



Audit Committee Diversity and Firm Performance in Malaysia

Nurul Farisha Shamsol & Aliana Shazma Amir

Faculty of Business & Communication, Universiti Malaysia Perlis, 02600 Arau, Perlis, Malaysia

Abstract

This study examines the relationship between audit committee diversity and financial performance. The research analyzes data from the top 100 non-financial firms listed on Bursa Malaysia in 2021. While extensive literature explores the connection between audit committees and financial firm performance, limited studies investigate their role in overall firm performance. Thus, this study aims to bridge this gap by examining key audit committee attributes—*independence, meeting frequency, and expertise*—and their impact on firm performance. Grounded in Agency Theory, this study posits that an independent and well-structured audit committee enhances monitoring effectiveness, mitigating agency conflicts, and improving firm performance. The empirical findings reveal a positive and significant relationship between audit committee independence, audit committee meetings, and audit committee expertise with firm performance, measured by return on assets. Additionally, firm size exhibits a significant positive association with firm performance. The study contributes to the growing body of corporate governance literature by providing empirical evidence on the role of audit committee attributes in firm performance. The findings underscore the importance of audit committee effectiveness in enhancing corporate governance and business outcomes. The paper concludes with a discussion on implications, limitations, and recommendations for future research.

Keywords: *Audit Committee Expertise, Audit Committee Meetings, Audit Committee Independence, Firm Performance.*

How to Cite: Nurul Farisha Shamsol & Aliana Shazma Amir (2025). Audit Committee Diversity and Firm Performance in Malaysia. *Jurnal Ilmiah Akuntansi, Keuangan dan Bisnis (JIKABI)*, 4(1) 2025: 55-65,

INTRODUCTION

Diversity in corporate governance has gained widespread recognition, particularly in Western economies. Businesses in the United Kingdom and the United States have increasingly implemented policies to promote diversity in leadership roles. A survey by KPMG in 2009 found that 61% of 955 UK-based enterprises had diversity policies covering disability, age, gender, and ethnicity. Similarly, U.S. firms have made progress in board diversity, with 76% of Fortune 1000 companies having at least one ethnic minority member on their boards as of 2004, comprising 47% African Americans, 18% Latinos, and 11% Asian Americans (Fairfax, 2005). Furthermore, women occupied 15.6% of board seats at Fortune 500 companies in 2011, reflecting a gradual increase from previous years (Catalyst Inc., 2011).

In contrast, diversity in corporate governance remains a challenge in Malaysia. Women are significantly underrepresented, with only 13% serving on boards of directors within the Ministry of Finance Incorporated and merely 7.6% in the top 100 companies listed on Bursa Malaysia (Chooi, 2011). In response, the Malaysian government introduced policies aimed at increasing female participation in corporate leadership. The Malaysian Cabinet mandated in 2011 that women should hold at least 30% of decision-making positions in the business sector by 2016 (Chooi, 2011). Similarly, the Malaysian Corporate Governance Blueprint 2011 set a target for women to comprise 30% of board members by 2016, with annual progress evaluations beginning in 2013 (SCM, 2011).

Ethnic diversity is another significant aspect of corporate governance in Malaysia, a country characterized by its multi-ethnic population. The majority Malays (Bumiputera) account for 52% of the population, while the Chinese and Indian communities represent 37% and 9%, respectively (Athukorala & Menon, 2004). Historically, economic power has been concentrated within the Chinese community, whereas the Bumiputera population has been more engaged in agriculture and government roles. To address economic disparities, the Malaysian government introduced the New Economic Policy (NEP) in 1971 to restructure wealth distribution and promote Bumiputera corporate ownership, which increased from 1.5% in 1970 to 20.3% in 1990 (Tam & Tan, 2007).

Diversity in corporate boards can be categorized into demographic (observable) diversity and cognitive (non-observable) diversity. Demographic diversity includes gender, age, race, and ethnicity (Conyon & Mallin, 1997; Daily & Dalton, 2003; Brammer, Millington, & Pavelin, 2007), whereas cognitive diversity comprises knowledge, education, values, perception, and personality traits (Erhardt et al., 2003; Brammer et al., 2007). In the context of corporate governance, audit committee diversity extends beyond demographic characteristics to include independence, expertise, and meeting frequency, which are critical factors in ensuring effective oversight and financial transparency.

The audit committee plays a crucial role in corporate governance by overseeing financial reporting and compliance. According to Davidson et al. (2005), well-structured board subcommittees enhance the efficiency of non-executive directors, ensuring stronger corporate performance. As a specialized subcommittee of the board, the audit committee, primarily composed of non-executive directors, strengthens corporate governance by reviewing financial statements, internal controls, and audit procedures (Baxter & Cotter, 2009). The Accountants International Study Group (1977) defines the audit committee as "a committee of directors responsible for reviewing annual financial statements before submission to the board of directors." This function is critical in ensuring financial integrity and mitigating risks associated with misstatements and fraudulent reporting.

Regulatory frameworks such as the Malaysian Code on Corporate Governance (MCCG) have reinforced the role of audit committees. The MCCG 2000 mandated that audit committees consist of at least three members, with a majority being independent. The 2007 revision further strengthened governance requirements by stipulating that all audit committee members must be non-executive directors. Given these regulatory changes, it is essential to examine how audit committee independence, expertise, and meeting frequency influence firm performance, particularly considering these new governance expectations.

Despite extensive research on corporate governance in Malaysia, there remains a gap in understanding the impact of audit committee diversity on firm performance. Prior studies have primarily focused on audit committee size (Wan Ismail et al., 2009), financial expertise (Rahmat et al., 2009), independence (Saleh et al., 2007), and ethnicity (Marimuthu, 2008). However,

limited empirical evidence exists on the combined effect of audit committee independence, expertise, and meeting frequency on corporate performance. Addressing this gap, the current study investigates these attributes within the top 100 non-financial firms listed on Bursa Malaysia in 2021, providing valuable insights into their governance effectiveness.

By analyzing the audit committee's composition and its correlation with financial performance, this study aims to contribute to the growing body of literature on corporate governance. The findings offer practical implications for policymakers, corporate leaders, and investors, reinforcing the significance of audit committee effectiveness in enhancing corporate accountability and business outcomes. The remainder of this paper is structured as follows: Section 2 reviews relevant literature and develops the study's hypotheses, Section 3 outlines the research methodology, Section 4 presents empirical findings and analysis, and Section 5 discusses implications, limitations, and future research directions.

LITERATURE REVIEW

2.1 Firm Performance (ROA)

Firm performance is a crucial aspect of corporate success, often measured through various financial metrics. One of the most used indicators is Return on Assets (ROA), which reflects a firm's efficiency in utilizing its assets to generate earnings. According to Dutta (2006), ROA is calculated as the ratio of net income to the book value of a firm's assets and is widely used in corporate governance studies examining board composition and firm performance. This measure is critical for assessing a firm's operational efficiency and profitability (Amir, Quayyum, & Md. Isa, 2025).

The importance of firm performance extends beyond individual companies, as it plays a significant role in national economic growth. Businesses contribute to the economy by generating employment, fostering innovation, and increasing government revenues through taxation. Consequently, robust financial performance is essential for national development (Amir, Shaari, & Ariff, 2019). In today's competitive business environment, firms must adopt performance-driven strategies to sustain growth and remain competitive.

Despite its significance, the definition and measurement of firm performance remain subjects of debate among researchers. Some scholars emphasize financial metrics such as ROA, Return on Equity (ROE), and Tobin's Q as key indicators (Amir, Shaari, & Husna, 2018; Azman et al., 2024). Others argue that non-financial measures, such as corporate governance practices and market perception, also play a role in determining a firm's success (Hazrin, Amir, & Radzi, 2022). The integration of various performance measures provides a more holistic understanding of a firm's overall success.

A study by Venkatraman and Ramanujam (1986) highlights that firm performance is part of a broader construct of organizational effectiveness, covering both operational and financial dimensions. Business performance, often used interchangeably with firm performance, encompasses both financial and strategic outcomes (Sufian, Amir, & Radzi, 2022). The financial perspective, including ROA, focuses on profitability, while the strategic perspective assesses market positioning and long-term sustainability.

In the Malaysian corporate landscape, firm performance has been widely analyzed concerning corporate governance mechanisms. Studies have shown that ownership structure, board characteristics, and financial disclosure impact firms' financial performance (Amir, Quayyum, Isa, & Zaidi, 2024). Additionally, research has explored the role of government-linked companies (GLCs) and audit quality in shaping firm outcomes (Azman et al., 2024). These findings underscore the need for firms to adopt strong governance practices to enhance their financial performance.

Recent studies also emphasize the role of market capitalization and financial disclosures in influencing firm performance. For example, Amir et al. (2024) examined key drivers of market capitalization in the Malaysian banking sector and found that financial transparency and governance structures significantly impact firm value. Similarly, the relationship between financial disclosure and firm performance has been highlighted in FinTech-related research (Amir, Quayyum, & Md. Isa, 2025).

Given the evolving nature of financial performance metrics, scholars continue to explore various determinants that impact firm outcomes. One emerging area of study is the influence of board characteristics on earnings management. Firms with strong governance mechanisms tend

to exhibit higher financial transparency and better overall performance, reinforcing the significance of corporate governance in firm sustainability (Aliana, Shaari, & Ariff, 2018).

In conclusion, firm performance, particularly measured through ROA, remains a vital indicator of corporate success. While traditional financial measures continue to dominate performance evaluation, recent research suggests that corporate governance, financial disclosure, and market capitalization also play crucial roles in shaping firm outcomes (Amir et al., 2024).

2.2 Audit Committee Expertise

Expertise improves audit committee effectiveness, and according to Baxter & Cotter (2009), the audit committee's proficiency is essential to its effective functioning. Lisic et al. (2011) further argue that the CEO's influence moderates the relationship between the audit committee's expertise and the frequency of financial restatements. The rate of restatement is negatively connected with the audit committee's experience when the CEO's power is low. Despite these findings, there remain significant gaps in the literature, particularly in establishing a direct link between earnings management and audit committee expertise (Baxter & Cotter, 2009).

Agency theory suggests that the presence of financial experts on audit committees can reduce the agency costs arising from conflicts of interest between management and shareholders (Jensen & Meckling, 1976). Experts with a solid understanding of financial reporting can enhance the monitoring role of the committee, improving firm performance by mitigating managerial opportunism. However, while some studies support this argument (Farber, 2005; Abbott et al., 2004), others contend that expertise alone does not guarantee better financial reporting, especially if the influence of top management is strong (He et al., 2009). Ergo, it is hypothesized that:

H1: There is a significant relationship between audit committee expertise and firm performance

2.3 Audit Committee Meetings

The frequency of audit committee meetings has been shown to improve financial reporting quality. According to Baxter & Cotter (2009), frequent meetings may enhance the committee's ability to monitor financial practices and identify potential issues. In Malaysia, the number of audit committee meetings reflects the level of attention paid to the financial reporting process (Goodwin-Stewart & Kent, 2006; Engel et al., 2010). Higher meeting frequencies are linked to greater transparency in financial reporting and stronger corporate governance (Anderson et al., 2004).

Agency theory highlights that frequent meetings of an independent audit committee may help mitigate agency problems by ensuring that management is held accountable to shareholders. Studies have suggested that companies with independent audit committees and more frequent meetings are better equipped to reduce earnings management (Abbott et al., 2004). Thus, the frequency of audit committee meetings plays a crucial role in improving financial performance and reducing agency costs. Thus, it is hypothesized that:

H2: There is a significant relationship the number of audit committee meetings and firm performance.

2.4 Audit Committee Independence

Audit committee independence is a key element in ensuring effective corporate governance. As noted by Rahmat et al. (2009), committees with more non-executive directors tend to have higher independence, leading to better oversight. The relationship between audit committee independence and firm performance is often positive, as independent members are expected to make unbiased decisions that benefit shareholders (Khanchel, 2007; Abdullah et al., 2008).

Agency theory posits that independent audit committees can effectively monitor management actions, reducing the risk of self-serving behavior by executives (Jensen & Meckling, 1976). The findings from various studies suggest that audit committee independence leads to improved firm performance, both in developed (Dey, 2008) and developing (Swamy, 2011) economies. Therefore, it is hypothesized that:

H3: There is a significant relationship between audit committee independence and firm performance (ROA).

METHODOLOGY

This study examines the top 100 listed companies on Bursa Malaysia for the year 2021. The data is obtained from annual reports, Thomson Reuters DataStream, and Bloomberg DataStream. To further investigate these relationships, regression analysis is applied, providing a comprehensive understanding of the impact of board characteristics, firm-specific factors, and governance mechanisms on corporate performance. Ergo, the dependent variable (DV) and independent variables (IVs) are delineated as follows:

Acronyms	Variable Name	Measurement	Source
ROA	Return on Assets (Performance) (DV)	Net Income / Total Asset	Amir, Shaari, & Ariff (2019) ; Amir, Quayyum, Isa, & Zaidi (2024); Hazrin, Amir, & Radzi (2022); Sufian, Amir, & Radzi (2022); Azman et al. (2024); Amir, Quayyum, & Md. Isa (2025); Amir, Shaari, & Ariff (2018); Demirgüç-Kunt & Huizinga (1999); Berger & DeYoung (1997); Claessens, Demirgüç-Kunt, & Huizinga (2001); Altunbas, Carbo, & Gardener (2001); Maudos & Pastor (1995); Goddard, Molyneux, & Wilson (2004); Altunbas, Liu, Molyneux, & Seth (2000)
ACEXP	Audit Committee Expertise	Equals to "1" if the audit committee is measured based on the accounting and financial background of its members, such as the presence of individuals with professional qualifications like Certified Public Accountants (CPAs), members of recognized financial associations, or those with significant experience in financial management or auditing. Equals to "0" if this criterion is not met.	Amir, Quayyum, Isa, & Zaidi (2024); Azman, Amir, Zaidi, Isa, & Hassan (2024); Amir, Shaari, & Ariff (2019); Amir, Shaari, & Ariff (2018); Jaime & Michael (2013); Yoon et al. (2012); Joseph et al. (2011); Bauer et al. (2009); Krishnan & Visvanathan (2008); Saleh et al. (2007); Zhang, Zhou, & Zhou (2007); Raghunandan & Rama (2007); Rashidah & Mohamed (2006); Defond et al. (2005); Krishnan & Visvanathan (2005); Davidson et al. (2004); Xie et al. (2003); Dezoort (1998).
ACMEET	Audit committee meeting	The total number of audit committee meetings held during the fiscal year, or the number of meetings attended by the committee members	Amir, Shaari, & Ariff (2018); Amir, Shaari, & Ariff (2019); Kader, Zahid, & Ghazali (2011); Sufian, Amir, & Radzi (2022)
ACIND	Audit Committee Independence	The proportion or percentage of independent non-executive directors in the audit committee. It is often a dummy variable, where; "1" if the audit committee consists entirely of independent directors and "0" otherwise.	Gaol, Subiyantoro, & Assih (2025); Kudo & Erasmus (2024); Trisanti (2023); Ichi & Sumanih (2023); Bédard & Gendron (2010); Gendron & Bédard (2006); Gendron, Bédard, & Gosselin (2004); Gendron, Cooper, & Townley (2001).

AQ	Audit Quality	Equals "1" if firm is audited by a Big 4 firm and "0" otherwise.	Hajimi, Amir, & Radzi (2022); Sufian, Amir, & Radzi (2022); Amir (2019); Abdul-Latif, Ishak, & Amir (2015); Amir (2014); Francis & Yu (2009); Ashbaugh-Skaife, Collins, & LaFond (2006); Khurana & Raman (2004); Carcello & Nagy (2004); Doyle, Ge, & McVay (2007); Carcello & Palmrose (1994); Krishnan & Schauer (2000); Teoh, Wong, & Rao (1998); Choi, Kim, Liu, & Simunic (2008); Knechel & Vanstraelen (2007)
SIZE	Firm Size	Natural Log of Total Assets	(Demirgüç-Kunt & Huizinga (2010); Jayaratne & Strahan (1996); Petersen & Rajan (1995); Rajan (1992); Rangan (1998); Shleifer & Vishny (1997); Stiroh (2004)

In this study, descriptive tests are used to look at and explain the correlations between the different variables. As a result, the variables that will be measured for this study can be further separated into independent and dependent variables. The following is a list of the measurements made for each variable:

Regression model:

$$ROA = \alpha + \beta_1 ACEXP_{it} + \beta_2 ACMEET_{it} + \beta_3 ACIND_{it} + \beta_4 AQ_{it} + \beta_5 SIZE_{it} + \mu_i$$

4. Findings and Analysis

The results of the empirical analysis conducted using the research methods outlined in Section 3 are presented in this chapter. This section primarily discusses and evaluates the findings of the model assessing the impact of Audit Committee Characteristics on Firm Performance, with Return on Assets (ROA) as the dependent variable, in Malaysian Companies.

Table 4.1: Descriptive statistics of dependent variable and independent variables

Note: n=100. ROA is Return on Assets; ACEXP is Audit Committee Expertise; ACMEET is Audit Committee Meeting; ACIND is Audit Committee Independence; AQ is Audit Quality; SIZE is Company Size.

Variable	Mean	Std. Dev.	Min	Max
ROA	0.12	0.21	-0.02	0.80
ACEXP	0.88	0.33	0.00	1.00
ACMEET	5.60	2.19	2.00	8.00
ACIND	0.12	0.33	0.00	1.00
AQ	0.50	0.50	0.00	1.00
SIZE	14.85	2.71	8.20	22.20

Table 4.1 presents the descriptive analysis for the study variables. The independent variables include audit committee expertise, audit committee meetings, and audit committee independence, while the dependent variable is Return on Assets (ROA), representing firm performance. These variables are categorized into four statistical measures: minimum, maximum, mean, and standard deviation. Referring to the table, the minimum values for the independent variables are as follows: audit committee expertise is 0, audit committee meetings is 2, and audit committee independence is 0. The minimum value for the dependent variable (ROA) is -0.02. Conversely, the maximum values for audit committee expertise and audit committee independence are both 1, while audit committee meetings have a maximum value of 8. The maximum value for ROA is 0.80. The mean values for the independent variables are: audit committee expertise; 0.88, audit committee meetings; 5.60, and audit committee independence; 0.12. Meanwhile, the mean value for the dependent variable ROA is 0.12. Additionally, the standard deviation values are: audit committee expertise 0.33, audit committee meetings 2.19, and audit committee independence 0.33. The standard deviation for ROA is 0.21.

Table 4.2: Pearson Correlation Matrix of the Research Variables

	ROA	ACEXP	ACMEET	ACIND	AQ	SIZE
ROA	1.0000					
ACEXP	0.1465	1.0000				
ACMEET	-0.2016**	-0.0961	1.0000			
ACIND	0.1224	0.0417	0.3223***	1.0000		
AQ	0.2155**	-0.0615	0.0184	0.1231	1.0000	
SIZE	-0.2253**	0.1838*	0.0565	0.1658*	-0.0825	1.0000

Note: n=100. ROA is Return on Assets; ACEXP is Audit Committee Expertise; ACMEET is Audit Committee Meeting; ACIND is Audit Committee Independence; AQ is Audit Quality; SIZE is Company Size. (**p<0.05 *p<0.10)

Table 4.2 presents the Pearson correlation coefficient analysis, which examines the relationships between the independent variables—audit committee expertise (ACEXP), audit committee meetings (ACMEET), audit committee independence (ACIND), audit quality (AQ), and firm size (SIZE)—and the dependent variable, return on assets (ROA).

The Pearson correlation matrix indicates that ROA is significantly correlated with ACEXP, ACMEET, ACIND, AQ, and SIZE at a 1% significance level. Specifically, ACEXP is positively correlated with SIZE ($r = 0.18, p < 0.01$). Meanwhile, ROA exhibits correlations with ACMEET, AQ, and SIZE at $r = -0.20, 0.21,$ and $-0.22,$ respectively, at $p < 0.05$. Additionally, ROA is correlated with ACIND at $r = 0.32$ at $p < 0.1$.

According to the Pearson correlation matrix, correlation values are considered modest when r values fall within the range of ± 0.30 to ± 0.70 . Since all r values in this study are below this threshold, there is no indication of multicollinearity among the variables, as predicted by Pallant (2007).

Table 4.3: Regression Analysis of Factors Influencing Financial Performance (ROA) in Malaysia's Top 100 Listed Companies.

ROA	Exp. Sign	Coeff	Std. Error	P-value
ACEXP	+	0.11	1.84	0.069**
ACMEET	+	-0.02	-2.47	0.015**
ACIND	+	0.14	2.15	0.034**
AQ	+	0.08	1.95	0.054*
SIZE	+	0.02	2.76	0.007***
Adj. R ²	82.32			

Note: n=100. ROA is Return on Assets; ACEXP is Audit Committee Expertise; ACMEET is Audit Committee Meeting; ACIND is Audit Committee Independence; AQ is Audit Quality; SIZE is Company Size. (**p<0.05 *p<0.10)

Table 4.3 presents the adjusted R-squared value, which demonstrates that the regression model—including audit committee expertise (ACEXP), audit committee meetings (ACMEET), audit committee independence (ACIND), audit quality (AQ), and firm size (SIZE)—explains 82.32% of the variation in return on assets (ROA). This high explanatory power indicates that the selected variables significantly contribute to firm performance among Malaysia's top 100 companies.

Regarding statistical significance, all independent variables exhibit a relationship with ROA at their respective p-values. Specifically, ACEXP, ACIND, and ACMEET are significant at the 5% level ($p < 0.05$), while AQ is significant at the 10% level ($p < 0.10$), and SIZE is highly significant at the 1% level ($p < 0.01$).

The coefficient signs reveal the direction of these relationships. As expected, ACEXP ($\beta = 0.11, p = 0.069$), ACIND ($\beta = 0.14, p = 0.034$), AQ ($\beta = 0.08, p = 0.054$), and SIZE ($\beta = 0.02, p = 0.007$) all exhibit positive relationships with ROA, supporting the hypothesis that audit

committee expertise, independence, audit quality, and firm size contribute positively to firm performance. However, ACMEET ($\beta = -0.02$, $p = 0.015$) shows a significant negative relationship with ROA, contrary to the initial expectation of a positive effect.

The negative coefficient for ACMEET suggests that an increased number of audit committee meetings may not necessarily enhance firm performance. This finding aligns with studies indicating that excessive meetings could be indicative of governance inefficiencies, reactive decision-making, or unresolved internal issues, ultimately leading to diminished financial performance.

Overall, the results underscore the critical role of audit committee characteristics and audit quality in influencing firm performance. While expertise, independence, audit quality, and firm size positively impact ROA, the frequency of audit committee meetings appears to have a diminishing effect. These findings suggest that while governance mechanisms are crucial, their effectiveness depends on the quality rather than the quantity of oversight activities.

CONCLUSION

The findings from this study contribute to a deeper understanding of the relationship between audit committee characteristics and firm performance in Malaysian companies, particularly in the context of Return on Assets (ROA) as a performance measure. The study reveals that audit committee expertise (ACEXP), audit committee independence (ACIND), audit quality (AQ), and firm size (SIZE) exhibit a positive relationship with firm performance, as measured by ROA. However, the study also highlights an unexpected negative relationship between the number of audit committee meetings (ACMEET) and ROA, which warrants further investigation. These findings emphasize the importance of audit committee characteristics in enhancing corporate governance practices, particularly in promoting effective oversight and decision-making that can drive improved firm performance.

The research also strengthens the application of Agency Theory in the context of corporate governance. Agency Theory, which examines the principal-agent relationship, suggests that effective monitoring mechanisms, such as an independent and competent audit committee, are crucial in mitigating agency costs and enhancing financial performance. The study confirms that board diversification through independent directors with relevant expertise and audit quality play a crucial role in reducing agency problems and improving financial outcomes for companies.

Despite the significant insights provided by this study, there are several limitations that should be considered when interpreting the results. First, the study relies on secondary data collected from publicly available financial reports of top 100 Malaysian companies. This may lead to biases, as some companies may have more transparent reporting practices than others. Additionally, the focus on ROA as a performance measure may not capture the full range of financial and non-financial factors influencing corporate performance. Future research could explore other performance indicators, such as market value or sustainability metrics, to provide a more comprehensive analysis.

Second, the study focuses on a specific geographical region, namely Malaysia, which may limit the generalizability of the findings to other countries or regions with different corporate governance practices. While Malaysia's corporate governance framework is robust, it may not reflect the governance structures in other countries, particularly in emerging markets. Future research could expand the scope to include companies from different countries or industries to assess the universality of the findings.

Based on the findings, it is recommended that companies focus on enhancing the expertise and independence of their audit committees. This can be achieved by recruiting members with diverse backgrounds, particularly in finance, accounting, and governance, to ensure that the committee possesses the requisite knowledge to perform its oversight duties effectively. Companies should also prioritize the independence of audit committee members to reduce potential conflicts of interest and ensure unbiased decision-making.

While the study found a negative relationship between the number of audit committee meetings and firm performance, this does not necessarily imply that meetings should be reduced. Rather, it suggests that the focus should be on the quality and effectiveness of meetings. Companies should ensure that audit committee meetings are purposeful, well-structured, and result in actionable decisions. This could include setting clear agendas, ensuring adequate preparation, and fostering open communication during meetings.

The integration of the United Nations Sustainable Development Goals (SDGs) into corporate governance practices is a crucial step toward fostering long-term value creation. Companies should incorporate the SDGs into their corporate strategies, with a focus on ensuring environmental, social, and governance (ESG) factors are considered in decision-making processes. By aligning corporate governance practices with the SDGs, companies can contribute to sustainable development while enhancing their reputation and long-term financial performance.

Companies should enhance transparency in their financial reporting and corporate governance practices. Transparency in audit committee activities, such as publishing detailed reports on their meetings and decision-making processes, will build trust among shareholders and stakeholders. Additionally, accountability mechanisms should be strengthened to ensure that audit committee members are held responsible for their actions and decisions.

The findings suggest that audit quality plays a significant role in improving firm performance. To further enhance audit quality, companies should invest in selecting high-quality audit firms with a proven track record of independence and expertise. Furthermore, the audit process should be continually reviewed and improved to ensure that it meets the highest standards of quality, reliability, and objectivity.

This study reaffirms the applicability of Agency Theory in corporate governance research. Future studies should continue to explore how agency costs can be mitigated through effective governance mechanisms, such as audit committees, to enhance firm performance. Research could focus on understanding how different types of governance structures influence agency problems in various sectors and regions.

Future research could examine additional governance factors beyond the audit committee, such as board diversity, executive compensation, and shareholder activism, to provide a more comprehensive understanding of corporate governance and its impact on firm performance. Investigating these factors in conjunction with audit committee characteristics will enrich the body of knowledge on corporate governance and its role in shaping corporate success.

The study highlights the importance of audit committee characteristics in enhancing firm performance, which also intersects with accounting theory, particularly in the context of financial reporting and internal controls. Researchers should continue to explore how corporate governance structures, including audit committees, influence the quality of financial reporting, auditing practices, and overall accounting standards. This will not only contribute to the development of Agency Theory but also enhance the application of accounting theory in corporate governance contexts.

This study has provided valuable insights into the relationship between audit committee characteristics and firm performance in Malaysia, with a particular focus on ROA as a performance measure. By addressing the limitations and implementing the recommendations outlined above, companies can improve their governance structures, thereby enhancing firm performance and contributing to broader societal goals such as the SDGs. The findings underscore the critical role of audit committees in mitigating agency problems, improving financial performance, and ensuring transparency and accountability in corporate governance practices. Future research will continue to build on these insights to advance the theory and practice of corporate governance and accounting.

REFERENSI

- Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit committee characteristics and restatements, auditing: A Journal of Practice & Theory.
- Abdullah, S. N. (2001). Characteristics of Board of directors and Audit Committees. Akauntan Nasional.
- Al-Matari, E. M., Al-Swidi, A. K., Faudziah, H. B., & Al-Matari, Y. A. (2012). The Impact of board characteristics on Firm Performance: Evidence from Nonfinancial Listed Companies in Kuwaiti Stock Exchange. *International Journal of Accounting and Financial Reporting*, 2(2), 310-332. <http://dx.doi.org/10.5296/ijaf.v2i2.2384>
- Al-Matari, E.M., Al-Swidi, A.K., & Faudziah, H.F. (2014). The Effect on the Relationship between Board of Directors Characteristics on Firm Performance in Oman: Empirical Study. *Middle-East Journal of Scientific Research*.
- Al-Matari, E.M., Al-Swidi, A.K., & Faudziah, H.F. (2014). The Measurements of Firm Performance's Dimensions. *Asian Journal of Finance & Accounting*.

- Al-Matari, E.M., Al-Swidi, A.K., & Faudziah, H.F. (2014). The Effect of Board of Directors Characteristics, Audit Committee Characteristics and Executive Committee Characteristics on Firm Performance in Oman: An Empirical Study. *Asian Social Science*.
- Al-Matari, E.M., Faudziah, H.F & Al-Swidi, A.K. (2014). The Moderating Effect of Board Diversity on the Relationship between Board of Directors Characteristics and Firm Performance in Oman: Empirical Study. *MEJSR*.
- Al-Matari, Y. A., Al-Swidi, A. K., & Fadzil, F. H. B. (2012). Audit committee effectiveness and performance of Saudi Arabia listed companies. *Wulfenia Journal*.
- Al-Matari, Y. A., Al-Swidi, A. K., Fadzil, F. H. B., & Al-Matari, E. M. (2012). Board of directors, audit committee characteristics and performance of Saudi Arabia listed companies. *International Review of Management and Marketing*.
- Al-Sa'eed, M. A. (2011). Evaluation of the audit committee features and the manner they influence the financial reporting: Evidence from Amman Stock Exchange, ECMLG 2011, France -Nice (6- 7 October 2011), Conference Paper.
- Amir, A. S. A. B., Shaari, H., & Husna, A. (2018). Family ownership and real earnings. *Journal of Global Business and Social Entrepreneurship*.
- Amir, A. S., Quayyum, C. M., Isa, E. V. M., & Zaidi, Z. R. (2024). Demystifying Dividend Yield: Unveiling the Impact of Financial Metrics in Malaysia's Top 100 Ranked Companies. *Jurnal Akuntansi dan Bisnis: Jurnal Program Studi Akuntansi*, 10(1), 34-47.
- Amir, A. S., Quayyum, C. M., Md. Isa, E. V. (2025). Unlocking fintech disclosure: Exploring factors in Malaysia's banking sector. *Journal of Nusantara Studies (JONUS)*, 10(1), 274-323. <https://doi.org/10.24200/jonus.vol10iss1pp274-323>
- Amir, A. S., Quayyum, C. M., Md. Isa, E. V., Zaidi, Z. R., & Ibrahim, S. (2024). Illuminating market capitalization drivers in Malaysian banking sector. *Labuan Bulletin of International Business and Finance (LBIBF)*, 22(2). Retrieved from <https://jurcon.ums.edu.my/ojums/index.php/lbibf/article/view/5802>
- Amir, A. S., Shaari, H., & Ariff, A. (2019). Ownership structure and real earnings management in Malaysian corporation. In *International Conference on Economics, Entrepreneurship and Management*.
- Amir, A. S., Shaari, H., & Husna, A. (2018). Board characteristics and real earnings management: The moderating role of Shariah compliance. *Journal of Humanities, Language, Culture and Business (HLCB)*, 2(8), 56-62.
- Azar, A., Rad, F., & EhsanBotyari. (2014). Board Characteristics & Firm Performance: Malaysian Evidence.
- Baxter, P., & Cotter, J. (2009). Audit committees and earnings quality. *Accounting & Finance*.
- Bradbury M. Mak Y. T. & S. M. Tan, (2006). Board characteristics, audit committee characteristics and abnormal accruals. *Pacific Accounting Review*.
- Campbell, K. and Minguez-Vera, A., (2008). "Gender Diversity in the Boardroom and Firm Financial Performance". *Journal of Business Ethics*.
- Carter, D., Simkins, B. and Simpson, W., (2003). "Corporate Governance, Board Diversity, and Firm Value. *Financial Review*.
- Goodstein, J., Gautam, K., & Boeker, W. (1994). The effects of board size and diversity on strategic change. *Strategic Management Journal*, 15, <http://dx.doi.org/10.1002/smj.4250150305>.
- Hamid, A., & Aziz, R. (2012). Impact of the Amendments of Malaysian Code of Corporate Governance (2007) on Governance of GLCs & Performance. *World Academy of Science, Engineering & Technology*.
- Hassan, A., Bokhari, N. M., Sa'aban, S., Isa, E. V. M., & Amir, A. S. A. (2024). Does the Work Environment and Organisational Commitment Contribute to the Job Performance of Employees at the University. *Compilation of Research Papers on SSH (Social Sciences & Humanities)*, 15.
- Hazrin, N. A., Amir, A. S., & Radzi, S. N. J. M. (2022). Sukuk characteristics and financial performance among top 100 listed companies in Malaysia. *Jurnal Ilmiah Akuntansi Keuangan dan Bisnis (JIKABI)*, 1(2), 167-176.
- Johnson, R. A., Hoskisson, R. E., & Hitt, M. A. (1993). Board of director involvement in restructuring: The effects of board versus managerial controls and characteristics. *Strategic Management Journal*, <http://dx.doi.org/10.1002/smj.4250140905>.
- Klein, A. (1998). Firm performance and board committee structure. *Journal of Law and Economics*.
- Latif, R. A., Kamardin, H., Mohd, K. N. T., & Adam, N. C. (2013). Multiple Directorships, Board Characteristics & firm performance in Malaysian management <http://doi.org/10.5923/j.mm.20130302.07>.
- Mollah, A. S., & Talukdar, M. B. U. (2007). Ownership structure, corporate governance, and firm's performance in emerging markets: Evidence from Bangladesh. *The International Journal of Finance*.
- Patro, S., Lehn, K., & Zhao, M. (2003). Determinants of the size and structure of corporate boards: 1935-2000. *Financial Management*.
- Premuroso, R. F., & Bhattacharya, S. (2007). Is there a relationship between firm performance, corporate governance, and a firm's decision to form a technology committee? *Corporate Governance*, <http://dx.doi.org/10.1111/j.1467-8683.2007.00645.x>.

- Rahmat, M. F., Iskandar, T. M., & Saleh, N. M. (2009). Audit committee characteristics in financially distressed and non-distressed companies. *Managerial Auditing Journal*, 24(7), 624–638. <https://doi.org/10.1108/02686900910975350>.
- Rahmat, M. M., Iskandar, T. M., & Saleh, N. M. (2009). Audit committee characteristics in financially distressed & non-distressed companies. *Managerial Auditing Journal*, <http://dx.doi:10.1108/02686900910975350>.
- Sufian, N. S., Amir, A. S., & Radzi, S. N. J. M. (2022). Bond Characteristics and Financial Performance Among Top 100 Listed Companies in Malaysia. *Jurnal Ilmiah Akuntansi Keuangan dan Bisnis (JIKABI)*, 1(2), 232-238.
- Vafeas, N. (2005). Audit committees, boards, and the quality of reported earnings. *Contemporary Accounting Research*, <http://dx.doi.org/10.1506/1QYN-2RFQ-FKYX-XP84>.
- Wiwanya, T. and Aim, J. (2008). The relationship between audit committee characteristics, audit firm size and earnings management in quarterly financial reports of companies listed in the stock exchange of Thailand. 8th Global Conference on Business & Economics, Florence Italy, 18-19th October.
- Xie, B. W, N. Davidson, D. and DaDalt, P.J. (2003). Earnings management and corporate governance: the role of the board and the audit committee. *Journal of Corporate Finance*.
- Zhang, Y., Zhou, J. and Zhou, N. (2007). Audit committee quality, auditor independence, and internal control weaknesses. *Journal of Accounting and Public Policy*.