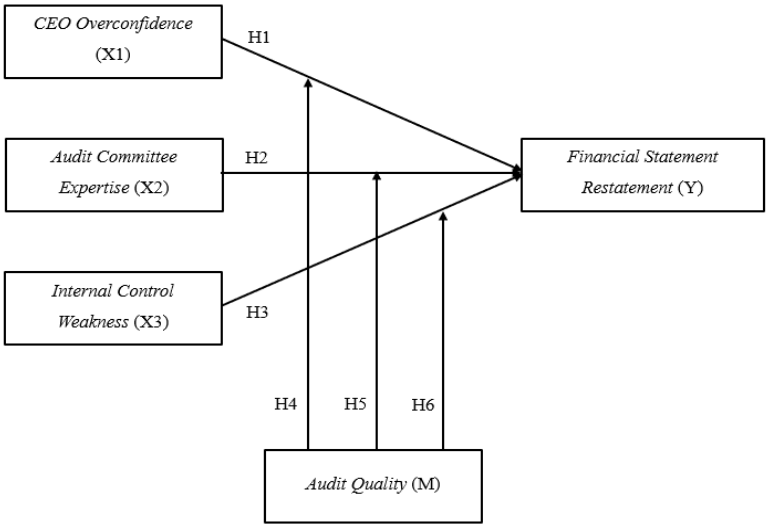


Figure 1. Conceptual framework

3. RESULTS AND DISCUSSIONS

Results

Based on purposive sampling, 53 Consumer Non-Cyclicals companies met the sample selection criteria. Over the 2021–2025 observation period, the study used 265 observations. Because the data consist of repeated firm-year records, the nominal observation count should not automatically be equated with 265 independent firms or independent statistical units.

Model Goodness-of-Fit Test

Table 1. Hosmer and lemeshow test

Hosmer and Lemeshow Test	Chi-square	df	Sig.	Remarks
Logistic Regression Model	11,364	8	0,182	Model fit

Source: Data processed using SPSS, 2026

The Hosmer–Lemeshow test yielded $\chi^2 = 11.364$ (df = 8; p = 0.182). The test therefore does not reject the null hypothesis of no detectable difference between observed and predicted frequencies at the conventional 5% threshold. This result alone does not establish adequate prediction, stable estimation, or satisfactory calibration in all subgroups.

Overall Model Test

Table 2. Omnibus tests of model coefficients

Omnibus Test	Chi-square	df	Sig.	Remarks
Step	15,852	4	0,003	Significant
Block	15,852	4	0,003	Significant
Model	15,852	4	0,003	Model significant

Source: Data processed using SPSS, 2026

The omnibus likelihood-ratio test produced $\chi^2 = 15.852$ (df = 4; p = 0.003). Thus, the reported main-effects specification fits significantly better than an intercept-only model. This joint model comparison does not demonstrate that every individual predictor is statistically significant and does not evaluate the subsequently reported interaction specification.

Wald Test

Table 3. Wald test

Variable	B	Wald	Sig.	Exp(B)	Remarks
X1	1,078	9,847	0,002	2,938	Significant
X2	17,710	0,000	0,999	49.131.617,937	Not significant
X3	14,259	0,000	1,000	1.558.546,174	Not significant
M	17,770	0,000	0,998	52.163.556,046	Not significant

Source: Data processed using SPSS, 2026

In the main-effects model, the CEO-overconfidence proxy (X1) had a positive coefficient (B = 1.078; Wald = 9.847; p = 0.002; odds ratio = 2.938). Audit committee expertise (X2: B = 17.710; p = 0.999) and disclosed internal control weakness (X3: B = 14.259; p = 1.000) did not produce statistically significant Wald tests. Nevertheless, the exceptionally large coefficients and odds ratios for X2, X3, and audit quality (M), combined with Wald statistics near zero, suggest potential instability in the fitted model. Sparse outcome-by-predictor categories or separation could contribute to this pattern, but neither explanation can be verified without the underlying firm-year data and convergence diagnostics. Consequently, the nonsignificant Wald results do not provide strong evidence that these underlying relationships are absent.

Moderation Test

Table 4. Moderation test

Variable	B	Wald	Sig.	Exp(B)	Remarks
X1	0,000	0,000	1,000	1,000	Not significant
X2	2,608	0,000	1,000	13,570	Not significant
X3	15,201	0,000	1,000	3.996.263,978	Not significant
M	-0,389	0,000	1,000	0,677	Not significant
X1_M	1,078	0,000	1,000	2,938	Not significant
X2_M	15,493	0,000	1,000	5.353.704,790	Not significant
X3_M	-	-	-	-	Cannot be estimated

Source: Data processed using SPSS, 2026

The interaction terms for CEO overconfidence × audit quality (X1_M) and audit committee expertise × audit quality (X2_M) each had a reported Wald statistic of 0.000 and p = 1.000. Thus, the fitted moderation model does not provide statistically significant evidence for either interaction. However, the extreme and unstable-looking coefficient pattern limits confidence in a substantive conclusion that audit quality has no moderating role. The internal control weakness × audit quality interaction (X3_M) was excluded from estimation because of reported redundancy; therefore, H6 was not statistically tested, rather than rejected. Further investigation of product-term variation, sparse categories, collinearity, convergence, and repeated firm-year dependence would be necessary before drawing stronger conclusions about moderation.

Coefficient of Determination

Table 5. Nagelkerke r square test

Model	Cox & Snell R Square	Nagelkerke R Square
Moderation Model	0,058	0,226

Source: Data processed using SPSS, 2026

The model reports Cox & Snell R Square = 0.058 and Nagelkerke R Square = 0.226. These values are likelihood-based pseudo-R^2 measures and are not directly equivalent to the proportion of variation explained by an ordinary least-squares model. In particular, Nagelkerke R Square = 0.226 should not be interpreted as proof that the model explains exactly 22.6% of individual restatement outcomes. Predictive assessment would require additional diagnostics, such as discrimination, classification performance, and calibration, which are not reported in the source output.

Discussion

The Effect of CEO Overconfidence on Financial Statement Restatement

The main-effects model indicates a positive association between the capital-expenditure-to-operating-cash-flow proxy for CEO overconfidence and restatement (B = 1.078; odds ratio = 2.938; p = 0.002). The odds ratio describes the estimated change in odds associated with a one-unit increase in this proxy, conditional on the reported model; it does not mean that the probability of restatement rises by 293.8%. From an agency-theory perspective, overly optimistic managerial assessments may aggravate information asymmetry and financial-reporting judgments (Schrand & Zechman, 2012; Presley & Abbott, 2013). However, the proxy also reflects investment and operating-cash-flow conditions and does not directly measure a CEO's psychological overconfidence. The result therefore indicates an association worthy of governance attention rather than a demonstrated causal effect of executive overconfidence.

From a practical perspective, boards and audit committees can use this association as a reason to scrutinize unusually optimistic estimates, the documentation supporting major capital-allocation decisions, and management responses to contradictory audit evidence. Such steps are

precautionary governance measures proposed from the theoretical interpretation, not interventions whose effectiveness was tested in the present study. The theoretical contribution is therefore a bounded association between an investment-based overconfidence proxy and restatement incidence, rather than proof that audit quality or a specific internal-control change prevents restatements.

The Effect of Audit Committee Expertise on Financial Statement Restatement

The reported Wald test for audit committee expertise is not statistically significant (p = 0.999). In theory, financial expertise can improve audit committee oversight and reduce agency problems, but its effectiveness also depends on independence, engagement, and monitoring practices (Abbott et al., 2004; Agrawal & Chadha, 2005). In the present model, the unusually large point estimate and odds ratio prevent a confident conclusion that audit committee expertise has no substantive relationship with restatements. More detailed variation in committee expertise and oversight activity, together with re-estimation of potentially unstable logistic coefficients, would support a more informative interpretation.

The Effect of Internal Control Weakness on Financial Statement Restatement

The Wald test for disclosed internal control weakness is not statistically significant (p = 1.000), despite the theoretical link between control deficiencies and financial-reporting risk (Doyle et al., 2007). Nevertheless, the extreme coefficient and odds ratio make the reported null result difficult to interpret substantively. The disclosure-based dummy may also fail to capture differences in the severity and remediation of deficiencies. The evidence therefore should not be taken to demonstrate that internal control weaknesses are irrelevant to restatements; additional diagnosis of event counts, estimation stability, and alternative measurement is needed.

The Moderating Role of Audit Quality in the Effect of CEO Overconfidence on Financial Statement Restatement

The interaction of CEO overconfidence with the Big Four audit-quality indicator did not yield a statistically significant Wald test (X1_M: p = 1.000). Consequently, this model provides no reliable positive evidence that the Big Four proxy alters the association between the CEO-overconfidence measure and restatement. This result should not be treated as proof of no moderation because the broader interaction model displays signs of estimation instability. Agency theory and audit-risk considerations still allow external audit procedures to constrain misstatements or to increase their detection, depending on the reporting stage. A more informative test requires stable interaction estimates and audit-quality measures that extend beyond audit-firm classification.

The Moderating Role of Audit Quality in the Effect of Audit Committee Expertise on Financial Statement Restatement

The audit committee expertise × audit quality term likewise did not yield a statistically significant Wald test (X2_M: p = 1.000). The available results therefore do not establish that a Big Four audit engagement strengthens or weakens the proposed relationship between audit committee expertise and restatement. However, the sparse-looking coefficient pattern restricts inferences about the absence of an interaction. Monitoring effectiveness may be shaped by how audit committee expertise is exercised and how external auditors communicate with the committee, dimensions that the binary proxies do not capture (Schmidt & Wilkins, 2013).

The audit-quality findings should be distinguished from prior evidence rather than treated as a direct contradiction. Francis et al. (2013) studied Big Four office size in relation to client restatements, while Schmidt and Wilkins (2013) examined how auditor quality and audit committee expertise relate to the timeliness of restatement disclosures. The present analysis instead tests whether a binary Big Four indicator interacts with specific executive and governance predictors of restatement incidence. Moreover, the extreme coefficient estimates and unestimable interaction in the present data restrict the strength of the comparison. The available results do not establish that auditor quality is ineffective at identifying or preventing errors.

The Moderating Role of Audit Quality in the Effect of Internal Control Weakness on Financial Statement Restatement

The moderation test showed that the interaction between Internal Control Weakness and Audit Quality (X3_M) could not be estimated and was excluded from the final model due to redundancy in the model. As a result, the moderating effect of Audit Quality on the relationship between Internal Control Weakness and Financial Statement Restatement could not be tested using the logistic regression model applied in this study. Therefore, it cannot be determined whether Audit Quality strengthens or weakens the effect of Internal Control Weakness on Financial Statement Restatement. Because the product term could not be estimated, H6 remains empirically unresolved; this is a limitation of the fitted specification, not support for the null hypothesis. Whether stronger auditing mitigates the consequences of weak controls or increases detected restatement disclosures cannot be inferred from the reported model.

4. CONCLUSION

The reported main-effects logistic model identifies a positive association between the capital-expenditure-to-operating-cash-flow proxy for CEO overconfidence and financial statement restatement (B = 1.078; odds ratio = 2.938; p = 0.002). Audit committee expertise and disclosed internal control weakness did not yield statistically significant Wald tests in the reported specification, but unusually large coefficient estimates limit the certainty of these null interpretations. The reported interaction tests for CEO overconfidence and audit committee expertise offer no reliable evidence of moderation by the Big Four audit-quality proxy, while the internal control weakness × audit quality interaction could not be estimated; accordingly, H6 cannot be evaluated. Theoretically, the findings suggest that executive-related financial reporting judgment deserves further attention alongside conventional monitoring mechanisms, without establishing a causal preventive mechanism. Practically, boards and audit committees may consider additional scrutiny of optimistic assumptions and major investment decisions, but this study did not test whether those actions reduce restatements. Unreported firm-level controls, year effects, potential within-firm dependence, proxy limitations, and instability in some logistic estimates restrict the generalizability and precision of the conclusions.

Future research should use the underlying firm-year records to examine the number of restatement events in each binary-predictor combination, assess convergence and separation, and re-estimate interactions using appropriately robust or penalized binary-outcome methods when justified. Including company characteristics, observation-year effects, and firm-clustered uncertainty measures would help assess whether the proposed moderation persists after accounting for heterogeneity and repeated observations. More direct audit-quality measures, alternative CEO-overconfidence proxies, larger event samples, and analyses distinguishing detection from prevention would also allow a more informative test of audit quality as a moderator.

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