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AUDIT COMMITTEE ATTRIBUTES' IMPACT ON THE FIRM PERFORMANCE: MALAYSIAN PROPERTY COMPANIES' EVIDENCE

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***Abstract**:* The purpose of this study is to examine the impact of audit committee (AC) attributes on firm performance. In this study, 75 out of 123 property companies listed in Bursa Malaysia's main market were sampled, and the sampling period was from 2017 to 2021. Four independent variables are included, namely, AC size, AC independence, AC financial expertise, and AC meeting frequency, while firm size and firm leverage are applied as control variables to investigate their impact on firm performance proxied by return on assets (ROA). This study used a quantitative research design, and the data was collected from the companies' annual reports. The limitations of this study would be the insufficient sample size and the number of AC attributes. The results of multiple regression analysis revealed that AC size has a significant positive relationship with firm performance, whereas AC meeting frequency has a significant negative relationship with firm performance. Meanwhile, AC independence and AC financial expertise have an insignificant negative relationship with firm performance. The result indicates that the larger the AC size, the higher the firm's performance. Therefore, a company should form an AC with more members because a larger AC will be more diverse in terms of skills and knowledge. Besides, holding more AC meetings will result in lower firm performance.

***Keywords**:* Audit Committee Attributes, Financial Expertise, Meeting Frequency, Firm Performance, Malaysia

1. INTRODUCTION

An audit committee (AC) is a corporate governance tool that controls and oversees several management roles, such as internal audit, risk management,

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compliance, and financial reporting (Zakaria, 2018). The primary duty of AC is to analyse and evaluate the financial information while monitoring the managerial conduct in present circumstances. Therefore, it is referred to as a controlling mechanism that reduces the information gap between individuals in both internal and external committees (Alabdullah & Ahmed, 2020). Transparency, focus, and independent judgement can all be achieved by an effective AC.

The loss of investor confidence in the capital market during the Asian financial crisis of 1997/1998 had far-reaching implications for Malaysian companies. This crisis, coupled with past corporate scandals, created a significant need to strengthen corporate governance practices and restore trust in the business sector. In response to these challenges, the Malaysian Code on Corporate Governance (MCCG 2002) was introduced as a comprehensive framework to guide companies in improving their governance standards. Following that, the MCCG 2007 further strengthened the role and effectiveness of the AC in ensuring robust corporate governance. Recognising the crucial role of the AC in upholding integrity and financial reporting standards, the code introduced additional guidelines and provisions to enhance its functions and responsibilities.

AC, as the core element of corporate governance, is integral to the operation of the business. Malaysia has also experienced cases of corporate governance failure such as Transmile Group Berhad (Chin et al., 2019), Linear Corp Berhad (The Edge, 2011), and Serba Dinamik Holdings Berhad (Justin, 2021). In the case of Transmile, the findings of the special audit concluded the earnings for the financial year ended December 31, 2005, and 2006 were grossly overstated. The audit claims that Transmile suffered losses of RM369.6 million rather than a RM84.4 million profit in 2005 as reported. Moreover, in 2006, it had losses of RM126.3 million as opposed to the declared profit of RM157.5 million (Emir, 2020). In 2015, the Securities Commission Malaysia (SC) reported that a former director of Linear Corporation Bhd had furnished a false statement to Bursa Malaysia Securities Berhad. According to the findings of a special audit on financially distressed Linear Corp Bhd, it showed that the company's previously announced King Dome project was among one of the components of a scheme designed to inflate the group's profits for 2007 and 2008 (The Edge, 2011). As for Serba Dinamik Holdings Berhad, the SC has charged its directors and officers for submitting a false statement to Bursa Malaysia Securities Berhad in 2021. The audit issues raised by the auditors are in relation to the company's sales transactions of RM2,32 billion, trade receivables balance of RM652 million, as well as material on-site balances of RM569 million (Izzul, 2021).

The companies' AC in the above cases were criticised for failing to adequately scrutinise the company's financial statements and disclosures and not taking sufficient action to investigate the flagged transactions in order to ensure that the company's financial statements were accurate and reliable. The significance of AC in guaranteeing precise and reliable financial reporting is underscored by the stated cases, emphasising the potential consequences that can occur if these committees do not fulfil their duties competently. Hence, good corporate governance has become significantly important as a result of the above cases. Previous researchers have identified four AC attributes that may mitigate financial issues and at the same time enhance the company's performance. These attributes are AC size (ElHawary, 2021), independence (Al Farooque et al., 2020), financial expertise (Namakayarani et al., 2021), and meeting frequency (Ashari & Krismiaji, 2020). Likewise, Joshi and Anbalagan (2019) examined audit features in the Malaysian setting, including the size of the audit committee, the presence of independent members, and the frequency of meetings held by the audit committee association on firm performance.

The purpose of this study is to examine the impact of audit committee (AC) attributes on firm performance of Malaysian listed property companies. In this study, AC attributes including size, financial expertise, independence, and meeting frequency are examined in relation to firm performance. When the company had an appropriate size of AC, it shows that the company has enough financial expertise to detect any financial issues. Additionally, the independence of the AC guarantees the enhancement of its monitoring role and the ability to resolve agency issues. Lastly, the company should maintain the number of AC meetings to ensure that AC has adequate time to make decisions that will enhance the company's performance.

By examining these specific audit attributes, the study enhances the understanding of how these factors can influence a company's financial performance, as measured by ROA. Besides, the theories that are addressed and discussed in the study are agency theory and resource dependence theory. According to resource dependence theory, as the size of the committee increases, the AC performs better because it has more resources to deal with the issues facing the organisation, whereas the agency theory's idea of the relationship between AC size and firm performance is the opposite of the resource dependence theory (Alodat, 2023).

The predominance of research attention on well-established markets, particularly those in Western countries, has led to a considerable knowledge gap regarding the intricacies of emerging economies. This discrepancy in research focus risks the extrapolation of findings from markets such as the U.S. to vastly different contexts without consideration for the unique factors that define each region's economic and regulatory environment. Shahrour (2022) underscores this concern by pointing out the oversight in assuming the behaviours and outcomes observed in the U.S. stock market are universally applicable, thereby ignoring the distinct characteristics that influence market dynamics in countries like Malaysia. The Malaysian market presents a similarly compelling case for focused research, especially regarding the impact of audit committee attributes on firm performance. The specific economic, cultural, and governance structures in Malaysia could lead to differing influences of audit committee characteristics on firm outcomes compared to those documented in more frequently studied contexts. For instance, the composition, expertise, and activity levels of audit committees in Malaysian firms might interact with local corporate governance norms and market mechanisms in ways that are not observable in other markets. Therefore, by examining the Malaysian market, this study seeks to contribute to a more nuanced understanding of how audit committee attributes affect firm performance by addressing a critical gap in the current body of literature and echoing the call for more geographically inclusive research.

Furthermore, given the lack of research on these issues in the Malaysian property market (Yop, 2021), this study contributes to the governance of Malaysian property companies by highlighting the significance of AC attributes on the performance of Malaysian property companies. The property sector is the third largest of all sectors in Bursa Malaysia Main Market. Therefore, the complexity of property transactions involving substantial financial investments and numerous stakeholders exposes the industry to various risks, including fraud, mismanagement, and financial irregularities (Ball, 2019). As a result, effective AC is essential for ensuring compliance with regulatory requirements and identifying and mitigating potential risks.

2. THEORIES AND PRIOR LITERATURE REVIEW

2.1. Agency theory

According to Jensen and Meckling (1976), management represents the owner (principal) by acting as their agent. Conflicts may occur between principals and agents whose interests differ since not all agents will act in the principal's best interests. The main reason behind it is that managers often prioritize their own personal interests instead of considering the interests of the shareholders (Nakabayashi, 2018). To address this issue and mitigate the impact of agency problems, Shbeilat and Harasees (2018) argue that the presence of an independent AC is crucial. The AC serves as a supervisory body that oversees the relationships between principals and agents, ensures effective communication, and enforces the proper application of accounting and auditing standards. By doing so, it helps alleviate agency issues and reduces information asymmetry within the organization.

2.2. Resource dependence theory

The theory of resource dependence highlights the role of directors in supplying resources to the company, taking into account their distinct attributes (Booth-Bell, 2018). Resources can take various forms, including financial capital, physical assets, human expertise, information, technology, and relationships with other organizations or stakeholders. From the perspective of resource dependence theory, AC's competence can have a big impact on a company's performance (Babatunde et al., 2022). This is due to the fact that AC is more likely to reliably produce the needed resources on schedule, in sufficient quantities, and with the desired quality if it has a high degree of competence. AC plays a crucial part in advising the board of directors and offering valuable suggestions to furnish the company with essential resources (ElHawary, 2021). Besides, according to resource dependence theory, AC may play a more advisory role than a supervisory role for the company (Zhou et al., 2018). Therefore, the companies should have an appropriate size of AC, and the AC members need to possess financial knowledge and expertise to execute their advisory role.

2.3. Firm performance

Firm performance is the ability of a firm to use its resources effectively to produce operational and financial results (Taouab & Issor, 2019). It is a measure of the degree to which management is successful in controlling the company's financial resources, particularly when it comes to the management of its investments, to maximize value for shareholders (Zakaria, 2018). Firm performance reflects the overall effectiveness and success of a company in achieving its goals and objectives.

Previous studies have proven that AC characteristics have an impact on firm performance (Ashari and Krismiaji, 2020; Dakhlallh, 2020; Shinwari et al., 2021). Companies with successful AC should be able to make more informed financial decisions because AC has a substantial impact on the quality of financial reporting and both internal and external audits (Bilal et al., 2018). Consequently, the process of financial reporting will inspire greater confidence among investors. Therefore, AC's composition and resources could have a significant impact on how well a company performs.

Finding a measurement of firm performance allows a comparison of performance over time (Taouab & Issor, 2019). ROA is used in this study to assess firm performance (Osevwe-Okoroyibo et al., 2021).

2.4. Audit committee size

According to the MCCG 2007, the AC size will be determined by the circumstances and requirements of the company and must consist of at least three members. When the number of AC members increased, the market recognized that the committee contains more skilled individuals with a variety of expertise to solve issues linked to accounting and finance, which improves corporate performance (Rahman et al., 2019). Besides, if the AC size is too small, the potential for fraudulent activity will be higher because they can agree to collude and engage in fraudulent transactions easily (Qeshta et al., 2021).

The study done by Ashari and Krismiaji (2020) demonstrates that AC's ability to protect the company's financial performance increases with AC size. This indicates that the AC's effectiveness in preserving the company's financial performance increases with its size. Additionally, the research done by ElHawary (2021) found that the AC size positively affects firm ROA. The studies' findings support the resource dependence theory, as it claims that a larger AC will produce better outcomes because of the diversity of skills and experience of its members.

In contrast, Qeshta et al. (2021) discovered that the performance of insurance companies listed on the Bahrain Stock Exchange is not significantly associated with the size of AC. The insignificant effect of the committee size on performance implies that the impact of size is not confirmed. Research by Zakaria (2018) in Indonesia also demonstrates that the size of the AC has no significant effect on firm performance, and the number of AC does not guarantee that they will function well in terms of monitoring business performance.

Besides, the resource dependence theory mentions that the AC performs better as the committee size grows. The reason is it has more resources to deal with the issues facing the organization. However, in accordance with agency theory, the monitoring process would be eliminated and business performance would decline if AC was larger. The following hypotheses are developed in light of the description:

H1: The relationship between AC size and firm performance is positive.

2.4. Audit committee independence

The independence of the AC is widely recognized as a crucial attribute for effective corporate governance. Al Farooque et al. (2020) stated that AC independence is attained when the members' monitoring process is free from outside interference. This means that outside forces, such as external organizations, individuals, or authorities, should not be able to manipulate or influence the monitoring activities performed by the members. AC's independence ensures that its monitoring function is strengthened (ElHawary, 2021).

A study by Alqatamin (2018) found a positive relationship between AC independence and firm performance. The ability of AC to withstand pressure from managers is one rationale that might be used to explain why a committee with a large number of independent directors has a higher possibility of providing stronger oversight. The result of this study is consistent with the agency theory's claim that independent directors effectively oversee managers, enhancing profitability, decreasing the possibility of opportunistic managerial behavior, and ultimately raising performance. In addition, the committee's independence expands its authority, eliminates the problem of agencies, and lessens the chance of insider expropriation (Dakhlallh, 2020).

Meanwhile, a few researchers also observed a negative relationship between AC's independence and firm performance. According to Al-Jalahma (2022), fully independent AC is linked to poorer business performance. In Bahrain, the majority of independent members remain on the same board for a long time, which has an impact on their independence as they develop some relationships with the executive management. Consequently, the outsider may no longer have a favourable impact on the company's performance. The other study by Mohammed (2018) also found that AC independence is in negative relation to the firm's performance.

According to the agency theory, AC's independence provides the opportunity to make the best decision while minimizing agency issues. The committee's responsibility is to oversee the financial reporting process and internal controls, ensuring that managers act in the best interests of shareholders and refrain from self-serving behaviours. The following hypotheses are developed in light of the description:

H2: The relationship between AC independence and firm performance is positive.

2.5. Audit committee financial expertise

Financial expertise within the AC is crucial for effective oversight of financial reporting and decision-making. According to MCCG 2007, every member of the AC must possess financial knowledge, and it is required that at least one member holds membership in an accounting association or organization. AC members must possess the necessary knowledge, skills, experience, and commitment. AC's accounting knowledge improves the company's information environment and financial reporting quality (Namakavarani et al., 2021). As a result, trade volumes grow, liquidity risk decreases, and investor confidence rises.

According to Shinwari et al.'s (2021) research in Pakistan, the financial expertise of AC is positively associated with ROA and is significant, which means that AC members have knowledge of finance and accounting expertise and represent the true picture in financial reports to achieve the company's performance aspirations. Moreover, ElHawary (2021) also found that ROE and AC's expertise are significantly correlated, demonstrating that adding members with adequate financial experience can improve the quality of financial reporting, ultimately improving financial performance.

Additionally, according to Lao et al. (2022), the association between the financial expertise of AC and firm performance is negatively significant. They state that as the AC's financial expertise grows, corporate performance would decline. This result is consistent with the findings of Glover-Akpey and Azembila (2016), which discovered a negative relationship between the AC financial expertise and the performance of listed companies in Ghana.

Furthermore, a study conducted on manufacturing companies listed on the Indonesian Stock Exchange (IDX) found that accounting or financial experts had no impact on the company's performance (Jati Wibawaningsih & Primta Surbakti, 2020). Besides, Qeshta et al. (2021) also revealed that there is no significant correlation between the performance of the companies and the financial expertise of AC. Due to the minimal impact of audit competence, a company's financial performance is unaffected by the level of financial and accounting knowledge carried by AC members.

According to the agency and resource dependence theory, AC's inclusion of financial experts is adequate to guarantee the accuracy of financial statements. The financial expert's specialized knowledge enhances the committee's monitoring role, builds trust among stakeholders, and reduces the organization's reliance on external resources for validation. The following hypotheses are developed in light of the description:

H3: The relationship between AC financial expertise and firm performance is positive.

2.6. Audit committee meeting frequency

AC meetings can help reduce institutional difficulties and eliminate asymmetric information (Osevwe-Okoroyibo et al., 2021). Meetings can guarantee that all investors and shareholders have access to timely and accurate information to make wise financial decisions (Bhuiyan & D'Costa, 2020). Therefore, companies that ensure regular audit meetings protect the interests of their shareholders. Additionally, regular meetings can assist AC in raising the level of disclosure and enhancing financial reporting quality (Al-Okaily & Naueihed, 2019).

The study by Ashari and Krismiaji (2020) indicates that the frequency of AC meetings has a positive impact on the financial performance of the company. This analysis showed that the corporation held an average of 6.52 meetings per year, indicating that the AC meets frequently. Another study by Osevwe-Okoroyibo et al. (2021) found that AC meetings have a positive and significant impact on the EPS of food and beverage companies listed on the Nigerian Stock Exchange (NSE). According to the study's conclusions, it is recommended that companies should maintain the frequency of AC meetings to ensure that AC has sufficient time to make efficient and effective decisions to ensure better corporate performance.

At the same time, a few researchers have found a negative relationship between the frequency of AC meetings and the financial performance of the company. Qeshta et al. (2021) reveal a significant inverse association between performance and AC meetings. This negative relationship means that performance, as measured by ROE and ROA, decreases as the number of AC meetings increases. In order to enhance effectiveness and guarantee improved performance, it is necessary for the regulators and AC to assess the frequency of their meetings (Rahman et al., 2019).

However, ElHawary's (2021) research yielded no correlation between the frequency of AC meetings and both ROA and ROE. The study indicates that holding more than four meetings may be wasteful for certain companies, while it may be sufficient for other organizations. However, regardless of the frequency of meetings, the subject matter to be covered in meetings is more significant than how often they occur. In addition, the findings of Al-Jalahma (2022) on the frequency of the AC meetings showed no association with company ROA and ROE performance. This can be a result of the higher expenses brought on by holding more meetings.

According to agency theory, a corporation should only hold meetings frequently when the advantages outweigh the expenses. While according to resource dependence theory, more AC meetings may lead to better performance. The following hypotheses are developed in light of the description:

H4: The relationship between AC meeting frequency and firm performance is positive.

3. RESEARCH METHODOLY

3.1. Population and sample size

The study encompasses companies that are publicly listed in the property sector of the main market in Bursa Malaysia. As of 16 April 2023, the number of companies listed in the main market of Bursa Malaysia was 979, of which 123 were property companies. From the suggestion by Coakes et al. (2008), the minimum sample size is five times the number of variables. Sekaran (2016) makes the additional claim that the number of respondents is 10 times the variable number. This study includes 7 variables, including the dependent, independent, and control variables. Therefore, according to Sekaran's recommendation, a minimum of 70 (10 x 7) companies should be included in the study. Additionally, based on Coakes et al.'s suggestion, a minimum of 35 (5 x 7) samples should be collected. The sample size of 75 chosen for this study surpasses the minimum requirement, ensuring an adequate number of participants for reliable analysis and findings.

3.2. Measurement of variables

3.2.1. Return on assets

In this study, ROA is used to measure company performance. The selection of ROA as the measure of choice stems from its ability to provide valuable insights into a company's ability to generate returns on its asset base, regardless of the fluctuations in the stock market (ElHawary, 2021). It offers a comprehensive view of a company's operational efficiency and overall management effectiveness. A higher ROA ratio generally indicates a more robust corporate governance framework, implying that the company is utilizing its assets efficiently to generate profits. According to Khatib and Nour (2021), ROA is computed by dividing profits before taxes by the total assets of the company.

3.2.2. Audit committee size

AC size is measured in this study as the total number of committee members at the end of the year, as previous studies have consistently demonstrated that AC size is primarily determined by the number of members present (Ashari & Krismiaji, 2020; Qeshta et al., 2021; ElHawary, 2021).

3.2.3. Audit committee independence

Most of the studies determine AC independence based on the proportion of independent members to the total number of members, as emphasized by various scholars (Ashari & Krismiaji, 2020; Qeshta et al., 2021; ElHawary, 2021). This widely accepted approach allows for a comprehensive assessment of AC independence by calculating the percentage of independent members in relation to the overall composition of the committee.

3.2.4. Audit committee financial expertise

According to previous research conducted by Dakhlallh (2020), Qeshta et al. (2021), and ElHawary (2021), the proportion of AC members having a background in accounting or finance and prior work experience is widely recognized as a significant indicator of the committee's financial expertise. In light of these findings, the present study employs a specific metric to gauge the AC's financial expertise, namely, the percentage of committee members possessing substantial experience in the accounting or finance field.

3.2.5. Audit committee meeting frequency

Researchers used the number of meetings held annually to measure the frequency of AC meetings (Alqatamin, 2018; Ashari & Krismiaji, 2020; Qeshta et al., 2021). Therefore, in this study, AC meeting frequency is determined by the total number of meetings held in a year.

3.2.6. Firm size

In previous studies, firm size has often been used as a control variable (Zhou et al., 2018; Ashari & Krismiaji, 2020; ElHawary, 2021). Firm size is typically measured by the logarithm of a firm's total assets, which provides a more standardized and comparable metric across different firms. Therefore, in this study, the logarithm of total assets determines the size of the firm.

3.2.7. Firm leverage

The firm's leverage was also often used as a control variable in previous studies (Alqatamin, 2018; Ashari & Krismiaji, 2020; ElHawary, 2021). Firm leverage is measured by dividing the total liabilities of a company by its total assets. Therefore, the ratio between total liabilities and total assets determines the leverage of the firm in this study.

Table 1: Summary of measurement of variables

Variables	*Acronym*	*Measurement*
	Dependent Variables	
Return on Assets	ROA	Profit before tax / total assets
	Independent Variables	
AC Size	ACSIZE	Total number of committee members
AC Independence	ACIND	The percentage of independent members
AC Financial Expertise	ACFE	The percentage of audit committee members that have an accounting or financial background and expertise.
AC Meeting Frequency	ACMF	Total number of meetings held in a year
	Control Variables	
Firm Size	FS	Logarithm of total assets
Firm Leverage	FL	Total liabilities / total assets

3.3. Model of the study

The purpose of this study is to examine the impact of AC attributes (in terms of AC size, AC independence, AC financial expertise, and AC meeting frequency) on the firm performance in Malaysia. The following regression model might be hypothesized:

$$Perf = \beta_0 + \beta_1 \, ACSIZE + \beta_2 \, ACIND + \beta_3 \, ACFE + \beta_4 \, ACMF + \beta_5 \, FS + \beta_6 \, FL + \mu \tag{1}$$

Where:

Perf = firm performance (ROA) (DV)

ACSIZE = AC Size (IV_1)

ACIND = AC Independence (IV_2)

ACFE = AC Financial Expertise (IV_3)

ACMF = AC Meeting Frequency (IV_4)

FS = Firm Size (CV_1)

FL = Firm Leverage (CV_2)

β_0 = a model parameter that represents the mean value of the DV (Y) when the value of IV (X) is zero. It is the Y-intercept of the regression line.

β_1 = a model parameter that represents the change in the value of DV (Y) when there is a unit change in IV_1 (X_1). It is the slope of the regression line. (applies to the next three IVs accordingly)

μ = an error term that describes the effects of all factors other than X on the DV (Y)

4. RESULTS AND DISCUSSION

4.1. Descriptive Analysis

The descriptive statistics for the variables employed in the model are shown in Table 2. The descriptive analysis shows that the mean for ROA was 1.42%, indicating the average profitability of the firms studied. The minimum ROA observed was -27%, while the maximum ROA reached 25%. The mean number of AC size (ACSIZE) was approximately 3, with a range between 2 and 5 members. This indicates the typical composition of AC in the sample.

Table 2 also shows that AC independence (ACIND) has a mean of 91%. This implies that, on average, 91% of the members were independent, ensuring unbiased decision-making. The minimum independence observed was 67%, while the maximum was 100%. Regarding the AC financial expertise (ACFE), approximately 54% of the committee members possessed an accounting or financial background. The minimum financial expertise observed was 20%, while the maximum was 100%. This indicates that a significant portion of the committee had relevant knowledge and experience in finance and accounting. Moreover, the findings in Table 2 also shed light on the AC meeting frequency (ACMF). On average, the committee held around 5 meetings per year. The minimum number of meetings was 2, while the maximum was 5, suggesting a regular and active engagement of the committee in overseeing financial matters.

As for the firm size (FS), the result shows that the mean of the firm size is about 14.25 with a minimum of 6.56 and a maximum of 21.63. With regards to firm leverage (FL), the outcome in Table 2 shows that the mean of the firm leverage is about 0.39. This suggests that, on average, the firms had a moderate level of debt in their capital structure. The minimum leverage observed was 0.01, while the maximum leverage was 0.84.

Table 2: Descriptive statistic

	Min	*Max*	*Mean*	*Std. Deviation*
ROA	-0.27	0.25	0.0142	0.06168
ACSIZE	2	5	3.25	0.538
ACIND	66.67	100	91.4889	13.73118
ACFE	20	100	53.7822	23.38195
ACMF	2	9	5.2	0.942
FS	6.56	21.63	14.2519	3.12031
FL	0.01	0.84	0.3963	0.16738

4.2. Correlation

The correlation analysis was conducted to investigate the impact of AC attributes on firm performance (ROA). Pearson Correlation was employed to examine the relationship between the independent variables, namely AC size, AC independence, AC financial expertise, and AC meeting frequency, with respect to ROA. The findings are presented in Table 3. Among the independent variables, only AC size (ACSIZE) exhibited a significant positive correlation with ROA. This implies that there is a noteworthy relationship between the size of the AC and firm performance, as measured by ROA. However, the remaining independent variables did not demonstrate any significant correlation with ROA. In terms of the control variables, the study also examined the association between firm size (FS) and firm leverage (FL) with ROA. However, the results revealed no significant correlation or relationship between firm size or firm leverage and ROA.

Table 3: Correlation

	ROA	*ACSIZE*	*ACIND*	*ACFE*	*ACMF*	*FS*	*FL*
ROA	1	0.111**	-0.081	-0.02	-0.086	-0.086	0.03
ACSIZE	0.111**	1	-0.118**	-0.098	0.085	0.043	-0.009
ACIND	-0.081	-0.118**	1	-0.172*	-0.063	-0.027	0.041
ACFE	-0.02	-0.098	-0.172*	1	0.162*	0.016	0.049
ACMF	-0.086	0.085	-0.063	0.162*	1	0.045	0.121**
FS	-0.086	0.043	-0.027	0.016	0.045	1	-0.033
FL	0.03	-0.009	0.041	0.049	0.121**	-0.033	1

* Correlation is significant at the 0.01 level (2-tailed).

** Correlation is significant at the 0.05 level (2-tailed).

4.3. Regression analysis

The results of the regression model are presented in Table 4 in terms of the standardized coefficients (Beta), t-values, and significant levels. The tolerance value and the variance inflation factor (VIF) are also examined to discover multicollinearity problems. The highest VIF value for AC financial expertise is 1.08. This indicates that there is no multicollinearity problem among the independent variables.

Table 4: Regression analysis

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*	*Collinearity Statistics*	
		B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
1	(Constant)	0.058	0.039		1.475	0.141		
	AC Size	0.013	0.006	0.114	2.19	0.029*	0.961	1.04
	AC Independence	0	0	-0.079	-1.505	0.133	0.949	1.05
	AC Financial Expertise	-1.88E-05	0	-0.007	-0.134	0.893	0.929	1.08
	AC Meeting Frequency	-0.007	0.003	-0.101	-1.93	0.054**	0.948	1.06
	Firm Size	-0.002	0.001	-0.087	-1.702	0.09**	0.994	1.01
	Firm Leverage	0.016	0.019	0.044	0.853	0.394	0.98	1.02

Model	*R*	R^2	*Adjusted* R^2	*Std. Error of the Estimate*	*Change Statistics*					*Durbin-Watson*
					R^2 *Change*	*F Change*	*df1*	*df2*	*Sig. F Change*	
1	.192[a]	0.037	0.021	0.06102	0.037	2.349	6	368	0.031	2.127

a Predictors: (Constant), Firm Leverage, AC Size, Firm Size, AC Financial Expertise, AC Independence, AC Meeting Frequency

b Dependent Variable: Return on Asset

* is significant at the 5% level
** is significant at the 10% level

R^2 and adjusted R^2 for the regression model are also presented in Table 4. It can be observed that the explanatory power of the model, as shown by R^2, shows that variations in four independent variables account for 3.7% of the variations in the dependent variable (ROA).

From Table 5, the regression model's significance is supported by the F ratio, which is 2.349 and significant at the 3% level. The absence of serial autocorrelation among the independent variables is indicated in Table 4 by the Durbin-Watson value of 2.127, which is greater than 2.00.

Table 5: ANOVA

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	0.052	6	0.009	2.349	.031[b]
	Residual	1.37	368	0.004		
	Total	1.423	374			
a Dependent Variable: Return on Asset						
b Predictors: (Constant), Firm Leverage, AC Size, Firm Size, AC Financial Expertise, AC Independence, AC Meeting Frequency						

4.4. Discussion of result

4.4.1. Audit committee size

Table 4 shows a positive and significant association between AC size and ROA ($t = 2.19$; $p<0.05$). The result supports H1 that the relationship between AC size and ROA is significantly positive. This is in line with the findings reported by Ashari and Krismiaji (2020) and ElHawary (2021) that a larger AC size leads to higher firm performance. By having more members, the AC can tap into a diverse range of expertise, knowledge, and perspectives, enabling them to make more informed decisions and offer valuable insights. Besides, the result supports the resource dependence theory that the AC performs better as the committee size grows because they have more resources to deal with the issues facing the organization. Meanwhile, it does not support agency theory, which demonstrates that business performance would decline when the AC becomes larger. This discrepancy could be attributed to the nature of the AC's tasks and responsibilities. While agency theory emphasizes the potential for conflicts of interest and information asymmetry in larger committees, the resource dependence perspective highlights the benefits of having a larger AC to cope with organizational challenges effectively.

4.4.2. Audit committee independence

Hypothesis 2 is formed to examine the relationship between AC independence and firm performance. The result shows an insignificant and negative association between AC independence and ROA ($t = -1.505$; $p > 0.1$). This finding matched with ElHawary (2021) in Egypt and Qeshta et al. (2021) in Bahrain that AC independence does not have a significant influence on firm performance, specifically measured by return on assets (ROA). The knowledge and experience of independent directors might be a factor that could explain why there is no notable connection between AC independence and the performance of the company. It is possible that the independent directors on the AC may not possess the necessary expertise or understanding of the industry or specific challenges faced by the company. Consequently, their decision-making process may be flawed, leading to suboptimal execution of plans and choices that could have adverse effects on the company's profitability. Hence, an increase in the number of independent directors may lead to an improper influence on the decision-making process. Besides, the result is not in line with agency theory that suggests that a higher level of AC independence would enable better decision-making, minimize agency conflicts, and enhance firm performance.

4.4.3. Audit committee financial expertise

Hypothesis 3 is formed to examine the relationship between AC's financial expertise and firm performance. A negative and insignificant relationship is reported between AC financial expertise and ROA ($t = -0.134$; $p > 0.1$). It is consistent with Qeshta et al. (2021) in Bahrain and Alqatamin (2018) in Jordan, who find that AC members' experience does not affect firm performance (ROA). The lack of a significant impact on firm financial performance suggests that the level of financial and accounting experience among AC members is irrelevant. Besides, the descriptive analysis presented in Table 2 reveals that the mean of AC financial expertise is only around 54% of the AC members. This scarcity of financial expertise within ACs could potentially be a reason for the observed insignificant impact on firm performance. Moreover, this result does not support agency and resource dependence theory, which proposes that AC having financial experts is adequate to guarantee the accuracy of financial statements and lead to higher company performance. The findings indicate that there may be other factors beyond the presence of financial expertise that influence firm performance in the context of the property sector in Malaysia.

4.4.4. Audit committee meeting frequency

Hypothesis 4 is formed to examine the relationship between AC meeting frequency and firm performance. A negative but significant relationship is reported between AC meeting frequency and ROA ($t = -1.93$; $p<0.1$). This result is similar with Qeshta et al. (2021) in Bahrain and Khatib and Nour (2021) in Malaysia, who discovered that despite a high frequency of AC meetings, the firm performance remains low. These studies suggest that the higher expenses associated with hosting numerous meetings, as well as the potential for reversing decisions made in prior sessions, may contribute to the negative relationship between meeting frequency and firm performance. Furthermore, this result supports agency theory, which mentions that a corporation should only hold meetings frequently when the advantages outweigh the expenses. Meanwhile, it does not support the resource dependence theory, which implies that more AC meetings may lead to better performance.

4.4.5. Control variables

For the control variables, the firm size is negatively and significantly correlated with ROA (t= -1.702; p<0.1). On the other hand, the firm leverage is positively and insignificantly correlated with ROA (t= 0.853; p>0.1).

The result shows that the relationship between firm size and ROA is significantly negative. This result is in line with Ashari and Krismiaji (2020) in Indonesia and Shinwari et al. (2021) in Pakistan that a larger company's size will cause a decline in performance because an excessively huge company lacks the support of effective corporate management.

Meanwhile, the relationship between firm leverage and ROA is found to be insignificant and positive. This is consistent with the findings of Zakaria (2018), which indicate that leverage has no significant effect on company performance proxied by ROA.

5. CONCLUSION, LIMITATIONS AND DIRECTION FOR FUTURE RESEARCH

5.1. Conclusion

In conclusion, this study examined the impact of AC attributes on firm performance in the context of 75 property companies listed in Bursa Malaysia's main market from 2017 to 2021. The findings revealed that AC size has a significant positive relationship with firm performance. The result supports the argument by resource dependence theory, which holds that as the size of the AC increases, its ability to manage organisational problems is enhanced by increased resource availability. However, AC independence and AC financial expertise were found to have an insignificant and negative relationship with firm performance. Additionally, AC meeting frequency was found to have a significant negative relationship with firm performance.

The study on the relationship between the AC attributes and firm performance in emerging economies and by demonstrating that the AC size influences company performance proxied by ROA in the Malaysian capital market contributes to the body of knowledge in the field of corporate governance and the performance of the firm globally. The research findings offer guidance to policymakers, corporate leaders, and investors in enhancing corporate governance practices, optimising AC compositions, and ultimately improving firm performance.

5.2. Limitations

The limitation of this study would be the insufficient sample size for statistical measurement. This study only focusses on 75 companies from the property sector listed in Bursa Malaysia's main market from 2017 to 2021. Such a limited number of companies may undermine the statistical power and generalisability of the study's conclusions. Besides, this study only examines four AC attributes, which are AC size, AC independence, AC financial expertise, and AC meeting frequency. Lastly, the study relies solely on ROA as the measurement of firm performance.

5.3. Directions for future research

For future research, it is recommended that researchers expand the scope of the study by considering a broader range of industries, increasing the study period, and enlarging the sample size. These steps will enhance the generalisability and reliability of the study's outcomes. Moreover, future research should explore other independent variables, such as AC executive membership, AC gender diversity, and additional factors that could potentially influence firm performance. Furthermore, employing alternative measurements, such as return on equity (ROE), earnings per share (EPS), and Tobin's Q, would improve the validity of the results.

Overall, this study provides insights into the relationship between AC attributes and firm performance, highlighting the significance of AC size while indicating the limited impact of AC independence, AC financial expertise, and AC meeting frequency.

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Conflict of Interest

There is no conflict of interest involved in the publication of this paper.

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