Audit Committee Effectiveness and Company Performance: Evidence from Jordan

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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 165 non-financial companies listed on the Amman Stock Exchange (ASE) over the period 2014-2016. The results of the study show that the audit committee size, independence and gender diversity have a significant positive relationship with firm's performance, 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, Jordan

Paper type - Research paper.

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). Previous studies have indicated that the monitoring role of audit committees is a key element in corporate governance, helping to control and monitor managers' practice (Campbell and M ńguez-Vera 2008; Afify 2009). Furthermore, audit committees can improve the quality of financial reporting and decrease audit risk, thereby improving the quality of reported earnings (Contessotto and Moroney 2014; Abernathy et al. 2015). Therefore, audit committees play an important role in overseeing and monitoring a company's management, with the aim of safeguarding the interests of the owners (Kallamu and Saat 2015). It is recognised that an effective audit committee focuses on enhancing company performance and competitiveness, particularly in a changing business environment which is beyond the control of the company (RamCharan 1998; Cravens and Wallace 2001; Herdjiono and Sari 2017). An effective audit committee is expected to emphasise optimisation of shareholders' wealth and prevent managers' maximisation of their personal interests (Wathne and Heide 2000; Bansal and Sharma 2016).

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

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 - Mart ńez 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 Members' Experience

Several studies argue that audit committee members' knowledge or 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 Diversity 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 diversity on the audit committee and company performance.

2.5 Frequency of Meetings

The number of audit committee meetings reflects their monitoring effectiveness, and the literature uses frequency of meetings as a proxy to measure audit committee activity (e.g. Xie et al. 2003a; Lin et al. 2006). Audit committees that meet more frequently are better informed about the company circumstances (Al-Matari 2013), and provide a more effective oversight and monitoring mechanism of financial activities, which includes the preparation and reporting of company financial information. For example, Abbott et al. (2004) found that the likelihood of companies restating their financial reports significantly decreased if the audit committee held at least four meetings a year. Similarly, there is evidence that audit committees of companies in financial difficulties do not hold meetings as frequently as those without financial difficulties (McMullen and Raghunandan 1996). Hsu (2007), also found that the number of audit committee’s meetings and company performance are positively and significantly associated. This evidence is in line with the guidelines proposed by the best practice code for corporate governance in Jordan (ASE 2015), which require audit committees to meet not less than four times a year.

H5: There is a significant positive relationship between the frequency of meetings of audit committees and company performance.

3. Study Methodology

3.1 Data Collection

Our initial sample was all 243 companies listed on the ASE. However, we excluded financial companies (n = 43) from the initial sample, due to their unique characteristics and the specific regulations and requirements for their annual reports, which may have an impact on the results (Athanasakou and Hussainey 2014; Alqatamin et al. 2016). In addition, industrial sectors comprising fewer than six firms, and companies with missing data, were removed (Athanasakou and Hussainey 2014; Alqatamin et al. 2017). Thus, the final sample consisted of 495 firm-year observations over the study period 2014-2016, as shown in Table 1; Table 2 indicate the distribution by type of industry. This study adopted the three-year period from 2014 to 2016 as the establishment of an audit committee became mandatory from 2013. All data relating to the study variables were collected from the companies’ annual reports published in the years 2014-2016. Each annual report was scanned manually. Most of the reports are published on company websites, and are released within the first the quarter of the year following the previous financial year-end. Annual reports are considered more easily comparable among companies than other less formal communication channels such as press releases or direct contact analyses (Chang and Most 1985; Alqatamin et al. 2016; Alqatamin et al. 2017). However, the websites of the Securities Depository Centre (SDC), the ASE itself and the OSIRIS database were used as additional sources to cover any financial information missing from the annual reports.

Table 1. Sample Description

Description	**2014**	**2015**	**2016**	**Pooled**
Initial Sample	243	243	243	**729**
Excluded:				
Financial industries	43	43	43	(129)
Non-financial industries	200	200	200	**600**
Industries with fewer than six firms				
Health Care	4	4	4	12
Technology and Communication	1	1	1	3
Media	2	2	2	6
Paper and Cardboard	3	3	3	9
Utilities and Energy	3	3	3	9
Printing and Packaging	1	1	1	3
Tobacco and Cigarettes	2	2	2	6
Glass and Ceramic Industries	1	1	1	3
Electric Industries	4	4	4	12
				(63)
Firms with unavailable data	14	14	14	**(42)**
Final Sample	165	165	165	**495**

Table 2. Industry distribution of the sample

Description	Number	Percentage
Educational services	15	9%
Hotels and tourism	41	25%
Transport	18	11%
Commercial services	12	7%
Pharmaceutical and medical industries	12	7%
Chemical industries	10	6%
Food and beverages	13	8%
Mining and extraction industries	14	9%
Engineering and construction	17	10%
Textiles, leather and clothing	13	8%
Total	165	100%

3.2 Measurement of Variables

3.2.1 Dependent Variable

Previous research used different proxies to measure a firm’s performance, such as ROA, ROE, efficiency (Kim and Rasiah 2010; Muritala 2012; Moh'd Al-Tamimi and Obeidat 2013), or stock price and dividend payable (Ponnu 2008). With no consensus on the best measure (Ntim and Oseit 2011), ROA was selected as the most accepted measure of performance because it is used by regulators and measures profitability of investment projects made using acquired deposits (Kallamu and Saat 2015). In addition, ROA reflects the ability of the company to generate returns on its portfolio of assets, and it is not affected by changes in the equity market (Hutchinson and Gul 2004). ROA is also preferable in the context of corporate governance because it reflects the ability of management in utilising the company’s assets and other resources to generate profit and add value to the company (Sufian and Habibullah 2010). Following previous studies (Al-Saidi and Al-Shammari 2013; San Ong and Gan 2013; Kallamu and Saat 2015), this study used ROA as a proxy for company performance, measured as profit before tax at the year-end divided by total assets (Praptiningsih 2009).

3.2.2 Independent and Control Variables

Following previous studies (e.g. Xie et al. 2003b; Abbott et al. 2004; Al-Matari 2013), this study measured audit committee size as the total number of members. The independence of the audit committee was measured by the proportion of independent directors to the total number of directors on the audit committee (Kallamu and Saat 2015). Regarding 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). To control company attributes that influence performance, the study added the company size, industry type, leverage ratio and dividend ratio, as previous studies have suggested that these variables may affect performance (Mohd Saleh et al. 2007; Al-Matari 2013; Kallamu and Saat 2015). The following empirical model is formulated to investigate the relationship between the audit committee characteristics and company performance; Table 3 provides the definitions and measurements of all variables.

$$PERFORM_{it} = \beta_0 + \beta_1\, COMSIZE_{it} + \beta_2\, COMINDE_{it} + \beta_3\, COMEXPE_{it} + \beta_4\, COMFEMA_{it} + \beta_5\, COMMEET_{it} + \beta_6\, FSIZE_{it} + \beta_7\, FINDUST_{it} + \beta_8\, FLEVER_{it} + \beta_9\, FDIVID_{it} + \text{Industry Controls} + \text{Year Controls} + \varepsilon_I. \quad (1)$$

Table 3. Variable definitions and measurements

Label	Variable	Description
PERFORM	Firm's performance	ROA as a proxy for company's performance, measured as profit before tax at the year-end divided by 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.
COMEXPE	Committee experience	Proportion of members with education/experience in accounting or finance.
COMFEMA	Gender diversity	Percentage of female members on the audit committee.
COMMEET	Frequency of meetings	Number of audit committee meetings held during the year.
FSIZE	Firm Size	The natural log of a firm's total assets.
FINDUST	Industry Type	A dummy variable that takes the value of 1 if the company operates under the manufacturing sector and 0 if it operates under the service sector.
FLEVER	Leverage ratio	Total liabilities divided by total assets.
FDIVID	Dividends Ratio	Cash dividends divided by net income for the same period.

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.

Table 4. Descriptive analysis

Variables	Observations	Minimum	Maximum	Mean	Std. Deviation
PERFORM	495	0	.6664	.2065	.1182
COMSIZE	495	3	5	3.102	1.445
COMINDE	495	.6921	1	.9519	.4140
COMEXPE	495	.2351	.7677	.6154	.5911
COMFEMA	495	0	.3371	.1254	.1101
COMMEET	495	5	19	11.68	.2542
FSIZE	495	.9305	3.231	5.550	1.570
FINDUS	495	0	1	.3531	.4711
FLEVER	495	0	.9351	.1682	.3177
FDIVID	495	0	.9017	.2312	.1117

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	COMEXP	COMFEMA	COMMEE	FSIZE	FINDUS	FLEVE	FDIVID
COMSIZE	1.000								
COMINDE	0.348**	1.000							
COMEXP	-0.148**	-0.018	1.000						
COMFEMA	0.020	0.025	0.017	1.000					
COMMEE	0.016	-0.008	-0.007	0.013	1.000				
FSIZE	0.092**	-0.024	0.117**	0.068**	0.371**	1.000			
FINDUS	-0.152**	0.082**	0.206**	0.032	-0.156**	0.034	1.000		
FLEVE	-0.012	-0.047	0.005	0.271**	0.017	0.040	0.026	1.000	
FDIVID	0.010	0.005	-0.077**	-0.019	-0.068**	0.009	-0.001	-0.061*	1.000

4.3 Regression Analysis

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 64.3 percent, which means that the independent variables demonstrate 64.3 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 insignificant coefficient of audit committee experience confirms that our result provides no evidence for the effect of audit committee members' experience on company performance. Thus, H3 is rejected.

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 H4, 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, H5 is rejected. Regarding the control variables, the regression results indicate that a firm's performance has a negative association with industry type. However, regression results disprove any relationship between company's performance and company's size, leverage ratio and dividends ratio.

Table 6. Company's performance regression estimates.

Variables	Predicted sign	Coeff.	t-stat.	P. Value
Cons	+	.3279	2.78	0.05*
COMSIZE	+	.1726	4.34	0.01***
COMIND%	+	.1391	3.73	0.03**
COMEXP%	+	-.0518	-1.16	0.24
COMFEM%	+	.8681	3.31	0.03**
COMMEET	+	.0033	0.06	0.65
FSIZE	+	-.0325	-0.85	0.40
FINDUS	?	-.0330	-2.02	0.04*
FLEVER	?	.0120	-0.03	0.59
FDIVID	?	-.0097	0.53	0.61
Adjusted R^2	64.3%			
F-Stat.	15.46***			

**** 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 on company performance among non-financial Jordanian companies over the period 2014-2016, 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. However, the regression results do not provide any evidence about the effect of experience or the frequency of meetings on the company's performance. 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, leverage ratio or dividends ratio.

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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