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Effect of Audit Committee Attributes on the Effectiveness of Audit Committees: Evidence from Regulatory Authorities in Tanzania

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Abstract: This study examined the effect of audit committee attributes on the effectiveness of audit committees in the context of regulatory authorities in Tanzania. The sample size was 300 participants from 18 regulatory authorities consisting of board members, management, accountants and auditors. Data was collected using a structured survey questionnaire with a 5-Likert Scale where 241 participants responded, equivalent to 80.3 percent. Data analysis was performed using the IBM SPSS Statistics. The study results indicate that the five audit committee attributes: the audit committee's advisory role, financial expertise, independence, size and frequency of meetings had a significant effect on the effectiveness of the audit committee. The audit committee's advisory role, which was derived from the resource dependence theory, significantly contributed to the agency theory. The study recommends that regulatory authorities in Tanzania assess their audit committee members' attributes and establish optimal audit committee size, financial expertise, independence, frequency of meetings and capacity to discharge their monitoring and advisory roles.

Keyword: Agency theory; audit committee; audit committee attributes; audit committee effectiveness; corporate governance; regulatory authorities.

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Introduction

The corporate financial scandals of the early 2000s experienced by the two big firms, Enron and WorldCom in the United States of America (USA), caused the public to raise concerns about the auditor's failure to unveil the willful collusion of management and the board of directors and hence failed to qualify the audited financial reports (Olojede et al., 2020). These scandals indicated that in the dynamic landscape of corporate governance, where owners of organizations are separate from management, the agency problem arises. The agency problem results from conflicts of interest between the owners (shareholders) of an entity who want to maximize profits from the business and the agents (management) of the same entity who want to maximize their benefits from the same business. The audit committee, as an internal monitoring mechanism, becomes a very critical organ for addressing the agency problem and the conflicts between the owners and management (Mnzava, 2023). In addressing the challenges of corporate financial scandals, the United States (US) Government enacted the Sarbanes-Axley (SOX) Act, 2002 to enhance accountability and compliance, which strengthened the audit committee governance role in the financial reporting process (De Haes et al., 2019). This initiative increased the audit committee's role in monitoring the financial reporting process (Jamil, 2020). Generally, the SOX Act, 2002 established corporate governance standards, including the structure of the audit committee and the board of directors (Sayari & Marcum, 2018). In the United Kingdom (UK), corporate governance took the stage in the 1990s, starting with the Cadbury Report of 1992, which issued corporate governance guidelines on financial reporting and accounting, but specifically on the effectiveness and efficiency of the operations, reliability of financial reports, and compliance with legislation.

In Africa, some countries took initiatives to address corporate governance matters. Ghana established the Securities and Exchange Commission (SEC), which regulates the securities' market, protects investors, secures their interests and guarantees fairness in the securities market (Puni & Anlesinya, 2020). According to Puni and Anlesinya (2020), SEC Guidelines of Best Corporate Governance Practices of 2002, was issued for compliance by listed companies. In addition, there were implementations of the National Corporate Governance Codes in most sub-Saharan countries, such as Nigeria, Kenya and Ghana Corporate Governance Codes, which recommend the board of directors of the listed companies be composed of non-executive directors and independent directors, who ultimately become members of the audit committees (Coleman & Wu, 2021).

The main regulatory framework for Tanzania's corporate governance could be traced back to the Public Corporations Act of 1992, the Capital Markets and Securities Act of 1994 and the Companies Act of 2002 (Fulgence, 2014). However, when compared to the World's response to the financial scandals of the 2000s, Tanzania's major initiative was the issuance of the Capital Markets and Securities Authority's Guidelines on Corporate Governance Practices by Public Listed Companies in 2002, modeled on the international standards, specifically of the UK Corporate Governance Code, based on the 'comply or explain principle' (Fulgence, 2014). The other major initiatives undertaken were the introduction of the corporate governance framework in the year 2015, and the issuance of the Audit Committee Guide for Public Sector Entities to enhance corporate governance practices in the public sector entities. The initiatives were confirmed when the Office of the Treasury Registrar (OTR) issued the Board Charter Guidelines for Public and Statutory Corporations in 2015, and the Permanent Secretary of the Ministry of Finance, issued the Audit Committees Guide for Public Sector Entities, First and Second editions, in 2013 and 2019, respectively. These were followed by the Board Charter Guidelines for Public and Statutory Corporations, issued by OTR in July 2022. The researchers in this study did not find the National Corporate Governance Code for compliance by organizations in the public and private sectors. Despite the presence of appropriate legal frameworks in Tanzania, the board of directors' oversight responsibility, the oversight role of the Parliamentary Accounts Committee (PAC) and commitment from the top leadership, the Controller and Auditor General (CAG) annual audit reports indicated the existence of ineffective corporate governance in the public sector entities (CAG, 2021), including the regulatory authorities.

The Controller and Auditor General (CAG) of Tanzania audits public sector entities as provided in Article 143 of the Constitution of Tanzania, 1977, and in compliance with requirements of the Public Audit Act, Cap. 418, and the Public Audit Regulations, 2009. The CAG reported some irregularities in corporate governance matters in the regulatory authorities in Tanzania, including operating without boards of directors. The absence of a board of directors indicates a lack of good corporate governance in public sector entities, which casts doubts on the transparency, reliability, and integrity of financial reports (CAG 2021). Even for regulatory authorities that were operating with the board of directors, there were reported cases by CAG of audit committee ineffectiveness. The audit committees' effectiveness in public sector entities involves directors' competence in their oversight role in the process of preparation of financial statements and ensuring the reliability of financial information contained therein (Mbelwa &

Munyangabi 2024). In addition, a review of the legal instruments establishing audit committees in the public sector indicated that the appointments of members of audit committees are subjected to the individuals' titles and their originating departments or institutions, rather than to the required attributes to enhance the effectiveness of audit committees (URT, 2022). Literature review of previous studies conducted in other countries on the effectiveness of audit committees indicated that audit committee attributes include members' financial expertise, independence, audit committee size and frequency of meetings (Al-Hajaya 2019). It is therefore considered worth researching the effect of audit committee attributes on the effectiveness of audit committees of regulatory authorities in Tanzania because when the audit committees of regulatory authorities are effective, the audit committees of the regulated entities will be strong.

Literature Review

This section reviews literature on audit committees' attributes and audit committee effectiveness. The literature review is presented in two sub-sections below: theoretical review, and empirical review. Thereafter, the research gap and conceptual framework are presented.

Theoretical Review

This study adopted the agency theory and resource dependence theory as theoretical frameworks. The agency theory is the grand theory for this study as it is widely used to explain the audit committee's role in the principal-agent relationship (Raimo et al., 2020). Agency theory originated from the economic utilitarianism (Ross, 1973). Adam Smith (1937[1776]) was possibly the first author to be suspicious of the existence of the agency problem and from then on, he became a motivating factor for economists to nurture the facets of agency theory (Panda & Leepsa, 2017). In addition, some previous authors reported that in the year 1932, Berle and Means were the first scholars who pointed out the distinctive features of *separation of ownership and control* in the USA for publicly held corporations, the concept which was later expanded by other scholars like Jensen and Meckling which was later known as the *agency theory* (Abbasi, 2009). Thus, the agency theory paradigm was introduced in the academic literature for economics studies in the early 1970s (Jensen & Meckling, 1976, Ross, 1973).

The resource dependence theory (RDT) has a service role that involves building the entity's reputation, external networks and resources (Pfeffer & Salancik, 1978). The resource dependence theory was developed in 1978 by Jeffrey Pfeffer and Gerald R. Salancik as reported in their book titled, *The External Control of Organizations: A Resource Dependence Perspective*. The RDT characterizes an organization as an open system with the key assumption of ensuring that it survives by reducing uncertainties and dependencies (Pfeffer & Salancik, 1978). Generally, the theory suggests that an organization should interact, negotiate and change with its external environment to access resources. Therefore, the RDT was chosen for contribution to the agency theory for its service role that involves building the entity's reputation, external networks, resources and provision of an advisory role. The audit committee advisory role in this case is about the ability of audit committee members to bring resources into their entities to assist management in achieving their strategic goals (Pfeffer & Salancik, 1978).

Empirical Review

Audit committee effectiveness is one of the corporate governance mechanisms (Tumwebaze et al., 2022) and one of key measures of good corporate governance (Chang et al., 2017). Good corporate governance means an organization with better, more transparent management and thus, more accountability to the government and its stakeholders (Ibarguen et al., 2021). The existence of audit committees in public sector entities is an indication that there is good corporate governance (Dzomira, 2020). The attributes of an effective audit committee have been among the issues highly debated in corporate governance research (Kwakye et al., 2018). The audit committee is effective in the perspective of its independence, financial expertise, frequency of meetings, authority and size (Bananuka et al., 2019). These attributes are usually exhibited in audit committee members' independence, audit committee size, audit committee frequency of meetings and audit committee members' competence (Kwakye et al., 2018). In addition, studies have established that audit committees' effectiveness is attributed to the members' financial expertise, members' independence, the size of the committee and frequency of the committee meetings (Aljaaidi et al., 2021). The literature review for the five audit committee attributes and their effects on the audit committee's effectiveness are presented below:

Audit Committee Advisory Role

Resource dependence theory is a theoretical perspective on the audit committee advisory role as developed by Pfeffer and Salancik (1978) to appreciate the controls of numerous social objects and is among the most influential theories on research undertaken on governance (Dong & Götz, 2020). Literature on corporate governance provided two paths for demarcating the role of the board of directors. The agency theory is the first and the most dominant path, which is concerned with the board's monitoring role (Jensen & Meckling, 1976). The second path is the resource dependence theory, which focuses on the board's advisory role (Lai et al., 2012)).

Resource dependence theory studies have classified resources provided by audit committee members into human capital and relational capital, where human capital consists of advice, experience, expertise, knowledge and reputation; relational capital consists of networks and channels for external communication (Al-Shaer & Zaman, 2018). Based on these theoretical reviews, the following hypothesis was developed: *H_1: Audit committee advisory role (ACAR) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.*

Audit Committee Financial Expertise

The audit committee's effectiveness is enhanced when audit committees have at least one member with financial expertise (Gallena et al., 2019). The majority of governance regulations in the world recommends audit committees have a minimum of one member with accounting and financial expertise (Boshnak, 2021). The presence of members with financial expertise in the audit committee indicates the audit committee's effectiveness (Al-Hadrami et al., 2020). In South Africa, audit committee effectiveness is linked to its members' expertise in accounting (Legodi, 2021). The audit committee should be composed of at least one member with accounting expertise (URT, 2019). Based on these empirical reviews, the following hypothesis was developed: *H_2: Audit committee financial expertise (ACFE) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.*

Audit Committee Independence

The crucial attribute of an audit committee is its independence from management by being objective in the presentation of financial statements (Akpan & Nsentip, 2020). SOX Act (2002) requires the audit committee to consist of independent directors (Sayari & Marcum, 2018; Harris and Erkan, 2023) as independence enhances the audit committee's monitoring role (Elhawary, 2021). The Saudi Arabian Code of Corporate Governance requires audit committee members to be independent, non-executive directors (Boshnak, 2021).

A study conducted to examine the relationship between audit committees and corporate governance of Metropolitan, Municipal, and District Assemblies (MMDAs) in the Western Region of Ghana found that most of the audit committee members are independent non-executives of their entities (Dwamena, 2021). In Tanzania, the Audit Committees Guide for Public Sector Entities requires the audit committee to be composed of members external to the entity (URT, 2019). Based on these empirical findings, the following hypothesis is developed: *H_3: Audit committee independence (ACIND) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.*

Audit Committee Size

The audit committee is required to have at least three members (Agyei-Mensah et al., 2019). The UK Corporate Governance Code on audit committee effectiveness provides that an audit committee should be composed of at least three members (Al-Okaily & Naueihed, 2019). Similarly, the Saudi Arabia Code of Corporate Governance recommends audit committee consist of at least three directors (Boshnak, 2021). The South African Companies Act and King IV Report provide for an audit committee to comprise at least three members (Deloitte, 2018). The audit committee should be composed of a minimum of three members and a maximum of five members (URT, 2019). Based on the above empirical reviews, the following hypothesis is developed: *H_4: Audit committee size (ACSZ) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.*

Audit Committee Frequency of Meetings

The audit committee is required to hold regular meetings and the number of such meetings is recommended to be four per year (Gallena et al., 2019). The UK Corporate Governance Code provides for the audit committee frequency of meetings to be at least three in a year (Al-Okaily & Naueihed, 2019) and the Saudi Arabia Code of Corporate Governance requires Audit committees to meet periodically, but at least four times within the financial year (Boshnak, 2021). The audit committee shall hold meetings regularly (URT, 2019). Based on the above empirical findings, the following hypothesis was formulated: *H_5: Audit committee frequency of meetings (ACFM) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.*

After reviewing the literature, this study has identified the existence of two research gaps: theoretical gap, and contextual gap. Most of the previous studies were conducted on the theoretical perspective of agency theory and did not address an entity's external environment, under resource dependence theory, as the literature accepted that entity directors play both a monitoring role and an advisory role (Pfeffer & Salancik, 1978). In addition, most of the previous studies conducted on audit committee attributes and effectiveness of audit committee looked at the attributes affecting audit committee effectiveness in private firms (Kapkiyai et al., 2020; Ngollo & Mwenda, 2022; Bazhair, 2021; Ha, 2022). Therefore, this study sought to contribute to the agency theory by borrowing the audit committee advisory role from the resource dependence theory in advising the management of entities (Dong and Götz 2020) to fill the theoretical gap. Furthermore, the researchers have not been aware of any study conducted on the effect of audit committee attributes on the effectiveness of audit committees in the context of regulatory authorities in Tanzania. Thus, this study expands the previous understandings of research in the context of regulatory authorities to fill the contextual gap.

Therefore, the conceptual framework, which is the pictorial representation of relationships between an independent variable and dependent variables, for this study is shown in **Error! Reference source not found.**1.

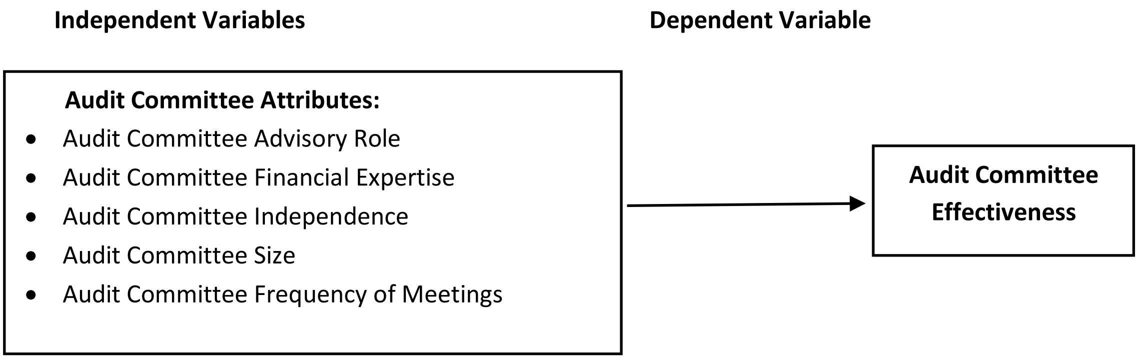

Figure 1: Conceptual Framework

Methodology

This section presents the methodology of the study. It highlights about the design, population and sampling, instruments, validity and reliability, statistical treatment of data and ethical considerations.

Design

Research design is a framework developed for the collection and analysis of research data to answer the research question and achieve research objectives (Saunders et al., 2019). Creswell and Creswell, (2018) defined research design as a type of inquiry within qualitative, quantitative, or mixed research methods approaches. In this study, the researchers selected the explanatory research design, which enables the researchers to show the cause-and-effect relationship between independent variables and dependent variable (Kassa, 2021). The research strategy is a general way of helping researchers choose methods of data collection or sets of methods prepared by researchers to answer research questions for the sake of meeting research objectives (Melnikovas, 2018). In this study, a survey strategy was employed for data collection to obtain the best results.

Population and Sampling

This study involved participants from the 18 regulatory authorities in Tanzania's Mainland, who are responsible for corporate governance practices. The list of regulatory authorities was obtained from the Office of Treasury Registrar, which is empowered to supervise the public sector entities, including the regulatory authorities, under the provisions of the Treasury Registrar (Powers and Functions) Act, Cap. 370. The list of regulatory authorities indicated the location of their head offices to be in Arusha, Dar es Salaam, and Dodoma. Thus, the target population for the study comprised a total number of 1,196 board members, chief executive officers, management staff, accountants and auditors. A random sample of 300 participants was selected using the Taro Yamane formula $n = \frac{N}{1+Nd^2}$ where *n* is the sample size, *N* is the population size and *d* is the sampling error (Uakarn et al., 2021). Using the level of precision (sampling error) of $\pm 5\%$, the study sample size was established to be $n = \frac{1196}{1+(1196)(0.05)^2} = 299.74 \approx 300$.

Instruments

The study employed a structured survey questionnaire method, which is preferred for collection of standard data and information from participants. Participants responded to key statements in the questionnaires, developed based on the 5-Likert scale, by stating their level of agreement with the question/statement from the *Strongly Disagree* (Likert Scale 1) to the *Strongly Agree* (Likert Scale 5).

Validity and Reliability

Validity and reliability are essential measures for judgments of the quality of quantitative research in social sciences (Saunders et al., 2019).

Validity is the extent to which the research instrument (survey questionnaire) measure what it asserted to measure, and the results of the measurements are trustworthy (Shiyanbola et al., 2022).

Reliability is the degree of accuracy of the research data collected and is usually referred to the extent the variables or indicators were stable and consistently measured what was supposed to be measured (Tabachnick & Fidell, 2014). The reliability test was conducted for the survey questionnaire to determine Cronbach's Alpha, a measure of internal consistency (Shrestha, 2021), which is commonly used in quantitative research, with a minimum acceptable value of 0.7 (Mat Nawi et al., 2020). The reliability of the measurement model was verified by assessing Composite Reliability (CR) values. The CR lower limit value is 0.70 to indicate the reliability of internal consistency (Shrestha, 2021). In addition, the Average Variance Extracted (AVE) was used to evaluate the variance attributed to the construct against the amount due to error with a preferred value of greater than 0.5 (Civelek, 2018).

Statistical Treatment of Data

Data analysis was performed using the Structural Equation Modelling (SEM), which is a statistical methodology used for hypothesis testing with a causal process (Byrne, 2001) and is a statistical method applied to test relationships between latent (unobserved) variables and observed variables (Civelek, 2018). The collected data were virtually inspected to ensure that it was of good quality before data analysis was conducted. The missing data, outliers and errors obtained during data entry were checked and addressed. Descriptive analysis and inferential analysis were conducted in the data analysis process.

Ethical Consideration

Ethical considerations were observed in this study. The main issues for consideration included avoiding data fabrication, data falsification and plagiarism issues. In addition, participation in this study was voluntary and the questionnaire sheets to participants ensured confidentiality in the whole process, including the use of data, information and personal opinions as may be provided by the participants. Respondents' voluntary participation, anonymity and confidentiality matters were carefully and adequately observed as recommended by Saunders et al. (2019).

Results and Discussion

This section presents the results of the study. It begins with the demographic factors and then moves into hypothesis testing.

Descriptive Statistics

The study analyzed respondents' demographic profiles from the collected data as reflected in Table 1. The analysis included respondents' gender, age group, work occupation, highest education qualification and working experience in years. The demographic profiles of the respondents are summarised as follows:

Respondents by Gender

The total number of respondents to the study survey questionnaire was 241 comprised of 177 males (73.4 percent) and 64 females (26.6 percent). The study collected participants' gender information to understand the characteristics of respondents as board gender diversity is considered the most critical board characteristic associated with the organization's gender equality and inclusiveness (Ranta & Ylinen, 2023). Thus, these results indicate women are few in the corporate governance practices of regulatory authorities, even though literature on gender diversity suggested that women perform better in the auditing committees' monitoring role (Oradi & Izadi, 2020).

Table 1: Statistics of Respondents' Profiles (N=241)

No.	Profile Category	Frequency	Percent
1	**Gender:**		
	Females	64	26.6
	Males	177	73.4
	Total	**241**	**100**
2	**Age Group:**		
	18 - 30 Years	13	5.4
	31 - 40 Years	50	20.7
	41 - 50 Years	97	40.3
	51 - 60 Years	65	27
	61 - 70 Years	13	5.4
	Above Years	3	1.2
	Total	**241**	**100**
3	**Work Occupation:**		
	Board Chairperson	6	2.5
	Board Members	34	14.1
	Director General/CEO	11	4.6
	Management Staff	91	37.8
	Head/Chief Internal Auditor	15	6.2
	Head/Director responsible for Finance	5	2.1
	Internal Auditors	30	12.4
	Accountants	49	20.3
	Total	**241**	**100**
4	**Highest Qualification:**		
	CPA(T)	2	0.8
	PhD	17	7.1
	Master/Postgraduate degree	182	75.5
	Undergraduate degree	37	15.4
	Diploma/Advanced Diploma	2	0.8
	None of the above	1	0.4
	Total	**241**	**100**
5	**Working Experience in Years:**		
	Up to 1 year	1	0.4
	Above 1 year up to 3 years	10	4.2
	Above 3 years up to 5 years	8	3.3
	Above 5 years up to 10 years	27	11.2
	Above 10 years up to 15 years	59	24.5
	Above 15 years	136	56.4
	Total	**241**	**100**

Age Group

The respondents were categorized into six age groups: 18-30 years, 31-40 years, 41-50 years, 51-60 years, 61–70 years and above 70 years. The age distribution shows a significant proportion of the respondents. Particularly, 97 (40.3 percent) were between the age group of 41 and 50 years, followed by 65 (27 percent) between the age group of 51 and 60 years and then 50 (20.7 percent) between the age group of 18 and 30 years. The rest of the respondents, which are around 26 (12 percent), were above 61 years old or below 30 years old. This suggests that a bigger portion of the audit committee members fall in the age group of between 41 and 50 years, indicating a group of energetic participants with a sufficient duration of serving their entities to gain experience in corporate governance matters. This is from the fact that the age of participants indicates the duration of working to gain experience from their entities and being able to provide better governance solutions (Sellami & Cherif, 2020).

Work Occupation

The analysis shows that work occupation of the respondents comprised of board chairperson being 6 (2.5 percent), board members being 34 (14.1 percent), Director General/CEOs being 11 (4.6 percent), management staff being 91 (37.8 percent), Head/Chief Internal Auditors being 15 (6.2 percent), Heads/Directors responsible for Finance being 5 (2.1 percent), internal auditors being 30 (12.4 percent) and accountants being 49 (20.3 percent).

Educational Qualifications

The respondents' highest education qualifications were analysed and the results showed that the majority of the respondents being 182 (75.5 percent) held master or postgraduate degree, 37 (15.4 percent) held undergraduate degree and 17 (7.1 percent) possessed a PhD. In addition, only two (2) had CPA (T) and Diploma/Advance Diploma (each at 0.8 percent) and one (1) had none of these qualifications.

Respondents by Working Experience in Years

On working experience, the largest group of respondents, 136 (56.4 percent), had more than 15 years of experience. Those with experience ranging from 10 to 15 years were 59 (24.5 percent), followed by those with working experience above 5 years to 10 years were 27 (11.2 percent). Furthermore, those above one year to 5 years were 10 (4.2 percent) and only one respondent (0.4 percent) had the working experience of up to 1 year. These results suggest that when considering appointments of audit committee members in regulatory authorities, the appointing authorities prefer people holding senior positions, with postgraduate education levels, and working experience of more than 15 years.

Validity and Reliability Tests

The Cronbach's Alpha computation results for audit committee attributes and audit committee effectiveness were 0.784 and 0.757, respectively, indicating a good internal consistency. Composite reliability (CR) computation results for audit committee attributes and audit committee effectiveness were 0.813 and 0.800 respectively, confirming the reliability of the measurement model. In addition, the average variance extracted (AVE) computation results for audit committee attributes and audit committee effectiveness were 0.423 and 0.503, respectively. Thus, despite the AVE value for audit committee attributes being below 0.5, the CR value is 0.813, which is an acceptable result confirming the existence of convergent validity. Therefore, taking the AVE values together with the CR values, it is concluded that their convergent validity and reliability of measurements were well established. As it appears in Table 2.

Table 2: Reliability and Validity Tests

Variable	Number of Questions	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Audit Committee Attributes	22	0.784	0.813	0.423
Audit Committee Effectiveness	5	0.757	0.800	0.503

Assessment of Suitability of Dataset

The assessment of the suitability of the dataset was conducted using two statistical measures: Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of Sphericity (Shrestha, 2021). KMO value ranges from 0 to 1, and values between 0.8 and 1.0 indicate the study sampling is adequate, values between 0.7 and 0.79 indicate middling, values between 0.6 and 0.69 indicate mediocre and values less than 0.6 indicate the study sampling is not adequate and thus, remedial action is supposed to be taken (Shrestha, 2021). The KMO value was established to be 0.789, which is equivalent to 0.8, indicating the study sampling was adequate. On Bartlett's Test of Sphericity, the significant value (p-value) must be less than the chosen significance level, that is less than 0.05 for this study, to indicate a factor analysis is worth in the dataset (Shrestha, 2021). The Bartlett's Test of Sphericity results showed an approximate Chi-square value of 1734.119 with 300 degrees of freedom (df) and a significance level (Sig.) of 0.000, that is $p < 0.05$ as shown in Table 3 suggesting that the dataset for this study was suitable for factor analysis.

Table 3: KMO and Bartlett's test of Audit Committee Attributes

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.789
Bartlett's Test of Sphericity	Approx. Chi-Square	1734.119
	df	300
	Sig.	.000

Table 4: Results of Hypothesis Tests

Hypothesis	Effect	Estimate	SE	β	z	p	Results
H_1	ACAR ⇒ ACE	0.1267	0.0457	0.1383	2.78	0.006	Supported
H_2	ACFE ⇒ ACE	0.3827	0.0399	0.4658	9.60	< .001	Supported
H_3	ACIND ⇒ ACE	0.1048	0.0388	0.1318	2.70	0.007	Supported
H_4	ACSZ ⇒ ACE	0.1410	0.0503	0.1429	2.80	0.005	Supported
H_5	ACFM ⇒ ACE	0.1882	0.0548	0.1797	3.44	< .001	Supported

Therefore, the KMO measure and Bartlett's Test of Sphericity suggest that the study sampling was adequate and the dataset was suitable for factor analysis as the results of their analysis were within the acceptable threshold.
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Results of Hypothesis Testing

This study tested five (5) hypotheses on the effect of audit committee attributes on the audit committee's effectiveness. The results of the testing are summarised in Table 4.

Hypothesis 1: Audit committee advisory role (ACAR) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.

Hypothesis 1 (H_1) evaluated whether the audit committee advisory role significantly influences the audit committee effectiveness of regulatory authorities in Tanzania. The analysis reveals that audit committee advisory role significantly influences the audit committee effectiveness ($\beta = 0.1383$, $z = 2.7750$, $p = 0.006$). Therefore, H_1 was supported. This result justifies introduction of a new variable, audit committee advisory role, to the agency theory from resource dependency theory. It also confirms the theoretical contribution of the study.

Hypothesis 2: Audit committee financial expertise (ACFE) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.

Hypothesis 2 (H_2) evaluated whether the audit committee's financial expertise significantly influences the audit committee effectiveness of regulatory authorities in Tanzania. The analysis revealed that audit committee financial expertise significantly influences the audit committee effectiveness ($\beta = 0.4658$, $z = 9.603$, $p < .001$). Thus, H_2 was supported. Similarly, the results of another study showed that audit committee's financial expertise was significantly associated with the audit committee effectiveness if measured by performance (Namakavarani et al., 2021).

Hypothesis 3: Audit committee independence (ACIND) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.

Hypothesis 3 (H_3) evaluated whether audit committee independence significantly influences the audit committee effectiveness of regulatory authorities in Tanzania. The analysis revealed that audit committee independence significantly influences the audit committee effectiveness ($\beta = 0.1318$, $z = 2.703$, $p = 0.007$). Therefore, H_3 was supported. Similarly, the results of another study showed that audit committee independence was significantly associated with audit committee effectiveness if measured by performance (Namakavarani *et al*., 2021) while other studies found that the ratio of audit committee independence to the total number of audit committee members has a negative impact on the performance of the firm (Altass, 2021; Eyenubo *et al*., 2017).

Hypothesis 4: Audit committee size (ACSZ) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.

Hypothesis 4 (H_4) evaluated whether audit committee size significantly influences the audit committee effectiveness of regulatory authorities in Tanzania. The analysis revealed that audit committee size significantly influences the audit committee effectiveness ($\beta = 0.1429$, $z = 2.802$, $p = 0.005$). Therefore, H_4 was supported. The effect of the audit committee size to audit committee effectiveness is similar to a study conducted in Palestine, which showed that audit committee size and board ownership serve as a substitute for audit committee formation (Abdeljawad et al., 2020). In another study, audit committee size was found to be associated with the quality of financial reports, and it was argued that audit committee size plays a complementary role in ensuring the quality of financial reports (Agyei-Mensah, 2019).

Hypothesis 5: Audit committee frequency of meetings (ACFM) significantly influences the audit committee effectiveness (ACE) of the regulatory authorities in Tanzania.

Hypothesis 5 (H_5) evaluated whether the audit committee frequency of meetings significantly influences the audit committee effectiveness of regulatory authorities in Tanzania. The analysis revealed that audit committee frequency of meetings significantly influences the audit committee effectiveness ($\beta = 0.1797$, $z = 3.435$, $p < .001$). Therefore, H_5 was supported. In a similar study, ACFM was found to be strongly associated with board performance as the frequency of board meetings had a positive impact on the financial performance of the entities (Puni & Anlesinya, 2020).

However, a study conducted by Oussii and Taktak (2018) in Tunisia listed companies to examine the effect of audit committee attributes, including ACFE, ACSZ and ACIND found that these attributes do not appear to significantly impact the external auditing function. Furthermore, a study conducted in Malaysian companies on the effect of audit quality and audit committee on financial reporting quality, using the four attributes found that ACIND had a positive effect on financial reporting quality, but the other attributes, such as audit committee financial expertise had a significant negative effect on the financial reporting quality, while audit committee frequency of meetings and audit committee size had a negative effect on fthe inancial reporting quality (Hasan et al., 2020).

Conclusion and Recommendation

Conclusions

The study concludes that the five audit committee attributes (ACAR, ACFE, ACIND, ACSZ and ACFM) have significant effects on the effectiveness of audit committees of regulatory authorities in Tanzania. The audit committee advisory role, which addresses the theoretical gap in agency theory, is essential in the agency relationship for the directors to advise the management when exercising its oversight role in the monitoring mechanism. The study has addressed the theoretical gap and the contextual gap in confirming the contribution of the audit committee advisory role to the agency theory in the context of regulatory authorities in Tanzania.

Recommendations

It is recommended that regulatory authorities assess their audit committee members' attributes and establish optimal audit committee size, financial expertise, independence, frequency of meetings and capacity in discharging their monitoring and advisory roles. During the appointment of directors of regulatory authorities, an emphasis should be placed on the audit committee attributes, especially in selecting members with financial expertise and the capability of providing advisory roles. This initiative will mitigate the agency's problems under the audit committee monitoring mechanisms. In addition, members with financial expertise must be considered. Furthermore, board training is recommended to enhance the financial literacy of board members, particularly in the financial reporting process. Finally, it is recommended that audit committee charters be established in every regulatory authority for effective management of the audit committee's duties, responsibilities and general affairs. The charters should address the audit committee attributes as identified in this study.

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