check for updates

The nexus between board audit committee attributes and financial performance of firms in Africa

Abubakar Balarabe Karaye[1*]

Abdullahi Zaharadeen Musa[2]

Hussaini Bala[3]

Ghousia Khatoon[4]

[1]*Department of Banking and Finance, Tishk International University, Erbil, Iraq.*
[1]*Email: abubakar.karaye@tiu.edu.iq*
[2]*Department of Accounting, Faculty of Business, Economic and Social Development, Universiti Malaysia Terengganu, Terengganu, Malaysia.*
[2]*Email: p5006@pps.umt.edu.my*
[3,4]*Departments of Accounting, Banking and Finance, Tishk International University, Erbil, Iraq.*
[3]*Email: hussaini.bala@tiu.edu.iq*
[4]*Email: ghousia.khatoon@tiu.edu.iq*

Abstract

This research aims to study the connection between the features of board audit committee of a firm and its financial performance in Africa, by looking at the board audit committees' characteristics of publicly traded companies in the four (4) biggest African financial markets. This research conducted an empirical analysis of the committee features in the years following the global financial crisis and before the COVID-19 pandemic outbreak. The data covered the period between 2013 and 2019. We analyzed the data using correlation analysis, GLS (Fixed and Random Effect Models), and GMM. We used features of the committee as explanatory variables. These include an independent outside director as the chairperson of the committee, whether the committee guards the integrity of the financial reporting of a firm, whether the committee regularly meets and hears the recommendations and complaints of the firm's external auditor, and whether the committee effectively monitors the management of the firm. Furthermore, for the dependent variable; ROE and ROA were utilized as the metrics of the financial performance of a firm. The results exhibit positive and significant relations between the board audit committee features such as; effective monitoring of management, guarding the integrity of financial reporting, an independent director as chairperson of the committee, regularly meeting and hearing the recommendations and complaints of the external auditor, and the firm's financial performance measures. The findings are useful to corporate governance regulators who are seeking to improve corporate governance guidelines and minimize the corporate insolvency of firms in Africa.

1. Introduction

A company's Board of Directors (BOD)[1] is deemed the most vital apparatus for implementing corporate governance (Cadbury, 1992). Board committees are critical components of every company's BOD when

---

[1]Throughout this study, the Board of Directors abbreviated as BOD.

exercising its fiduciary obligations. The most crucial committee in BOD is the Audit Committee (AUC)[2]. Cadbury (1992) is mostly regarded as the first comprehensive governance code of best practices that was published. The report emphasizes the importance of issues such as; effective boards of directors, the need for board independence, Chief Executive Officer (CEO) duality, and the possible effect of the decentralization of duties on the board by means of creating committees. These committees include, among others, the audit committee (AUC), appointment or nomination committee, and compensation committee. The report also explains the importance of effective and transparent communication between management and shareholders of a firm (Cadbury, 1992). Internal control systems such as the board audit committee ensure that the communication between management and shareholders is transparent. The report also highlighted the importance of internal and external auditors in a firm. These include the importance of an independent auditor's view of firm's activities and its financial statements. Furthermore, the report also presents ways and methods that can be followed to increase the value of an effective audit, recommendations regarding accounting fraud, responsibilities of auditors, issues relating to the going concern of a firm, etc. (Cadbury, 1992).

The concept of financial performance represents the use of financial resources through effective and efficient methods to achieve the overall business objectives of a firm (Kajola, 2008). Firms determine where they stand financially and compare their situation over time by comparing the achievement or convergence of their own set goals against those of other firms in their sector (Omotoye, Adeyemo, Omotoye, Okeme, & Leigh, 2021). Furthermore, the need to explain the performance of a firm may not only be for the firm alone, but rather, it is also of great interest to shareholders, creditors, suppliers, analysts, the government, employees, customers, unions, auditors, the public media, and all stakeholders in the firm. All stakeholders of the firm make economic decisions relating to the firm and its assets and/or financing needs based on the information the firm provides to the public. Therefore, it is extremely important to determine the level of information that users of firms' financial information base their economic decisions on, as well as the level of information that the firms disclose to the public (Nkak, 2020). AUC protects the integrity of financial and nonfinancial disclosure through a fair and transparent disclosure of information that assists stakeholders in their monetary and economic decisions.

Many studies have been conducted by various scholars and experts in fields such as finance, economics, management, accounting, and law on the subject of AUC features (Kiel & Nicholson, 2003). However, majority of these studies were done on firms in developed nations. Studies focuses on African firms are both scarce and controversial. This makes it difficult to draw meaningful conclusions regarding AUC features in African firms. Furthermore, the majority of these studies confine themselves to a single-country analysis. Only a few studies examined a cross-country analysis of AUC features on the financial performance of firms in Africa. Moreover, these studies mostly focus on AUC features such as committee size, committee due diligence, and committee independence. This study aims to examinesome of the AUC features that define the functions of AUC. These features were also recommended by the Cadbury (1992). They include; an independent outside director as the chairperson of the committee, whether the committee guards the integrity of financial reporting of a firm, whether the committee regularly meets and hears the recommendations and complaints of the firm's external auditor, and whether the committee effectively monitors the management of the firm. To examine the relationship between these features and the financial performance of firms in Africa, the following research question was considered:

Do features of AUC, such as; an independent chairperson, guarding the integrity of financial reporting, regular meetings to hear the complaints and recommendations of external auditors, and effectively monitoring the management of firms affect the financial performance of firms, in Africa? If so, how do the features affect the performance?

As a result, this study aims to investigate the relationship between AUC characteristics and the financial performance of African firms, with particular emphasis on the listed firms in the four (4) largest capital markets in Africa. The findings of this research show a positive relationship between AUC features such as guarding the integrity of financial reporting, effective monitoring of management, and an independent director as the chairperson of the AUC, and the financial performance.

The organization of this research is as follows: section 2 examines the literature review together with the statement of the research problem. The section also contains the hypothesis formulation. Section 3 shows the method of data collection, the variables, and the models of the study. Section 4 presents the results, findings, and discussion. Section 5 presents the conclusion, limitations, and recommendations for further studies.

2. Literature Review
2.1. Theories
2.1.1. Agency Theory

An internal control system in a firm is put in place to manage and regulate the responsibilities and interactions between management, owners, and other stakeholders, in order to minimize or eliminate any

---

[2] Throughout this study Board Audit Committee is abbreviated as AUD.

conflicts or discrepancies that may arise among these groups. AUC is a pivotal mechanism in the internal control system of every firm. Thus, to eliminate the problems that may arise between the parties, researchers and scholars from different fields, such as; Fama (1980); Pfeffer and Salancik (1978); Jensen and Meckling (1976) and Berle and Means (1932) etc. created and proposed various theories that recommend a strong internal control system in a firm that will facilitate good governance. Consequently, these theories were presented from various perspectives, such as finance, management, resource allocations, etc. However, to comprehend the association between AUC attributes and financial performance, this study focused on Agency theory and Transaction cost theory.

Agency theory focuses on agency relationships. Agency theory deals with the scenario where one party (the principal) grants another party (the agent) authority over their assets, resources, or decision-making power (Jensen & Meckling, 1976). Accordingly, in a firm, the shareholders are the principal, as they are the stockholders of the firm, while the management is the agent. The BOD of a company is considered a proxy and representative of the stockholders of that company. This is because the board is created by the stockholders in order to monitor, supervise, and regulate the significant operations of the management. Accordingly, from time to time, conflicts arise between the owners' objectives and the personal motives of the managers. The agency problems arise when the actions of the manager clash with the interests of shareholders. Thus, the agency problem is seen as a consequence of the separations of control functions from the hands of the proprietors of a firm (Fama & Jensen, 1983). In principal-agent relations, the interests of the two parties may differ from each other. It is a common occurrence for the actions of a firm to not align with the objectives of the owners but with the goals and inferences of the executives who have been given the power to run the firm. While the shareholders typically expect the company to maximize profits or increase the market value of the firm via their agent called the management, the interests of the management may deviate from such an objective.

Agency theory, which derives from neo-institutional finance theory, has extensively studied the role of corporate governance mechanisms such as AUD in solving the agency problem (Owiredu & Kwakye, 2020). Shareholders must spend agency costs to minimize or eliminate the conflict of interests. Agency costs refer to the costs that relate to the alignment of the management's motives with those of a firm's owners. While the shareholders lay the foundation and the direction that the firm is supposed to follow, incentive control mechanisms should be provided to the agents for them to manage the firm according to the objectives of the shareholders (Jensen & Meckling, 1976). As a result, the company owners must incur some costs in order to provide these mechanisms. These costs are divided into three categories: 'monitoring costs,' which include auditing costs and costs associated with the supervision of the firm's management, 'bonding costs', which are costs related to the contractual agreement between the shareholders and the management, and 'residual costs,' which are costs related to unavoidable agency problems (Şener & Karaye, 2015).

Monitoring costs arise when shareholders try to control, oversee, or restrict the actions of managers. Thus, the firm's BOD acts on behalf of its owners by overseeing and controlling management activities to ensure actions that maximize shareholder value. Therefore, costs spent to uphold external audit quality and ensure the integrity of financial reporting are considered part of monitoring costs (Nkak, 2020). Moreover, the cost of maintaining the board, such as the cost of having an independent director, is also considered part of the monitoring cost (Kalita & Tiwari, 2023). Additionally, the costs of preparing financial statements and issuing stocks to executive managers to align their motives with those of the stockholders are also classified as monitoring costs. Monitoring costs also include expenses incurred to limit unnecessary and undesirable managerial behavior, such as costs associated with creating, appointing, and managing the board committee (Bala, Abdulwahab, Kwanbo, Khatoon, & Karaye, 2022).If the BOD does not make an effort to monitor and control management's conduct, it may cause a substantial loss of shareholder wealth through improper management actions (Boshnak, 2021). However, if the board of a company tries to ensure that every action of management is in the best interest of stockholders, the costs may be too high. Therefore, the optimal agency costs borne by shareholders must be balanced. Agency costs can be said to create value if each amount of money spent increases shareholder wealth at least up to the amount spent, i.e., if each $1 spent as agency costs leads to at least a $1 increase in shareholders' value (Fama, 1980). Undoubtedly, AUC contributes toward the elimination of agency problems, features, of this committee, such as; effective monitoring of management and committee independence, are without any doubt important in the elimination of agency problems.

2.1.2. Transaction Costs Theory

Transaction costs theory is another theory that focuses on the overall cost of the firm, particularly the agency cost. According to transaction cost theory, firm is responsible for overseeing the management and incurring costs to monitor and regulate it at the shareholder's request. The transaction costs theory is centered on the proposition that the transaction costs that the firm spends every day as a result of the goods and services they produce are the least possible cost. High transaction costs indicate inefficiency and unproductive use of resources by the management (Aifuwa & Saidu, 2020).The concept of transaction cost was pioneered by Coase (1937). It states that; because firms have large and complex structures, they incur various relevant costs both internally and externally. Coase (1937) emphasized that the main purpose of firms is to

reduce transaction costs and maximize profit. Therefore, the theory asserted that it is indeed that the prime focus of a company is to maximize profit, but to do that the transaction cost should be minimized as much as possible.

Transaction cost theory is undoubtedly an essential theory in firm governance. The thesis of this theory is that companies must establish corporate governance structures such as AUC by taking into account the economic, human, and behavioral factors and considering the minimum level of the transaction cost that it can reduce. According to this theory, the proposed solution for profit maximization or cost reduction is different for each firm, so there is no universal solution that can be applied in all situations. Transaction cost theory states that optimal efficiency is achieved under conditions of limited rationality. This theory suggests that the necessary control structures of a firm should be established, and necessary mechanisms that provide public disclosure and increase transparency, such as AUC, should be established to reduce information asymmetry (Sacchetti & Tortia, 2024).

2.2. Statement of Research Problem

AUC is a crucial tool for ensuring the trustworthiness of financial reporting and the internal financial control system of a firm (Afenya, Arthur, Kwarteng, & Kyeremeh, 2022). Independent directors should be the majority members of this committee, and their key objective is to ensure that the management of a firm provides sufficient and truthful financial disclosure to the regulatory bodies, shareholders, and other interested parties of the firm in accordance with the rules and laws that govern, such activities in an economy (Alruwaili, 2024; Balasubramanian, Black, & Khanna, 2010; Engel, Hayes, & Wang, 2010).

The beginning of the millennium marks a vital threshold for corporate governance growth in Africa. Many countries in Africa created and adopted voluntary codes of corporate governance post-millennium. The regulations and recommendations of corporate governance "best practices" that were developed in the developed countries later became the sources of corporate governance regulations for other developing nations in Africa, Asia, and other continents around the world. Therefore, the codes of African countries were originally derived from the UK reports, the USA legislation, Organisation for Economic Co-operation and Development (OECD)principles, King Reports, and Commonwealth Association for Corporate Governance (CACG) principles (Karaye & Büyükkara, 2021; Munisi & Randoy, 2013).

The African continent consists of more than 54 countries, divided into the North, West, East, Central, and Southern African regions. This study focuses on the biggest market in common-law countries in each region of Africa. In continental Africa, the expansion and improvement of capital markets have seen a substantial increase from the end of the 1990s until the present day. In two decades, from 1992 to 2022, the quantity of stock exchanges in Africa has grown from 9 to 30 markets. The performance of these markets was also extraordinary before the global financial meltdown of 2008. For example, in the 1st quarter of 2004, the Ghanaian Stock market (GSE) was the best-performing market in the globe with a return of 144%, which is in comparison to the 26% return by S & P index in the USA and 32% return in Europe, among others. At the same time, within Africa, five (5) common law countries' exchanges (Egypt, Kenya, Mauritius, Nigeria, and Uganda,) were among the best-performing markets from 2003-2004 (Adjasi & Biekpe, 2006). Despite these improvements, the trends after the 2008/2009 financial crises show that Africa's equity capital markets slowed down; in 2016, a decline in the quantity of equity transactions by 28%, and revenue declined by 33% in US dollar terms (Price Water House Coopers, 2017). To fully understand the problem faced by these markets, it is paramount to briefly look at each sub-continent and its common law countries.

Nigeria has the largest economy in the whole African continent and possesses the second-largest financial market in Africa (ACGN, 2016). Corporate governance in Nigeria has faced various problems, ranging from massive corporate scandals to a lack of effective and efficient laws. The sudden collapses of more than 7 banks from 2010 to 2020 have been attributed to inadequate regulations to combat corporate scandals in Nigeria (Omotoye et al., 2021).The extent of corruption in Nigeria's public and private sectors has also weakened the legal and regulatory system in the economy (Ahmed & Anifowose, 2024). The corruption has been widely associated with poor corporate governance and poor internal control systems, such as internal auditing (Adekoya, 2011). ACGN (2016) reported that one of the crucial areas of weakness in Nigeria is "the limited implementation of the oversight functions of the regulatory authority and the absence of enforcement of action" (ACGN, 2016). As such, the board oversight implemented through board audit committee can be a steppingstone toward the alleviation of these problems.

South Africa is also a common-law country that possesses the second-largest economy in Africa. South Africa is home to the oldest and largest capital market in Africa, in terms of both market value and the number of companies listed. As a result, unlike other markets in sub-Saharan Africa, South Africa has a more developed monetary and regulatory framework (Ntim, 2013). Although South Africa has been seen as a pioneer of corporate governance codes that functioned as a standard for other nations on the continent, it also faced and is still facing some challenges. Just a few decades ago, the Johannesburg Stock Exchange was subjugated by six (6) very big mining finance houses (Vaughn & Ryan, 2006). These companies hindered the free float of shares in the market, as well as their lack of protection of minority shareholders' rights. Even though the Johannesburg Stock Exchange is the oldest in Africa, in 1991, the top five investors in the market controlled 84.9%, and approximately 66.4% of the shares in 1997 (Ayogu, 2002). Recently, studies have also highlighted

problems relating to corruption and mismanagement of resources, especially in State-owned Enterprises (Shirley, 2024). South Africa's King Reports also rely on self-regulation, and there is no sanction for non-compliance.

In East Africa, Kenya, Tanzania, Mauritius, and Uganda are the common-law countries in the region that have capital markets. Kenya possesses the biggest and oldest capital markets in the region. Early in 2000s, researchers discovered that Kenya's equivalent of the Corporate Affairs Commission of Kenya lacked the necessary capacity, technology, or resources to effectively oversee its over 20,000 firms (Okeahalam & Akinboade, 2003). According to Shikaputo, Burton, and Dunne (2017) governance and internal control regulations in East Africa have improved over the years, however, their implementations have been met with some resistance. Therefore, the companies' boards must enforce a good internal control system and effectively monitor the management by creating an effective AUC. After all, an economy with a weak legal enforcement system provides firms with the opportunity to voluntarily implement a better internal control system and better corporate governance measures in order to differentiate themselves from other firms in the market, which in turn is predicted to create a higher performance (Soud & Aypek, 2020).

In the Northern Africa sub-continent, Egypt and Sudan are the only common law countries, but Sudan still does not have a capital market. Egypt also has a weak regulatory and legal framework complemented by low enforcement of good corporate standards (Hassan, 2015). In addition to these, low audit quality, and lack of effective compliance with recommended standards of internal control are among the biggest problems in Egypt (Abdelmoneim, 2024; Shahwan, 2015).

However, AUC is considered to be a vital monitoring unit that can assist in alleviating or reducing all the problems explained above to the minimum level possible.

Previous research has also shown that there is a positive correlation between the attributes of AUC and financial performance. Moreover, most of the studies focus on features like AUC size and its independence. Umar, Shawai, Adesugba, and Jibril (2024) analyzed the effects of AUC features on the performance of banks in 12 African countries. The findings indicated that only AUC independence and having a financial expert in the AUC have a positive impact on the performance of banks in Africa. Abu-Zraiq and Fadzil (2018) found a significant positive connection between the number of AUC meetings and its size with Earnings per Share (EPS) and ROA, respectively. Similarly, Oudat, Ali, and Qeshta (2021) investigated the influence of AUC attributes on the financial performance of firms in Bahrain and found a substantial positive correlation between ROA, ROE, and EPS with Audit committee size, frequent occurrence of meetings, and the ratio of independent members on the AUC.

2.3. Hypotheses

AUC is a group of appointed directors that are responsible for the proper monitoring of a firm's management, ensuring the integrity of the financial transactions of the firm, and serving as a sort of information bridge between the board, management, external auditors, and the company's stakeholders (Eyenubo, Mohammed, & Ali, 2017; Yadirichukwu & Ebimobowei, 2013). AUC is regarded as a vital mechanism of the internal control system to the extent that listed firms in countries like Nigeria have 2 AUCs; statutory audit committee and board audit committee. Moreover, countries like Italy require firms to establish a distinct board of auditors. Klapper and Love (2004) stated that firms can improve the protection of owners' rights, which will in turn improve performance by choosing and creating, among others, an effective independent board, and effective committees, such as the AUC to facilitate the division of labor in the board, which will also enhance the state of their statutory and voluntary disclosures.

In Africa, AUC facilitates strict compliance with accounting standards, other rules, regulations, and recommendations that will protect the veracity of the financial statements of a firm. This is done through effective supervision of the internal control process of preparing and presenting financial statements to reduce or eliminate any conflicts or discrepancies that may occur between the management and shareholders (Ha, 2022; Moses, 2019; Olayinka, 2019). According to Mabati, Onserio, Mutai, and Bii (2020) AUC positively affects the accountability of companies in Africa, especially in Kenya. However, Olayinka (2019) previously stated that companies cannot guard the integrity of financial reporting without a proper AUC. This is because integrity is a function of the efficiency of the internal control framework of every company (Bala, Ahmad, Khatoon, & Karaye, 2022; Muchiri & Jagongo, 2017).

Undoubtedly, AUC helps prevent mismanagement of resources that may eventually lead to the collapse of a company. To successfully supervise the management of a firm, the features as well as the functions of the AUC are therefore one of the essential features of BOD (Dzomira, 2020; ElHawary, 2021). As a result, AUC oversees the internal control framework of a firm by limiting the influence of management to the check and balance system that guides the management-shareholder relationships (Ibrahim, Ouma, & Koshal, 2019).

Consequently, the independence of the AUC is paramount to the effective function of the committee (Boshnak, 2021; Fama & Jensen, 1983). The independence of AUC enhances the integrity of the financial disclosure and the prominence of the audit function (Eyenubo et al., 2017). Moreover, after the great depression of 2008/2009, many individual country-focused studies in Africa, especially in Nigeria, Egypt, Kenya, and South Africa, show that; guarding the integrity of financial reporting, effective monitoring of management, frequency of meetings and diligence, and the AUC independence have a positive and significant

association with the performance of firms in Africa (ElHawary, 2021; Eyenubo et al., 2017; Ibrahim et al., 2019; Kalita & Tiwari, 2023; Kantudu & Samaila, 2014; Moses, 2019; Omotoye et al., 2021; Sellami & Borgi Fendri, 2017; Soliman, Ragab, & Eldin, 2014; Umar et al., 2024; Umobong & Ibanichuka, 2017; Yadirichukwu & Ebimobowei, 2013).

From the arguments of the theories above and the statement of research problems, this study put forth the following hypotheses:

H_1: There is a strong and positive link between the AUC feature responsible for safeguarding the accuracy of financial reporting and financial performance.

H_2: There is a strong and positive link between the AUC feature of effective monitoring of management and financial performance.

H_3: There exists a strong and positive link between the AUC features of meeting and hearing the recommendations and complaints of the firms' external auditor and financial performance.

H_4: When the AUC is led by an independent member it affects the financial performance positively and significantly.

3. Methodology

3.1. Data Collection

We manually assembled the data for this study from the financial statements and annual reports of the quoted firms in the four largest capital markets in Africa. The data for this study covers the period after the global financial crisis of 2009 and before the COVID-19 pandemic, specifically from 2013 to 2019. For this research, the quoted firms in the four largest capital markets in African common law nations were the sample population. These are markets from Nigeria, South Africa, Kenya, and Egypt. The data were also gathered from the firm's webpage or www.africanfinancials.com. We extracted data from firm across all industries, with the exception of the finance industry. This is because the nature of banks and other firms in the finance industry is different from the rest of the industry. As a result, it is common practice to exclude this sector from this kind of study to have a more reliable result (Munisi & Randoy, 2013). After collecting the data, the financial data was converted into U.S. dollars to have more objective and uniform units across all the countries. We extracted the currency conversion rates from the central bank websites of the countries involved in the research. Where the rates are unavailable on the central bank websites, the rates were obtained from Google currency converter, and average rates were manually calculated. Table 1 shows the U.S. dollar conversion rate used in this research for the firms in each country. We can observe that the conversion rate varies across countries and years.

Table 1. Summary of per year average U.S dollar conversion rate.

Country/Year	2013	2014	2015	2016	2017	2018	2019
U.S D conversion rates							
Egypt	0.144	0.134	0.128	0.055	0.057	0.056	0.063
Kenya	0.010	0.011	0.010	0.010	0.010	0.010	0.010
Nigeria	0.006	0.005	0.005	0.003	0.003	0.003	0.003
South Africa	0.095	0.086	0.065	0.073	0.081	0.070	0.072

3.2. Population and Sampling

Table 2 provides a brief overview of the sampled quoted firms in this study, including their sectors and countries. The table demonstrates the balance of the data, as we sampled 12 firms from each country over a period of 7 years, resulting in a total of 84 firm-year observations in each capital market. Thus, the overall firm-year observation is 336. The construction sector contains the largest number of firms in the sample, which is 14.58% of the sample with a total of 49 firm-year observations. The mining and retail sectors are the ones that have the smallest fraction of the sample, in that they have 7 (2.09%), and 21 (6.26%) company-year observations, respectively. Communication, Energy, Manufacturing, Transportation, and Services sectors have 28 firm-year observations, each consisting of 8.33% of the sample. The Tourism sector has 35 firm-year observations which are equivalent to 10.42% of the sample. The Agricultural and Health sectors each have 42 firm-year observations, making them the 2nd largest sector, comprising 12.5% of the sample each.

Table 2. Summary of data according to country and sector.

Sector/ Countries	Egypt	Kenya	Nigeria	South Africa	Total	Percentage(%)
Agriculture	14	14	7	7	42	12.5
Communication	7	7	7	7	28	8.33
Construction	21	14	7	7	49	14.58
Energy	0	14	7	7	28	8.33
Health	7	0	28	7	42	12.5
Manufacturing	14	7	0	7	28	8.33
Retail	0	7	7	7	21	6.26
Services	0	7	7	14	28	8.33

Sector/ Countries	Egypt	Kenya	Nigeria	South Africa	Total	Percentage(%)
Tourism	7	7	14	7	35	10.42
Transportation	14	7	0	7	28	8.33
Mining	0	0	0	7	7	2.09
Total	84	84	84	84	336	100

3.3. Variables of the Study

3.3.1. Dependents Variables: Accounting Measure of Performance

This study used Return on Asset (ROA) and Return on Equity (ROE) as dependent variables to measure the financial performance of firms. Divide the annual profit by the total assets to determine ROA, a measure of a firm's resource efficiency. ROE, on the other hand, is determined as profit after interest and tax divided by shareholders' funds and demonstrates how effectively a firm's capital is being managed.

3.3.2. Independent Variables; AUC attributes

The independent variables of this research include four features of AUC, which are: Effective Monitoring of management (EMM), Guarding the Integrity of Financial Reporting (GIFR), Independent director as the chairperson of the committee (IDCC), and regular meeting and hearings of the recommendations and complaints of the external auditor (RMHREA).

3.3.3. Control Variables

The study controlled for the firm's firm size (SIZE), capital-intensity ratio (CIR), leverage (LEV), secondary listing (ADR), and firm age (AGE), as these factors have been proven to have a significant impact on performance and the implementation of internal control measures such as AUC in firms (Cheung, Jiang, Limpaphayom, & Lu, 2008; Karaye & Büyükkara, 2021; La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2002).

Table 3. Definitions of variables used in the analysis.

Variable code	Full name	Variable description
Independent variables		
ROA	Return on assets	Profit or loss after tax divided by total assets.
ROE	Return on equity	Profit or loss after tax divided by total equity.
Dependent variables		
GIFR	Guarding the integrity of financial reporting	Measured as 1 if AUC issues a statement taking responsibility for the disclosed financial accounts, and 0 otherwise.
IDCC	Independent director as the chairperson of AUC	Measured as 1 if the chairperson of AUC is an independent member of BOD, and 0 otherwise.
EMM	Effective monitoring of management	Measured as 1 if AUC openly discloses the roles, responsibilities, and duties of the committee, and 0 otherwise.
RMHREA	Regular meetings and hearing the recommendations and complaints of the external auditor	Measured as 1 if AUC meets and hears the recommendations and complaints of the external auditor and 0 otherwise.
Control variables		
CIR	Capital intensity ratio	Total assets divided by sales or turnover.
LEV	Leverage	Total debt divided by total equity.
SIZE	Company size	Logarithm of total assets
AGE	Company age	Present year minus establishment year.
ADR	Secondary listing	Measured as 1 if a company is listed in more than 1 market and 0 otherwise.

3.4. Technique and Model

To properly analyze the relationship between the variables, this study first employed the basic econometric model of Wooldridge (2010) given below:

$$Y_{it} = \alpha + \beta_1 X_{it} + e_{it}$$

Where:

Y_{it} : Represent the dependent variable measuring financial performance of firm i in time t.

X_{it}: Represent the vector of the AUC attributes of firm i in time t.

e_{it} : Represent a composite error, which is defined as $e_{it} = v_i + u_{it}$

v_i: Represent the unobserved, unique aspect of a specific firm.

u_{it}: Represent the idiosyncratic error.

The model is therefore broken down into the following models:

$$ROA_{it} = \alpha_i + \beta_1 EMM_{it} + \beta_2 GIFR_{it} + \beta_3 IDCC_{it} + \beta_4 RMHREA_{it} + \beta_5 CIR_{it} + \beta_6 AGE_{it} + \beta_7 SIZE_{it} + \beta_8 LEV_{it} + \beta_9 ADR_{it} + e_{it} \qquad (1)$$

$$ROE_{it} = \alpha_i + \beta_1 EMM_{it} + \beta_2 GIFR_{it} + \beta_3 IDCC_{it} + \beta_4 RMHREA_{it} + \beta_5 CIR_{it} + \beta_6 AGE_{it} + \beta_7 SIZE_{it} + \beta_8 LEV_{it} + \beta_9 ADR_{it} + e_{it} \qquad (2)$$

We used these two models in the panel data to investigate the general effect of the AUC on financial performance. These models are similar to the linear models that are mostly employed by researchers to test the link between AUC attributes and firm performance in Africa (Kalita & Tiwari, 2023; Omotoye et al., 2021; Umar et al., 2024). However, the variables of the current study's model differ as most studies focus on variables such as AUC size, finance expertise in AUC, gender diversity, and due diligence in meetings.

This study uses the Generalized Least Square method (GLS) to examine the relationship between the variables. Both Fixed effect and Random effect models were analyzed and the Hausman test was applied to determine which estimator was more suitable for the data.

4. Analysis and Discussion of the Empirical Findings

4.1. Descriptive Statistics

Table 4 gives a summary of the key characteristics of the variables being studied briefly and concisely. According to the 336 observations used in the analyses, the Effective Monitoring of Management variable (EMM) constitutes a minimum of 0%, a maximum of 100%, and a mean average of 79.46%. This indicates that; while some AUCs of listed firms in Africa do not effectively monitor the management, others fully and effectively monitor the management of their firms, and on average, almost 80% of listed firms in Africa effectively monitor their management. The EMM's standard deviation is 40%. This signifies a 40% deviation from the mean average to both sides by 40%. The table further revealed that, on average 73.80%, of the listed firms' board audit committees guard the integrity of their financial reporting (GIFR). The table also shows that more than 62% of the firms' audit committees regularly meet and hear the demands, complaints, and suggestions of their firm's external auditors (RMHREA). Moreover, the table also denotes that only 34% of the quoted firms have an independent director as a chairperson of their AUC. Therefore, this implies that there is a lack of independence in most of the AUC of firms in Africa. The table further reveals that, on average, the firms, included in the sample have a ROA of 2.58%. Conversely, the table also shows that the firms on average have a negative ROE of about 1.55%. The firms' leverage ranges from 0 to 221%, with an average leverage of around 67%. This also indicates that the firms listed in African markets are relatively well leveraged. The minimum level of the leverage is zero because some firms don't disclose their long-term debt level in their annual reports and accounts.

Table 4. Summary descriptive statistics of variables.

Variables	Observations	Mean	Std. dev.	Minimum	Maximum
ROA	336	0.026	0.373	–5.032	1.873
ROE	336	–0.016	2.348	–41.819	4.799
EMM	336	79.464	0.405	0	100
GIFR	336	73.801	0.440	0	100
RMHREA	336	62.202	0.486	0	100
IDCC	336	33.779	0.486	0	100
LEV	336	0.675	1.664	0	22.672
SIZE	336	8.153	0.986	4.742	11.023
AGE	336	52.785	32.111	7	129
CIR	336	0 .613	0.447	0.073	4.337
ADR	336	12.500	0.331	0	100

4.2. Correlation Analysis

Table 5 shows the correlation matrix that exists between the variables employed in this study. It can be seen that there exists a positive correlation between ROA and when a firm's AUC regularly meets and hears the demands, complaints, and suggestions of their firm's external auditors at a 5% significance level. Furthermore, it shows that ROA is also positively correlated with the size of a firm. The matrix also depicts positive relations between ROE and both the effective monitoring of management, and when the chairperson of AUC is an independent director, at 10% and 5% significance level, respectively. Moreover, both ROA and

320

ROE are also negatively correlated with both capital intensity ratio, leverage, and the age of a firm at the 1% and 5% significance levels, respectively. These results are in tandem with those of Afenya et al. (2022) which support AUC independence and also posit that AUC relations with external auditors improve management oversight, which is predicted to improve performance. The results of Afenya et al. (2022) also confirm a robust relationship between the control variables and performance. Moreover, the matrix also shows that; all the correlations that exist between all the explanatory variables and control variables are below 0.50, which implies that there is no multicollinearity problem between the variables. According to Gujarati (2004) any correlations that may exist between two independent variables that are below 80% will not likely transpire into a problematic relationship.

Table 5. Correlation between the variables.

Variables	ROA	ROE	EMM	GIFR	RMHREA	IDCC	LEV	SIZE	AGE	CIR	ADR
ROA	1.00										
ROE	0.49*	1.00									
EMM	–0.01	0.11***	1.00								
GIFR	–0.04	0.05	0.47*	1.00							
RMHREA	0.13**	–0.01	0.44*	0.21*	1.00						
IDCC	0.07	0.14**	0.29*	0.39*	0.49*	1.00					
LEV	–0.23*	0.04	–0.06	0.01	–0.06	–0.03	1.00				
SIZE	0.23*	0.05	–0.02	–0.20*	0.23*	0.35*	0.04	1.00			
AGE	–0.14**	–0.17*	–0.06	0.24*	0.16*	0.17*	0.11**	–0.24*	1.00		
CIR	–0.30*	–0.25*	0.01	0.04	–0.04	–0.11**	–0.01	–0.04	0.13**	1.00	
ADR	0.03	0.04	0.08	0.08	0.13**	0.21*	0.09	0.37*	0.05	0.06	1.00

Note: * Significant at the 0.01 level; ** Significant at the 0.05 level; ***Significant at the 0.10 level.

4.3. The Nexus between Audit Committee and Financial Performance

Table 6 shows the relationship between the AUC features and the financial performance of all firms from all sectors. Both the Fixed effect and Random effect were analyzed; the Hausman test was also done to find out which effect is more appropriate for the data under study and which of the results obtained from the two estimates we should base our findings on. The Hausman test result shows that the p-values of both Model 1and Model 2 are significant at 1%, as such, we reject the Hausman test's null hypothesis of Random effect. This shows that the Fixed effect is more fitting to our data. The Fixed effect stipulates that the variances that exist across firms can be captured in the variances of the constant term (da Silva & Leal, 2005).

Table 6. Relation between audit committee features and financial performance.

Variables	Dependent variables			
	ROA		ROE	
	Fixed effect	Random effect	Fixed effect	Random effect
EMM	0.029	-0.068	1.328**	-0.177
	(0.18)	(-1.10)	(2.19)	(-0.45)
GIFR	-0.097	0.057	2.024**	0.288
	(-0.33)	(1.00)	(2.24)	(0.77)
RMHREA	0.146	0.099*	-0.214	-0.121
	(0.88)	(1.93)	(-0.26)	(-0.34)
IDCC	-0.057	-0.070	0.923**	0.489*
	(-0.53)	(-1.29)	(2.23)	(1.78)
Lev	0.026	-0.012	0.023	-0.001
	(1.42)	(-1.01)	(0.27)	(-0.03)
Size	0.122	0.081***	0.279	0.155
	(1.45)	(3.11)	(0.54)	(0.25)
CIR	-0.242***	-0.239***	-0.601***	-0.602***
	(-4.20)	(-5.45)	(-3.09)	(-3.43)
Age	0.091	-0.094	-0.513	-0.676
	(0.15)	(-1.19)	(-0.24)	(-1.23)
ADR	-	0.032	-	
		(0.50)		
Sector dummy	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes
Country dummy	Yes	Yes	Yes	Yes
R-square	0.118	0.569	0.112	0.104
F-statistics	2.790	67.090	2.610	19.290
Hausman test Chi²	0.000		0.000	

Note: * Significant at the 0.01 level; ** Significant at the 0.05 level; ***Significant at the 0.10 level.

The values of the coefficients for each sector and the intercepts for the Fixed effects, country, and year-related dummy variables were not reported. The Hausman (1978)was applied to determine if the Random effect model was a suitable and more appropriate choice for the data, under the assumption that the null hypothesis was valid.

The findings from the Fixed effects estimator show that the AUC feature of guarding the integrity of financial reporting (GIFR) positively and significantly affects ROE at a 5% significance level (t=2.19, p< 0.05). As such, H1 is accepted. This result is parallel to that of Boshnak (2021) who emphasizes that AUC features for safeguarding financial reporting improve audit quality and eventually accelerate performance. The results for the Fixed effects model also indicate that the AUC feature of effective monitoring of the management of a firm (EMM) positively and significantly affects ROE at a 5% level (t=2.24,p< 0.05). Therefore, H2 is also accepted. This outcome is consistent with that of Chaudhry, Roomi, and Aftab (2020) who also stated that the AUC features of effective monitoring expertise have positively and significantly affected both ROE and ROA. Furthermore, the results from the estimate of Fixed effects also show that when the AUC is chaired by an independent member, it positively and significantly affects ROE at a 5% significance level (t=2.23,p< 0.05). Accordingly, H4 is also accepted. This is consistent with the result of Umar et al. (2024). Furthermore, although the results from the Random Effect show a significant relationship between the board audit committee feature of regularly meeting and hearing the recommendations and complaints of the external auditor, with ROA at a 10% significant level, the result of the Fixed effect does not show any significant relationship. As such, H3 is rejected. The table also displays that the controlled variable capital intensity ratio (CIR) negatively and significantly affects the ROA and ROE, respectively, at a 1% significance level. This indicates that; firms that possess above-average fixed capital tend to have lower financial performance. This may be true due to the fact that firms with more fixed capital have the tendency to possess small amount of

intangible capital. Besides, intangible capital has proven to have a strong relationship with firm performance (Black, Love, & Rachinsky, 2006).

4.4. Robustness Check

We conducted a robustness check to further validate the study's results and control for endogeneity. Endogeneity often becomes an obstacle when the financial performance of firms is measured as dependent variables using panel data (da Silva & Leal, 2005; Karaye & Büyükkara, 2021). Endogeneity can be a result of reverse causality, unobservable heterogeneity, and firm-related parameters that are not incorporated in the analyses (Munisi & Randoy, 2013; Renders, Gaeremynck, & Sercu, 2010). The study employs the Generalized Methods of Moment (GMM) is employed to control for endogeneity, as it has been proven to be a valid instrument in the control of endogeneity (Bala, et al., 2022; Blundell & Bond, 1998; Karaye & Büyükkara, 2021).

Table 7 displays the results of the GMM analyses for the robustness check. After controlling for endogeneity, the analyses eliminate both the first-order and second-order serial correlation of both ROA (0.699) and ROE (0.518) models. The table confirms that after controlling for endogeneity, the AUC feature of effective monitoring of the management of a firm (EMM) has a positive and significant relationship with both ROA and ROE at a 1% significance level. This result is akin to that of Boshnak (2021) who also emphasizes that the AUC feature of oversight of management improves audit quality and eventually accelerates performance. The result further shows that having an independent member of the board as the chairperson of AUC also has a strong and substantial relationship with both ROA and ROE at a 5% and 1% significance level, respectively. Furthermore, the study demonstrates a negative and significant relationship between CIR, one of the control variables, and both ROA and ROE, at a 1% significance level. This is in tandem with the results of Black et al. (2006) and Karaye and Büyükkara (2021) so forth. The P-values of the Sargan test are insignificant in both the ROA (0.204) and ROE (0.722) models. The P-value of the Hansen test of over-identification also shows that although the result of the two models is acceptable, the instrumental variables used in the two models are good but fitter in the ROE model (0.602) than in the ROA model (0.752).

Table 7. Robust association between AUC characteristics and performance.

Dependent variable	ROA	ROE
EMM	1.126***	1.124***
	(4.44)	(-3.88)
RMHREA	-1.484***	-1.560***
	(-3.63)	(-6.77)
IDCC	0.791**	0.871***
	(2.51)	(2.87)
CIR	-1.247 ***	-1.247***
	(-8.56)	(-10.03)
Leverage	-0.152	0.077
	(-1.57)	(0.76)
SIZE	-0.634	-0.642
	(-0.47)	(-0.49)
AGE	0.500	2.602
	(0.04)	(0.18)
ROA_{t-1}	-0.006	
	(-0.06)	
ROE_{t-1}		-0.016
		(-0.18)
AR (1) test (p-value)	0.179	0.128
AR (2) test (p-value)	0.699	0.518
Sargan test (p-value)	0.204	0.722
Hansen test of over-identification (p-value)	0.752	0.602

Note: ** Significant at the 0.05 level; ***Significant at the 0.10 level.

The results of dynamic panel data estimates using difference GMM are reported with their t-statistics in brackets. The independent variables are treated as endogenous using all lags back from period t−2 as instruments. We used country, industry, and year dummies as exogenous variables. AR (1) and AR (2) are tests for first-order and second-order serial correlation in the first-differenced residuals, under the null hypothesis of no serial correlation. The Hansen test of over-identification is carried out under the null hypothesis that all instruments are valid.

5. Conclusion and Implication

5.1. Conclusion

The objective of this study is to investigate the nexus between AUC features and the financial performance of firms, by looking at the AUC characteristics of publicly listed firms in the four (4) biggest African financial markets from each region of the continent. We analysed the relationship between the AUC features and accounting indicators of financial performance (ROA and ROE) of firms.

The current study provides an integrated conceptual framework that summarizes the effect of various AUC features on the financial performance of firms in African common law nations. Various variables have been analyzed at the cross-country level, although, prior studies in this area in Africa mostly focused on single-country studies. They also analyze the impact of board features such as AUC size, the ratio of independent members of AUC, diversity in the committee, etc. As a result, this study can serve as a foundation for future studies that will focus on AUC characteristics that define some of the committee's functions, particularly in developing countries like those in Africa that lack such research.

The findings show that in general, there are positive and significant relations between effective monitoring of management, guarding the integrity of financial reporting, an independent director as chairperson of AUC and the firm's financial performance measures.

5.2. Contribution and Implication of Findings

The results obtained from this study can serve as an important reservoir of knowledge for the Commonwealth Association for Corporate Governance (CACG), King Committee of South Africa, ACGN, and various other corporate governance regulators in Africa that are seeking to improve internal control guidelines and applications, minimize insolvency, and defend the rights of minority shareholders. Corporate governance watchdogs can also use the results obtained from this research to identify areas that need improvement to foster best practices in Africa. Regulators should focus on educating firms on the importance of board committees, their composition, features, and functions, such as effective monitoring of management, guarding the integrity of financial reporting, and electing an independent director as the chairperson of the committee. The findings can also be informative to firms in Africa in deciding the features, and composition, as well as defining the functions of their AUC. Current and future shareholders may use the findings of this study to improve their understanding of the internal control system of firms in Africa and make informed economic and financial decisions.

5.3. Limitation and Future Research

Conclusively, this research has the following limitations; although Africa encompasses both common law and civil law countries, the current study focuses only on the companies quoted in the four (4) largest capital markets in the African common law countries. The analyses also focus on the period after the great depression of 2009 and preceding the COVID-19 pandemic. Another limitation of this study relates to the financial performance indicators used in this research. This study only used two accounting-based performance measures (ROA and ROE); market-based measures were not used.

Therefore, future studies are recommended to focus on the relationship between the features of AUC and the performance of firms in civil law countries in Africa. Future studies can also focus on the influence of AUC attributes on the financial performance of companies in Africa during the COVID-19 pandemic. It is also recommended that future studies focus on the empirical comparison of the AUC features between common law and civil law economies in Africa. It is also recommended that future studies employ performance measures such as Tobin's-Q to measure the effect of AUC features on firms' value in Africa.

List of abbreviations

ACGN	African Corporate Governance Network
AUC	Audit Committee
BOD	Board of Directors
CACG	Commonwealth Association for Corporate Governance
CEO	Chief Executive Officer
EPS	Earnings per Share
GMM	Generalized method of moments
GLS	Generalized Least Square
ROA	Return on Assets
ROE	Return on Equity

References

Abdelmoneim, Z. M. A. (2024). The implications of ownership structure and audit quality on financial reporting quality: Evidence from Egypt. *MSA-Management Sciences Journal*, *3*(2), 54-75. https://doi.org/10.21608/msamsj.2024.266273.1055

Abu-Zraiq, M. A., & Fadzil, F. H. (2018). The impact of audit committee characteristics on firm performance: Evidence from Jordan. *Scholar Journal of Applied Sciences and Research, 1*(5), 39-42. https://doi.org/10.3619/SJASR.1000154

ACGN. (2016). *State of corporate governance in Africa: Overview of 13 countries African corporate governance network.*South Africa: ACGN.

Adekoya, A. A. (2011). Corporate governance reforms in Nigeria: Challenges and suggested solutions. *Journal of Business Systems, Governance and Ethics, 6*(1), 38-50. https://doi.org/10.15209/jbsge.v6i1

Adjasi, K. D., & Biekpe, N. B. (2006). *Stock market development and economic growth: The case of selected African countries.* Oxford: Blackwell Publishing. https://doi.org/10.1111/j.1467-8268.2006.00136.x.

Afenya, M. S., Arthur, B., Kwarteng, W., & Kyeremeh, G. (2022). The impact of audit committee characteristics on audit report time lag: Evidence from Ghana. *Research Journal of Finance and Accounting, 13*(4), 1-11.

Ahmed, A., & Anifowose, M. (2024). Corruption, corporate governance, and sustainable development goals in Africa. *Corporate Governance, 24*(1), 119-138. https://doi.org/10.1108/CG-07-2022-0311

Aifuwa, H. O., & Saidu, M. (2020). Audit committee attributes and timeliness of corporate financial reporting in Nigeria. *Accounting and Finance, 88*(2), 115-124. https://doi.org/10.21511/imfi.21(2).2024.06

Alruwaili, T. F. (2024). The influence of audit committee attributes on earnings management: Evidence from listed insurance firms. *Journal of Governance & Regulation, 13*(1), 160–171. https://doi.org/10.22495/jgrv13i1art14

Ayogu, M. D. (2002). Corporate governance in Africa: The record and policies for good governance. *African Development Bank Review, 13*(2), 1-21. https://doi.org/10.1111/1467-8268.00041

Bala, H., Abdulwahab, A. I., Kwanbo, M. L., Khatoon, G., & Karaye, A. (2022). Audit committee attributes and whistle-blowing policy. *Koya University Journal of Humanities and Social Sciences, 5*(1), 1-7. https://doi.org/10.14500/kujhss.v5n1y2022.pp1-6

Bala, H., Ahmad, W., Khatoon, G., & Karaye, A. B. (2022). Audit firm attributes and income smoothing: The moderating influence of audit committee accounting expertise. *Cogent Business & Management, 9*(1), 1-17. https://doi.org/10.1080/23311975.2022.2127194

Balasubramanian, B., Black, B. S., & Khanna, V. (2010). The relation between firm-level corporate governance and market value: A study of India. *Law & Economics, 10*, 1-29. https://doi.org/10.1016/j.ememar.2010.05.001

Berle, A., & Means, G. (1932). *The modern corporation and private property.* New York: Columbia University. https://doi.org/10.4324/9781315133188.

Black, B., Love, I., & Rachinsky, A. (2006). Corporate governance indices and firm's market values: Time series evidence from Russia. *Emerging Markets Review, 7*(4), 361-379. https://doi.org/10.1016/j.ememar.2006.09.004

Blundell, R., & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics, 87*, 115–143. https://doi.org/10.1016/S0304-4076(98)00009-8

Boshnak, H. A. (2021). The impact of audit committee characteristics on audit quality: Evidence from Saudi Arabia. *International Review of Management and Marketing, 11*(4), 1-12. https://doi.org/10.32479/irmm.11437

Cadbury, A. (1992). *Report of the committee on the financial aspects of corporate governance gee publishing.* London: Gee.

Chaudhry, N. I., Roomi, M. A., & Aftab, I. (2020). Impact of expertise of audit committee chair and nomination committee chair on financial performance of firm. *Corporate Governance, 20*(40), 621-638. https://doi.org/10.1108/CG-01-2020-0017

Cheung, Y., Jiang, P., Limpaphayom, P., & Lu, T. (2008). Does corporate governance matter in China? *China Economic Review, 19*, 460–479. https://doi.org/10.1016/j.chieco.2008.01.002

Coase, R. H. (1937). The nature of the firm. *Economica New Series, 4*(16), 386-405. https://doi.org/10.1111/j.1468-0335.1937.tb00002.x

da Silva, A. L. C., & Leal, R. P. C. (2005). Corporate governance index, firm valuation and performance in Brazil. *Revista Brasileira de Finanças, 3*(1), 1-18.

Dzomira, S. (2020). Corporate governance and performance of audit committee and ınternal audit functions in an emerging economy's public sector. *Indian Journal of Corporate Governance, 13*(1), 85–98. https://doi.org/10.1177/0974686220923789

ElHawary, E. (2021). Audit committee effectiveness and company performance: Evidence from Egypt. *Journal of Governance and Regulation, 10*(2), 134-156. https://doi.org/10.22495/jgrv10i2art12

Engel, E., Hayes, R. M., & Wang, X. (2010). Audit committee compensation and the demand for monitoring of the financial reporting process. *Journal of Accounting and Economics, 49*, 136–154. https://doi.org/10.1016/j.jacceco.2009.08.001

Eyenubo, S. A., Mohammed, M., & Ali, M. (2017). Audit committee effectiveness of financial reporting quality in listed companies in Nigeria stock exchange. *International Journal of Academic Research in Business and Social Sciences, 7*(6), 487-505. http://dx.doi.org/10.6007/IJARBSS/v7-i6/3006

Fama, E. (1980). Agency problems and the theory of the firm. *Journal of Political Economy, 88*(2), 288–307. https://doi.org/10.1086/260866

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics, 26*, 301–325. https://doi.org/10.1086/467037

Gujarati, D. N. (2004). *Basic econometrics economic series.* NewYork: McGraw-Hill.

Ha, H. H. (2022). Audit committee characteristics and corporate governance disclosure: Evidence from Vietnam listed companies. *Cogent Business & Management, 9*(1), 1- 31. https://doi.org/10.1080/23311975.2022.2119827

Hassan, M. (2015). Corporate governance and financial performance: An empirical study on Egyptian banks. *Corporate Ownership & Control, 13*(1), 1359-1374. https://doi.org/10.22495/cocv13i1c11p8

Hausman, J. A. (1978). Specification tests in econometrics. *Econometrica: Journal of the Econometric Society, 46*(6), 1251-1271.

Ibrahim, B. H., Ouma, C., & Koshal, J. (2019). Effect of gender diversity on the financial performance of insurance firms in Kenya. *International Journal of Research in Business & Social Science, 8*(6), 15-24. https://doi.org/10.20525/ijrbs.v8i5.495

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3, 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Kajola, S. O. (2008). Corporate governance and firm performance: The case of Nigerian listed firms. *European Journal of Economics, Finance and Administrative Sciences*, 14(14), 16-28.

Kalita, N., & Tiwari, R. K. (2023). Audit committee characteristics, external audit quality, board diversity and firm performance: Evidence from SAARC nation. *Journal of Economic and Administrative Sciences*, 1026-4116. https://doi.org/10.1108/JEAS-08-2023-0235

Kantudu, A. S., & Samaila, I. A. (2014). Board characteristics, independent audit committee and financial reporting quality of oil marketing firms: Evidence from Nigeria. *Journal of Finance, Accounting and Management*, 6(2), 34-50. https://doi.org/10.1017/CBO9781107415324.004

Karaye, A. B., & Büyükkara, G. (2021). The impact of corporate governance on financial performance of companies in Southern Africa. *Journal of Business Research-Turk*, 13(2), 1817-1834. https://doi.org/10.20491/isarder.2021.1231

Kiel, G. C., & Nicholson, G. J. (2003). Board composition and corporate performance: How the Australian experience inform contrasting theories of corporate governance. *Corporate Governance An International Review*, 11, 189–205. https://doi.org/10.1111/1467-8683.00318

Klapper, L., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance*, 10(5), 703-728. https://doi.org/10.1016/S0929-1199(03)00046-4

La Porta, R., Lopez-De-Silanes, F., Shleifer, A., & Vishny, R. (2002). Investor protection and corporate valuation. *Journal of Finance*, 57(3), 1147-1170. https://doi.org/10.1111/1540-6261.00457

Mabati, J. R., Onserio, R. F., Mutai, N. C., & Bii, P. K. (2020). Role of audit committee in promoting accountability and governance in commercial banks in Kenya. *Journal of Finance and Accounting*, 4(4), 36-53. https://doi.org/10.1108/ajar-10-2019-0075

Moses, T. (2019). Board characteristics, audit committee composition, and financial reporting in Nigeria. *International Journal of Innovative Social Sciences & Humanities Research*, 7(1), 37-44.

Muchiri, M. W., & Jagongo, A. (2017). Internal auditing and financial performance of public institutions in Kenya: A case study of Kenya meat commission. *African Journal of Business Management*, 11(8), 168-174. https://doi.org/10.5897/AJBM2017.8267

Munisi, G., & Randoy, T. (2013). Corporate governance and company performance across Sub-Saharan African countries. *Journal of Economics and Business*, 70, 92–110. https://doi.org/10.1016/j.jeconbus.2013.08.003

Nkak, P. (2020). Audit committee characteristics and audit report lag of quoted industrial companies in Nigeria. *IOSR Journal of Business and Management*, 22(5), 01-09. https://doi.org/10.9790/487X-2205050109

Ntim, C. G. (2013). An integrated corporate governance framework and financial performance in South African listed corporations. *South African Journal of Economics*, 81(3), 373-392. https://doi.org/10.1111/j.1813-6982.2011.01316.x

Okeahalam, C. C., & Akinboade, A. A. (2003). *A review of corporate governance in Africa: Literature, issues and challenges*. Paper presented at the Paper Presentation Global Corporate Governance Forum.

Olayinka, O. M. (2019). Audit committee and firms' performance in Nigeria: Case study of selected Nigerian banks. *International Journal of Scientific and Research Publications*, 9(9), 88-94. http://dx.doi.org/10.29322/IJSRP.9.09.2019.p9315

Omotoye, O., Adeyemo, K. A., Omotoye, T., Okeme, F., & Leigh, A. (2021). Audit committee attributes, board attributes and market performance of listed deposit money banks in Nigeria. *Banks and Bank Systems*, 16(1), 168-181. http://dx.doi.org/10.21511/bbs.16(1).2021.15

Oudat, M. S., Ali, B. J., & Qeshta, M. H. (2021). Financial performance and audit committee characteristics: An empirical study on Bahrain services sector. *Journal of Contemporary Issues in Business and Government*, 27(2), 4277-4288. https://doi.org/10.47750/cibg.2021.27.02.453

Owiredu, A., & Kwakye, M. (2020). The effect of corporate governance on financial performance of commercial banks in Ghana. *International Journal of Business and Social Science*, 11(5), 18-27. https://doi.org/10.30845/ijbss.v11n5p3

Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. New York: Harper and Row.

Price Water House Coopers. (2017). *2016 Africa capital markets watch*. South African Report No. 17-19997.

Renders, A., Gaeremynck, A., & Sercu, P. (2010). Corporate-governance ratings and company performance: A cross-European study. *Corporate Governance: An International Review*, 18(2), 87– 106. https://doi.org/10.1111/j.1467-8683.2010.00791.x

Sacchetti, S., & Tortia, E. (2024). A needs theory of governance: Taking transaction cost theory back to humanistic economics and self-actualisation. *Journal of Institutional Economics*, 20(13), 1-7. https://doi.org/10.1017/S1744137423000401

Sellami, M. Y., & Borgi Fendri, H. (2017). The effect of audit committee characteristics on compliance with IFRS for related party disclosures: Evidence from South Africa. *Managerial Auditing Journal*, 32(6), 603-626. https://doi.org/10.1108/maj-06-2016-1395

Şener, İ., & Karaye, A. B. (2015). *The effect of ownership concentration and board committees on financial performance: Evidence from Turkish and Nigerian listed companies*. Paper presented at the 1st Academic Conference of Accounting and Finance.

Shahwan, T. M. (2015). The effects of corporate governance on financial performance and financial distress: Evidence from Egypt. *Corporate Governance*, 15(5), 641-662. https://doi.org/10.1108/cg-11-2014-0140

Shikaputo, M., Burton, B., & Dunne, T. (2017). The nature and potential of corporate governance in developing countries: Zambian perceptions. *Accounting, Auditing & Accountability Journal*, 30(6), 1257-1287. https://doi.org/10.1108/AAAJ-08-2015-2208

Shirley, M. N. (2024). Corporate governance in the South African public agencies: Implications for oversight and accountability mechanisms. *IntechOpen*. https://doi.org/10.5772/intechopen.110391

Soliman, M. M., Ragab, A. A., & Eldin, M. B. (2014). Corporate governance structure and firm'financial performance: Evidences from Egypt. *Corporate Board: Role, Duties and Composition, 10*(1), 49-59. https://doi.org/10.22495/cbv10i1art4

Soud, N. S., & Aypek, N. (2020). Impact of corporate governance on banks efficiency using value added approach: The case from Tanzania. *International Journal of Economics, Commerce and Management, 8*(12), 1-13.

Umar, U. H., Shawai, J. S., Adesugba, A. K., & Jibril, A. I. (2024). Audit committee attributes and bank performance in Africa. *Corporate Governance: The International Journal of Business in Society.* https://doi.org/10.1108/CG-03-2023-0098

Umobong, A. A., & Ibanichuka, E. (2017). Audit committee attributes and financial reporting quality of food and beverage firms in Nigeria. *International Journal of Innovative Social Sciences & Humanities Research, 5*(2), 1-13.

Vaughn, M., & Ryan, L. V. (2006). Corporate governance in South Africa: A bellwether for the continent? *Corporate Governance: An International Review, 14*(5), 504-512. https://doi.org/10.1111/j.1467-8683.2006.00533.x

Wooldridge, J. (2010). *Econometric analysis of cross-section and panel data.* Massachusetts London: The MIT Press.

Yadirichukwu, E., & Ebimobowei, A. (2013). Audit committee and timeliness of financial reports: Empirical evidence from Nigeria. *Journal of Economics and Sustainable Development, 4*(20), 14-25. https://doi.org/10.7176/JESD