The Effect OF Audit Committee Characteristics (Committee Size , Committee Independence , Committee Gender Diversity ,Committee Frequency Of Meetings On Jordanian Firm Performance TQ

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Abstract

This paper seeks to investigate the effect of audit committee characteristics on the company's performance. The sample consists of 198 non-financial companies listed on the Amman Stock Exchange (ASE) over the period 2010-2020. The results of the study show that the audit committee size, independence and gender diversity have a significant positive relationship with firm's performance TQ whereas experience and frequency of meetings has an insignificant association. The results of the study could be beneficial for managers and boards in making suitable choices about audit committee characteristics and corporate governance mechanisms to enhance the company's performance. The study gives policy makers a better understanding of the different characteristics required of an audit committee, for incorporation in future policy preparation to protect the shareholders' interests. The relationship between audit committee characteristics and company performance is still ambiguous. This study contributes to the literature by identifying the role of audit committee characteristics in company performance, providing evidence for the view that performance is driven by specific audit committee characteristics.

Keywords: *Audit committee, Independence, Gender diversity, Experience, Annual reports,*

1. Introduction

Corporate governance practice is beginning to include the use of tools to monitor top management, in order to safeguard owners' wealth and attract more foreign investments (Anum Mohd Ghazali 2010) . Corporate financial decisions are at the heart of the firm regarding its importance for not only the performance of the firm but also to reduce the risks of failure for the firm. Firms try to consider the costs and benefits of each type of financing alternatives to increase the chances of performance. In this regard, different theories are presented to explain this behavior including, agency theory, stakeholder theory, resource dependency theory (RDT), and transaction cost theory. Therefore, Corporate governance (CG) demonstrates the system of enormous organizations and the manner in which these organizations deal with their organizations to accomplish their vital targets, which centers customarily around expanding investor's riches. CG fundamentally implies the directorate who administer the entire association; the official levels that settle on basic choices; and the lower levels of the executives under them that does these choices in a manner to accomplish the association's advantages. It is a principal matter in the general public and can be a significant target for associations at different levels (Shailer and Greg, 2004). The governance exhibits the standards, standards, and furthermore disseminate the rights and obligations among a few gatherings in the associations (for example, the top managerial staff, administrators' chiefs, investors, representatives and different partners) and structures the nuts and bolts and procedures in deciding (OECD, 2004). CG too incorporates the techniques through which association's goals are resolved and endeavors in the light of social, legitimate, and monetary condition. Governance idea in a similar vein comprises of controlling the exercises, plans, and activities of associations, their delegates, and persuasive partners (Ricker, 2009). In addition, corporate governance is framing a harmony between financial, individual, and common objectives while empowering the productive utilization of assets, responsibility, the utilization of intensity, and stewardship simultaneously, adjusting the interests of people, companies, and society (Nkundabanyanga, Ahiauzu, Sejjaaka,

and Ntayi, 2013; Noriza, 2010; OECD, 2015). Firm qualities are viewpoints that are viewed as "drivers" to business relations (Eriotis, Vasiliou, and Ventoura-Neokosmidi, 2007). Firm attributes as licensed by (Dean, Mengüç, and Myers, 2000; Mohd, 2005; Wiklund and Shepherd, 2005) assume a job in diminishing organization clashes and instructive hole and accordingly fundamental determinants of firm execution and achievement. They incorporate firm size, age of the firm, influence, family control, nature of examining, and resource structure (Abor, 2008; Adeyemi and Fagbemi, 2010; Dean et al., 2000).

Business firms perceive the outside condition as circumstances and dangers introduced by such viewpoints as sociocultural, lawful, political, monetary, mechanical, and infrastructural factors (Abayomi and Oyobami, 2012). Notwithstanding, it is vital to take note of that firm execution does not occur in a vacuum however inside a specific situation which has difficulties and openings (Njanja, Ogutu, and Pellisier, 2012). Firm execution quantifies the effectiveness of an organization and its capacity to accomplish its targets as far as incomes and benefits (Ongore and Kusa, 2013). With the expanded rivalry and the popularity for gainfulness by establishments, the money related division is currently pushing toward a financial situated model leaving from the social methodology that has been followed for a considerable length of time (Prasad and Ravinder, 2012). The investigation is in this way dependent on proportions of the factors identifying with capital sufficiency, resources quality, the board proficiency, income quality, and liquidity (CAMEL). Corporate governance rehearses have been firmly connected with the organization theory, partner theory, asset reliance theory (RDT), and exchange cost theory (TCT).
The idea of audit committee was first embraced in 1939 by the New York Stock Exchange (NYSE). During the 1970s, the audit advisory group's job was welcome because of the extraordinary requests for corporate administration and corporate responsibility (Spangler and Braiotta, 1990). In 1972, the U.S. Protections and Exchange Commission (SEC) was the first to suggest that open organizations ought to make audit panels involved executives from outside the significant organizations' administrations. In 1977, the NYSE necessitated that all audit board of trustees individuals ought to be autonomous executives. In its Statements on Auditing Standards (SAS 61), the American Institute of Certified Public Accountants (AICPA, 1988) gave "Correspondence with Audit Committees" in regards to the connection between the audit panel, outside examiners, and the board of open organizations. In 1999, The Blue-Ribbon Committee (BRC, 1999) suggested significant standard changes, identified with improving the adequacy of the corporate audit board of trustees. Furthermore, later, after the corporate breakdown of Enron, WorldCom, and others, the Sarbanes-Oxley Act was passed by the U.S. Congress in 2002 giving more capacity to audit boards of trustees, particularly with respect to informant and revelation necessities.

The Sarbanes-Oxley Act of 2002 expanded audit boards of trustees' obligations and authority. It raised enrollment prerequisites and committee organization to incorporate increasingly autonomous executives. Organizations were required to uncover whether a money related master is on the Committee. Moreover, the SEC and the stock trades proposed new guidelines and rules to additionally reinforce audit advisory groups. Audit committees are distinguished as powerful methods for corporate administration that lessen the potential for deceitful monetary announcing. Audit advisory groups administer the association's administration, inner and outside examiners to secure and save the investors' value and premiums. To guarantee viable corporate administration, the audit committee report ought to be incorporated yearly in the association's intermediary proclamation, expressing whether the audit board of trustees has inspected and talked about the fiscal summaries with the administration and the inner inspectors (Al-Baidhani, 2014b). As a corporate administration screen, the audit board of trustees ought to give the open right, exact, total, and solid data, and it ought not leave a hole for forecasts or clueless desires (BRC, 1999). The BRC report gives suggestions and core values to improving the exhibition of audit boards of trustees that ought to at last outcome in better corporate administration. The significance of the audit work as far as the audit panel and audit firm is additionally reinforced by the Sarbanes-Oxley Act of 2002. Corporate administration guidelines and standards are extricated from neighborhood and global laws, guidelines, and rules, just as from the association's ordinances, sets of principles, and goals. Corporate administration centers around the control frameworks and structures by which chiefs are considered responsible to the association's real partners.

Most, if not all, of the audit board exercises and duties are connected legitimately or in a roundabout way to the audit advisory group jobs in corporate administration. The audit board of trustees' sythesis, skill, autonomy, and mastery are unequivocally connected with the association's corporate administration. The expanding request on the corporate administration and responsibility identified with the governing body, especially the ongoing claims and examinations, made the production of audit boards of trustees an incredibly fundamental advance. The audit committee audits the association's yearly, quarterly, and month to month reports; it gives its reports and

suggestions to the directorate; and every year gives a report submitted to the investors (as a feature of the association's yearly report) depicting its exercises and obligations during the year.

The audit committee has associations with practically the entirety of the association's partners (e.g., top managerial staff, the executives, inward examiners, outer inspectors, and, to a limited degree, investors and fiscal report clients), just as the overseeing and administrative bodies. The huge four CPA firms, Price Waterhouse Coopers, Deloitte, Ernst and Young, and KPMG, just as the Committee of Sponsoring Organizations (COSO) suggested certain oversight rehearses for audit committees to follow, giving rules about the audit duty in assessing and fortifying corporate controls. The SEC affirmed its enthusiasm for audit advisory groups by: encouraging registrants to shape audit boards of trustees involved outside executives; requiring all openly held organizations' intermediaries to unveil data about the presence and sythesis of their audit panels; and requiring freely held organizations to express the quantity of audit committee gatherings held every year and to portray their audit boards' capacity. The National Committee on Fraudulent Financial Reporting (Treadway Commission, 1987) was made to recognize factors that can prompt fraudulent financial reporting and prescribe methods to decrease misrepresentation frequencies.

The 1987 Treadway report distinguished audit boards of trustees as powerful methods for corporate administration and proposed a rundown of destinations for audit committees to consider. Among the various suggestions nitty gritty in the report, the Commission expressed that audit committees ought to be educated, watchful, and powerful administrators of the budgetary announcing process and the organization's inside controls. As a feature of the corporate administration component, the audit board of trustees supervises the association's administration, inside and outside examiners to secure and save the investors' value and premiums; in any case, the audit committee's tendency and extent of work ought to be surveyed to ensure that it is fit for assuming its job in such manner fittingly, particularly in the wake of being as of late reprimanded for its inadequacies in accomplishing the corporate administration targets. In 1999, so as to improve the oversight obligation identified with the audit committee, top managerial staff, the board, inside examiners, and outside evaluators, the BRC alluded to the job of the corporate administration, proposing that the audit committee report ought to be incorporated yearly in the association's intermediary explanation, expressing whether the audit advisory group has checked on and talked about the fiscal summaries with the administration and the inward inspectors. As a corporate administration screen, the audit committee ought to give the open right, precise, complete, and solid data, and it ought not leave a hole for forecasts or clueless desires.

It is essential to decide and comprehend the audit board's oversight and observing capacities so as to set up and improve the believability and dependability of the audit advisory group as a corporate administration system. The Sarbanes-Oxley Act of 2002 which was passed predominantly to ensure the financial specialists bigly affects the corporate administration and responsibility, just as on corporate revelation. So as to be acknowledged in a large portion of the Stock Exchange Markets, an association ought to have great corporate administration. Audit committees should play a more extensive corporate administration job and ought to be bolstered emphatically by the principle parties in the administration field; in the meantime, this job ought to be appeared in an unmistakable and composed explanation. It ought to be underscored that the audit advisory group ought to incorporate both free and budgetary master individuals to ensure at any rate the base degree of audit quality and solid corporate administration. In such manner, there are many research discoveries that help such a point; for instance, Defond et al. (2005) found a positive market response to the arrangement of bookkeeping budgetary specialists relegated to audit boards and that this positive response is concentrated among firms with moderately solid corporate administration. In the interim, beginning aftereffects of the examination directed by Lee and Mande (2005) propose that compelling audit advisory groups look to expand audit quality by lessening the non-audit administrations gave by the outside evaluator. Farber (2005) additionally found that misrepresentation firms have, in addition to other things, less budgetary specialists on the audit board of trustees. Likewise, Chan and Li (2008) found that firm an incentive in improved when there are master free chiefs ready and on the audit committee.
Corporate governance is a wealth cornerstone and a central component of corporate finance (Becht, Bolton et al. 2003). Separating corporate ownership and control generates the need for structures of corporate governance to resolve the possible disputes between owners and those who administer their property (Berle and Means 1932, Jensen and Meckling 1976, Fama and Jensen 1983, Becht, Bolton et al. 2003). If both proprietors and managers are utility maximizers, the manager may not always act in the owner's interest (Jensen and Meckling 1976). Instead the manager pursues goals that are not consistent with the goal of firm value maximization, a behavior that is detrimental to the shareholder's wealth and that of the company. Recent corporate scandals like Madof, Libor scandal, Sub-Prime and Mortgage Scandals, Olympus Scandal, Enron, Worldcom, Danske Bank, Raj Rajaratnam,

H.J. Heinz Company, Deepwater Horizon, Volkswagen and Lehman brothers highlight the detrimental effects of corporate ownership separation and control (Zengin 2019).

Among other factors, analysts, policy makers and regulators blame these scandals on the lack of corporate governance in those companies (Cuervo 2002, Mans-Kemp 2014, Admati 2018). Current literature proposes several frameworks of corporate governance which help to resolve conflicts between major agencies (Fama and Jensen 1983, Cuervo 2002, Becht, Bolton et al. 2003, Lall 2009, Chou, Ng et al. 2011, Li 2019). Firstly, there are internal structures such as blockholder models, delegated oversight and broad shareholders, board models, executive compensation models and multi-constituency models (Jensen 1986, Becht, Bolton et al. 2003). Secondly, external mechanisms such as the corporate management market, the manager market and the product and service sector exist (Cuervo 2002, Becht, Bolton et al. 2003, Li 2019). Another form of governance mechanism is the legal systems which are commonly classified into common and civil law (Porta, Lopez-de-Silanes et al. 1998). These legal systems create rules which regulate the company's conduct and protect minority shareholders' rights, influence the development of capital markets and a country's growth (Porta, Lopez-de-Silanes et al. 1998, Cuervo 2002).

The choice of the method, however, depends on the structure of corporate governance prevalent in the country of study. Governance structures rely upon the institutional setting. They are either market-oriented, such as those in the United States and the United Kingdom or large-scale shareholders like China, Germany, France or Spain (Shleifer and Vishny 1986, Shleifer and Vishny 1997, Cuervo 2002, Rong, Wu et al. 2017, Wang 2018). In market-oriented systems, on the one hand, ownership is assumed to be a diffuse excerpt for institutional investors, control is entrusted to the board of directors with external directors playing an important role, capital markets are very liquid and there is a developed market for corporate control and the takeover market, and shareholder rights are more protected than large shareholders or acquirers On the other hand, large-scale shareholder systems are characterized by highly concentrated ownership in the hands of banks, businesses and families and boards controlled by internal directors or external directors linked to major shareholders (Cuervo 2002).

The primary role and responsibility of audit committees is to make recommendations on the appointment and change of external auditor; it covers wider areas including the monitoring of managers and review of the company’s internal control system (DeZoort et al. 2002; Aldamen et al. 2012). It has been suggested that knowledgeable audit committees help enhance the company’s performance; therefore, good characteristics of audit committees are associated with good company performance (Zabri et al. 2016).

In response to financial crises, audit committees were established by the Jordanian government in 2008 as part of a series of accounting reforms to improve corporate governance practices, restore investors’ confidence in listed companies and promote stock market reform in the country. However, the government’s recommendation for the establishment of audit committees was only of a voluntary nature. It was only in 2013 that the establishment of an audit committee was made mandatory for all companies listed on the Amman Stock Exchange (ASE). The inclusion
of the formation of an audit committee as one of requirements for listing on the ASE complemented the government’s initiatives to strengthen the corporate governance practices of all listed companies in Jordan. The Securities Commission is responsible for regulating the market and ensuring good governance among listed companies. As part of the requirements for listing, practices of corporate governance must be disclosed in annual reports.

The establishment of the Finance Committee on Corporate Governance, headed by the Secretary General of the Ministry of Finance of Jordan, further strengthened transparency, promoted effective implementation and identified the need for training and education for directors and key players in an organisation. The Finance Committee report outlined principles and best practice for good governance by Jordanian listed companies. It also made recommendations for reform of the law, regulations and rules in certain areas. In March 2013, the Committee published a code of the best practices of corporate governance, providing guidelines on the formation of audit committees, particularly with respect to size, independence, members’ expertise, the proportion of women on the committee and the frequency of meetings. Since then, all listed companies have been required to comply with the recommendations in terms of audit committee characteristics (ASE 2015). In cases of non-fulfilment, explanations must be accurately disclosed in the annual report.

The most effective work of an audit committee is usually seen in terms of directors' connections (Liao and Hsu 2013); risk management (Tao and Hutchinson 2013); quality of reporting (Abbott and Parker 2000; Ruzaidah and Takiah 2004); the quality of audit (Ali 1990); and the selection of external auditors (Mohd Iskandar and Wan Abdullah 2004). Furthermore, only a limited number of studies have examined the effect of the audit committee on a company's performance in developing countries, and even fewer in MENA; most previous studies explored the relationship between diversity on the board and company performance. The current study therefore empirically examines the relationship between audit committee diversity and company performance. Thus, this study contributes to the literature by identifying the role of audit committee characteristics in company performance. These characteristics are size, independence, members' experience, gender diversity and frequency of meetings, therefore providing evidence for the view that performance is driven by specific audit committee characteristics.

This paper considers non-financial companies listed on the ASE for the period 2014-2016. For this paper, company performance is measured by ROA (Gani et al. 2017). It is expected, therefore, that audit committees with good characteristics would have significant positive relationships with performance. The remainder of the paper is structured as follows. Section 2 discusses related studies and the development of hypotheses. Section 3 describes the research method, and section 4 provides the results of the data analysis. The last section concludes the paper.

2. Literature Review and Hypothesis Development

The idea of audit committee was first embraced in 1939 by the New York Stock Exchange (NYSE). During the 1970s, the audit advisory group's job was welcome because of the extraordinary requests for corporate administration and corporate responsibility (Spangler and Braiotta, 1990). In 1972, the U.S. Protections and Exchange Commission (SEC) was the first to suggest that open organizations ought to make audit panels involved executives from outside the significant organizations' administrations. In 1977, the NYSE necessitated that all audit board of trustees individuals ought to be autonomous executives. In its Statements on Auditing Standards (SAS 61), the American Institute of Certified Public Accountants (AICPA, 1988) gave "Correspondence with Audit Committees" in regards to the connection between the audit panel, outside examiners, and the board of open organizations. In 1999, The Blue-Ribbon Committee (BRC, 1999) suggested significant standard changes, identified with improving the adequacy of the corporate audit board of trustees. Furthermore, later, after the corporate breakdown of Enron, WorldCom, and others, the Sarbanes-Oxley Act was passed by the U.S. Congress in 2002 giving more capacity to audit boards of trustees, particularly with respect to informant and revelation necessities.

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The audit committee has associations with practically the entirety of the association's partners (e.g., top managerial staff, the executives, inward examiners, outer inspectors, and, to a limited degree, investors and fiscal report clients), just as the overseeing and administrative bodies. The huge four CPA firms, Price Waterhouse Coopers, Deloitte, Ernst and Young, and KPMG, just as the Committee of Sponsoring Organizations (COSO) suggested certain oversight rehearses for audit committees to follow, giving rules about the audit duty in assessing and fortifying corporate controls. The SEC affirmed its enthusiasm for audit advisory groups by: encouraging registrants to shape audit boards of trustees involved outside executives; requiring all openly held organizations' intermediaries to unveil data about the presence and sythesis of their audit panels; and requiring freely held organizations to express the quantity of audit committee gatherings held every year and to portray their audit boards' capacity. The National Committee on Fraudulent Financial Reporting (Treadway Commission, 1987) was made to recognize factors that can prompt fraudulent financial reporting and prescribe methods to decrease misrepresentation frequencies.

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An audit committee provides additional safeguards against fraud and ensures that they meet required standards and best practices. An audit committee member should have the qualifications and perform the duties. The enhanced audit committee reduces an information asymmetry problem and improves monitoring of management (Aldamen et al., 2012). The audit committee primarily oversees the firm's financial reporting processes. It meets regularly with the firm's internal financial managers and outside auditors to review the firm's financial statements, internal accounting controls and audit process (Klein, 2002). The role of audit committee is to ensure the quality of corporate financial reporting. However, the presence of an audit committee does not significantly affect the

likelihood of financial statement fraud (Beasley, 1996). We argue that firms with competent audit committee are more likely to have a lower probability of experiencing major accounting scandals, thereby lowering the chance of having unexpected poor firm performance. Therefore, we expect the relationship between audit committee size and firm performance to be positive. However, Aldamen et al. (2012) find a negative effect of audit committee on firm performance; more specifically, firms with smaller audit committee with more financial expertise and experience tend to have positive firm performance during the global financial crisis.

Diversity leads to innovation and creativity. Historically, most all boards of directors mainly comprised of male directors. In recent years, there is a strong argument for having more female directors to provide different points of views that may enhance firm performance. The effect of women directorship has been empirically investigated in many studies. Erhardt et al. (2003) examine the relationship between demographic diversity on boards of directors (the percentage of women on boards of directors) with firm performance and find that board diversity is positively associated with firm performance. Carter et al. (2003) find that board diversity is associated with improved financial value for a sample of firms in the US. García-Meca et al. (2015) show that board gender diversity improves firm performance in a sample of bank in nine countries (Canada, France, Germany, Italy, the Netherlands, Spain, Sweden, the UK, and the US).

Moreover, Hutchinson et al. (2015) found that board gender diversity is positively associated with firm performance. On the other hand, Rose (2007) does not find a significant association between female directors and firm performance of listed firms in Denmark. There are several reasons for choosing Big 4 auditors. Having financial statements audited by well-known auditors would most likely reduce information asymmetry and signals financial markets about the firm's prospects. In a recent study, DeFond and Lennox (2011) showed that following the introduction of the Sarbanes-Oxley Act of 2002, many small auditors, defined as auditors with fewer than 100 s clients, exit the market. It is argued that one of key reasons for choosing large auditor is that firms are international and thus require international auditors to audit their foreign subsidiaries. Choosing financial expertise therefore could mean that firms are large and have foreign operations. Since large firms tend to perform better than smaller firms and multinational firms are most likely to have superior performance to domestic firms, it is possible that firms large audit size, and financial expertise have better performance than firms small large audit size, and financial expertise. In addition, better audit quality is expected to improve the firm's decision-making process and the resulting decisions (e.g., investment and operating decisions). Therefore, it is expecting the relationship between audit committee and firm performance to be positive

Based on the premises of the agency theory, the conflict between managers and shareholders often motivates managers to act in their own best interest and against those of shareholders, especially when opportunistic behaviour is involved in the process (Jensen and Meckling 1976; Dellaportas et al. 2012). Therefore, in an environment without monitoring tools and effective market regulations, managers are more likely to deviate from protecting the shareholders' interests (Turley and Zaman 2004; Al-Matari et al. 2012). Thus, the existence of successful and effective corporate governance practices such as an audit committee is essentially to reduce such conflicts (Al-Matari 2013) and to achieve good performance (RamCharan 1998; Ainuddin and Abdullah 2001). Previous studies reported mixed results on the relationships between audit committee characteristics and company performance (e.g. Dalton et al. 1998; Kallamu and Saat 2015; Zabri et al. 2016). This study investigates the association between specific audit committee characteristics and company performance. These characteristics are size, independence, members' experience, gender diversity and frequency of meetings.

2.1 Audit Committee Size

Previous studies reported that the effectiveness of audit committees is to some extent dependent on the characteristics of the committee, such as its size (Dellaportas et al. 2012; Herdjiono and Sari 2017). To be effective in controlling and monitoring managers' behaviour, the audit committee must have enough members to carry out its responsibilities (Vicknair et al. 1993), with sufficient resources (Kalbers and Fogarty 1993). For example, Pucheta- Martínez and De Fuentes (2007) found that audit committee size affected the probability of companies receiving audit reports containing errors or non-compliant qualifications. However, the results from earlier studies on the relationship between audit committee size and company performance are not conclusive. Dalton et al. (1999) reported that audit committees become ineffective if they are either too small or too large. An audit committee with many members tends to lose focus and be less participative than those of smaller size. On the other hand, an audit committee with a small number of members lacks diversity of skills and knowledge, and hence becomes ineffective.

An audit committee of the right size would allow members to use their experience and expertise in the best interests of stakeholders. Research by Eichenseher and Shields (1985); Menon and Williams (1994) found a weak association between the size of the audit committee and company performance. However, Aldamen et al. (2012) examination of the effect of audit committee characteristics on performance during the financial crisis concluded that smaller committees with more experience and financial expertise were positively and significantly associated with company performance in the market. Furthermore, Al-Matari (2013) study of the same the relationship revealed that audit committee size was found to have a significant relationship with company performance. This positive relationship is supported by resource dependence theory (Pearce and Zahra 1992; Aldamen et al. 2012). According to this theory, the effectiveness of an audit committee increases when the size of the committee increases, because it has more resources with which to address the issues faced by the company. Thus, based on the dependence theory perspective, the following hypothesis is developed:

H1: There is a significant positive relationship between size of an audit committee and company's performance.

2.2 Independence of Audit Committee

An important element that will ensure audit committee effectiveness requires the committee members to be independent or free from the influence and pressures of top management (Jun Lin et al. 2008). Although the findings of previous studies on this association are inconclusive, an independent audit committee does act better than a less independent committee, since the former is more likely to provide better monitoring through its ability to resist pressure from managers (Al-Matari 2013; Kallamu and Saat 2015). The independence of the audit committee from managers will allow the committee to take an independent view of the financial reporting process of the company and ensure that the committee is not dominated by managers, leading to a higher audit quality (Peasnell et al. 2005; Kallamu and Saat 2015). In addition, audit committees chaired by independent directors is positively linked with high-quality financial reporting and a lower occurrence of fraudulent reporting (Akhigbe and Martin 2006; Nekhili et al. 2016). However, the independence of the audit committee chair may be of no use in enhancing the monitoring of management where the CEO is involved in the selection of directors (Carcello et al. 2011). The independence of audit committee increases its strength, and reduces the agency problem and the opportunity for expropriation by insiders (Yeh et al. 2011). Independence makes the committee more objective in monitoring the transparency of financial reporting; a committee unbiased toward the executive thereby reduces the agency problem between executives and other shareholders. Chan and Li (2008) found a positive relationship between the independence of the audit committee and company performance. Similarly, Kallamu and Saat (2015) and Naimah (2017) found a positive association between independent audit committee members and profitability a proxy for company performance. Therefore, a positive association between audit committee independence and company performance is expected and justified; thus, the following hypothesis is proposed:

H2: There is a positive relationship between an independent audit committee and company performance.

2.3 Financial Experience

Several studies argue that audit committee financial experience is directly associated with the committee's effectiveness (McDaniel et al. 2002; Bedard et al. 2004). For example, Jun Lin et al. (2008) argue that the audit committee's main task is to supervise corporate financial reporting and auditing processes, therefore, its members should have the capability to understand the issues being examined or discussed. DeFond et al. (2005) and Aldamen et al. (2012) indicated that an audit committee composed of directors with prior executive experience or financial knowledge is positively associated with company performance. The industry experience of directors may be more beneficial to a small company in its early stage of development, since the directors could serve as a management resource by providing a link to outside resources, such as contracts and connections. On the other hand, an established company in the declining stage of its development and with dispersed shareholders may benefit more from directors with technical or financial expertise who will concentrate on monitoring the company (Carcello and Neal 2003). Hamid and Aziz (2012) suggested that there is a positive and significant impact on company performance when the audit committee has directors with accounting and financial backgrounds. The following hypothesis will be examined:

H3: There is a positive relationship between audit committee members with background and experience in accounting or finance, and company performance.

2.4 Gender of Audit Committee

Previous studies claim that gender is likely to have an influence on a company's decisions and suggest that females have different perspectives and demand different information from men (e.g. Peni and Vähämaa 2010; Abdul Hameed and Counsell 2012; Alqatamin et al. 2017). Several feminist economists argue that women are more inclined to be neutral in moral judgements and behaviour than are men (Nelson 2012). In particular, Carter et al. (2003) reported that a significant relationship exists between the proportion of women on a board and the firm's performance. Erhardt et al. (2003) examined the relationship between gender diversity on the board and a company's financial performance among US companies. Their results indicate that the percentage of women on the boards of directors is positively associated with the firm's financial performance. Likewise, Campbell and Mínguez-Vera (2008) investigating the effect of gender diversity on the boards of directors on firm financial performance. The findings of the study reveal same relationship, found that gender diversity has a positive effect on company's performance. Miller and del Carmen Triana (2009) examined the relationship between board diversity and company's performance. Their findings revealed that board diversity leads to enhance company's performance. Similarly, Lückerath-Rovers (2013) found that the percentage of women on the board is positively and significantly related to company performance of Dutch companies. Furthermore, Lückerath-Rovers (2013) They confirmed that firms with women directors performed better than those without women on their boards. However, Rose (2007) and Carter et al. (2010) found no relationship between the proportion of females on the board and company performance among Danish and US companies respectively. The following hypothesis is examined:

H4: There is a positive relationship between gender on the audit committee and company performance.

3. Study Methodology

3. 1 Sample of the Study

Initially, the sample of this study is aimed to cover all listed firms to represent the Jordan. Also, to generate a balanced panel of firms during the period 2010 to 2020. Analysis based on balanced panel data is important because it will reduce the noise introduced by unit heterogeneity as balanced panel data consists of the observation of the same unit in every time period. (Nguyen & Nguyen, 2015).

3.2 Data collection

Data collection is the process of gathering or collecting and measuring information and facts on variables of interest in a systematic way and manner that enable one to provide answers to the research questions by testing hypotheses and evaluate outcomes (Vercruyssen & Hendrick, 2012). The objective of data collection is to obtain quality evidence, which would be analysed and used to build credible answers to questions that have been posed. This study will cover the period from 2010 to 2020, 11 years. The total sample size of the study was 198 firms that listed on Amman Stock Exchange (ASE) and this yield for 2178 observations for analysis. The requirements for firms to be included as sample are: (i) the companies must be listed on the Amman Stock Exchange; (ii) the firms must be locally incorporated; (iii) the annual report for the period of 2010 to 2020 are available, and (iv) the financial data, firms' characteristics information and board governance data for the period of 2010 to 2020 must be available, when necessary, the missing values are supplemented through the firms' annual report and the official websites of the companies.

Data for firm-specific financial variables collected from Datastream and Amman Stock Exchange. In this study, finance, insurance and unit trust companies are excluded due to different regulatory requirement. Information regarding the board governance and ownership structure will be collected from the annual report of each firm, Bloomberg and Thomson One Banker, if necessary, the information will be supplemented through the Google search.

Based on the requirement that set up for the sample selection, this study will start by collecting all available listed firms excluding the finance, insurance and unit trust companies. Then all these firms arranged according to the highest total market capitalization to lowest total market capitalization.

3.2 Measurement of Variables

3.2.1 Dependent Variable

The variable "firm performance" is frequently used in empirical studies. In order to determine a firm's value, one can either rely on accounting-based measures or market-based measures. In this context, van Hoorn and van Hoorn (2011) have reviewed relevant literature with an empirical measurement of firm performance. A forward-looking market-based measure and an accurate accounting-based measure are used as substitutes in this analysis for measuring the financial performance of companies. Tobin's Q, which is measured as the market capitalization ratio plus the total debt divided by the company's total assets, is a standard market-based measure commonly used as a proxy for firm Performance in the analysis of the relationship between corporate success and corporate governance (Dybvig & Warachka, 2015). Tobin's Q as a market-based indicator of company success is consistent with the successful business hypothesis in which a firm's market value evaluates the usage of current assets and the potential for future growth (Christensen et al., 2010). Tobin's Q was widely used to explore the connection between firm performance and corporate governance (Christensen et al., 2010; Ibrahim, & Fazilah, 2011).

3.2.2 Independent and Control Variables

Following previous studies Audit committee size (AUDIT-Size) is the number of audit committee members on the board. Gender of Audit Committee (GND-AUDIT) is measured as the number of the male and female directors to the number of all directors; Stock Owned by Audit Committee refers to the percentage of Stock Owned by Audit Committee members to the total number of shares outstanding of the companyRegarding the audit committee's experience, we used the proportion of members with an educational background and experience in accounting or finance (Mangena and Pike 2005; Dellaportas et al. 2012). Following previous literature (Bear et al. 2010; Frias-Aceituno et al. 2013), we measured gender diversity as the percentage of female members on the audit committee. Frequency of meetings was measured by the number of audit committee meeting held during the year (Saleh et al. 2005; Dellaportas et al. 2012).; Table 3 provides the definitions and measurements of all variables.

$TQit = \beta_0 + \beta_1 \text{ COMSIZE}_{it} + \beta_2 \text{ COMINDE}_{it} + \beta_4 \text{ COMFEMA}_{it} + \beta_5 \text{ COMMEET}_{it} + \varepsilon$

Table 3. Variable definitions and measurements

Label	Variable	Description
Tobin's Q	TQ	(common stock + market value of preferred stock + book value of debt) to Total assets
COMSIZE	Committee size	Total number of audit committee members.
COMINDE	Committee independence	Proportion of independent directors to total number of directors on the audit committee.
COMFEMA	Gender diversity	Percentage of female members on the audit committee.
COMMEET	Frequency of meetings	Number of audit committee meetings held during the year.

4. Results and Discussion

4. 1 Descriptive Statistics

Table 4 presents the descriptive statistics of the variables used in this study. The dependent variable is the ROA as a proxy for company performance. The measure of a company's performance indicates that the company was financially successful on average during the three-year period investigated. However, as can be seen from Table 4, the minimum value of the ROA is 0 and the maximum is 66.64 percent, which indicates a considerable range, and the mean value of 20.65 percent shows a generally low ratio of ROA across the companies. This study

employed the mean value as a benchmark to classify the high and low levels of ROA. This figure is similar to that obtained by (Lückerath-Rovers 2013).

In terms of audit committee characteristics, Table 4 shows that the mean committee size is 3.10 with minimum and maximum 3 and 5 respectively. These figures are consistent with the guidelines for Jordanian corporate governance which recommended a minimum of three members. In terms of independence of audit committee members, the descriptive result shows that 95.19 percent of audit committee members are independent from top management, an improvement on the corporate governance mechanisms established for these companies in terms of independence of the audit committee. In addition, the statistics for members' expertise indicates that the numbers with an educational background and experience in accounting and finance range from 23.51 percent to 76.77 percent, with an average 61.54 percent. This indicates that more members with experience in accounting and finance are appointed to the audit committees. In respect of gender diversity, Table 4 shows that a mean value of 12.54 percent with minimum and maximum 0 and 33.71 percent respectively. The mean value of gender diversity indicates that woman have slightly higher rates of participation on audit committees. Frequency of meetings varies from 5 to 19 meetings in a financial year. In respect of the control variables, company size indicates a wide range, from 0.9303 to 3.2309, with standard deviation (*SD*) of 1.57 percent. The mean value of industry type indicates that 35.31 percent of the sample companies operate in the industrial sectors. The leverage ratio has 16.82 percent mean value and ranges from 0 to 93.51 percent. Finally, Table 4 shows that the mean value of dividends ratio is 23.12 percent; minimum and maximum values are 0 and 90.17 percent respectively.

Variables	Observations	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	2178	0.0000	. 0.9981	.2065	.1099
COMSIZE	2178	2.0000	6.0000	4.106	1.339
COMINDE	2178	0.7685	1.0000	0.9862	0.5140
COMFEMA	2178	0.0001	..04522	.1955	.1504
COMMEET	2178	6.0000	16.000	10.40	.3440

Table 4. Descriptive analysis

4.2 Multicollinearity

A correlation coefficients matrix was used to check for the incidence of multicollinearity between independent variables, as employed extensively in previous literature (e.g. Abdel-Fattah 2008; Dellaportas et al. 2012; Kallamu and Saat 2015; Alqatamin et al. 2017). Gujarati (2008) and Murtagh and Heck (2012) suggest that 80% is considered the beginning of multicollinearity problem which may harm the regression analysis. The result of correlation analysis presented in Table 5 shows no collinearity problem between the explanatory variables, since the highest correlation is between the committee meetings and company size, with a coefficient of 37.10%. This is less than 80%, so the multicollinearity problem does not affect the data set used in this study.

Table 5. Correlation Matrix

Variables	COMSIZE	COMINDE	COMFMA	COMFMEE
COMSIZE	1.000			
COMINDE	0.422	1.000		
COMEXP	-0.173	-0.021	1.000	
COMFEMA	0.021	0.031	0.018	
COMMEE	0.013	-0.005	-0.006	1.000

To achieve the study's aim and investigate the effect of audit committee characteristics on company performance, the panel regression random effect method was used, with results presented in Table 6. The R^2 value is 56.4 percent, which means that the independent variables demonstrate 56.4 percent of the variation in the dependent variable. The *P-value* is highly significant at the level 0.00, meaning that the model is highly significant and thus has a good explanatory power of disclosure. The analysis of results shows a significant and positive relationship between audit

committee size and company performance at the level ($P< .01$). Our results are consistent with the resource dependence theory perspective, suggesting that the effectiveness of an audit committee increases as the size of the committee increases, because it has more resources with which to address the issues faced by the company. This finding is consistent with Pearce and Zahra (1992), who found that audit committee size enhances company performance. Aldamen et al. (2012) examined the relationship between audit committee characteristics and company performance during the global financial crisis; their findings indicated that companies with a large audit committee size were associated with better financial performance. Thus, our results support H1, suggesting that there is a significant positive relationship between audit committee size and company performance.

With respect to the independence of audit committee members and company performance, the result reported in Table 6 show that committees with greater independence have a high significant effect on the performance at level ($P< .03$). This finding supports H2, which proposed that there is a positive relationship between the independence of the audit committee and company performance. A possible explanation is that an audit committee composed of a large number of independent directors is likely to provide better monitoring due to its ability to resist pressure from managers (Kallamu and Saat 2015). In addition, our findings support the agency theory perspective, suggesting that independent directors provide effective monitoring of managers, thereby improving profitability and reducing the likelihood of opportunistic behaviour by managers, eventually enhancing performance. Our results are consistent with those of Chan and Li (2008) and Kallamu and Saat (2015), who found a positive relationship between independence of the audit committee and the performance of the company.

The significantly positive coefficient at level ($P< .03$) of audit committee gender diversity indicates that audit committees with more female members are associated with higher performance than those with no or few female members. This finding confirms that gender diversity is one of the attributes influencing performance. It supports H3, which proposes a significant relationship between the company's performance and gender diversity of the audit committee, consistent with Miller and del Carmen Triana (2009) who reported that these are positively and significantly related. Lückerath-Rovers (2013) confirmed that firms with women directors perform better than those without women on their boards. In respect to frequency of meetings, we documented an insignificant coefficient ($P< .65$), which implies an insignificant relationship between the frequency of meetings and the company's performance. This finding is consistent with Mohid Rahmat et al. (2009), who also found an insignificant relationship. Thus, H4 is rejected.

Table 6. Company's performance regression estimates.

Variables	Predicted sign	Coeff.	t-stat.	P. Value
Cons	+	.4256	2.82	0.05*
COMSIZE	+	.1999	3.99	0.02***
COMIND%	+	.1321	2.87	0.02**
COMFEM%	+	.9561	3.28	0.03**
COMMEET	+	.0019	0.09	0.56
Adjusted R^2	56.4%			
F-Stat.	13.59***			

*** *Significant at the 0.01 level.*

** *Significant at the 0.5 level.*

* *Significant at the 0.10 level.*

5. Conclusion

This paper investigated the effect of audit committee characteristics(committee size ,committee independence, committee Gender diversity , committee Frequency of meetings on company performance TQ among non-financial Jordanian companies over the period 2010-2020, motivated by findings reported in the literature that the effectiveness of audit committees leads to improved company results. Our overall results indicate that audit committee size, independence and gender diversity have a positive and significant effect on performance TQ. However, the regression results do not provide any evidence about the effect of experience or the frequency of meetings on the company's performance TQ. The regression results indicate that a firm's performance has a negative association with industry type. Finally, the regression results disprove any relationship between audit committee characteristics and the company's size, TQ

As highlighted earlier, the Government of Jordan has introduced several accounting reforms with the aim of strengthening new securities exchange laws and corporate governance practices. The findings of this study confirm that non-financial Jordanian companies follow these reforms and are likely to achieve better performance than that of other countries. The findings of the study should be of interest to managers and boards of companies in making appropriate choices about audit committee characteristics and corporate governance tools to improve company performance. Furthermore, this study provides evidence on the audit committee characteristics that improve a non-financial company's performance, which will help directors in structuring the audit committee in a way that develops its effectiveness and contributes to overall performance. In addition, owners may find our findings useful in terms of understanding their corporate governance and making appropriate investment decisions. The results provide policy makers with a superior appreciation of the different characteristics needed by audit committee, which could be incorporated into future policy formulation to safeguard the wealth of shareholders, protect the interests of different stakeholders and improve the flow of capital and foreign direct investment into non-financial companies and the economy in general.

The results of the study could be useful to regulators in other authorities in improving the effectiveness of their audit committees, overall corporate governance practices and owner confidence in the company. However, these findings are based on non-financial companies only, and future studies could focus on the financial sector, which is playing an increasingly important role in developing economies, particularly Jordan, which is a bridgehead of market liberalization in MENA. These findings cannot be generalized to other countries, even within the Middle East, for various reasons including Jordan's unique liberalization. It would be attractive for future studies to consider whether audit committee characteristics affect other factors, such as company value, a company's disclosures and earnings management practices. Future studies could also pay attention to the association between

audit committee characteristics and company performance among family and non-family companies, since most Jordanian companies are owned by families, and exploring this issue could contribute substantially to the literature on audit committees.

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