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Effect of audit committee characteristics on company financial performance: The role of company size as a moderator

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Abstract
This study aims to examine the effects of audit committee size, frequency of audit committee meetings, and audit committee independence on the financial performance of property and real estate companies listed on the Indonesia Stock Exchange for the period 2017-2022. The research method employed is a quantitative descriptive approach and purposive sampling; the analysis is conducted on 170 financial statements from 34 companies. Hypothesis testing results reveal that while audit committee size does not affect financial performance, its independence has a positive impact. Company size amplifies the negative effects of audit committee size but does not influence the impact of meeting frequency or independence on financial outcomes. Overall, the audit committee plays a crucial role in ensuring the integrity of financial information and mitigating risks. The findings highlight the importance of transparency and accuracy in financial reporting and the role of the audit committee in ensuring the integrity of the information presented to the public.

Keywords: Audit committee; size; independence; company performance

Introduction

In the current era of globalization, the business environment is continuously undergoing dynamic changes with various complexities and uncertainties (Ferraris et al., 2022; Möller, Nenonen, and Storbacka, 2020). These changes challenge companies to remain competitive and maintain optimal financial performance. Companies face increasing competitive pressure within the global economic context, necessitating appropriate strategies and tactics to ensure business sustainability (Niemimaa et al., 2019). One of the key indicators for assessing a company's performance is its financial performance. Financial performance can be measured using various tools, one of which is Return on Assets (ROA). ROA indicates how effectively a company uses its assets to generate profits. Companies with high ROA can manage their assets well and efficiently generate profits (Aldy Syafrizal et al., 2023; Dirman, 2020; Jihadi et al., 2021; Sukesti et al., 2021).

One of the factors influencing business performance is the role of oversight and internal control conducted by the audit committee. A crucial part of the audit committee in influencing business performance is ensuring the quality of the company's financial reporting (Biçer and Feneir, 2019; Firnanti, Pirzada, and Budiman, 2019). Adequate protections from the audit committee related to fraud prevention are established, ensuring that these protections meet the necessary standards and adhere to best practices (Yameen, Farhan, and Tabash, 2019). The audit committee optimizes the integrity of financial information and reduces the risk of misrepresentation, thus enhancing the company's financial reporting (Alqatamin, 2018).

The number of committee members indicates the extent of resources available to the company to address various challenges faced by non-financial companies in Jordan, as outlined in the research by Alqatamin, (2018). Consistent with research by Bagais and Aljaaidi (2020), companies with larger audit committees perform better in the business industry in Saudi Arabia. Research by Elbahar et al. (2021) found

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a positive correlation between larger audit committee size and improved banking performance in Gulf Cooperation Council (GCC) countries. Thus, an increase in the number of committee members enhances banking performance. However, not all studies yield the same results; for instance, research by Al-Ahdal and Hashim (2022) in the non-financial industry found that the number of committee members does not affect company performance. Similarly, research by Yameen et al. (2019) revealed that while the audit committee ensures the quality of the company's financial reports, its presence does not impact financial reporting fraud, as evidenced by the negative impact of audit committee size on hotel performance in India.

Another important aspect of the audit committee is the frequency of their meetings. The effectiveness and efficiency of the audit committee are often linked to how frequently they meet. According to Elbahar et al. (2021), audit committees that meet regularly have the task of reviewing various key aspects such as audits, corporate governance, risk, and internal control systems. Infrequent meetings can be associated with a higher risk of financial reporting fraud. Therefore, the number of audit committee meetings can indicate how seriously the committee is committed to fulfilling its obligations to the organization.

The independence of the audit committee is also a significant factor in improving the quality of financial reporting. Research shows that an independent audit committee can enhance the quality of oversight and monitoring of executive activities, ultimately having a positive impact on the company's economic performance. However, there are also findings that independent audit committee members only have deep knowledge about the businesses they oversee.

Contrary to the research by Kuan Pei See et al. (2020), which uses the internal audit function as a moderating variable, and Shatnawi et al. (2022), which employs enterprise risk management, this study places company size as a moderating variable. This is based on the findings by Kuan Pei See et al. (2020) that the presence of female members on the audit committee, meeting frequency, and director independence positively affect audit quality, while the internal audit function does not play a moderating role in this relationship. Subsequently, Almomani et al. (2023) in their research indicate that audit committee characteristics such as meeting frequency and independence positively affect company performance in Jordan. They also highlight the moderating role of board ownership. This study, in contrast, focuses on company size as a moderating variable in the relationship between audit committee characteristics and financial performance. Thus, this study provides additional insights into how company size can influence the relationship between audit committee characteristics and company financial performance.

Similarly, Shatnawi's research emphasizes the moderating role of enterprise risk management in the relationship between the audit committee and financial performance in Jordan. Meanwhile, this study uses company size as a moderating variable, highlighting a different focus in exploring moderating variables that affect the relationship between audit committee characteristics and financial performance. By focusing on company size, this study provides additional insights into understanding how company size can influence the relationship between audit committee characteristics and financial performance. At the same time, the relevance of using company size as a moderating variable in Indonesia can be strengthened by the business context in this country. Indonesia has a diverse range of company sizes, spanning from micro-enterprises to large corporations. Using company size as a moderating variable can provide more contextual insights into how audit committee characteristics affect financial performance across different company sizes. Additionally, the variability in business structures and corporate policies in Indonesia suggests that the influence of audit committee characteristics may differ depending on the size and context of the company.

Larger companies often have more complex and diverse operations (Dutta et al., 2020; Kumar et al., 2020; Sheng et al., 2021). This diversity requires tighter monitoring and oversight by the audit committee. Moreover, larger size can present opportunities for efficiency in the use of company resources and greater profit generation, particularly in terms of economies of scale (Anwar and Abdullah, 2021; Yong et al., 2020). This could positively impact the relationship between audit committee characteristics and company performance. Therefore, positioning company size as a moderating variable can help understand the different ways audit committee characteristics influence company performance at various size levels (Kristanti and Mulya, 2021; Matari and Mgammal, 2019). Thus, using company size as a moderating variable is a logical and well-reasoned step. It can provide valuable insights into developing risk management strategies and corporate governance that align with different levels of company complexity and size.

In the context of globalization and the continuously changing dynamics of the business environment, research on property companies is essential to understand the impact of audit committee characteristics on the financial performance of companies in this sector. Property companies often have high operational complexity, involving property portfolio management, project development, and

interactions with varying real estate markets. In facing global competition pressures, appropriate strategies and tactics are needed to ensure business sustainability in the property sector. Financial performance, especially through indicators such as Return on Assets (ROA), becomes a critical parameter in assessing asset management efficiency and the ability of property companies to generate profits (Adeoye and Akinsunmi, 2023; Umenzekwe, Okoye, and Nwoye, 2023). Thus, this study aims to examine the influence of audit committee size, audit committee meeting frequency, and audit committee independence on the financial performance of property and real estate companies listed on the Indonesia Stock Exchange from 2017 to 2022. This is because the property industry often evolves rapidly and adapts to social, economic, and technological changes. This makes it an interesting subject for research focused on innovation, business strategies, and their impact on the economy and society. Additionally, the property industry often faces specific challenges, such as market fluctuations, government regulations, environmental issues, and other risks. This creates opportunities for research that can provide insights into how property companies face and manage these challenges.

Literature Review

Agency Theory

Agency theory views a company as an entity formed from a series of legal contracts, primarily focusing on the principal-agent relationship (Apriliyanti, Dieleman, and Randøy 2023; de Morais et al. 2022). Within this framework, a company is defined as a collection of legal contracts binding various parties. Ideally, any conflicts that arise within this relationship are resolved through legal mechanisms (Laplane and Mazzucato 2020). Furthermore, agency theory describes a contractual relationship where the principal or owner mandates an agent to act on their behalf (Klettner 2021; Nwajei, Bølviken, and Hellström 2022). In this context, the agent is authorized to make decisions aligned with the principal's objectives.

Agency theory depicts a relationship where the principal entrusts the agent with specific tasks on their behalf; however, this relationship often leads to conflicts of interest. Conflicts between agents and principals emerge when managers, acting as agents, tend to work in their interest, which may conflict with the shareholders' or principals' interests, especially with the presence of opportunistic behavior (Galvin, Tywoniak, and Sutherland 2021). To address principal-agent problems, effective corporate governance mechanisms are needed. These mechanisms include strict monitoring, more intensive controls, and appropriate incentives to ensure alignment between the principal's and the agent's interests. Without effective governance mechanisms, managers may disregard shareholders' interests. Therefore, implementing good corporate governance practices, such as having an audit committee, is crucial to minimizing conflicts and enhancing performance, especially when opportunistic behavior is a dominant factor.

Company Financial Performance

Company financial performance is a critical focus of analysis in evaluating a company's progress and health based on sound financial management principles (Melnychenko 2020). Understanding financial performance involves assessing financial and non-financial aspects integral to the organization (Tarmidi, Sari, and Handayani 2020). Financial aspects include parameters like revenue, costs, and net profit, while non-financial aspects involve elements such as customer satisfaction, innovation, and product or service quality. Considering these aspects, financial performance analysis helps measure a company's effectiveness in executing its business strategy and identifying areas for improvement.

Additionally, a company's financial performance is also reflected in its financial condition, analyzed through various financial analysis methods (Devi, Warasniasih, and Masdiantini 2020). Through financial ratios, such as profitability, liquidity, and leverage ratios, financial analysis provides a detailed picture of the extent to which a company can manage resources and maximize stakeholder value. The purpose of financial performance analysis is to evaluate the company's financial position over a specific period, provide a holistic view of operational sustainability, and depict the extent to which the company achieves its financial goals. Therefore, this study provides a comprehensive understanding of the importance of financial performance as a primary evaluation tool for companies.

Audit Committee Size

Audit committee size refers to the number of members in a company's audit committee and is expected to have a significant impact on the company's financial performance (Bouaine and Hrichi 2019). Given the importance of the audit committee's role in performing its oversight duties, there is debate over whether a smaller or larger committee is more effective in carrying out its oversight responsibilities. The

size of the audit committee refers to the total number of audit committee members (Dakhlallh et al. 2020). As part of the board of commissioners, the audit committee has a specific responsibility to oversee management, the board of directors, and both internal and external audits. They also ensure that the company's financial reporting complies with Financial Accounting Standards (SAK).

Research by Bouaine and Hrichi (2019) highlights the importance of audit committee size in corporate oversight and management. Some arguments suggest that a larger audit committee can provide greater diversity of perspectives and a broader range of skills (Pathak, Samba, and Li 2021; Raimo et al. 2021), while others argue that a smaller audit committee can operate more efficiently (Almasria 2022; Fauzan, Ayu, and Nurharjanti 2019). Furthermore, the size of the audit committee can also affect the committee's capability and capacity to carry out its duties, including overseeing financial reporting and risk management.

Research by Dakhlallh et al. (2020) adds a further dimension to the discussion regarding audit committee size. They emphasize that the composition of the audit committee members can influence the quality of oversight conducted by the committee. By delving deeper into how audit committee size can affect a company's financial performance, this literature contributes significantly to understanding the dynamics of the relationship between audit committee structure and company outcomes. Thus, this study not only highlights the importance of audit committee size in carrying out corporate oversight and risk management functions but also enriches insights into the debate regarding the effectiveness of smaller or larger audit committees. Overall, a deep understanding of audit committee size can provide a basis for companies in designing effective and efficient oversight structures according to their needs and context.

Audit Committee Meetings

Audit committee meetings play a crucial role in reviewing the company's internal control systems and monitoring the performance of external auditors (Mashhadi 2021). Research shows that the more frequently the audit committee meets, the fewer financial reporting issues arise, and the higher the quality of external audits (Afenya et al. 2022; Alves and Carmo 2022). This underscores the importance of audit committee meetings as part of their efforts to oversee the company's internal control systems. The frequency of these meetings reflects the audit committee's diligence and commitment to its duties. Meanwhile, audit committee meetings are not just a formality; they also manifest their responsibilities and oversight functions (Al Farooque, Buachoom, and Sun 2020).

The audit committee can oversee financial reporting, ensure the quality of external audits, and monitor internal control systems, including internal audits (Lien, Hien, and Trang 2023; Mohammed 2022). The goal is to prevent opportunistic actions by management that could harm the company. The communication that takes place in audit committee meetings helps identify and address potential risks and ensures compliance with accounting standards and regulations. Therefore, audit committee meetings are not just forums to discuss issues but are also effective means of building a strong governance culture and maintaining corporate integrity. Consequently, audit committee meetings are not merely administrative processes but are key instruments in ensuring good financial health and corporate governance.

Audit Committee Independence

The independence of the audit committee is a critical aspect in ensuring the integrity and objectivity of a company's financial reporting process. Hendrati et al. (2023) emphasize that members of a company's audit committee should not have affiliations with the company's board of directors. They should not receive compensation in the form of consulting fees, advisory fees, or any other forms from the company. Additionally, Bhuiyan and D'Costa (2020) assert that audit committee members should not have affiliations with the company or its subsidiaries. This is essential to avoid potential conflicts of interest and to ensure that the audit committee can operate independently.

The independence of the audit committee from management has a significant impact on the financial reporting process and the quality of the company's audits. The presence of an independent audit committee helps ensure objectivity in the financial reporting process, improves audit quality (Masmoudi 2021), and reduces the potential risk of fraud (Cao et al. 2020). With no affiliation with management, the audit committee can oversee the transparency of financial reporting without bias or pressure that may arise from internal company relationships. This creates a more open and trustworthy environment, which in turn minimizes potential conflicts of interest between executives and shareholders. Thus, audit committee independence is not merely a regulatory requirement but also a key factor in ensuring the integrity and reliability of a company's financial statements.

Company Size

The size of a company can be defined in various ways depending on the context. Perspectives used to assess company size can vary, such as revenue, total assets, or equity (Nugraha and Riyadhi 2019). Furthermore, company size can be based on the total assets utilized to produce goods or services (Dirman 2020). Large companies have advantages in resources and finances, making it easier to attract investors and finance investments. Therefore, large companies must ensure sustainable performance growth to attract investors.

However, company size can also be viewed from another perspective, such as based on the average total turnover over a certain period, such as net sales over the past 5 or 10 years (Brigham and Houston 2015). This measurement method provides a more detailed picture of a company's operational activities over a relatively long period. Utilizing this approach can provide information about a company's performance consistency and how the company responds to changes in market or industry conditions. Therefore, a comprehensive understanding of company size involves not only financial aspects but also an analysis of how the company operates and grows over time. Overall, a holistic understanding of company size is key to designing strategies and policies that align with the company's context and objectives.

Relationships Between Variables and Hypothesis Development

The Impact of Audit Committee Size on Firm Financial Performance

According to OJK regulations, the audit committee must consist of at least three members who are non-executive directors and external to the organization. The audit committee should include at least one member with a financial accounting background. The audit committee enhances earnings quality through internal controls and the credibility of financial reporting (Hasan, Kassim, and Hamid, 2020). This ensures high-quality reporting that improves the financial performance of the company (Vitolla, Raimo, and Rubino, 2020). Research by Musallam (2020) demonstrates that the size of the audit committee is crucial for enhancing the performance of non-financial firms in Palestine and reducing information asymmetry related to agency issues.

Similarly, Al-Homaidi et al. (2021) found that the size of the audit committee is the largest disclosure proxy in India. In contrast, a survey by Yameen et al. (2019) discovered that the size of the audit committee negatively correlates with hotel performance in India, as measured by ROA. A similar negative association was also found in the study by Bazhair (2022) on non-financial companies in Saudi Arabia. Based on these mixed findings, the hypothesis for this study is formulated as follows:

H1: The size of the audit committee affects the financial performance of the company.

The Impact of Audit Committee Meetings on Firm Financial Performance

Regular audit committee meetings are intended to provide committee members with opportunities to scrutinize the company's financial statements. This underscores the importance of meeting frequency in delivering timely financial information to investors while reducing the risk of fraud in financial reporting (Bazhair, 2022). A study by Elbahar et al. (2021) asserts that the number of audit committee meetings is essential for enhancing the effectiveness and efficiency of the committee’s monitoring function in Oman. Their empirical findings show that less active audit committees are associated with reduced monitoring effectiveness and efficiency. The minimum requirement is for the audit committee to meet quarterly to discuss financial reporting issues. The absence of such meetings is linked to a higher risk of financial reporting fraud and its adverse impact on the company’s economic performance. Musallam (2020) found a significant relationship between the number of audit committee meetings and the performance of non-financial firms in Palestine. However, Elbahar et al. (2021), in their study of the GCC banking sector, found that the frequency of audit committee meetings did not significantly impact banking performance, suggesting that different contexts might yield different results. On the other hand, Bazhair (2022) discovered that more frequent audit committee meetings were associated with lower performance in non-financial companies in Saudi Arabia. Due to these varying findings, this study aims to re-examine the relationship between the number of audit committee meetings and company financial performance, and the hypothesis is formulated as follows:

H2: Audit committee meetings affect the financial performance of the company.

The Impact of Audit Committee Independence on Firm Financial Performance

The independence of the audit committee from management allows for an impartial view of financial reporting and prevents managerial dominance, leading to higher audit quality (Alqatamin, 2018). An audit committee led by an independent director is also positively associated with quality financial reporting and reduced fraud (Ramachann et al., 2022). Bazhair (2022) found that a high proportion of independent directors on the audit committee enhances disclosure and reduces agency costs, thereby

improving the performance of non-financial firms in Saudi Arabia. However, different views exist; for instance, Elbahar et al. (2021) found a non-significant relationship between non-executive members and bank performance in the GCC, suggesting that independent members may not improve bank performance. Another study concluded that audit committee independence does not affect the performance of companies listed in LQ45 (Pratomo and Sudibyo, 2023). Thus, the hypothesis proposed is:
H3: Audit committee independence affects the financial performance of the company.

The Impact of Audit Committee Size on Firm Financial Performance Moderated by Firm Size

The size of the audit committee is more relevant to the success of its task execution in the oversight process to achieve the objective of higher-quality corporate financial reporting. This indicates that a larger audit committee size leads to a higher degree of organizational dominance. Lendengtariang and Bimo (2022) argue that an ideal audit committee size allows directors to leverage their experience and expertise to serve shareholder interests. A study by Al-Homaidi et al. (2021) also showed similar results, where the audit committee size had the largest disclosure proxy in India. A study by Bagais and Aljaaidi (2020) found that the larger the audit committee, the greater the company's performance in Saudi Arabia. In contrast, Bazhair (2022) found a negative relationship between audit committee size and the performance of non-financial firms in Saudi Arabia. Similarly, a study by Fariha et al. (2022) found a significant negative relationship between audit committee size and banking performance in Bangladesh. Larger firms tend to play a more significant role as stakeholders. Consequently, large company policies have a more considerable impact on public interest than small companies. As a result, large companies are under public scrutiny to be more accurate in their financial reporting (Tambun et al., 2017). This contrasts with Habsari and Akhmadi (2018), who proved that the size of a company, whether large or small, does not guarantee its level of profitability. Based on these discussions, the following hypothesis is formulated:
H4: Firm size moderates the impact of audit committee size on the financial performance of the company.

The Impact of Audit Committee Meetings on Firm Financial Performance Moderated by Firm Size

Musallam (2020) states that the frequency of audit committee meetings in a company plays a crucial role in monitoring its effectiveness. Audit committee meetings help the board periodically evaluate the business and address issues arising among employees. Additionally, regular audit committee meetings contribute to improving accounting processes, which ultimately supports better company performance. Alzeban (2020) found that the number of audit committee meetings significantly enhances the committee's monitoring effectiveness and efficiency in Saudi Arabia and the UAE. Meanwhile, research by Elbahar et al. (2021) on the GCC banking sector shows that the frequency of audit committee meetings does not significantly affect banking performance. In contrast, Rahman et al. (2019) found no relationship between the frequency of audit committee meetings and company performance, suggesting a potential negative impact of audit committee meetings on companies in Bangladesh. Considering firm size, it is recommended that large companies with diversified businesses benefit from having a sufficiently large audit committee and frequently holding audit committee meetings (Afenya et al., 2022). Conversely, companies with simple structures or single business focus tend to benefit more optimally from a smaller audit committee size. Nurfadila (2020) argues that a sufficient audit committee can reduce legal violations committed by managers, improve financial performance, and enhance the reliability of financial reporting. Moreover, firm size also affects the need for an audit committee, where large companies with more resources require a more significant role for the audit committee (Agyei-Mensah and Yeboah, 2019). However, some studies have found a negative relationship between firm size and company performance in India, suggesting that newer firms with more optimal sizes can manage performance better (Mishra and Kapil, 2018). Research on the agricultural sector in Kenya by Rana and Wairimu (2017) also indicates a negative relationship between firm size and profitability.
H5: Firm size moderates the impact of audit committee meetings on the financial performance of the company.

The Influence of Audit Committee Independence on Company Financial Performance Moderated by Company Size

The independence of the audit committee is a crucial factor in enhancing corporate governance quality. This independence allows the audit committee to perform its functions objectively and without management influence, ultimately improving the reliability of financial reporting. According to Ramachann et al. (2022), the independence of the audit committee plays an important role in ensuring good governance in the audit process and reducing the potential for management fraud, thereby enhancing the reliability of

financial statements. Musallam (2020) also highlights the greater effectiveness of audit committees overseen by outside directors.

Bazhair (2022) found that audit committees with more non-executive directors are considered more independent than those with more executives, helping to address agency problems and assuring shareholders that independent oversight is conducted on managerial practices. However, Pratomo and Sudibyo (2023) found that the independence of the audit committee does not significantly affect the performance of companies listed in the LQ45 in Indonesia, indicating inconsistency in the findings.

Research by Elbahar et al. (2021) in the GCC banking sector also found no relationship between non-executive members and bank performance, raising doubts about the role of independent members in managing risk and enhancing bank performance. On the other hand, company size can also moderate this relationship. Al-Homaidi et al. (2021) showed that company size positively correlates with ROA at a 1% significance level, suggesting that larger companies can benefit from economies of scale, increasing profitability and access to funding from capital markets and financial institutions. However, a study by Mishra and Kapil (2018) found a negative relationship between company size and performance in India, while Wardhani et al. (2019) showed that company size does not affect the outcomes of mining companies in Indonesia.

Furthermore, Tran and Vo (2020) found that company size does not significantly affect the value of companies in the pharmaceutical and real estate sectors. Therefore, even though large companies have the motivation to improve financial performance through the optimization of resources and assets, research findings on the impact of company size on financial performance show inconsistency.

H6: Firm size moderates the impact of Audit Committee Independence on the financial performance of the company.

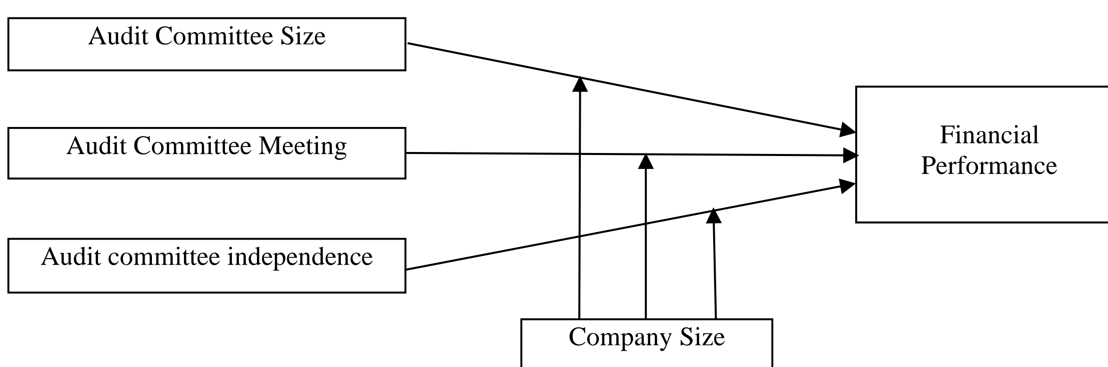

Figure 1. Research model

Research Method

The data analysis used in this study is descriptive quantitative and employs secondary data. This information was obtained from the annual reports or audited financial statements published on the companies' websites or IDX (www.idx.co.id) for property and real estate companies during the period 2017-2022. The population in this study comprises 86 companies, with a sample of 34 property and real estate companies that meet the criteria for this study, listed on IDX during the period 2017-2022. The selection process resulted in a total of 34 property and real estate companies using purposive sampling as the sampling technique for this research, yielding a total of 170 financial statements for the period 2017-2022 as the research sample. This study employs multiple linear regression analysis to examine the extent of the impact between several independent variables and the dependent variable. The researcher uses the following model to test the relationship between audit committee characteristics and company financial performance.

$ROA = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4Z + \beta 1X1*Z + \beta 2X2*Z + \beta 3X3*Z + \varepsilon$

α = Constant Value

ROA = Return on asset (company's financial performance)

$\beta 1$ - $\beta 4$ = Regression Coefficient Value

X1 = Size of the audit committee
X2 = Audit committee meetings
X3 = Independence of the audit committee
Z = Company size
ε = Residual Error

Classical Assumption Tests
This section is crucial for ensuring the validity of the regression model used in the research. It includes several tests:

1. Shapiro-Wilk Test This test examines whether the data is normally distributed. The criterion for this test is that if the significance value is greater than 0.05, the data is considered normally distributed. If the significance value is less than 0.05, the data distribution is considered non-normal (Kurniawan, 2019). A high probability value (>0.05) in this test indicates that the data distribution does not significantly deviate from normal distribution, suggesting suitability for further analysis.
2. Multicollinearity Test This test assesses the intercorrelation among independent variables. Using Variance Inflation Factor (VIF) and 1/VIF, this test ensures that variables are not overly correlated, which could distort the results. If the value (1/VIF) < 0.10 and VIF > 10, multicollinearity symptoms are present. If the value (1/VIF) > 0.10 and VIF < 10, multicollinearity symptoms are absent. A VIF value less than 10 and 1/VIF greater than 0.10 in this test are considered acceptable, indicating that the data is free from multicollinearity (Kurniawan, 2019).
3. Heteroscedasticity Test Using the Breusch-Pagan/Cook-Weisberg test, this step examines constant variance in the residuals of the regression model. The criterion for this test is that if the significance value is greater than 0.05, heteroscedasticity is not present. If the significance value is less than 0.05, heteroscedasticity is present. A probability value greater than 0.05 in this test indicates no heteroscedasticity, showing that the variance of the error term is consistent across the data. A good regression should meet the requirement of no heteroscedasticity (Kurniawan, 2019).
4. Durbin-Watson Test This test is designed to detect the presence of autocorrelation in the regression residuals. A Durbin-Watson statistic falling within a certain range between -2 and +2, considering sample size and the number of variables, indicates the absence of autocorrelation, which is desired for the reliability of the regression model.
5. Hypothesis Testing The effectiveness of the regression model in explaining the data is tested here. This involves examining the relationship between independent variables (such as Audit Committee Size, Audit Committee Meetings, and Audit Committee Independence) and the dependent variable (ROA). Hypotheses are tested for significance, direction, and strength of the relationship.

Result and Discussion

Descriptive Statistical Analysis

Descriptive statistics is a set of statistical techniques used for data analysis to identify each variable tested in each hypothesis and to make general conclusions. Descriptive statistics provide an overview of the data by observing measures such as mean and standard deviation. Below are the descriptive statistics results for the variables used.

Table 3 presents the descriptive statistics of the research variables. The number of observed objects from 2018 to 2022 is 170 property and real estate companies listed on the Indonesia Stock Exchange (IDX). Return on Assets (ROA) (Y) shows an average of 0.0263406 with a maximum value of 0.4283. This indicates that, on average, the sampled companies recorded a return on assets of 2.63% over the 5-year observation period. The Audit Committee Size (X1) has an average of about three members. The Audit Committee Meetings (X2) show a wide variation among companies, with an average of about six meetings. The Audit Committee Independence (X3) indicates that, on average, around 0.98 of the audit committee members are independent directors. Company Size (Z), measured as the logarithm of total assets, shows an average value of 0.2929014 or 29.29% and a maximum value of 0.318054 or 31.81%.

Classical Assumption Tests

In this study, the normality test of the data was conducted using the Shapiro-Wilk test, and the results are presented in the table. From the table, it can be seen that the probability value is 0.88823, exceeding 0.05. This indicates that the data used follows a normal distribution and meets the normality assumption of the regression model, in line with Kurniawan (2019). Furthermore, a multicollinearity test

was conducted to assess the relationship between predictor variables. The results show that the Variance Inflation Factor (VIF) values for all variables X1, X2, and X3 are less than 10, and the 1/VIF values are greater than 0.10. Thus, the tested data is free from multicollinearity.

In the heteroscedasticity test using the Breusch-Pagan test, a probability value of 0.7179 was obtained, which is greater than 0.05, indicating the absence of heteroscedasticity issues in this research data. These results imply that the linear equation used is free from indications of autocorrelation. Furthermore, the study conducted a Durbin-Watson test to check for the presence of autocorrelation. The Durbin-Watson statistic result is 2.125909, falling within the range of dU < DW < 4-dU, indicating that there is no autocorrelation in the regression model. Therefore, the results of this study provide confidence that the data used meets various important assumptions for regression analysis.

Effect of Audit Committee Size on Company Financial Performance.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
X1	170	3.005882	0.3171071	2	4
X2	170	6.029412	3.035152	2	17
X3	170	0.9833341	0.0823881	.5	1
Y	170	0.0263406	0.0705801	-0.3752	0.4283
Z	170	29.29014	1.688951	23.0786	31.8054

The results of this study reveal that there is an insignificant effect between the size of the audit committee and company performance. These findings indicate that, in the context of this study, increasing the number of audit committee members does not significantly enhance company performance. This outcome aligns with the findings of Qeshta (2021), who also discovered that the size of the audit committee does not have a significant relationship with company performance. Qeshta noted that there are other elements that may have a greater impact on company performance than the number of audit committee members. In the same study, Ramachann et al. (2022) emphasized that increasing the number of audit committee members is not a factor that affects company performance. They stressed that the active participation and quality of contributions by audit committee members are far more important than merely the number of members.

Table 2. Clasical assumption test

Test	Variable	Result	Information	Conclusion
Normality Test (Shapiro-Wilk)		W = 0.99547, Prob>z = 0.88823	Probability > 0.05 indicates a normal distribution	Data follows a normal distribution
Multicollinearity Test	X1	VIF = 1.08, 1/VIF = 0.921905	VIF < 10 and 1/VIF > 0.10	There is no multicollinearity
	X2	VIF = 6.35, 1/VIF = 0.157376	VIF < 10 and 1/VIF > 0.10	There is no multicollinearity
	X3	VIF = 6.42, 1/VIF = 0.155751	VIF < 10 and 1/VIF > 0.10	There is no multicollinearity
Heteroscedasticity Test (Breusch-Pagan)		chi2(1) = 0.13, Prob > chi2 = 0.7179	Probability > 0.05 indicates no heteroscedasticity	There is no heteroscedasticity
Autocorrelation Test (Durbin-Watson)		DW = 2,125909	Autocorrelation Test	No autocorrelation

More specifically, the findings of Prayanthi & Laurens (2020) provide additional context by stating that in companies regulated under the Financial Services Authority Regulation (POJK), companies only strive to comply with the minimum requirement of the number of audit committee members, which is three. These results suggest that in some cases, companies may merely fulfill the minimum regulatory requirements without considering the actual impact on their performance. The implication of these findings is that, in an effort to improve company performance, emphasis should be placed on the quality and participation of audit committee members rather than merely increasing the number of members. Companies need to consider the role played by the audit committee in strategic decision-making, risk

monitoring, and internal oversight. Additionally, regulations governing audit committees should be evaluated to ensure that they promote best practices that genuinely enhance company performance. In conclusion, these findings underscore the importance of focusing on qualitative factors in understanding the role of the audit committee and its influence on company performance, rather than merely complying with the number of member requirements.

Table 3. Regression result

Variable	Coef.	P>|t|	Directional Expectations	Results	Conclusion
X1	.1541949	0.784	Positive	Positive	H1 Rejected
X2	-.0578423	0.888	Negative	Negative	H2 Rejected
X3	1.041923	0.012	Positive	Positive	H3 Accepted
X1Z	-.6567184	0.033	Strengthen	Weaken	H4 Rejected
X2Z	-.0937428	0.377	Weaken	Weaken	H5 Rejected
X3Z	-.1021545	0.369	Weaken	Weaken	H6 Rejected
cons	-48.15748	0.080			
Number of obs	=	170			
Prob > F	=	0.0000			
R-squared	=	0.1880			
Adj R-squared	=	**0.1733**			

Effect of Audit Committee Meetings on Company Financial Performance

The results of this study reveal that the frequency of audit committee meetings does not have a significant impact on the company's financial performance. These findings suggest that, in the context of this study, increasing the frequency of audit committee meetings does not significantly enhance the company's financial performance. On the contrary, an increase in the frequency of meetings tends to raise the company's operational costs. These results align with the findings of Al-Homaidi et al. (2021), who noted that an increase in the frequency of audit committee meetings does not have a positive impact on company performance. These findings reflect that there are other aspects more important to improving a company’s financial performance than the frequency of audit committee meetings. Amin et al. (2018) also supports this result by emphasizing that even though companies implement Good Corporate Governance practices, including holding audit committee meetings, this is not sufficient to significantly enhance company performance.

Moreover, similar findings have been reinforced by the research of Awinbugri & Prince (2019), who concluded that no matter how many audit committee meetings are held, this does not improve company performance. Bazhair (2022) indicated that the efficiency of the committee tends to decline with frequent meetings, as these meetings are often only held to comply with corporate governance regulations and to avoid non-compliance. The implication of these findings is that companies need to reassess their approach to the frequency of audit committee meetings and consider how these meetings can be more effective. This study shows that merely increasing the frequency of meetings will not bring significant benefits in terms of a company's financial performance. Instead, companies should focus more on the quality of the meetings—specifically, how these meetings can provide added value, effective risk monitoring, and recommendations that positively impact the company's business strategy. Additionally, corporate governance regulations need to be evaluated to ensure that they encourage practices that truly improve company performance rather than merely fulfilling regulatory requirements. In conclusion, these findings highlight the importance of an efficient and effective audit committee in supporting company performance, rather than merely fulfilling formalities.

Effect of Audit Committee Independence on Company Financial Performance

This study reveals that the independence of the audit committee has a strong and positive relationship with the company's financial performance. Specifically, the findings indicate that improving a company’s performance can be achieved by having more independent members on the audit committee. This finding aligns with the research by Dakhlallh et al. (2020), which confirms that independent members of the audit committee positively impact company performance. This positive effect reflects that with independent members on the audit committee, the committee can operate without pressure from the company's management. They have full autonomy to provide independent advice, which in turn leads to a

more transparent evaluation of the company's performance. Additionally, the presence of independent audit committee members who accurately examine financial issues creates a sense of security for stakeholders. This encourages them to invest more in the company, ultimately contributing to the company's improved financial performance. These findings also support the agency theory perspective, which emphasizes that independent audit committee members are effective in monitoring management, reducing the potential for opportunistic behavior by managers, and ultimately enhancing company profitability.

Bazhair (2022) also supports these findings by showing that companies with independent audit committees tend to perform better. More independent members on the audit committee provide a stronger level of oversight because they can maintain their independence and are not influenced by pressure from company managers (Alqatamin, 2018). This fosters conditions that support an objective and thorough financial evaluation. The implications of these findings are that companies need to pay attention to the independence of the audit committee as a critical element in enhancing their financial performance. The presence of independent members on the audit committee instills confidence in stakeholders, including investors, that the company's actions are closely and transparently monitored. Therefore, increasing the independence of the audit committee might be an appropriate step in the effort to achieve better financial performance and enhance stakeholder trust. In conclusion, these findings support the importance of the role of an independent audit committee in achieving better company financial performance.

Effect of Audit Committee Size on Company Financial Performance Moderated by Company Size The findings of this study reveal that company size amplifies the negative impact of audit committee size on company financial performance. In other words, the size of the audit committee has the potential to decrease company performance, which is influenced by the size of the company. These results provide insight that, in some situations, the size of the audit committee may not always positively contribute to company performance.

The implication of these results is that company size, which in this context refers to how large or complex the company is, does not guarantee the extent of the audit committee's impact on company performance. The understanding that large companies with large audit committees automatically provide better oversight of company performance is not always accurate. On the contrary, these findings suggest that large companies with overly large audit committees tend to lose focus and have lower participation levels. This can lead to less effective oversight and, ultimately, negatively impact company performance. These findings are consistent with research by Pramestie & Atahau (2021), which also states that company size cannot moderate the impact of the audit committee on profitability. This suggests that the relationship between the size of the audit committee and company performance may be more complex than simply assuming that a larger audit committee and larger company lead to better outcomes. Moreover, these results are also consistent with the findings of research by Mishra & Kapil (2018), which show that company size has a negative relationship with company performance. This highlights the importance of efficient management in growing companies, which may have higher flexibility and adaptability levels compared to larger, more complex companies.

Effect of Audit Committee Meetings on Company Financial Performance Moderated by Company Size

The hypothesis testing results in this study indicate that company size does not strengthen the relationship between the frequency of audit committee meetings and company financial performance. In other words, these findings suggest that, in the context of this study, company size does not affect the extent to which the frequency of audit committee meetings influences company financial performance. These findings support the findings in the study by Alqatamin (2018), which also concluded that the relationship between the frequency of audit committee meetings and company performance is not influenced by company size. This shows consistency in results between different studies, and these results could have significant implications in the context of corporate governance.

The implication of these results is that, regardless of company size, the frequency of audit committee meetings may not significantly affect company financial performance. This may indicate that the main focus in understanding the impact of audit committee meetings on company performance should not overly depend on the size of the company. However, it should be noted that the lack of a moderating effect by company size does not mean that audit committee meetings are not important. Audit committee meetings still play a crucial role in financial oversight of the company and ensuring transparency and accountability. These findings may indicate that, regardless of company size, effective corporate governance practices and the implementation of recommendations from the audit committee may be more relevant than meeting frequency in influencing financial performance.

Effect of Audit Committee Independence on Company Financial Performance Moderated by Company Size

The hypothesis testing results in this study reveal that company size does not strengthen the relationship between audit committee independence and company financial performance. In this context, the findings suggest that company size is not a critical factor in assessing the relationship between audit committee independence and financial performance. These results align with research by Rana & Wairimu (2017), which also found no significant evidence of a relationship between company size and profitability. This indicates that company size, whether large or small, may not significantly influence financial performance. The proper focus in understanding the relationship between audit committee independence and company performance may be more related to corporate governance practices and the implementation of audit committee recommendations than to the size of the company itself. Additionally, these results support findings from research by Elbahar et al. (2021), which found that the relationship between the presence of non-executive members in the audit committee and bank performance, moderated by bank size, was not significant. This reflects that independent members of the audit committee may not play the expected role in risk management, finance, and operations to enhance bank performance.

The implication of these results is that companies should not view company size as a primary factor in evaluating audit committee independence and its relationship with financial performance. Instead, the focus should be on the actual independence within the audit committee, the effectiveness of corporate governance, and how audit committee recommendations are implemented. This reflects the importance of ensuring that independent audit committees have the capability and autonomy to conduct effective oversight, regardless of the size of the company they serve. In conclusion, these findings provide valuable insights into the role of audit committee independence in risk management and company financial performance. Company size may not significantly affect this relationship, and a more appropriate focus is on effective governance practices and the implementation of audit committee recommendations in efforts to improve company performance.

Conclusions, suggestions and limitations

This study reveals significant findings regarding audit committee characteristics and company financial performance, with important considerations for company size as a moderating factor. First, regarding audit committee size, adding more members does not significantly contribute to company performance. Although regulations often stipulate minimum member requirements, this study highlights the importance of focusing on the quality and participation of audit committee members. Second, the frequency of audit committee meetings does not significantly affect company performance. In fact, increasing the frequency of meetings tends to increase operational costs without providing significant benefits to financial performance. Therefore, companies should consider the quality and relevance of audit committee meetings in optimizing their performance. Third, audit committee independence has a strong positive impact on company performance. Independent members can operate without management pressure, provide independent advice, and create a sense of protection for stakeholders. This encourages greater investment in the company and enhances profitability. Lastly, company size does not play a significant role in evaluating the performance of the audit committee regarding company finances.

Competing Interests

The author(s) declare that there are no competing interests relevant to the content of this article.

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