

INVESTIGATING THE IMPACT OF AUDIT COMMITTEE ATTRIBUTES ON COMPANY PERFORMANCE: A MALAYSIAN FOCUS

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ABSTRACT

Background and Purpose: This study examines the relationship between selected audit committee attributes—gender diversity, size, meetings, independence, and expertise—and company performance, assessed through return on equity (ROE) and return on assets (ROA). As a key corporate governance mechanism, audit committees play a crucial role in enhancing corporate efficiency and positively influencing company performance.

Methodology: This quantitative cross-sectional study is grounded in agency theory, focusing on public listed companies under Bursa Malaysia. Secondary data were collected from the corporate annual reports of 106 companies and the Eikon database for the period 2018–2020. The data were analyzed using Pearson Correlation and Multiple Linear Regression in SPSS.

Findings: The analysis revealed a positive correlation between gender diversity and size with company performance, while meetings, independence, and expertise showed no significant relationship with performance. Additionally, gender diversity and size demonstrated a significant impact on company performance, whereas no substantial relationship was found for (i) meetings and independence or (ii) expertise and company performance. These findings suggest that gender diversity and size are critical audit committee attributes for enhancing company performance.

Contributions: The findings provide valuable insights for optimizing corporate governance structures and inform regulatory authorities on the importance of fostering gender diversity and appropriately sizing audit committees to improve organizational performance.

Keywords: Audit committee, corporate governance, company performance, Malaysia.

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1.0 INTRODUCTION

Corporate governance is perhaps one of the most globally discussed topics, as it could have a fundamental role in a company's success and performance. Specifically, the presence of an agency facilitates optimal corporate governance (Akbar, 2015). On a global scale, corporate scandals resembling Enron and Worldcom have garnered much interest in corporate governance efficiency. The scandals, including the recent 1Malaysia Development Berhad case (Foong et al., 2020), occurred due to inadequate governance (Hosseini & Mahesh, 2016). Zulkefli and Quddus (2019) asserted that several big-scale Malaysian corporations, particularly government-linked companies (GLCs), encounter corporate governance intricacies, and this has strongly discouraged state-level engagement to develop a competent corporate governance structure within these GLCs.

Global financial crises have highlighted the essentiality of safeguarding stakeholder interests and improving corporate governance (Cabalu, 2005). For example, the 1997 Asian financial crisis resulted in the establishment of the Malaysian Code of Corporate Governance (MCCG) in 2000 and its subsequent revision in 2007 to emphasise the necessity of internal audits in all companies (Ghazali & Manab, 2013). The third revision, 2012, aimed to mitigate agency issues through a strong shareholder-company rapport (Hee, 2016). The recent MCCG 2021 revision in Malaysia encompasses the implementation of novel practices and other guidelines for strong corporate governance, while Securities Commission Malaysia (SCM) documented positive progress in corporate governance practices.

Corporate governance implies a set of established and administered principles to protect legitimate interests and deter poor performance (Koutoupis & Bekiaris, 2019). Goel (2018) proposed that good corporate governance potentially improves monitoring efficiency towards optimal financial performance, whereas companies that voluntarily incorporate good corporate

governance practices experience additional advantages (Bansal & Sharma, 2016). Rahman and Saima (2018) and Amin et al. (2019) affirmed one of the primary factors influencing positive company performance is good corporate governance practices. Following Zaitul et al. (2019), poor corporate governance instigates sub-standard company performance and potential financial crises. As proven by corporate scandals in Malaysia and worldwide, the company's financial performance affects weak organisational health and sustainability. 1MDB case is an example of a gross violation of good corporate governance practice. Besides 1MDB, other well-known cases in Malaysia are Felda Land Development Authority (FELDA), Idris Hydraulic and Transmile, where billions of dollars of shareholders' and taxpayers' money have been wasted, and these are all due to corrupt practices and bad corporate governance (Salin et al., 2019). The public witnessed dubious transfers of funds and assets, purchases of assets which later proved to be idle, and overstatements of revenues and profits. These are some of the business transactions that occurred, and the governance of those entities failed to deter and detect, in most cases, the management itself as the key player in the scandals. An audit committee is one of the primary corporate governance tools that catalyse company efficiency and performance (Rahman et al., 2019). Audit committees function as supervisory bodies that complement external auditors' work by monitoring financial reporting processes, internal control, legal compliance, and supervising management-level decision-making for self-interests (Emmanuel et al., 2014). Audit committees constitute a corporate governance component that alleviates agency conflicts (Bilal et al., 2018).

The theory underpinning this study is the agency theory. The theory explains that the audit committee resolves agency issues when the organisational management (the agent) operates the company and makes decisions to fulfil the interests of shareholders and other stakeholders (the principals). The audit committee structure, which shall consist of non-executive members of the board, is a vital corporate governance instrument from an organisational philosophy perspective, given that non-executive directors' engagement should be able to detect wrongful managerial activities to protect the shareholders' and other stakeholders' interests (Kandandu et al., 2015). In Malaysia, an audit committee is a mandatory prerequisite under the Bursa Malaysia Listing Requirements, where a publicly listed company must establish an audit committee. In addition, the MCGG emphasises the audit committee as one of the most vital corporate governance aspects within a company (Islam et al., 2010).

To be effective, audit committee should have certain attributes such as independence of its members, suitable size, members are experts in finance and optimal meeting frequencies (Ofoeda et al., 2020; Koutoupis & Bekiaris, 2019; Gurusamy, 2017; Kingsley, 2012; Ghafran

& O'Sullivan, 2013). Gender diversity is another attribute that has a positive impact (Salleh et al., 2012), as different genders distinctly influence decision-making (Nielsen & Huse, 2010) with novel perspectives to elevate corporate values and success (Salleh & Haat, 2013).

This study investigated the relationship between the effect of audit committee attributes (gender diversity, size, meeting frequency, members' independence, and expertise) and company performance. De Wet and Du Toit (2007) found that ROE and ROA are among the most popular and extensively utilised measurements of a company's financial performance. The ROE equals the overall net income divided by shareholder equity (Zhang et al., 2017). It is vital in quantifying an organisation's profitability and potential based on equity or internal capital. The ROA is total net income divided by the total assets (Salim & Yadav, 2012). It evaluates the company's efficiency in utilising its assets for profit generation (Rostami et al., 2016). Thus, this study explores the impact of selected audit committee attributes on the performance of publicly listed companies under Bursa Malaysia. This study found that two audit committee attributes, namely, gender diversity and size, have significant effects on the performance of publicly listed companies.

This study provides useful insights into audit committees as a corporate governance mechanism to facilitate decision-making and, thus, contributes to the existence of effective audit committees. As such, it expands the current body of literature on the variable connections to complement existing research by demonstrating the impact of gender diversity Alqatamin (2018), size (Detthamrong et al., 2017) meeting frequency, expertise, and independence (Osemene & Fakile, 2018) on company performance.

2.0 LITERATURE REVIEW

2.1 Agency Theory

This theory was initially proposed by Jensen and Meckling (1976) based on the conflicts of interest between multiple corporate stakeholders to justify the agent-principal relationship. Researchers have extensively utilised the agency theory to outline the nature of conflicts and possible solutions. In line with Mitnick (2019), the agency theory serves to alleviate the challenges (agency issues) resulting from an agency connection. For example, Agarwal et al. (2014) explained this theory as a collection of propositions to regulate contemporary businesses with various shareholders or owners to enable agents (company executives or managers) to employ their collective wealth for future benefits. On a global scale, managers have manipulated their positions for self-interests at the cost of their principal counterparts (Sirajo

et al., 2019; Ijeoma & Aronu, 2013; Akers et al., 2007). Consequently, company performance is inevitably impacted when organisational funds are exploited for managers' benefits.

Optimal company governance involves an audit committee to prevent unethical practices of company managers. The management of a company, as an agent to the company's principals, namely shareholders and other stakeholders, has the responsibility to oversee the internal control and financial reporting of company systems and assess the level of quality, integrity, and objectivity to safeguard shareholder investments (Messier et al., 2017). An audit committee functions to resolve agency problems, especially when the management can potentially violate their responsibility. Thus, in performing its duties, the audit committee enables the company to maximise its performance. It is, therefore, deemed crucial to establish audit committees with particular characteristics in order to resolve agency frictions (Setiany et al., 2017; Oroud, 2019; Kamolsakulchai, 2015).

2.2 Audit Committee Attributes and Company's Performance

An audit committee is a primary corporate governance mechanism that acts as a sub-committee to the board of directors based on its capacity and responsibility to oversee a company's financial reporting. This includes overseeing the effectiveness of the company's internal controls, auditing, and facilitating communication between the board and the external auditor. Al-Matari and Mgamal (2019) found a significant positive relationship between the non-executive board, audit committee size, audit committee independence and internal audit profession, and corporate performance, while board size, internal audit size and internal audit education had a negative but significant relationship with company's performance. Kamolsakulchai (2015) found that board size, financial risk, ROA, and growth were positively related to financial reporting quality. Kamolsakulchai (2015) examined the relationship between audit committee effectiveness and audit quality that affects financial reporting for companies listed on the Stock Exchange of Thailand (SET). Further, Krishnan and Visvanathan (2009) found that audit committees whose members had sound financial knowledge could effectively impact audit quality.

A company's performance can be looked at from two aspects, namely, financial and non-financial performance (Azim, 2012). Financial performance denotes the extent to which a company utilises its assets in primary business activities and revenue generation (Van Horne & Wachowicz, 2001), while non-financial performance indicates corporate social responsibility, disclosure, and minimal corporate fraudulence (Nguyen et al., 2020). As an audit committee could mitigate agency costs, Cai et al. (2015) confirmed the importance of

examining the best audit committee attributes (Al Dhamari et al., 2018) that could ensure a company's financial and non-financial success. Studies have employed several measures to gauge company performance, such as operating income, total revenue, dividend (Almagtome & Abbas, 2020), ROE and ROA (Awinbugri & Prince, 2019; Purnamasari, 2015; Abdur Rouf, 2011). Purnamasari (2015) stated that ROE should be prioritised for performance evaluation as investors typically emphasise high returns, while some studies found that both ROE and ROA to be one of the most common measures of financial company performance (Wet & Du Toit, 2006; Awinbugri & Prince, 2019; Abdur Rouf, 2011).

This study aims to examine the effects of certain audit committee characteristics on a company's performance. Other studies have found the effects of such characteristics on a company's performance, for example, gender diversity (Wakaba, 2014), size (Sarpal, 2017), meetings, independence, and expertise (Farhan et al., 2017).

2.3 Audit Committee Gender Diversity

Many countries, including Malaysia, have encouraged female representatives on companies' boards of directors. It is believed that gender diversity may greatly enhance creativity and good relationships with society and stakeholders and improve professional work and guidance (Hillman et al., 2007; Siciliano, 1996) as they are deemed more ethical (Usman et al., 2018). These follow the hypothesis that female representation in companies may positively enhance financial performance (Saleh et al., 2020). Thus, an audit committee of diverse genders could facilitate various ethical practices, notions, and perceptions for optimal company performance. Gender diversity is one of the primary factors influencing board and audit committee efficiency (Aldamen et al., 2016), as the presence of at least one woman on the board was found to lower the likelihood of financial restatement (Oradi & Izadi, 2019; Abbott et al., 2012). Similarly, audit committee gender diversity would provide various notions and facilitate the audit committee in managing accounting intricacies (Gul et al., 2011), positively impacting company performance (Alqatamin, 2018; Dinu & Nedelcu, 2015).

In the Chijoke-Mgbame et al. (2020) study, a positive and significant relationship was identified between female audit committee members and company performance based on ROA, while Adams and Ferreira (2009) proposed a substantial relationship between female audit committee members and ROE and ROA. Meanwhile, Green and Homroy (2017) discovered a significant and positive impact between female audit committee members and financial company performance in European organisations. Perceivably, female members who are more thorough in their approach lead to effective reporting and monitoring (Srinidhi et al.,

2011). On another note, female members, financial experts and chairpersons of the AC are negatively associated with stock price synchronicity (Ghafoor et al., 2021). Similarly, Adnan et al. (2013) found no significant gender diversity-company performance relationship based on ROE and ROA, while Carter et al. (2010) found an insignificant gender diversity-company performance relationship with ROA. Sultana et al. (2015) found that gender differences in audit committee members may adversely impact a small group and result in the development of minority-majority distinctions and ineffective audit committees. As such, the following hypothesis was developed:

***H1:** There is a significant relationship between audit committee gender diversity and company performance.*

2.4 Audit Committee Size

Size is another crucial attribute that possibly affects company performance. However, past studies found mixed results. It was found that audit committee size significantly affected company performance (Al-Homaidi et al., 2021; Al-Matari & Mgammal, 2019; Afza & Nazir, 2014; Aanu et al., 2014; Pucheta-Martinez & Fuentes, 2007). The increased resources in a large audit committee size could depict organisational advantages (Rahman et al., 2019). Optimal audit committee size may assist companies in resolving top management conflicts of interest (Rashid et al., 2021). A Kenyan study by Manini and Abdillahi (2016) discovered a significant association between audit committee size and company performance, which is consistent with the findings by Kyereboah-Coleman (2008) in Ghana, South Africa, Nigeria and Kenya and by Afza and Nazir (2014) in Pakistan.

However, a big audit committee size could encounter organisational complexities, losses and low company performance (Kamolsakulchai, 2015). Mak and Kusnadi (2005) found an inverse relationship between audit committee size and firm value in Singapore and Malaysia. Amer et al. (2014), who investigated Egyptian listed companies, found low ROA with increased audit committee size similar to Aldehayyat et al. (2017), Zraiq and Fadzil (2018), Rimardhani et al. (2016), and Zakaria (2018). As such, the following hypothesis was developed:

***H2:** There is a significant relationship between audit committee size and company performance.*

2.5 Audit Committee Meeting

Audit committee meetings are vital to making decisions and implementing financial reporting requirements. For example, frequent audit committee meetings would enhance transparency in generating corporate profit and performance (Aanu et al., 2014). This frequency impacts the effectiveness of the audit committee as high meeting frequency indicates the members' willingness to spend time for company benefits (Kamolsakulchai, 2015).

Rashid et al. (2021) found that frequent audit committee meetings could determine the adequacy of deliberations and resolve agency conflicts involving information asymmetry. Similarly, Bedard et al. (2004) claimed that frequent meetings could enhance the probability of audit committee members' objective attainment. As such, Bouaziz's (2012) study on Tunisian companies found a significant and positive relationship between audit committee meeting frequency and company performance. Similar findings were found by Zabonjnikova (2016), Zraiq and Fadzil (2018), Al-Matari and Mgammal (2019), Al-Homaidi et al. (2021), and Oudat et al. (2021), Al-Matari (2022) that indicated the frequency of audit committee meetings to significantly and positively impact company performance. Al-Matari, Mohammed and Al-Matari (2017) found that audit committee effectiveness, represented by meetings frequency between audit committee and internal auditors, was significantly related to the commercial banks' performance in Yemen (also see Al-Matari, 2022).

However, some other studies found contradicting results. Hsu and Petchsakulwong (2010) found that the frequency of audit committee meetings had an adverse relationship with company performance. Khatib and Nour's (2021) examination of the impact of corporate governance on company performance during the COVID-19 pandemic discovered audit committee meetings to be negatively associated with company performance. In addition, Bédard, Chtorou and Courteau (2004), Alqatamin (2018), Bagais and Aljaaidi (2020), Mohammed (2018) and Rahman et al. (2019) found no relationship or negative correlation between audit committee meeting frequency and company performance. Further, it was also found that audit committee frequency of meetings had a positive association with the likelihood of corporate scandal (McLaughlin et al., 2021). As such, the following hypothesis is developed:

H3: *There is a significant relationship between the frequency of audit committee meetings and company performance.*

2.6 Audit Committee Independence

Audit committees should consist of only independent directors (MCCG, 2021) who “rigorously challenge and ask probing questions on the company’s financial reporting process, internal controls, risk management and governance” (MCCG, 2021, p. 45). Inconsistent findings were documented on the relationship between the independence of audit committee members and company performance (Fuji et al., 2016). Independent audit committee members could contribute substantial outcomes by improving committee powers and mitigating the possibility of insider expropriation and agency concerns (Yeh et al., 2011; Velte, 2017), hence, optimising company performance (Al-Matari & Mgammal, 2019; Koutoupis & Bekiaris, 2019; Mohammed et al., 2019). A Malaysian study on publicly listed companies found that independent non-executive directors and audit committees significantly influence the company’s performance, as represented by ROE. At the same time, another research discovered that an independent audit committee could prevent accounting incongruencies for improved investments and company performance (Al-Mamun et al., 2014). Similarly, Abdul Majid et al. (2021) found that a fully independent audit committee successfully solves the independence issue for external auditors, which aligns with the MCCG 2017 requisite. Al-Matari (2022), who studied Saudi Arabia’s financial listed companies from 2014 to 2018, discovered that audit independence positively influenced the companies’ financial performances.

Arif and Syed (2015) found a significant relationship between audit committee independence and ROA as opposed to ROE. However, Zabri et al. (2016) discovered no relationship between audit committee independence and company performance, while Mohamad’s (2018) study on Jordanian companies showed a negative correlation, which is also consistent with Ofoeda et al. (2020). In addition, Ahmed (2023) found that audit committee independence is negatively related to integrated reporting practices. As such, the following hypothesis is developed:

H4: There is a significant relationship between audit committee independence and company performance.

2.7 Audit Committee Expertise

Audit committee expertise, specifically in financial knowledge and experience, is important for the members to comprehend the company business (MCCG, 2021), and possessing such expertise would impact the audit committee’s effectiveness. Knowing will assist the members in critically questioning the company’s financial reporting, provide more support for auditing

output (Kamolsakulchai, 2015), and increase company performance (Mohammed, 2018; Nuhu et al., 2017; Alzeban, 2015; Aanu et al., 2014; Hamdan et al., 2013). A study in Malaysia by Kituku and Ahmad (2016) found that audit committee expertise was positively associated with audit committee effectiveness. Possessing the relevant expertise could enable the audit committee members to lend credibility and integrity to the published financial statements (Ahmed, 2013). Qaderi et al. (2020) stated that audit committee members should be competent to monitor the effectiveness of preparing financial statements and mitigate conflicts of interest. Salehi et al. (2018) also demonstrated a significant positive relationship between audit committee expertise and company profitability. However, Mohammed et al.'s (2019) research found an adverse association between audit committee expertise and company performance. As such, the following hypothesis is developed:

H5: There is a significant relationship between audit committee expertise and company performance.

3.0 METHODOLOGY

This quantitative study strives to examine the impacts of audit committee attributes on company performance based on secondary data. Data on publicly listed Malaysian companies were gathered from Bursa Malaysia Main Market and the Eikon database. Both financial and non-financial data, especially on audit committee attributes, were utilised in this study. A total of 781 companies were listed under the Bursa Malaysia Main Market. This study omitted PN17 companies as they do not fulfil the listing requirements of three audit committee members on average (Norziaton & Hafizah, 2019). Listed companies would require board approval to restructure and maintain their status as listed companies on Bursa Malaysia (Manaf et al., 2021). This study also disregarded outliers of 14 companies for bias prevention (Field, 2009). Thus, the population of this study was 612 companies.

Companies are prioritised consistently with market capitalisation (Othman et al., 2014) as organisations with large market capitalisation could sustain performance (Isa et al., 2019). Using stratified random sampling (Sekaran & Bougie, 2016), 20% of companies from every industry were selected as the sample, thus, giving this study a sample size of 106 companies. The research variable measurement is presented in Table 1.

Table 1: Variable measurement

Symbol	Description	Measurement	Types of Variables
β_0	Constant	-	-
ε	Random Error	-	-
CP	Company Performance (Return on Equity)	Company Performance is measured in ROE where it is formulated as net profit after tax divided by total equity	Continuous Variable
CP	Company Performance (Return on Asset)	Company Performance is measured in ROA where it is formulated as net profit after tax over total asset	Continuous Variable
AC_GEN	Audit Committee Gender Diversity	Number of women in audit committee members	Continuous Variable
AC_SIZE	Audit Committee Size	Number audit committee members employed by the company	Continuous Variable
AC_MEET	Audit Committee meetings	Frequency of audit committee meetings	Continuous Variable
AC_IND	Audit Committee Independence	Number of independent audit committee members	Continuous Variable
AC_EXP	Audit Committee Expertise	Accounting qualification, experience in finance industry and professional association membership poses by audit committee members	Continuous Variable

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive Analysis

The sample for this study was taken from 20% of listed companies in each industry in Bursa Malaysia's main market. Table 2 shows the distribution of companies listed under the Main Market of Bursa Malaysia. There are six sectors involved, and the frequency of each sector after removing PN17 companies as they did not disclose the compliance with MCGG requirements. The highest proportion of companies came from the industrial products and services sector; and consumer product and services sector. Both accounted for 66% of the total sample of 106.

Table 2: Distribution of companies

Sector	Frequency (Exc. Outliers)	Percentage (%)
Construction	10	9.43
Consumer Product & Services	27	25.47
Industrial Products & Services	39	36.8
Plantation	7	6.6
Property	15	14.15

Technology	8	7.55
Total	106	100

Table 3 below shows the descriptive statistics on the maximum, minimum, mean and standard deviation values. Data was taken from 2018 until 2020, thus, giving N of 318.

Table 3: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Committee Gender	318	0	4	0.68	.735
Audit Committee Size	318	3	6	3.47	.739
Audit Committee Meeting	318	2	12	5.14	1.114
Audit Committee Independence	318	2	6	3.22	.752
Audit Committee Expertise	318	1	4	2.01	.816
Return on Equity	318	0.00	.55	.1075	.08069
Return on Asset	318	0.00	.30	.0634	.05482
Valid N (listwise)	318				

Audit committee meeting frequency has the highest mean of 5.14 with a standard deviation of 1.114. The audit committee is the frequency at which the committee holds annual meetings. The highest frequency is six (6) times in a year. The lowest mean was found for audit committee gender diversity (mean = 0.68 with standard deviation = 0.735). The number of female memberships in the audit committee measured gender diversity. There are instances of no female members in the audit committee, as the minimum is 0.

Audit committee size was measured by the number of members in an audit committee, and the mean was 3.47, with a standard deviation of 0.739. The largest size was six members, and the smallest was three members, which fulfilled the MCGG and Bursa Malaysia listing requirements. Audit committee independence was measured by the number of independent members in the audit committee, with a mean of 3.22 and a standard deviation of 0.752. The highest number of independent members was six, which indicates that there are situations where all members are independent directors. Audit committee expertise was defined as members of the audit committee with financial and business knowledge. The largest number was four, and the lowest was one (mean = 2.01 with a standard deviation = 0.816).

For the dependent variables, the minimum ROE was 0, and the maximum was 0.55, with a mean of 0.1075 and a standard deviation of 0.08069. ROA minimum was also 0, and the maximum was 0.30, with a mean of 0.0634 and a standard deviation of 0.05482.

4.2 Pearson Correlation Analysis

Table 4 outlines the correlation analysis outcomes where most audit committee attributes revealed weak associations with audit performance through ROE and ROA. A coefficient of 0.7 indicates a strong correlation between the independent and dependent variables. The results show the correlations for all variables are weak as the correlation coefficients are less than 0.5. However, some of these correlations are significant. Audit committee gender diversity demonstrated a positive, weak, but significant correlation with ROE ($r = 0.110$) and a positive, weak, but significant correlation with ROA ($r = 0.157$). This is consistent with Wakaba (2014) but not with Agyemang (2020), who found a negative correlation between audit committee diversified gender and company performance. The audit committee meeting frequency had a negative weak, but significant correlation with ROA ($r = -0.158$). However, the ROE correlation was negative and insignificant ($r = -0.044$).

The audit committee size had a positive and moderate but insignificant correlation with ROE ($r = 0.60$) and a very weak but positive and insignificant correlation with ROA ($r = 0.059$). Results also showed that audit committee independence had a very weak negative and insignificant correlation with ROE ($r = -0.042$) and ROA ($r = -0.078$). Similarly, audit committee expertise had a very weak negative and insignificant correlation with ROE ($r = -0.037$) and ROA ($r = -0.052$). These results are consistent with Hamdan et al.'s (2013) findings. The negative correlations between the variables, audit committee meeting frequency, independence of audit committee members and their expertise with ROE and ROA are consistent with Albawwat and Al-Harasees (2019), Oroud (2019), Zabonjnikova (2016), Agyemang (2020) and Ofoeda et al. (2020).

Table 4: Pearson correlation analysis result

		AC_GEN	AC_SIZE	AC_MEET	AC_IND	AC_EXP	ROE	ROA	LEV
AC_GEN	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	318							
AC_SIZE	Pearson Correlation	.268**	1						
	Sig. (2-tailed)	.000							
	N	318	318						
AC_MEET	Pearson Correlation	.057	.010	1					
	Sig. (2-tailed)	.311	.853						
	N	318	318	318					
AC_IND	Pearson Correlation	.216**	.712**	.084	1				
	Sig. (2-tailed)	.000	.000	.133					
	N	318	318	318	318				
AC_EXP	Pearson Correlation	.105	.233**	.113*	.135*	1			
	Sig. (2-tailed)	.061	.000	.044	.016				
	N	318	318	318	318	318			
ROE	Pearson Correlation	.110*	.060	-.044	-.042	-.037	1		
	Sig. (2-tailed)	.050	.283	.435	.460	.505			
	N	318	318	318	318	318	318		
ROA	Pearson Correlation	.157**	.059	-.158**	-.078	-.052	.869**	1	
	Sig. (2-tailed)	.005	.296	.005	.163	.360	.000		
	N	318	318	318	318	318	318	318	
LEV	Pearson Correlation	.101	.037	.254**	.153**	.114*	-.094	-.434**	1
	Sig. (2-tailed)	.072	.512	.000	.006	.041	.095	.000	
	N	318	318	318	318	318	318	318	318

4.3 Multiple Regression Analysis

4.3.1 Return on Equity (Model 1)

Table 5 outlines the model summary for ROE with an R^2 of 0.040. This means only a 4% variation in company performance represented by ROE is explained by the audit committee gender diversity, size of the audit committee, frequency of audit committee meetings, audit committee independence and audit committee expertise. Other factors could affect the company's performance, and audit committee characteristics may not be the dominant variables for the Malaysian scenario. Further, this study accounts for various industries (sample taken from 20% of companies in each industry), which may contribute to the variations.

The adjusted R^2 value was equivalent to 0.022, which is very low value, thus, indicating additional input variables are not adding value to this model. This value compares the explanatory power of the regression model with the R-squared, where the R-squared is rather optimistic, whereas the adjusted R-Squared value provides correct estimates of the true

population value, which applies only to a small sample size (Pallant, 2007). The large sample size of 612 in this study makes R^2 a better measure of the variations in the regression.

Table 5: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
1	.201 ^a	.040	.022	.07980	.040	2.186	6	311	.044

a. Predictors: (Constant), Audit Committee Gender, Audit Committee Size, Audit Committee Meeting Frequency, Audit Committee Independence, Audit Committee Expertise.

Table 6 demonstrates the ANOVA outcome for ROE where $F_{Observed (6,311)} = 2.186$ and $F_{Critical (6,311)} = 2.13$. Additionally, the test outcome for ANOVA with (p-value < 0.05) was equivalent to 0.044. The value of $F_{Observed}$ which proved higher than the value of $F_{Critical}$ denoted that the multiple regression model in this study could forecast the company performance represented by ROE. Overall, at least one audit committee attribute reflected a significant and linear association with ROE.

Table 6: Multiple regression analysis (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
1					
Regression	.084	6	.014	2.186	.044 ^b
Residual	1.980	311	.006		
Total	2.064	317			

a. Dependent Variable: Return on Equity
 b. Predictors: (Constant), Audit Committee Gender, Audit Committee Size, Audit Committee Meeting Frequency, Audit Committee Independence, Audit Committee Expertise

Table 7 presents the overall summary of multiple regression results where ROE represents company performance as the dependent variable.

Table 7: Multiple regression analysis (Coefficients)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	.109	.031		3.587	.000	.049	.170
	AC_GEN	.014	.006	.124	2.132	.034	.026	.001
	AC_SIZE	.023	.009	.215	2.601	.010	.006	.041
	AC_MEET	.000	.004	-.006	-.103	.918	-.009	.008
	AC_IND	-.016	.009	-.152	-1.883	.061	-.033	.001
	AC_EXP	-.005	.006	-.047	-.805	.421	-.016	.007
	LEV	-.025	.025	-.059	-1.007	.315	-.073	.024

a. Dependent Variable: Return on Equity

The coefficients in Table 5 above can be used to assess which independent variables included in this model contribute to the dependent variable's prediction. Beta value in standardised coefficients is used in comparing which variables contribute the most to ROE, whereas unstandardized coefficients are used in constructing the regression equation (Pallant, 2007). Thus, this results in a multiple regression equation for ROE as follows:

Equation 1:

$$ROE = 0.109 - 0.014(AC_GEN) + 0.023(AC_SIZE) - 0.000(AC_MEET) - 0.016(AC_IND) - 0.0005(AC_EXP) - 0.025(LEV)$$

Based on Table 5, regression analysis results show that there is a significant positive linear relationship between audit committee gender (B=0.014, p=0.034) and audit committee size (B=0.023, p=0.010) with ROE at p<0.010. These two variables contribute the most to ROE. The results also show no linear relationship between the audit committee meeting frequency and ROE (B=0.000, p=0.918). There seemed to be a negative relationship between audit committee experience and ROE, but the relationship is not significant (B=-0.005, p=0.425). As a result, it can be said that only audit committee gender and size contribute significantly to ROE.

4.3.2 Return on Asset (Model 2)

Table 8 outlines the model summary for ROE with an R^2 of 0.223. This means a 22.3% variation in company performance represented by ROA is explained by the audit committee gender diversity, size of the audit committee, frequency of audit committee meetings, and audit

committee independence and audit committee expertise. This is still a low value of R^2 , but it is higher than the results for Model 1.

Table 8: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
2	.473 ^a	.223	.208	.04877	.223	14.907	6	311	.000

a. Predictors: (Constant), Audit Committee Size, Audit Committee Meeting, Audit Committee Expertise, Audit Committee Gender, Audit Committee Independence

The adjusted R^2 value was equivalent to 0.208, which is still a low value, thus, indicating additional input variables are not adding value to this model. With a relatively large sample size of 612, thus, R^2 is a better measure of the variations in the regression, indicating a variation of 20.8% in the dependent variable of company performance represented by ROA (justified by all independent variables). Meanwhile, the balance of 79.2% was justified by other causes.

The ANOVA outcome for ROA demonstrated $F_{Observed(6,311)} = 14.907$ and $F_{Critical(6,311)} = 2.13$ (Table 9). Specifically, the ANOVA test result with (p-value < 0.05) was equivalent to 0.000. The multiple regression model in this study could forecast the company performance represented by ROE with a value of $F_{Observed}$ higher than the value of $F_{Critical}$. Overall, at least one audit committee attribute portrayed a significant and linear relationship with ROA.

Table 9: Multiple regression analysis (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
2					
Regression	.213	6	.035	14.907	.000 ^b
Residual	.740	311	.002		
Total	.953	317			

a. Dependent Variable: Return on Asset
 b. Predictors: (Constant), Audit Committee Size, Audit Committee Meeting, Audit Committee Expertise, Audit Committee Gender, Audit Committee

Table 10 presents the overall summary of multiple regression results where ROE represents

company performance as the dependent variable.

Table 10: Multiple Regression Analysis (Coefficients)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
2	(Constant)	.106	.019		5.683	.000	.069	.143
	AC_GEN	.010	.004	.140	2.688	.008	.018	.003
	AC_SIZE	.015	.006	.209	2.803	.005	.005	.026
	AC_MEET	-.002	.003	-.039	-.753	.452	-.007	.003
	AC_IND	-.010	.005	-.131	-1.793	.074	-.020	.001
	AC_EXP	-.001	.003	-.018	-.346	.730	-.008	.006
	LEV	-.113	.015	-.396	-7.502	.000	-.142	-.083

a. Dependent Variable: Return on Asset

The coefficients in Table 8 can be used to assess which independent variables included in this model contribute to the dependent variable’s prediction. This results in a multiple regression equation for ROE as follows:

Equation 2

$$ROA = 0.106 - 0.10(AC_GEN) + 0.15(AC_SIZE) - 0.002(AC_MEET) - 0.010(AC_IND) - 0.0001(AC_EXP)$$

Based on Table 10, regression analysis results show that there is a significant positive linear relationship between audit committee gender (B=0.010, p=0.008) and audit committee size (B=0.015, p=0.005) with ROE at p<0.010 level. These two variables seem to contribute the most to ROA. The results also show a significant negative linear relationship between audit committee independence (B=-0.010, p=0.074) and ROA at p<0.10. And there were insignificant negative linear relationships between audit committee meeting frequency (B=-0.002, p=0.452) and audit committee experience (B=-0.001, p=0.730) with ROE.

4.4 Findings

Based on the multiple linear regression analysis in Tables 5 and 8, audit committee gender diversity seemed to have a significant and positive relationship with company performance represented by ROE and ROA. This is consistent with the past literature that found gender diversity in management had a positive impact on company performance represented by ROE (Chijoke-Mgbame et al, 2020; Saleh et al., 2020; Sarhan et al., 2018; Wakaba, 2014). Similarly,

Chijoke-Mgbame et al. (2020) suggested a positive and significant female audit committee-company performance relationship with ROA as female directors were deemed to be more ethical (Usman et al., 2018).

In line with the agency theory, audit committee gender diversity implies one of the attributes impacting company performance as female directors' presence would enhance decision qualities Carter et al. (2010) which could result in high autonomy and supervision (Adams & Ferreira, 2009). Thus, an ownership-control distinction in the agency theory results in conflicts of interest between managers and shareholders (Zalata et al., 2018). An efficient audit committee could enhance monitoring and the integrity of financial reporting for minimal agency expenditure (Dhaliwal et al., 2010) and high company performance. According to DeZoort et al. (2002), the audit committee composition could affect its performance, where female directors' presence in audit committee members' gender diversity reflected a significant relationship with company performance. Similarly, Lai et al. (2017) discovered that female directors are competent supervisors without the probability of engaging in male networks (Zalata et al., 2018).

This study found that audit committee size had a significant relationship with company performance. This is consistent with results found in some previous research work. Kipkoech and Rono (2016) found a significant and negative audit committee size-company performance relationship with ROA. This may indicate that a large audit committee composition would lower firm performance following the presence of free riders and pressure from colleagues. Conversely, Ashari and Krismiaji (2020) found that audit committee size was significantly and positively associated with ROA, while Zabonjnikova (2016) found the existence of a relationship between audit committee size and company performance represented by ROE. Further, Aanu et al. (2014) found that audit committee size is positively associated with ROE and ROA. Thus, the possibility of holding organisational status and influence is higher with a large audit committee size (Lin & Hwang, 2010). This resource increase may enable a company to monitor financial reporting and internal control and elevate company performance (Anderson et al., 2004).

During audit committee meetings, audit committee members are accountable for reviewing final audit matters and evaluating primary findings (Bahreini, 2013). This study found no significant relationship between audit committee meeting frequency and company performance. This is consistent with previous studies that found that audit committee meeting frequency did not significantly impact ROE and ROA (Elhawary, 2021); the presence of an audit committee meeting did not substantially affect audit efficiency (Stewart & Munro, 2007).

However, some studies found significant relationships between audit committee meeting frequency and company performance (Al-Mamun et al., 2014; Nuhu et al., 2017; Maina & Oluoch, 2018; Jamil & Nelson, 2011). Perhaps the frequency of audit committee meetings does not really contribute to company performance, but the quality of those meetings would determine that financial matters are resolved efficiently and effectively. These financial matters also include fraudulent activities that might be occurring within the company. Accordingly, effective audit committee meetings shall help in handling such crises.

MCCG requires audit committee members to include independent directors. Independent directors may be seen to perform crucial monitoring roles better in resolving agent-principal conflicts due to their independence (Al-Hadrami et al., 2020). Previous studies have found a positive relationship between audit committee independence and company performance (Oudat et al., 2021; Al-Hadrami et al., 2020; Alqatamin, 2018; Khalifah, 2018; Kallamu & Saat, 2015; Ali & Nasir, 2014; Tornyeva & Wereko, 2012). However, this study found that the independence of audit committee members had a significant negative relationship with both ROE and ROA, and this is consistent with previous research (Al-Hadrami et al., 2020; Wibawaningsih & Surbakti, 2020; Khalifah, 2018). Even though there are mixed results in the literature, independence is considered a crucial factor in a company's governance. It shall help the company to maintain its credibility, particularly in ensuring the non-existence of fraud as seen in corporate scandal cases such as 1MDB and Enron.

One of the primary tasks of the audit committee under the agency theory is to improve committee members' work quality by including accounting, auditing, and financial qualifications and knowledge (Oudat et al., 2021). As such, audit committee expertise could positively impact company performance. Aanu et al. (2014) found that audit committee expertise is positively and significantly associated with ROE and ROA. Audit committees with low financial expertise might encounter poor internal control and company performance (Lee, 2014). However, this study found an insignificant negative relationship between audit committee expertise and company performance represented by both ROE and ROA, and this is consistent with previous research that found the same results (Balios & Zaroulea, 2020; Ibrahim et al., 2019). The reason for such findings is that perhaps financial experts only function to deter the potential irregularities committed by management rather than improving its performance parallel to Aryan (2015).

5.0 CONCLUSION AND RECOMMENDATION

Company performance is one of the most essential elements contributing to economic and organisational success, given that business success catalyses the national economy. As such, it is deemed vital for multiple parties (stakeholders) to examine company performance thoroughly. Optimal corporate governance proves essential in business sustainability to balance company stakeholder interests and navigate organisational compliance with rules, practices, and requirements for organisational strength and stability. As such, corporate governance practices are inevitably scrutinised in the wake of company failures, poor financial performance, or financial scandals. In this vein, SCM has mandated that all publicly trading corporations in Malaysia must comply with MCCG.

This study examined the effects of selected audit committee attributes on the performance of publicly listed companies in Bursa Malaysia between 2018 and 2020. A total of 106 listed companies were selected as the study sample. The selected audit committee attributes are listed: gender diversity, size, meeting frequency, independence, and expertise. The dependent study variable implied company performance, measured by ROE and ROA. Valid and reliable study data were collected from annual company reports and the Eikon database. Essentially, this study provided (i) valuable information for the general public regarding the relationship between selected audit committee attributes and the performance of publicly listed companies under Bursa Malaysia and (ii) useful insights into audit committees as a corporate governance mechanism to facilitate decision-making, resolve principal-agent conflicts, and optimise company performance. This study could also catalyse corporate governance and company performance through effective audit committees.

Empirically, this study examined the attributes of the selected audit committees in public companies listed under Bursa Malaysia and subsequent agency issues. In Egypt, Elhawary (2021) applied the agency theory to examine the same attributes (gender diversity, size, meeting, independence, and expertise) and measure company performance through ROE and ROA. This study also expanded the current body of literature to improve the research model for future research. The local study context provided additional knowledge for future scholars who intend to perform similar studies. The study contribution could also motivate in-depth research on the audit committee attribute-company performance relationship for a sound understanding of audit committee attributes and their impacts on company performance.

This study has several limitations. The sample was selected using stratified random sampling so as to include only 20% of the companies from every industry listed on Bursa Malaysia between the years 2018 and 2020. More meaningful results may be obtained if

comparisons can be made between the three different types of markets in Bursa Malaysia: the Main Market, the ACE Market and the LEAP Market. Future research may include other attributes relating to audit committees and comparative investigation with other countries, especially in Asia-Pacific.

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