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Audit Committee Characteristics and Firm Performance with the Moderating Role of Political Connections

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Abstract

This study introduces a theoretical framework that examines how a company's performance is influenced by the audit committee, and how this relationship is influenced by political connections. The research sample will comprise 75 non-financial public companies that were listed on the Amman Stock Exchange from 2017 to 2022. This study anticipates a favorable impact of the audit committee on the performance of the company. Moreover, it is expected that the presence of political links will enhance the relationship between the audit committee and corporate performance. This study aims to examine the moderating impact of political connections on relationships. The findings of this study can be partially extrapolated to the circumstances of other emerging economies owing to the shared characteristics of the commercial landscape. This study is the inaugural research undertaken in Jordan after the modification of corporate governance rules in 2017, which featured specific mandates for audit committees.

Keywords: Audit Committee, Political Connections, Firm Performance

Introduction

Many businesses have been declared bankrupt internationally in recent years as a result of global accounting scandals and failures in corporate governance, including Kodak, Lehman Brothers, Enron, and WorldCom (Alodat et al., 2021). Similar problems, like those with 1MDB and the German company Wirecard, also surfaced in 2020. The majority of these company failures are often linked to fraud committed by business management for their personal gain (Alodat et al., 2021). The government and regulatory apparatus have been strengthened after every scam to decrease the number of frauds that essentially impose a check on the nexus between businesses and professionals and between banks and bureaucrats. This may be accomplished through more disclosures by putting and fixing responsibilities on each party involved in the fraud and through more disclosures (Gupta & Gupta, 2015 ; Sule et al., 2019).

The aforementioned financial crises have increased corporate governance awareness and demand in emerging nations. Therefore, there is a need to improve CG standards (Alodat et al., 2021; Makhlouf et al., 2018). Corporate governance (CG) is traditionally thought of as a model created to safeguard shareholder investments from the "claws" of opportunistic managers (Jiang & Kim, 2020). It also identifies the path to take to achieve corporate objectives and, as a result, the means of achieving them, as well as measuring the results achieved (Naciti et al., 2022). Prior research has demonstrated that the implementation of corporate governance practices has a positive impact on the performance of firms(Al-ahdal et al., 2020 ; Hermuningsih et al., 2020 ; Zhou et al., 2018). Different theories can be used to explain corporate governance in developed countries, with the goal of reducing any conflicts between manager and shareholder interests (Jensen & Meckling, 1976). While developing countries follow developed countries' CG systems, country-specific factors such as the capital market environment have an impact on the design and implementation of CG systems (Alodat et al., 2021).

The last several decades, the economic situation in Jordan has not been favourable for investors. The most significant reason for this is the incomplete commitment to governance mechanisms. Scams, scandals, and malpractice have caused a significant decline in the output of Jordanian companies and a breach of the confidence of Jordanian investors, particularly after the conversion of five public shareholders companies to compulsory liquidation in 2017 after proving unable to handle their financial and administrative matters (Dakhlallh et al., 2020). Moreover, A decline in the trend in the trading value of shares on the Amman Stock Exchange (ASE) since 2017 has also been noted (Alodat et al., 2021). In 2017, the Jordan Securities Commission issued the Corporate Governance Directive for shares in ASE listed companies. The guidelines include guidelines on the organization and responsibility of corporate committees.

Theoretically, a lot of studies have been done to examine how corporate governance affects a company's performance. The outcomes, however, have been conflicting. Numerous theoretical gaps have been identified by a thorough literature assessment and are addressed in this work.

Since corporate governance data is readily available in industrialized countries, the majority of corporate governance research has hitherto been undertaken in these nations (Arora & Sharma, 2016). For the same reason, Jordan and other poor nations get relatively little funding for research. The current analysis suggests political linkages as a moderating variable on the relationship between business performance and corporate governance in accordance with the principles of the resource independence theory. On the other hand, agency theory lessens conflicts of interest between principals and agents, a favourable association between corporate governance (CG) and firm performance (Fama & Jensen, 1983 ; Jensen, 1986). As a result, various scholars from throughout the globe have devoted significant time to examining how CG affects company performance (Mansour et al., 2022). Numerous studies demonstrate a connection between CG mechanisms and business success (Bhagat & Bolton, 2019). Others have discovered that there is an ambiguous connection (Akbar et al., 2016). Thus, the previous findings weren't sufficient to examine the impact of CG on firm performance (Cuomo et al., 2016 ; Mansour et al., 2022). This could be explained by variations in the sample size, industry, time period, or performance metric used (Hassan & Halbouni, 2013). As a result, the main goal of this study is to examine the moderating role of political connections that might have influenced the relationship between audit committee and firm performance.

This study contributes to the existing information on corporate governance methods across various contexts. This study differs from most others, as it specifically examines the influence of audit committees on corporate performance in Jordan, a developing country, rather than focusing on developed countries. Moreover, the corporate governance framework in Jordan is still in its early stages due to the lack of clarity on the responsible authority for supervising the implementation of the recommendations outlined in the Corporate Governance Code (Cigna et al., 2017). Ultimately, this study examines how political ties operate as a moderating factor in the link between audit committee features and corporate performance.

The previous studies such as the annual Europe banks report found that Audit committee characteristics faced many challenges in Jordan besides corporate governance code that issued in 2017 in Jordan focused on the subcomponent of Audit Committee (Audit Committee Independence, Audit Committee Meetings, Audit Committee Financial Experts and, Audit Committee Industry Experts) in addition no one has measure these variables in the aspect of Jordan firms.

This study may benefit the decision maker in Jordan firms and add to the knowledge of literature review.

Literature Review and Hypotheses Development

Audit Committee Independence

The consideration of auditing holds great importance within corporate governance procedures, particularly among the various committees present within an organization. In addition to its mandated status by regulatory entities, it can also be perceived as a facilitator and mitigator of disputes within the agency problem, specifically in relation to information asymmetries (Fera et al., 2022; Koutoupis et al., 2018; Voeller et al., 2013). The inclusion of an audit committee is a fundamental component of the internal control mechanisms employed by firms to establish and maintain effective corporate governance. According to Sardari et al (2021), it may be inferred that the independence of the audit committee tends to mitigate the extent to which a firm experiences an increase in its developmental orientation. There was a concern that the independence of the audit committee could potentially hinder the growth prospects of the relevant companies. This is because internal auditors and managers may prioritize meeting the requirements of the committee members, thereby diverting attention away from the core activities of the company. The primary purpose of implementing an internal audit is to function as a corporate governance instrument employed for the purpose of overseeing and regulating corporations (Prasad et al., 2022). There is a lack of statistically significant and corroborative evidence about the associations between audit committees and corporate performance.

According to Tikos Sitanggang (2022), the enhancement of internal control in businesses can be achieved by the establishment of audit committee independence and the inclusion of board members with specialized skills. Despite the fact that the weakening may not undergo substantial transformation into sustained growth (Helmy, 2018). In their study, Zraiq & Fadzil (2018) examined the relationship between the value of enterprises listed on the Amman Stock Exchange Market and the presence of an independent audit committee. Their findings revealed a statistically significant link between these two variables. In addition, previous studies conducted by Mehdi (2007); Dey (2008) Yasser et al (2011); Nuryanah et al (2011) have indicated a positive association between the presence of an independent audit committee and firm performance. In their study, (Hutchinson & Zain, 2009) examined a sample of 60 Malaysian enterprises and concluded that there was no statistically significant relationship between the presence of an independent audit committee and firm performance. Other researchers that share similar views include (Al-Matari et al., 2012; Ghabayen, 2012; Bashir et al., 2018). Conversely, Dar et al. (2011) discovered an inverse correlation between the variables. Thus, the next hypothesis is

H1: there is a positive relationship between audit committee independence and Firm performance.

Audit Committee Meetings

Oversight is a crucial undertaking in the effective execution of sound corporate governance. According to agency theory, the effectiveness of monitoring has the potential to mitigate opportunistic behavior exhibited by agents, hence promoting their alignment with the interests of principals. The frequency and regularity of meetings among audit committee members may enhance the effectiveness of monitoring activities. Regularly planned meetings can be beneficial for audit committees as they aid in the monitoring of accounting records and internal control systems (Onyabe, 2022). According to Collier & Gregory (1999) and (McMullen, 1996), research findings indicate that audit committees in the United States and Britain often convene on a regular basis, conducting meetings that span a period of three to four hours. These meetings occur at least four to six times per year.

In accordance with agency theory, Beasley et al (2009) posited that individuals serving on the Audit committee exhibit a strong dedication to conducting purposeful and substantial meetings. This commitment, in turn, facilitates enhanced monitoring and contributes to the improvement of the financial reporting process. The existing body of scholarly research has argued that a higher frequency of audit committee meetings is associated with a decrease in the extent of financial restatement. According to (Habbash & Alagla, 2016), it has been stated that increasing the frequency of meetings can lead to a decrease in decision ambiguity (DA) and an improvement in decision-making effectiveness, specifically in terms of decision quality and decision speed (FRQ). On the contrary, alternative research findings indicate that there are no significant associations between Ac and DA, as demonstrated by the studies conducted by (Bamahros & Bhasin, 2016; Habbash & Alagla, 2016). According to (Abbott et al., 2016), a rise in frequency suggests that the committee is demonstrating enhanced efficiency and dedication towards generating high-quality performance. In a more recent study, Shankaraiah & Amiri (2017) conducted an examination of the relationship between audit committee quality and financial reporting quality (FRQ) in the context of India.

Moreover, DeZoort et al (2002) proposed that the frequency of meetings might be seen as an indicator of an audit committee's thoroughness in carrying out its responsibilities. The significance of meeting frequency in relation to a company's reliability and efficiency is widely recognized, although limited research has explored the correlation between a company's performance and the quantity of meetings (Ioana, 2014). Consequently, the frequency of meetings is regarded as a significant attribute of audit committee. The likelihood of board members effectively and diligently doing their job and responsibilities is higher when they engage in regular meetings. According to Kusumawardani et al (2021); Yatim et al (2006), the enhancement of financial reporting supervision can be achieved by the selection of external auditors and the establishment of an effective audit committee by more efficient boards. The study conducted by Samaha et al (2015) reveals that the efficacy of audit committees (ACs) has a notable impact on the extent of disclosure. According to (Bratten et al., 2022; Krishnan & Visvanathan, 2007), empirical studies indicate that conscientious audit committees (ACs) can successfully mitigate the risk of fraudulent activities and limit the manipulation of discretionary accruals for financial reporting purposes. Additionally, these diligent ACs are more likely to address internal control flaws in an efficient manner. The studies conducted by (Raghunandan & Rama, 2007) as well as Alzeban (2020) have revealed a positive correlation between the frequency of AC meetings and both growth and profitability. Moreover, the studies conducted by Abbott et al (2016); Beasley et al (2009) have demonstrated a favorable correlation between the frequency of meetings and the quality of financial statements, as well as a positive association with voluntary disclosure (Li et al., 2012). In a study conducted by(Sultana & Mitchell Van der Zahn, 2015), an examination was undertaken to assess the influence of various qualities of audit committees (ACs), such as meeting frequency, on the punctuality of financial reports across Australian companies. Thus, the next hypothesis is

H2: there is a positive relationship between audit committee meetings and Firm performance.

Audit Committee Financial Experts

The significance of expertise on the audit committee has been underscored by previous financial crises and historical company events (Haddad et al., 2022). Regulatory authorities across the globe have taken measures to enforce the requirement of having at least one financial specialist, possessing a background and/or experience in accounting, auditing, or financing, as a mandatory inclusion in the audit committee (Ahmed Haji, 2015). Legislative reforms have been proposed to promote financial literacy among audit committee members. It is assumed that incorporating economic professionals within the audit committee will enhance the quality of economic reporting (Kang et al., 2011). Managers need to possess a certain level of knowledge in order to understand the concept of audit risk and the necessary measures to prevent and detect such risks. Additionally, managers should have a comprehensive understanding of financial statements and the challenges associated with financial reporting, particularly those related to management's subjective judgement. In cases where conflicts arise between external auditors and managers, managers should be capable of comprehending and resolving the underlying reasons for the disagreement among the involved parties (DeZoort, 1998). Similarly, the presence of financial experts reduces conflicts between management and external auditors and enhances the quality of financial and non-financial disclosures (Ahmed Haji, 2015; Poltak et al., 2020).

The presence of a professional is associated with enhanced scrutiny and reduced likelihood of accounting manipulation (Krishnan, 2005). However, a company's ability to attract accounting or finance specialists depends on the effectiveness of its governance requirements (Raghavan, 2022). According to (Hidayah et al., 2021), the inclusion of specialized managers within the audit committee has a positive impact on the committee's effectiveness in fulfilling its oversight role.

(Anderson et al., 2004) have demonstrated that an increase in the audit committee's expertise leads to a reduction in debt costs, thereby enhancing company performance. According to (DeFond et al., 2005) and (Aldamen et al., 2012), the performance of the company favors an audit commission comprised of executives with prior executive experience or financial expertise. (Hamid & Aziz, 2012) observe that when the audit committee of government-affiliated companies in Malaysia includes members with accounting and finance backgrounds, there is a substantial positive effect on performance. In the United Kingdom, (Alzeban & Sawan, 2015) find that a more expertly-driven audit committee results in more effective implementation of internal audit recommendations.

According to (Abad & Bravo, 2018; Be´dard et al., 2004), there is a direct correlation between the performance of an audit committee and the competence or experience possessed by its members. According to (Abbott et al., 2004; Al-Dhamari et al., 2018), there is a positive and significant correlation between the financial expertise of the audit committee and firm performance. Thus, the next hypothesis is

H3: there is a positive relationship between audit committee financial expertise and Firm performance.

Audit Committee Industry Experts

Given that financial statements incorporate various estimates that capture the intricacies of a company's business environment and industry (Alhababsah & Yekini, 2021; CIFR, 2008), it is reasonable to assume that possessing industry expertise would assist the audit committee (AC) in comprehending and assessing industry-specific estimates. Warranty duties are contingent upon various factors, including the unique industry in which a company operates, the precise product specifications, and the overall business operations. Hence, possessing industry knowledge is vital in order to guarantee the comprehensiveness and precision of the warranty estimate. Moreover, it is important to note that there exist numerous accounting standards and practices that are special to different industries, as highlighted by (CIFR, 2008) and (FASB, 2009). For instance, the software business necessitates a deep understanding of industry-specific knowledge in order to appropriately apply standards such as revenue recognition, as emphasized by (Beasley, 1996).

To illustrate this point further, it is worth noting that within the pharmaceutical sector, revenue is diminished through the implementation of diverse revenue reserves. These reserves are established to account for retroactive pricing discounts, returns, and revenue adjustments that are contingent upon Medicaid payment. It is widely recognized by companies that possessing industry experience is of significant benefit for an audit committee. For instance, Skyworks Solutions (2011) provides the subsequent justification for the selection of an audit committee member: "Mr. Iyer possesses the necessary qualifications to fulfill the role of a director as he brings substantial financial expertise that is specifically relevant to our industry." Previous research has extensively examined the significance of industry expertise for auditors in improving the quality of financial reporting. This has been demonstrated in many studies conducted by (DeFond et al., 2000), (Romanus et al., 2008), and (Reichelt & Wang, 2010). An example of a study conducted by (Romanus et al., 2008) reveals a negative correlation between auditor industry specialty and financial restatements. Moreover, previous scholarly research has established a positive correlation between auditor industry expertise and the quality of earnings, as assessed through discretionary accruals (Balsam et al., 2003; Reichelt & Wang, 2010; Zoh, 2022). Additionally, it has been observed that auditors possessing industry expertise exhibit enhanced abilities in identifying inaccuracies within financial statements (Owhoso et al., 2002). Given the substantial impact that auditors and audit committees (ACs) have on overseeing the financial reporting process, it is logical to anticipate that industry expertise within ACs would similarly contribute to the improvement of financial reporting quality (Alhababsah & Yekini, 2021).

Moreover, it has been noted by (Romanus et al., 2008) that specific sectors necessitate customized audit processes. For instance, auditors conducting audits for software companies would broaden the extent of their testing procedures to scrutinize revenue contracts. Additionally, they will engage auditors with greater expertise compared to those assigned to

audits of consumer products companies. This is due to the elevated likelihood of sales representatives engaging in side arrangements inside the software industry. Moreover, the evaluation of revenue reserves in the pharmaceutical industry is a multifaceted process that necessitates the analysis of both present and projected reimbursement rates from Medicaid (Ashraf et al., 2020; Reichelt & Wang, 2010). Therefore, those who possess expertise in a specific industry and are members of the audit committee have the ability to enhance communication with the auditor by comprehending the intricacies and hazards associated with that business. Moreover, it is expected that the presence of industry specialists on the audit committee will enhance their ability to comprehend the specialized audit procedures necessary to ensure the reliability of the financial statements. The findings of this discourse indicate that the possession of industry experience, in contrast to its absence, will generate a need for auditors to provide a greater level of assurance, thereby leading to an increase in audit fees (Moroney, 2007).
Multiple studies have posited that the effectiveness of audit committees is closely linked to the expertise and experience of their members (Be´ dard et al., 2004; McDaniel et al., 2002). According to (Lin et al., 2008), the primary responsibility of the audit committee is to oversee the financial reporting and auditing procedures of a corporation. Consequently, it is imperative for the committee members to possess the necessary competence to comprehend and address the matters under scrutiny or deliberation. According to (DeFond et al., 2005) and (Aldamen et al., 2012), there is a favorable correlation between corporate success and the presence of an audit committee consisting of directors who possess past managerial experience or financial expertise. The utilization of directors with industry experience can prove advantageous to a nascent small firm, particularly during its initial phase of growth. This is due to the directors' potential to function as a valuable management asset by establishing connections with external resources, such as contracts and industry contacts. Conversely, a mature organization in the phase of decline and possessing a widely dispersed ownership structure may derive greater advantages from the appointment of directors possessing specialized technical or financial knowledge, whose primary focus would be on overseeing the company's operations (Carcello & Neal, 2003). According to (Hamid & Aziz, 2012), the presence of directors with accounting and financial expertise on the audit committee has been found to have a favorable and statistically significant effect on firm performance. Thus, the next hypothesis is

H4: there is a positive relationship between audit committee industry expertise and Firm performance.

Audit committee and firm performance, the moderating role of political connections

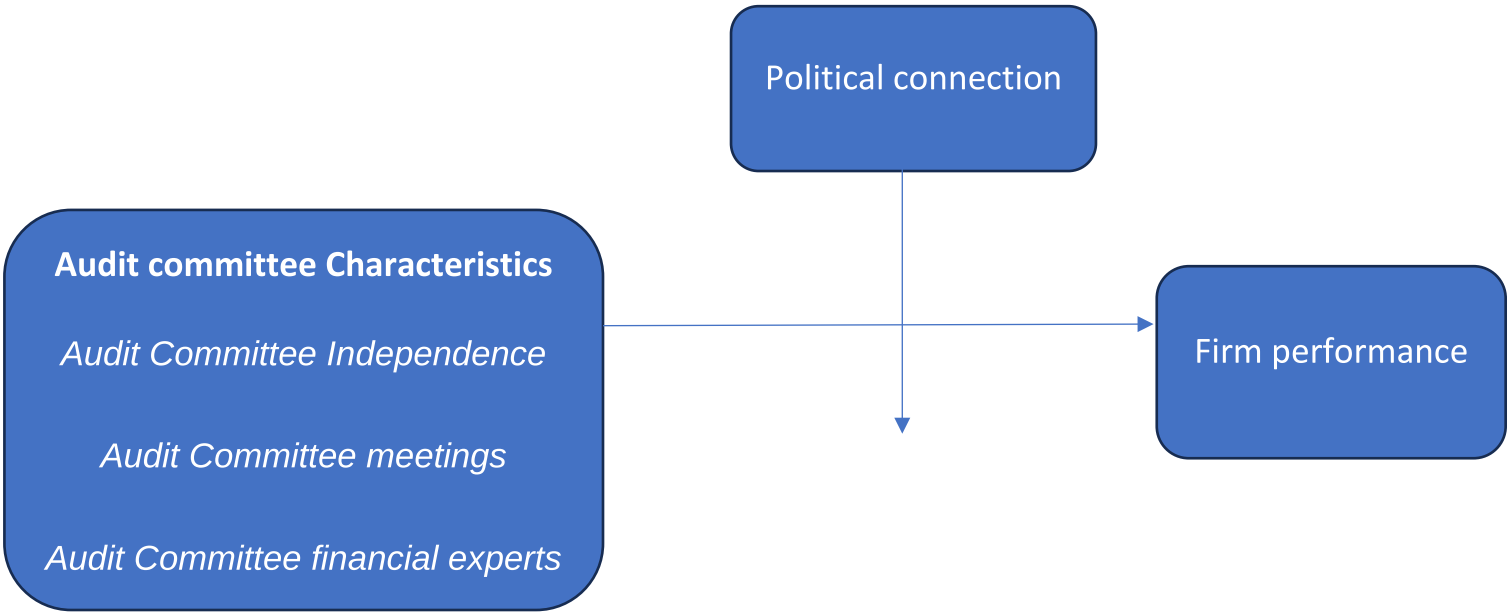
Despite several studies on corporate governance and firms (Akbar et al., 2016; Al-ahdal et al., 2020; Bhatt & Bhatt, 2017; Charbel et al., 2013; Filatotchev et al., 2013; Hashim & Amrah, 2016; Issaa & Siam, 2020; Jensen & Meckling, 2019; Kao et al., 2019), there has not been agreement on the connection between corporate governance and business success in earlier study. In terms of the influence on a firm's performance, some studies have shown a positive association between the aforementioned confirmed factors, while others have discovered a mixed relationship, both positive and negative. (Baron & Kenny, 1986) suggest that the moderator variable be created and used in the event of a weak or erratic relationship between the dependent and independent variables and in an effort to strengthen or weaken such a relationship.

Numerous studies have shown that political relationships have both advantages and disadvantages. Politically linked businesses, for instance, often benefit from advantageous loan terms, cheaper interest rates, fewer tax obligations, and preferential access to debt funding (Baek et al., 2009; Chaney et al., 2011; Chen et al., 2010; Johnson & Mitton, 2003; Shen et al., 2015; Yeh et al., 2013). By using a sample of Taiwan Stock Exchange-listed companies.Yeh et al (2013) discover a favourable correlation between political ties and preferential bank loans during the period from 1998 to 2006. (Johnson & Mitton, 2003) also discovered that businesses with political ties benefited from subsidies when capital limits were put in place using Malaysian businesses. (Boubakri et al., 2012) show that investors want a lower cost of financing for businesses with political ties. Politically linked businesses are noticeably more likely to get bailouts than equivalent but politically unconnected businesses, according to (Faccio & Lang, 2002) analysis of 35 nations between 1997 and 2002. This shows that political ties affect how money is allocated. . (Shen et al., 2015) find that enterprises with good corporate governance and political links get worse loan conditions than firms with strong corporate governance but no political connections using 71,069 individual bank loan contracts from Taiwan. These results imply that political ties and business governance do not go hand in hand. In contrast, it was asserted in (Watts & Zimmerman, 1983) that businesses with political ties might voluntarily disclose more information because they are subject to public scrutiny and because their managers must persuade external investors that they won't use their connections to divert corporate funds. Additionally, there is compelling evidence from (Guedhami et al., 2014) that companies with political ties are more likely to hire a Big 4 auditor, demonstrating their desire to increase financial openness.
Another major corporate governance theory uses agency issues to explain how political ties have a detrimental impact on bank performance. Politically connected directors constantly try to satisfy the needs of associated politicians (such as offering favourable loans, easing loan repayment requirements, and job provisions), which leads to a conflict between the interests of shareholders and managers, raising agency costs and lowering performance. Furthermore, in the context of Pakistan, (Khwaja & Mian, 2005) also say that state-owned banks lend more to businesses with political ties during election seasons, which results in a greater default rate and deteriorates bank profitability. They said that politically linked businesses obtain loans 40% more often and fail 50% more frequently, which reduces bank profits.
However, the political connections of corporate board members are an essential determinant of firm performance because government strategies profoundly influence corporate decision-making and operations (Ding et al., 2014; Wu, Zhou, et al., 2012). According to (Agrawal & Knoeber, 2001), directors on boards that have political connections are more likely to accomplish more because they can assist in the political dealings of their companies by utilizing their expertise to foresee or influence government activities. Further, the presence of politicians on the board will give advantages to their firms by helping them properly understand the public policy process and providing legitimacy by linking their reputation and status to the firm, which will reflect on its performance in the market (Hillman, 2005). Thus, the next hypotheses are as below

H5: political connection moderates the relationship between audit committee independence and Firm performance.
H6: political connection moderates the relationship between audit committee meetings and Firm performance.

H7: political connection moderates the relationship between audit committee financial expertise and Firm performance.
H8: political connection moderates the relationship between audit committee industry expertise and Firm performance.

Research Framework



Theory
Agency theory had diffused in the schools of business, the literature of management, and specialized academic and applied practitioner journals (Jensen & Meckling, 1976), in the early 1990s, representing a new paradigm that became the dominant of the logic of corporate governance (Zajac & Westphal, 2004). Besides, agency theory considers the most using for corporate governance literature studies (Kyereboah-Coleman, 2008; Daily et al., 2003). (Almajid, 2017) indicates the key factor to the emergence of the agency theory is a separation between ownership and management. In this regard, the agency theory has been widely applied in various disciplines that have related to economics as like accounting, finance, and financial auditing (Boonyanet & Promsen, 2020; Jensen & Meckling, 1976; Liao et al., 2015; Ramdani & Witteloostuijn, 2010; Ugwoke, 2013). Thus, (Jiraporn et al., 2008) define the agency theory as the tool to differentiate between the beneficial and opportunistic practices of earnings management.

However, according to(Martin et al., 2020), the agency theory motivates the manager to combine between stakeholders inefficient methods to achieve financial targets. In this regard, the agency theory indicates that the mechanisms of monitoring could improve the interests of the management stakeholders and lessen opportunistic behaviors resulting from interests' conflict (Kazemian & Sanusi, 2015). Based on the agency theory, managers (agents) have big powers and freedoms to manage the resources of shareholders (principals) (Kakanda et al., 2016). Thus, some of the managers may benefit from the extensive powers granted to them to achieve their gains (Abdullahi & Ibrahim, 2017).

Moreover, the agency theory indicates that the managers may conduct in accordance with their benefit rather than stakeholders' targets (Oh et al., 2011; Thiruvadi & Huang, 2011) In this regard, agency theory supposes that the gap between managers' interests and shareholders' interests will lead to a new managerial problem (Nyberg et al., 2010). Accordingly, agency theory shows the interest conflict in the company in different methods, where emerge interest conflict between shareholders and managers when the managers are not one of the shareholders (Fama & Jensen, 1983; Jensen & Meckling, 1976; Kazemian & Sanusi, 2015; Makhlouf et al., 2008; Nyberg et al., 2010; Talab et al., 2017).

Therefore, the interests' conflict, leading the managers to extract perquisites or perks out of the company's resources, and the managers will be less interested in the follow-up of the shareholders' interests (Kyereboah-Coleman, 2008). In general, managers do not always tend to act in the shareholders' interests. Often can be observed that managers enact policies that follow their self-interests rather than shareholders' interests (Jensen & Meckling, 1976; Mersni & Ben Othman, 2016) In this regard, to limit agency conflict, the shareholders provide plans to link accounting earnings with the compensations of managers (Thiruvadi & Huang, 2011). Besides, the agency theory has suggested mechanisms to reward managers for maximizing the shareholders' earnings (Rafiee & Sarabdeen, 2012).

According to (Jensen & Meckling, 1976), the agency theory considers corporate governance mechanisms one of the effective methods to limit manager practices (Mersni & Ben Othman, 2016). Also, the agency framework and the internal monitoring mechanisms help to confirm that the managers do the policies that maximize the shareholders' wealth (Abbadi et al., 2016). Thus, the agency theory suggests protecting the shareholders' interests, should the directors' board the function of effective oversight (Ugwoke, 2013). Consequently, the management (agent) is charged with carrying out certain activities in favour of the first party (shareholders) and delegating the powers of decision-making on his behalf (Muayad, 2014). On the other hand, agency theory assumes that some of the board's characteristics can impact on board's ability to monitor and provide advice (Azeez, 2015). Thus, the agency theory confirms the significance of the monitoring and controlling role of the firm (Daily et al., 2003). In addition, Eisenhardt (1989) indicates that agency theory focuses on both shareholders' behaviours and managers' behaviour. Agency theory highlights the separation of management and ownership that leads to increases in agency conflicts and costs, including information asymmetry, thus increasing the self-serving of managers' behaviour. Therefore, need to monitor mechanisms to limit such conflicts and the agency costs.

Methodology

This study will apply the concepts of positivism and the deductive approach, using the research onion as the main framework for creating the methodology (Saunders et al., 2016). The chosen research methodology is archival research, which relies mostly on the analysis of documents, specifically annual reports. This study will employ a multi-method data gathering strategy, utilizing two primary sources of data from secondary data sources, namely DataStream and the annual reports of Jordanian listed firms. The panel data study will examine the selected time span from 2017 to 2022.

Conclusion

An analysis of the existing literature reveals that the majority of studies investigating the correlation between audit committee features and firms performance have primarily focused on developed countries. However, there has been a scarcity of study conducted on emerging countries in regard to this matter. Therefore, it is necessary to conduct a study specifically targeting developing nations, as the correlation between audit committee features and firms performance in these countries remains inadequately elucidated compared to findings in established economies. Hence, the primary emphasis of the present investigation lies on Jordan. Furthermore, the state of corporate governance in Jordan is still in its nascent phase when compared to that in Western countries. Additionally, there is a lack of available literature on the topic of corporate governance in Jordan. This research seeks to establish a conceptual framework for understanding the impact of audit committee features on corporate performance. It is crucial to comprehend the influence of political ties on the features of audit committees and the performance of firms. The study was conducted using a sample of Jordanian listed enterprises spanning from 2017 to 2022. Given that this is merely a theoretical document, it suggests that a practical study be conducted in the future to examine the impact of audit committee features on the performance of the company.

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