Business Management Review
Volume 27, Issue No. 1
January – June, 2024

ISSN 0856 2253 (Print) & ISSN 2546-213X (Online)

www.journals.udsm.ac.tz/index.php/bmr
The Journal of the University of Dar es Salaam Business School

The Influence of Audit Committees' Attributes on the Effectiveness of Public Sector Audit Committees in Tanzania

Latifa Mbelwa[1]
Senior Lecturer, Department of Accounting, University of Dar es Salaam, Dar es Salaam, Tanzania

Lenatusi Leonard L. Munyangabi
PhD Student, University of Dodoma, College of Business and Economics, Dodoma, Tanzania

To cite this article: Mbelwa, L., & Munyangabi, L. L. L. (2024). The Influence of Audit Committees' Attributes on the Effectiveness of Public Sector Audit Committees in Tanzania. *Business Management Review, 27*(1), 100-117. https://doi.org/10.56279/bmrj.v27i1.7

Abstract
The study examined the influence of the audit committees' size, independence, competence, and objectivity on the effectiveness of the public sector audit committees in Tanzania. Data was collected using self-administered structured questionnaires distributed to 80 public sector internal auditors in Tanzania and analysed using multiple regression technique. The findings indicate that audit committees' independence, objectivity and competence have significant positive influence on the effectiveness of the public sector audit committees' effectiveness while audit committee size has no significant influence on the effectiveness of the public sector audit committees. The study findings imply that there is a need to enhance audit committees' independence, objectivity and competencies in order to enhance their effectiveness in the Tanzanian public sector.

Keywords: Public Sector, Audit Committee, Internal Auditors; Controller and Auditor General, Tanzania.

[1] Corresponding Author: latifambelwa@gmail.com

Introduction

The establishment of audit committees in public sectors started in the early 1980s as one of the elements of the new public management reforms aimed to improve financial oversight, enhance compliance with state mandates, and foster the following of trends in corporate and governmental "best practices" toward an accountable public sector (Matkin, 2010). As such, the efficiency of audit committees in the public sector depends on how well they perform as entities responsible for monitoring financial reporting, risk management and internal controls, procedures and systems (Kandandu, Winnie & Beukes, 2015). Along these lines, the committee ought to oversee the coordination of the audit effort with internal audit staff, evaluate and suggest internal audit procedures. Even though there is a strong coupling relationship between audit committees and the internal audit function, studies evaluating such a relationship have largely focused on audit committees' views pertaining to the internal audit function and argued that there are positive advantages for the audit committee in developing a close relationship with the internal audit function (Mohiuddin, 2012; Wu et al., 2012). However, it is often left to the internal audit manager to make that relationship work). In other words, the internal auditor must seek opportunities to educate the audit committee and expose its members to the real role and usefulness of internal audits and, hence, enhance its effectiveness in superintending over financial reporting, risk management and internal controls, processes, and systems in place (Kandandu, Winnie & Beukes, 2015).

Moreover, the importance of effective relationships between the audit committee and the internal audit team notwithstanding, there is inadequate evidence to substantiate the extent to which internal auditors perceive the audit committee's composition and its effectiveness. Many studies in the current literature on audit committees have concentrated on the quality of audit committees (Agrawal et al., 2021; Balachandran et al., 2008; Bolton, 2014; DeZoort et al., 2003; DeZoort & Salterio, 2001; Dhaliwal et al., 2010; Dharmawan Buchdadi & Chou, 2018; Drogalas et al., 2021; Zhou et al., 2018), with audit committee role and financial reporting quality emerging to be the major concerns in other studies (Barua et al., 2010; Dellaportas et al., 2012; Eulerich & Lohmann, 2022; Ghosh et al., 2010; Lin & Hwang, 2010; Yang & Krishnan, 2005). Yet, only a few variables were examined, including the relationship between the audit committee's size and its effectiveness, audit committee's tenure and business success, and the interactions between audit committees and internal audit teams. Other authors have explored the audit committees and the internal audit function setups, and audit committees' reaction to market changes (Al-Akra et al., 2016; Aldamen et al., 2012; Bolton, 2014; Brody, 2012; Davidson et al., 2005; Fanning & David Piercey, 2014; Sarens et al., 2009; Sehrawat et al., 2020). In these studies, the internal audit function emerged to have undergone robust regulatory reforms to suit the audit committee functioning.

Nevertheless, little attention had been devoted to capturing the internal auditor's perception of effective functioning of audit committees. Indeed, only few studies (Akwenye et al., 2016; Al-Baidhani, 2014; Kwakye et al., 2018; Mhagama, 2013) have evaluated the various stakeholders' perception of effective functioning of audit committees. Notably, perception on the effectiveness of audit committees were largely evaluated based on the views of investors, company management, and external auditors. Paradoxically, internal auditors, who are key players in the audit trinity (Kontogeorgis, 2018), were excluded from the discussion on the effectiveness of audit committees. In addition, even though Ghafran and O'Sullivan (2013) carried out the modelling of the relationship between audit committees and internal auditors, serious limitations emerged as it was conducted in the stock markets not in the public sector whose environment somewhat differs. On the other hand, Kandandu, Winnie and Beukes (2015) qualitatively explored the effectiveness of audit committees and found mixed variables, factors and conditions. Further, Kandandu et al. (2015) evaluated the effectiveness of audit committee composition in four Namibia cabinet ministries and found committees to lack accounting, financial and auditing competencies, which translated into low capacity of the committee members to execute their functions. In addition, Magrane & Malthus, (2010) and Saat & Karbhari, (2015) also found that the audit committee members' independence, competencies, tenure, and remunerations impinged on the overall public sector effectiveness of the audit committee in New Zealand. These empirical studies revealed that compositional elements are necessary for effective audit committee even though it had yet to be known the extent to which these suggested elements influence the effectiveness of audit committee in public sector.

Moreover, it would be pertinent to study the nation-wide public sector audit committees since they exhibit national trends as well as practical and political barriers that must be overcome in the absence of regulatory support (Matkin, 2010). Also, there is an emerging understanding and growing competence in developing countries' public sector within the Audit Committees in terms of their assurance role with the focus shifting from an emphasis on the function and transacting business requiring following a manual to a more strategic-looking approach (Martinov-Bennie et al., 2015; Hegazy & Stafford, 2016). Furthermore, research in developing countries has indicated that most of Audit Committees in public sector were too incapacitated and ineffective to meet primary function of their establishment (Kandandu et al., 2015). Thus, this quantitative research investigates the influence of audit committee size, independence, competence, and objectivity on the effectiveness of the public sector audit committee in developing countries from the perspective of internal auditors using Tanzania as a case study.

In the Tanzanian public sector, the establishment of audit committees is mandated by the Public Finance Act, yet their effectiveness in ensuring financial transparency and accountability remains questionable. Despite the legal framework dictating their formation, recent reports from the Controller and Auditor General (CAG) highlight persistent deficiencies and inefficiencies within these committees (NAOT, 2023a, 2023b, 2023c).These shortcomings encompass a range of issues, including failure to review financial statements, inadequate training of committee members, and a lack of independence among appointed individuals ,Such findings underscore the necessity for a comprehensive study to investigate the correlation between the attributes of audit committee members and the overall effectiveness of these committees within the Tanzanian public sector.

Furthermore, while the Public Finance Act delineates the composition of audit committees, including the requirement for external appointees with expertise in accounting and auditing, the practical implementation falls short of ideal standards (URT, 2022). This gap between regulatory mandates and actual operational effectiveness suggests a need for empirical research to delve into the intricacies of audit committee dynamics in Tanzania's public sector. Such a study could explore various factors influencing committee performance, including the qualifications, experience, and independence of members, as well as the organizational culture within which these committees operate. By elucidating the nuanced relationship between the attributes of audit committee members and the efficacy of their oversight functions, policymakers and organizational leaders can better inform reforms aimed at enhancing governance mechanisms and promoting accountability within Tanzanian public institutions.

Literature Review

Audit Committees and its Effectiveness in Public Sector

The audit committee, a pivotal component of corporate governance structures, serves as an independent oversight body entrusted with safeguarding the interests of stakeholders by ensuring the integrity and reliability of financial reporting processes (Bue, 2006). Comprised of members typically drawn from the organization's board of directors, the audit committee plays a critical role in enhancing transparency and accountability within the organization (Namazi, 2013). Through its oversight functions, the committee evaluates the effectiveness of internal controls, monitors compliance with legal and regulatory requirements, and assesses the performance of both internal and external audit functions (KPMG, 2013). Moreover, the audit committee acts as a bulwark against potential conflicts of interest between management and shareholders, thereby mitigating agency problems and fostering trust in the financial reporting process (Wong, 2012).

In the realm of public sector governance, the audit committee assumes a crucial role in overseeing financial management processes and ensuring accountability and transparency in the utilization of public resources (Akwenye et al., 2016). Tasked with providing independent scrutiny of financial reporting, internal controls, and risk management practices, the audit committee acts as a guardian of public trust and integrity (Al-Matari et al., 2014). Drawing from the principles of corporate governance, the committee is instrumental in promoting adherence to regulatory requirements and best practices in financial management within public institutions (Kakozi, 2017). Through its oversight functions, which include reviewing financial statements, assessing internal controls, and evaluating audit processes, the audit committee contributes to the effective stewardship of public funds and the prevention of financial mismanagement and fraud (Koning & Hepworth, 2012). Moreover, the committee plays a pivotal role in enhancing the quality and reliability of financial reporting in the public sector, thereby fostering accountability and bolstering public confidence in government institutions (PSAF, 2019).

The conceptualization of the term effectiveness in the context of audit committees within the public sector encompasses various dimensions. Effectiveness is commonly understood as the degree to which audit committees fulfill their designated roles and responsibilities efficiently and with integrity. According to Berkman and Zuta, (2017) effectiveness can be evaluated based on factors such as the committee's composition, independence, expertise, and the quality of its interactions with key stakeholders. Furthermore, effectiveness extends beyond mere compliance with regulatory requirements to encompass the ability of audit committees to enhance accountability, transparency, and governance within public sector organizations (Alzeban & Gwilliam, 2014). This conceptualization underscores the importance of assessing not only the structural attributes of audit committees but also their impact on organizational performance and public trust.

Assessing the effectiveness of audit committees in the public sector involves evaluating their ability to mitigate risks, provide oversight of financial reporting processes, and enhance the reliability of financial information. This evaluative process often entails examining the committee's activities, such as its meeting frequency, agenda setting, and engagement with internal and external auditors (Al-Baidhani, 2014). Additionally, scholars argue that the effectiveness of audit committees can be influenced by contextual factors such as organizational culture, regulatory environment, and political dynamics(Al-Mamun, et.al, 2014). Therefore, a comprehensive understanding of effectiveness requires a nuanced analysis that considers both structural attributes and contextual influences.

The effectiveness of audit committees in the developing world context varies based on a multitude of factors, including regulatory frameworks, organizational culture, and the level of commitment to corporate governance principles. While audit committees in some developing countries have made significant strides in enhancing financial transparency, accountability, and internal control effectiveness (Akwenye et al., 2016), challenges such as inadequate resources, limited expertise among committee members, and political interference can hinder their effectiveness (Al-Matari et al., 2014). Additionally, the lack of enforcement mechanisms and weak institutional capacity in some developing countries may undermine the ability of audit committees to fulfil their oversight responsibilities effectively (Koning & Hepworth, 2012). However, efforts to strengthen regulatory frameworks, enhance the professionalism of audit committee members, and promote awareness of corporate governance principles are underway in many developing countries, which could contribute to improving the effectiveness of audit committees over time (Kakozi, 2017).

The effectiveness of audit committees in fulfilling their oversight role in public sector governance hinges significantly on the characteristics and qualities of their members. Independence and objectivity are paramount, as they ensure that audit committee members can impartially evaluate financial reporting processes and internal controls without undue influence from management or other stakeholders (Al-Baidhani, 2016). Furthermore, the committee's composition must include individuals with diverse expertise and competencies in areas such as finance, accounting, and risk management to effectively discharge their responsibilities (OECD, 2014). Additionally, the size of the audit committee should be appropriate to facilitate robust discussions and decision-making processes while ensuring efficient oversight (Kandandu & Beukes, 2014). Competence among committee members is essential to understanding the complexities of financial management and risk assessment, enabling them to provide valuable insights and recommendations to enhance organizational performance and accountability (Dionne & Triki, 2005). Therefore, by ensuring that audit committees are comprised of members possessing requisite characteristics such as independence, objectivity, appropriate size, and competence, public sector organizations can strengthen their governance structures and enhance transparency, accountability, and trust in the management of public resources.

Theoretical Framework

The Agency theory, a fundamental framework in corporate governance research, seeks to explain the relationships and conflicts of interest that arise between principals (shareholders) and agents (management) in organizations (Jensen & Meckling, 1976). At its core, the theory proposes that when ownership and control of a company are separated, as is often the case in publicly traded firms, conflicts emerge due to the differing objectives and motivations of principals and agents. Specifically, the theory posits that agents may act in their own self-interest rather than in the best interests of principals, leading to what is known as the agency problem (Eisenhardt, 1989). In essence, the Agency theory suggests that mechanisms such as monitoring, incentive alignment, and control mechanisms, such as the audit committee, are necessary to mitigate these conflicts and ensure that agents act in the best interests of principals (Jensen & Meckling, 1976).

The Agency theory provides a comprehensive lens through which to analyze the influence of audit committee members' characteristics on the committee's effectiveness within the public sector. Firstly, independence is a critical attribute emphasized by the Agency theory, as it ensures that audit committee members are free from any conflicts of interest that could compromise their ability to act in the best interests of stakeholders (Jensen & Meckling, 1976). Research has consistently demonstrated the importance of audit committee independence in enhancing financial reporting quality and governance practices (Abbott et al., 2003). In the public sector context, the presence of independent audit committee members serves as a safeguard against undue influence from management or political entities, thereby fostering transparency and accountability (Kandandu et al., 2015).

Moreover, the size of the audit committee is a pertinent factor within the Agency theory framework. While larger committees may bring diverse perspectives and expertise, there is a risk of reduced focus and efficacy due to coordination challenges and group dynamics (Delke, 2015; Kandandu et al., 2015). Conversely, smaller committees may facilitate more efficient decision-making and better communication among members, ultimately enhancing the committee's effectiveness in fulfilling its oversight responsibilities (Alzeban, (2020). Competence and objectivity are also vital characteristics highlighted by the Agency theory, as they postulate committee members to possess the necessary skills and knowledge to effectively evaluate financial information and exercise independent judgment (DeZoort & Salterio, 2001). In the public sector, where complexities abound and scrutiny is high, competent and objective audit committee members are essential for maintaining public trust and ensuring the integrity of financial reporting processes (Akwenye, Chata & Benedict, 2016).Generally, the Agency theory underscores the importance of these characteristics in shaping the effectiveness of audit committees within the public sector, highlighting their role in promoting accountability, transparency, and good governance practices.

Hypotheses Development

Audit Committee's Independence and Effectiveness

Audit committee independence is a cornerstone of corporate governance, vital for ensuring the committee's effectiveness in fulfilling its oversight role. Independence is defined as the absence of any relationships or interests that may impair a member's ability to act impartially (Abbott et al., 2003). Research consistently demonstrates the positive impact of audit committee independence on various aspects of organizational performance and governance practices. Independent audit committees are more likely to challenge management assertions, provide objective oversight, and enhance the quality of financial reporting (Bedard et al., 2004). Empirical research consistently underscores the positive impact of independence on various aspects of organizational performance and governance practices (Kandandu et al., 2015; Saat et al., 2010). Moreover, regulatory bodies globally advocate for the presence of independent audit committees to uphold financial transparency and bolster investor confidence (Saat & Karbhari, 2015) .However, within the body of research, conflicting findings also emerge. For instance, certain studies highlight challenges such as a lack of independence observed in specific public sector entities (Kandandu et al., 2015) and inconsistencies in the improvements of financial reporting quality associated with independence (Cheung et al., 2022). Additionally, various authors (Abbott, 2003; Al-Rassas & Kamardin, 2015; Drogalas et al., 2021) found mixed findings regarding the correlation of audit committee fees and independence of audit committees. These conflicting observations underscore the nuanced nature of the relationship between audit committee independence and effectiveness in corporate governance practices. It is therefore hypothesized that:

H1: Audit committee independence positively influences effectiveness of the audit committees.

Audit Committee Competence and Effectiveness

Empirical studies provide substantiation for the affirmative correlation between audit committee competence and effectiveness. Al-Baidhani, (2014) discovered that audit committees comprising members with financial acumen exhibited heightened effectiveness in financial oversight and were correlated with superior financial reporting quality. Similarly, research conducted by Nnko, (2023) and Kusnadi et al., (2016) revealed that audit committees comprising members with diverse industry backgrounds displayed increased proactivity in identifying industry-specific risks and ensuring robust risk management processes. The same results were highlighted by Umobong and Ibanichuka (2017) and Kandandu et al. (2015) that the competencies of audit committee members are fundamental determinants of their effectiveness. Nevertheless, discordant findings exist, with some studies indicating that the mere presence of competent members on the audit committee does not assure effectiveness unless coupled with appropriate leadership and communication protocols (Pucheta-Martínez et al., 2020). Drawing from the extant literature, the following hypothesis is suggested:

H2: Audit committee's competence positively influences the committee' effectiveness

Audit Committee's Size and Effectiveness

Delke (2015) posits that a larger audit committee size could potentially enhance its effectiveness in delivering services. However, caution is advised, as Kandandu et al. (2015) observed that larger committees may experience a loss of focus and reduced participation, suggesting that committees with fewer members, typically between three and six, are more effective in executing their duties. Indeed, research in the public sector has underscored the significant impact of audit committee size on effectiveness. Salloum, Azzi, & Gebrayel, (2014) emphasized the importance of audit committee characteristics, including size, in bolstering internal control effectiveness and governance practices. Conversely, Cheung et al. (2022) offers a contrasting perspective, suggesting that a larger audit committee size is associated with a decrease in discretionary accruals. Adding complexity to the discussion,Drogalas,et al.(2021) argued bigger audit committees to be associated with higher audit fees and we thus formulate the following hypothesis:

H3: The size of the Audit Committee positively influences its effectiveness.

Audit Committee's Objectivity and Effectiveness

Regarding objectivity of audit committees; empirical studies have provided mixed evidence regarding the influence of audit committees' objectivity on their effectiveness (Wong, 2012). Central to their effectiveness is the concept of objectivity, refers to the committee's ability to make impartial and unbiased decisions (Abbott et al., 2003). Some research suggests a positive relationship, indicating that more independent and objective audit committees are associated with higher financial reporting quality, fewer instances of financial misstatements, and better corporate performance (DeZoort et al., 2001). Conversely, other studies have found conflicting results, with no significant relationship between audit committee objectivity and financial reporting quality or firm performance (Abbott et al., 2003). These discrepancies may stem from variations in sample characteristics, research methodologies, and contextual factors across different studies. Therefore, further empirical investigation is warranted to clarify the nature and strength of the relationship between audit committee objectivity and effectiveness. Based on the existing literature, the testable hypothesis can be formulated as follows:

H4: Audit committee objectivity positively influences the committee's effectiveness

Methodology

Data

Data was gathered from 100 internal auditors employed by four public organizations in Tanzania, namely: the National Identification Authority (NIDA), the National Housing Corporation (NHC), the National Audit Office (NAO), and the Tanzania Petroleum Development Corporation (TPDC). The study utilized judgmental sampling due to its appropriateness in addressing research inquiries, particularly in studies involving a relatively small respondent pool (Saunders et al., 2019). Information was obtained through a close-ended questionnaire distributed in person to the participants. These internal auditors were seasoned professionals with a background in business knowledge, including regular interactions with Audit Committees in their daily duties. At the end of the exercise a total of 80 questionnaire was collected.

The questionnaires were structured around five key aspects: independence of Audit Committee members, competence (comprising knowledge, skills, and experience), objectivity, committee size, and the effectiveness of audit committees, assessed using a 5-point Likert-like scale. To refine the data collection instrument and minimize errors, a pilot test was conducted with 20 respondents completing a questionnaire to identify any unclear questions, which were subsequently revised or removed to enhance clarity. The pilot test results attest to the soundness and reliability of the questionnaire items. Overall reliability of constructs amounted to the Cronbach alfa value of 0.67 implying moderate high coefficient of reliability (Rosales, 2000) as cited by Gomez-Guillamon,(2003) which is considered to be appropriate for less than 10 items in the model. The resultant quantitative data were subjected multiple regression statistical analysis.

Operationalization of the Study Variables

In this study, the audit committee attributes, namely independence, competence, composition (size), objectivity, and effectiveness, are measured using a Likert scale questionnaire based on indicators derived from existing literature. For independence, indicators include the seniority of members originating in the organization, the number of external members, absence of personal connections between members and management, ability to perform independent investigations, and access to resources and information, as suggested by Magrane and Malthus (2010), Kandandu et al. (2015), and Saat et al. (2010). Competencies are assessed through indicators such as risk management skills, industry experience, and financial knowledge, drawing upon studies by Kandandu et al. (2015), Brown and Stein (2018), and relevant regulatory frameworks (Public Finance Regulations, 2020; The Public Finances Act, 2020). Composition (size) is measured simply by the number of audit committee members, as indicated by Kandandu et al. (2015) and relevant regulations. Objectivity is assessed based on indicators including the ability to seek explanations for significant findings, integrity, credibility, compliance with audit committee charters, and justifiable conclusions, as suggested by DeZoort et al. (2001), Demeke and Kaur (2021), and Salloum et al. (2014). Effectiveness is measured through indicators such as the balance of internal auditor's findings and management responses, review of the internal control system, consideration of the independence and effectiveness of internal audit, approval of internal audit plans and reports, and regular review of the adequacy of the internal audit function, drawing upon relevant literature and guidelines. The Likert scale questionnaire provides a structured and standardized approach to quantifying these attributes, ensuring consistency and facilitating statistical analysis in assessing the influence of audit committee characteristics on effectiveness.

Results

Respondents' Profiles

The large number of respondents equivalent to 70 % ranged from the age of 25-40, 53% were Certified Public Accountants (CPA) whereas 63.8% ,45% were senior staff and 41.3% had experiences ranging from 4-7 years. Overall demographic characteristics of respondents indicates respondents to have been selected from the working class. Details of demographic characteristics are shown in Table 1.

Table 1: Demographic Characteristic of respondents

Descriptive	Characteristics	Frequency	Percent
Gender	Male	51	63.8
	Female	29	36.2
Age	Below 25	1	1.3
	25-40	56	70
	Above 41	23	28.8
Position	Junior Staff	32	40
	Senior Staff	36	45
	Manager/Director/Board Members	12	15
Certification	CPA	43	53.8
	CIA	3	3.8
	None	33	41.3
	Both	1	1.3
Experience	Below 4 years	24	30.0
	4-7	33	41.3
	Above 7	23	28.8
	Total	80	100

Diagnostic Tests

The robust regression analysis requires the dataset to meet a number of assumptions including normality, linearity, multicollinearity and homoscedasticity. Therefore, before undertaking regression analysis it is essential to ensure the data set meet these assumptions.

Table 2: Skewness and Kurtosis Statistics

	N	Skewness		Kurtosis	
Variable	**Statistic**	**Statistic**	**Std. Error**	**Statistic**	**Std. Error**
Independence	80	0.092	0.269	-0.714	0.532
Competence	80	0.702	0.269	-0.319	0.532
Committee size	80	-0.398	0.269	0.408	0.532
Objectivity	80	-0.160	0.269	0.247	0.532
Effectiveness Overall	80	0.440	0.269	-0.886	0.532

The results provided in Table 2 suggest that the data is fairly normal. In general, for skewness and kurtosis statistics, values falling within the range of -2 to +2 are often considered fairly normal (George & Mallery, 2016). However, it's essential to note that while the data may not perfectly adhere to normality assumptions, regression analysis can still be robust with large sample sizes and when other assumptions such as linearity and homoscedasticity are met (Gelman & Hill, 2006). White's test for homoskedasticity yielded p-value of 0.06 as compared to the benchmark of 0.05 (95% Confidence interval) and therefore indicating absence of significant heteroscedasticity. The study also tested for multicollinearity Tolerance and Variance Inflation Factor (VIF) method. The rule of thumb is that the multicollinearity does not exist if and when the Tolerance level lies between 0 and 1 whereas VIF value is between 1 and 10 (Kothari, 2008). When the model is weak, VIF values of above 2.5 may be a cause for concern. Table 2 indicates that the lowest tolerance level of 0.637 and highest VIF value of 1.571. The tolerance and VIF values indicate indicates that the study variables for this study had no multicollinearity problem.

Hypothesis Testing

This study applied the multiple regression analysis to establish the influence of the independent variable on dependent variable to achieve the general objective of the study of investigating the contribution of the characteristics of Audit Committees to the effectiveness of the Audit Committee.

The model fitness results presented in Table 3 indicate a moderate level of explanatory power in the model predicting the effectiveness of audit committee based on the predictors objectivity, independence, size, and competence. The multiple correlation coefficient (R) of .662 suggests a moderately strong positive linear relationship between the predictors and the dependent variable. Furthermore, the coefficient of determination (R Square) is .438, indicating that approximately 43.8% of the variance in effectiveness of audit committee can be accounted for by the predictors included in the model. Adjusting for the number of predictors, the adjusted R Square remains relatively high at .408, signifying that about 40.8% of the variance in effectiveness of audit committee is explained while considering the complexity of the model. The change statistics reveal that the inclusion of the predictors significantly improves the model's explanatory power. The R Square Change value of .438 highlights the enhancement in explaining the variance in effectiveness of audit committee upon adding the predictors. Moreover, the F Change statistic, with a value of 14.624 and a significance level of $p < 0.001$, underscores the overall significance of the model, indicating that the predictors collectively contribute significantly to the prediction of effectiveness of audit committee.

Table 3: Model Fitness

					Change Statistics				
Model	**R**	**R^2**	**Adjusted R^2**	**Std. Error**	**R^2 Change**	**F-Statistic**	**df1**	**df2**	**Sig. F**
1	0.662	0.438	0.408	0.353	0.438	14.624	4	75	0.000

The results of the hypotheses testing, Table 4, revealed significant influence for three out of the four audit committee characteristics examined on the Audit Committee (AC) Effectiveness. Specifically, independence of audit committee ($\beta = 0.232$, $t = 2.571$, $p = 0.012$), competence of the audit committee ($\beta = 0.286$, $t = 2.639$, $p = 0.010$), and objectivity of the audit committee ($\beta = 0.361$, $t = 3.513$, $p = 0.001$) exhibited positive and significant effects on AC Effectiveness. However, size of the audit committee did not demonstrate a statistically significant impact ($\beta = -0.010$, $t = -0.101$, $p = 0.920$). These findings suggest that while independence, competence, and objectivity of the audit committee play crucial roles in enhancing AC Effectiveness, the mere enlargement of audit committees might not necessarily lead to improved effectiveness. These results underscore the importance of ensuring that audit committee members possess relevant expertise, maintain autonomy from management, and uphold impartiality in decision-making processes.

Table 4: Hypotheses Test Results

Hypothesis	**β**	**t**	**p**
Hypothesis 1: Independence → AC Effectiveness	0.232	2.571	0.012
Hypothesis 2: Competence → AC Effectiveness	0.286	2.639	0.010
Hypothesis 3: Size → AC Effectiveness	-0.010	-0.101	0.920
Hypothesis 4: Objectivity → AC Effectiveness	0.361	3.513	0.001

Discussion of the Findings

The objective of this study was to investigate the factors influencing the effectiveness of Audit Committees (AC) within corporate governance structures. Specifically, the study aimed to examine the impact of audit committee Independence, Competence, Size, and Objectivity on AC Effectiveness. The results revealed significant positive relationships between Independence, Competence, and Objectivity with AC Effectiveness, highlighting the pivotal role of these factors in enhancing financial oversight and stakeholder trust. However, the study found a non-significant relationship between Size and AC Effectiveness, suggesting that the sheer size of audit committees may not be a determining factor in their effectiveness.

The findings from our study corroborate the extensive literature emphasizing the pivotal role of audit committee independence in bolstering effectiveness within corporate governance structures. Our results indicate a statistically significant positive relationship between Independence and Audit Committee (AC) Effectiveness, aligning with previous research asserting that independent oversight fosters improved decision-making processes and enhances financial reporting quality (Abbott et al., 2003; Bedard et al., 2004). The presence of independent audit committees enables robust challenges to management assertions, ensuring objective scrutiny and safeguarding against potential conflicts of interest (Saat et al., 2010). However, it is essential to acknowledge the nuanced nature of this relationship, as evidenced by conflicting findings in the literature regarding the extent of independence's influence on organizational performance and financial reporting quality (Kandandu et al., 2015; Cheung et al, 2022).

Our study's findings shed light on the significant positive influence of competence among audit committee members on the effectiveness of audit committees within corporate governance frameworks. This aligns closely with established literature emphasizing the critical role of competence in facilitating informed decision-making and enhancing the quality of financial oversight within organizations (Bedard et al., 2004). Competent audit committee members are better equipped to comprehend complex financial information, assess risks, and provide valuable insights to management, thereby contributing to more robust governance practices (Abbott et al., 2003). The positive relationship observed between Competence and Audit Committee (AC) Effectiveness underscores the importance of ensuring that audit committee members possess relevant expertise, technical knowledge, and industry experience to effectively discharge their responsibilities (Kandandu et al., 2015). However, it's crucial to acknowledge potential limitations such as the availability of diverse skill sets among committee members and the ongoing need for professional development to adapt to evolving regulatory and industry requirements.

The results also revealed a non-significant influence of the size of the audit committee on its effectiveness, contrasting with some expectations and previous literature. The absence of a significant relationship between Size and Audit Committee (AC) Effectiveness suggests that merely enlarging the audit committee may not necessarily lead to improved governance outcomes, as commonly assumed. This finding diverges from traditional perspectives that larger committees could potentially bring more diverse perspectives, skills, and oversight capabilities to the table (Bedard et al., 2004). However, our results highlight the importance of considering the quality and composition of audit committees over their sheer size. It is possible that smaller, more cohesive committees with members possessing the requisite expertise and independence may be more effective in fulfilling their oversight responsibilities (Abbott et al., 2003). These findings echo the need for a nuanced understanding of the dynamics within audit committees and caution against a one-size-fits-all approach to committee size. Despite the non-significant relationship observed in our study, further research exploring the optimal composition and size of audit committees in different organizational contexts is warranted. Additionally, future studies could investigate potential moderating factors that may influence the effectiveness of audit committees of varying sizes, such as industry-specific characteristics or regulatory environments. Overall, while our findings suggest that size alone may not be a determining factor in audit committee effectiveness, they underscore the importance of focusing on the quality and capabilities of committee members in enhancing corporate governance practices.

The results further underscore the significant positive influence of audit committee objectivity on its effectiveness within corporate governance structures. The observed relationship between Objectivity and Audit Committee (AC) Effectiveness aligns with established literature emphasizing the critical role of impartiality in enhancing decision-making processes and fostering trust in financial oversight mechanisms (Bedard et al., 2004). Objective audit committees are better positioned to evaluate management assertions objectively, challenge potential conflicts of interest, and maintain integrity in financial reporting practices (Abbott et al., 2003). The positive association between Objectivity and AC Effectiveness highlights the importance of cultivating a culture of independence and ethical conduct within audit committees. Our findings further support the notion that objective audit committees contribute to enhanced financial transparency and stakeholder confidence, essential for sustainable corporate governance practices. However, it is crucial to recognize potential challenges in maintaining objectivity, such as pressure from management or external stakeholders, which may compromise the committee's independence. Future research could explore strategies to mitigate these challenges and reinforce the objectivity of audit committees in fulfilling their oversight responsibilities effectively. Overall, our study reinforces the hypothesis that audit committee objectivity plays a pivotal role in promoting the effectiveness of audit committees, highlighting its significance in fostering trust and accountability within organizations.

In conclusion, our study provides valuable insights into the factors influencing the effectiveness of Audit Committees (AC) within corporate governance frameworks. The significant positive relationships observed between Independence, Competence, and Objectivity with AC Effectiveness underscore the critical role of these factors in enhancing financial oversight, decision-making processes, and stakeholder trust. However, the non-significant relationship between Size and AC Effectiveness highlights the importance of focusing on the quality and composition of audit committees rather than their sheer size.

Conclusion

This study findings shed light on the intricate dynamics influencing the effectiveness of Audit Committees (AC) within corporate governance frameworks. By examining the influence of audit committee Independence, Competence, Size, and Objectivity on AC Effectiveness, the study offers valuable insights into the factors critical for promoting financial oversight and stakeholder trust. The significant positive relationships observed between Independence, Competence, and Objectivity underscore their pivotal roles in fostering robust governance practices. However, the non-significant relationship between Size and AC Effectiveness highlights the need to prioritize the quality and composition of audit committees over their sheer size. These findings contribute to the ongoing dialogue surrounding corporate governance best practices.

The findings of this study carry significant practical implications for policymakers, regulators, and corporate governance practitioners alike. Firstly, the study highlights the critical importance of ensuring audit committee members possess independence, competence, and objectivity to effectively discharge their oversight responsibilities. Public institutions should prioritize the recruitment and development of audit committee members with diverse expertise and a commitment to ethical conduct. Secondly, the non-significant relationship between audit committee size and effectiveness underscores the need to focus on the quality and composition of committees rather than their sheer size. This suggests that efforts to enhance audit committee effectiveness in public organizations should prioritize selecting members based on their skills and capabilities rather than simply increasing committee size. By implementing these recommendations, public organizations can strengthen their governance structures, improve financial oversight, and foster greater trust among stakeholders. In light of these findings, the Ministry of Finance in Tanzania may consider making relevant amendments in the current Public Finance Act and its Regulations on the criteria for the selection of the audit committee members.

One limitation of this study is its reliance on cross-sectional data, which may restrict the ability to establish causality between the variables examined. Future research could employ longitudinal or experimental designs to better understand the temporal relationships between audit committee characteristics and effectiveness. Additionally, the study focused on a specific set of factors influencing audit committee effectiveness, namely

Independence, Competence, Size, and Objectivity. Further research could explore additional factors such as diversity, leadership structure, and cultural influences on audit committee effectiveness. Moreover, the study was conducted within a specific organizational context, which may limit the generalizability of the findings. Future studies could investigate audit committee effectiveness across different industries, regions, and organizational types to provide a more comprehensive understanding of governance practices. Lastly, qualitative research methods, such as interviews or case studies, could provide deeper insights into the mechanisms underlying the relationships between audit committee characteristics and effectiveness.

References

Abernathy, J. L., Beyer, B., Masli, A., & Stefaniak, C. M. (2015). How the source of audit committee accounting expertise influences financial reporting timeliness. *Current Issues in Auditing*, *9*(1), P1–P9.

Abbott, L. J., Parker, S., Peters, G. F., & Raghunandan, K. (2003). An Empirical Investigation of Audit Fees, Nonaudit Fees, and Audit Committees. *Contemporary Accounting Research, 20*(2), 215–234.

Agrawal, P., Wang, I. Z., & Woodliff, D. (2021). External auditors' reliance on management's experts: The effects of an early-stage conversation and past auditor–client relationship. *International Journal of Auditing*, *25*(1), 166–187.

Akwenye, N. J., Chata, T., & Benedict, O. H. (2016). Establishment of Audit Committees in Government Ministries of a Developing Country. *Risk Governance and Control: Financial Markets & Institutions*, *6*(4), 282–290.

Alzeban, A., & Gwilliam, D. (2014). Factors affecting the internal audit effectiveness: A survey of the Saudi public sector. *Journal of International Accounting, Auditing and Taxation, 23*(2), 74–86.

Al-Akra, M., Abdel-Qader, W., & Billah, M. (2016). Internal auditing in the Middle East and North Africa: A literature review. *Journal of International Accounting, Auditing and Taxation, 26*, 13–27.

Al-Baidhani, A. M. (2016). The nature of a dynamic relationship between audit committee and auditors, both internal and external. *Bus Eco J*, *7*(262), 1-17.

Al-Baidhani, A. M. (2014). The role of audit committee in corporate governance: Descriptive study. *SSRN Electronic Journal*, *5*(11), 250-260.

Aldamen, H., Duncan, K., Kelly, S., McNamara, R., & Nagel, S. (2012). Audit committee characteristics and firm performance during the global financial crisis. *Accounting & Finance, 52*(4), 971–1000.

Al-Mamun, A., Yasser, Q. R., Rahman, M. A., Wickramasinghe, A., & Nathan, T. M. (2014). Relationship between audit committee characteristics, external auditors and economic value added (EVA) of public listed firms in Malaysia. *Corporate Ownership & Control*, *12*(1), 899-910.

Al-Matari, E. M., Al-Swidi, A. K., & Fadzil, F. H. B. (2014). Audit committee characteristics and executive committee characteristics and firm performance in Oman: Empirical study. *Asian Social Science*, *10*(12), 98-113.

Agrawal, P., Wang, I. Z., & Woodliff, D. (2021). External auditors' reliance on management's experts: The effects of an early-stage conversation and past auditor–client relationship. *International Journal of Auditing, 25*(1), 166–187.

Al-Akra, M., Abdel-Qader, W., & Billah, M. (2016). Internal auditing in the Middle East and North Africa: A literature review. *Journal of International Accounting, Auditing and Taxation, 26*, 13–27.

Aldamen, H., Duncan, K., Kelly, S., Mcnamara, R., & Nagel, S. (2012). Audit committee characteristics and firm performance during the global financial crisis. *Accounting & Finance, 52*(4), 971–1000.

Al-Rassas, A. H., & Kamardin, H. (2015). Internal and External Audit Attributes, Audit Committee Characteristics, Ownership Concentration and Earnings Quality: Evidence from Malaysia. *Mediterranean Journal of Social Sciences, 6*(3), 458–470.

Alzeban, A. (2020). The relationship between the audit committee, internal audit and firm performance. *Journal of Applied Accounting Research, 21*(3), 437-454.

Andrade, C. (2021). A Student's Guide to the Classification and Operationalization of Variables in the Conceptualization and Design of a Clinical Study: Part 1. *Indian Journal of Psychological Medicine, 43*(2), 177–179.

Kandandu, A. W., Beukes, E., & Benedict, O. H. (2015). Evaluation of the audit committees of government ministries in Namibia: Their compositions, functions and regulations. *Journal of Governance and Regulations*, *4*(4), 15-52.

Balachandran, B., Chalmers, K., & Haman, J. (2008). On-market share buybacks, exercisable share options and earnings management. *Accounting and Finance, 48*(1), 25–49.

Tabachnick, B. G., Fidell, L. S., & Ullman, J. B. (2013). *Using multivariate statistics* (Vol. 6). Boston, MA: Pearson.

Barua, A., Rama, D. V., & Sharma, V. (2010). Audit committee characteristics and investment in internal auditing. *Journal of Accounting and Public Policy, 29*(5), 503–513.

Baxter, P., & Cotter, J. (2009a). Audit committees and earnings quality. *Accounting and Finance, 49*(2), 267–290.

Baxter, P., & Cotter, J. (2009b). Audit committees and earnings quality. *Accounting & Finance, 49*(2), 267–290.

Bell, E., Bryman, A., & Harley, B. (2022). *Business research methods*. Oxford university press.

Bedard, J. C., & Johnstone, K. M. (2004). Earnings manipulation risk, corporate governance risk, and auditors' planning and pricing decisions. *The accounting review, 79*(2), 277-304.

Berkman, O., & Zuta, D. S. (2017). The impact of audit committee size and composition on negative events in the life of a company: The case of Israel. *European Financial Management*, *23*(1), 1-24.

Bolton, B. (2014). Audit committee performance: Ownership vs.independence - Did SOX get it wrong? *Accounting and Finance, 54*(1), 83–112.

Brody, R. G. (2012). External auditors' willingness to rely on the work of internal auditors: The influence of work style and barriers to cooperation. *Advances in Accounting, 28*(1), 11–21.

Cheung, K. Y., & Adelopo, I. (2022). Audit committee financial expertise, accrual, and real earnings management. *Journal of Corporate Accounting and Finance, 33*(3), 102–118.

Davidson, R., Goodwin-Stewart, J., & Kent, P. (2005). Internal governance structures and earnings management. *Accounting and Finance, 45*(2), 241–267.

Dellaportas, S., Leung, P., Cooper, B. J., Lary, A. M., & Taylor, D. W. (2012). Governance characteristics and role effectiveness of audit committees. *Managerial Auditing Journal, 27*(4), 336–354.

Delke, V. F. (2015). *The Resource Dependence Theory: Assessment and evaluation as a contributing theory for supply management* (Bachelor's thesis, University of Twente).

Demeke, T., & Kaur, J. (2021). Determinants of internal audit effectiveness: Evidence from Ethiopia. *African Journal of Business and Economic Research, 16*(2), 51–72.

DeZoort, F. T., Hermanson, D. R., & Houston, R. W. (2003). Audit committee support for auditors: The effects of materiality justification and accounting precision. *Journal of Accounting and Public Policy, 22*(2), 175–199.

DeZoort, F. T., & Salterio, S. E. (2001). The effects of corporate governance experience and financial-reporting and audit knowledge on audit committee members' judgments. *Auditing, 20*(2), 31–47.

Dhaliwal, D., Naiker, V., & Navissi, F. (2010). The association between accruals quality and the characteristics of accounting experts and mix of expertise on audit committees. *Contemporary Accounting Research, 27*(3), 787–827.

Chou, T. K., & Buchdadi, A. D. (2018). Executive's compensation, good corporate governance, ownership structure, and firm performance: A study of listed banks in Indonesia. *Journal of Business and Retail Management Research*, *12*(3).

Dionne, G., & Triki, T. (2005). Risk Management and Corporate Governance: The Importance of Independence and Financial Knowledge for the Board and the Audit Committee. *SSRN Electronic Journal, 7*(May), 1–53.

Drogalas, G., Nerantzidis, M., Mitskinis, D., & Tampakoudis, I. (2021). The relationship between audit fees and audit committee characteristics: Evidence from the Athens Stock Exchange. *International Journal of Disclosure and Governance, 18*(1), 24–41.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of management review, 14*(1), 57-74.

Eulerich, M., & Lohmann, C. (2022). Information asymmetries and intra-company monitoring: An empirical analysis of nonlinear relationships between company characteristics and the size of the internal audit function. *Schmalenbach Journal of Business Research*, *74*(1), 103-127.

Fanning, K., & David Piercey, M. (2014). Internal auditors' use of interpersonal likability, arguments, and accounting information in a corporate governance setting. *Accounting, Organizations and Society, 39*(8), 575–589.

Ghafran, C., & O'Sullivan, N. (2013). The governance role of audit committees: Reviewing a decade of evidence. *International Journal of Management Reviews*, 15(4), 381–407.

Ghosh, A., Marra, A., & Moon, D. (2010). Corporate Boards, Audit Committees, and Earnings Management: Pre- and Post-SOX Evidence. *Journal of Business Finance & Accounting, 37*(9–10), 1145–1176.

Gómez-Guillamón, A. D. (2003). The usefulness of the audit report in investment and financing decisions. *Managerial auditing journal*, *18*(6/7), 549-559.

Hegazy, K., & Stafford, A. (2016). Audit committee roles and responsibilities in two English public sector settings. *Managerial Auditing Journal, 31*(8/9), 848-870.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.

Kaanaeli Gabriel Nnko. (2023). Enhancing Audit Committees' Effectiveness in Tanzania's Public Sector. *The International Journal of Business & Management, 11*(9), 142–149.

Kothari, C. R. (2004). *Research Methodology (Second)*. New Delhi: New Age International Publisher (P) Ltd.

Kontogeorgis, G. (2018). The Role of Internal Audit Function on Corporate Governance and Management. *International Journal of Accounting and Financial Reporting, 8*(4), 100-114.

Hepworth, N., & De Koning, R. (2012). *Audit Committees in the Public Sector* (pp. 2013-2014). A Discussion Paper.

Kusnadi, Y., Leong, K. S., Suwardy, T., & Wang, J. (2016). Audit Committees and Financial Reporting Quality in Singapore. *Journal of Business Ethics, 139*(1), 197–214.

Kwakye, T. O., Owusu, G. M. Y., & Bekoe, R. A. (2018). Audit committee roles, responsibilities and characteristics in Ghana: the perception of "agency stakeholders. *International Journal of Corporate Governance, 9*(1), 73-90.

Lin, J. W., & Hwang, M. I. (2010). Audit Quality, Corporate Governance, and Earnings Management: A Meta-Analysis. *International Journal of Auditing, 14*(1), 57–77.

Matkin, D. (2010). In the shadow of corporate scandal: the use of audit committees in u.s. local governments. *The eletronic library, 34*(1), 1–5.

Martinov-Bennie, & Soh, D. S(2015). Internal auditors' perceptions of their role in environmental, social and governance assurance and consulting. *Managerial Auditing Journal, 30*(1), 80-111.

Magrane, J., & Malthus, S. (2010). Audit committee effectiveness: a public sector case study. *Managerial Auditing Journal*, *25*(5), 427-443.

Mhagama, G. C. *Assessment of efficiency of audit committee in strengthening public finance management in local government authorities in Tanzania: the case study of Bahi district council* (Doctoral dissertation, Mzumbe University).

Mohiuddin, M. (2012). *An empirical investigation into audit committee practices in Bangladesh: the case of companies listed on the Dhaka stock exchange (DSE)* (Doctoral dissertation, Cardiff University).

George, D., & Mallery, P. (2016). *IBM SPSS statistics 23 step by step: A simple guide and reference*. Routledge.

NAOT. (2023a). *Annual General Report of the Controller and Auditor General on the Audit of Regional Administration and Local Government Authorities for Financial Year 2021/2022.*

NAOT. (2023b). *Annual General Report of the Controller and Auditor General on the Audit of Public Authorities and Other Bodies for the Financial Year 2021/22.*

NAOT. (2023c). *Annual General Report of the Controller and Auditor General on the Audit of the Central Government for the financial year 2021/22.*

Pucheta-Martínez, M. C., & Gallego-Álvarez, I. (2020). Do board characteristics drive firm performance? An international perspective. *Review of Managerial Science, 14*(6), 1251-1297

Saat, N. A. M., Karbhari, Y., Xiao, J. Z., & Heravi, S. (2012). Factors affecting independent audit committee members' effectiveness–The case of listed firms on Bursa Malaysia. *World Review of Business Research*, *2*(3), 132-147.

Salloum, C., Azzi, G., & Gebrayel, E. (2014). Audit Committee and Financial Distress in the Middle East Context: Evidence of the Lebanese Financial Institutions. *International Strategic Management Review, 2*(1), 39–45.

Sarens, G., De Beelde, I., & Everaert, P. (2009). Internal audit: A comfort provider to the audit committee. *The British Accounting Review, 41*(2), 90–106.

Saunders, M., Lewis, P., & Thornhill, A. (2003). *Research methods for business students*. Essex: Prentice Hall Financial Times.

Sehrawat, N. K., Singh, S., & Kumar, A. (2020). Does corporate governance affect financial performance of firms? A large sample evidence from India. *Business Strategy and Development, 3*(4), 615–625.

URT. (2022). *Public Finance Regulations*, *2020*. Dar es Salaam: Government Printers

Wu, J., Habib, A., & Weil, S. (2012). Audit committee effectiveness: A synthesis of the audit committee literature. *Corporate Board: role, duties and composition*, *8*(1), 15-31.

Yang, J. S., & Krishnan, J. (2005). Audit Committees and Quarterly Earnings Management. *International Journal of Auditing, 9*(3), 201–219.

Zhou, H., Owusu-Ansah, S., & Maggina, A. (2018). Board of directors, audit committee, and firm performance: Evidence from Greece. *Journal of International Accounting, Auditing and Taxation, 31*, 20–36.