CONTRIBUTION OF AUDIT COMMITTEE CHARACTERISTICS TO CORPORATE GOVERNANCE PRACTICES OF REGULATORY AUTHORITIES IN TANZANIA: MEDIATING EFFECT OF AUDIT COMMITTEE EFFECTIVENESS

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A THESIS SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY (PhD),

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CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by The Open University of Tanzania a thesis entitled, ***Contribution of Audit Committee Characteristics to Corporate Governance Practices of Regulatory Authorities in Tanzania: Mediating Effect of Audit Committee Effectiveness*****,** in fulfilment of the requirements for the award of the Degree of Doctor of Philosophy.

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DECLARATION

I, **Habibu Juma Saidi Suluo**, declare that the work presented in this Thesis is original. It has never been presented to any other University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is hereby presented in fulfilment of the requirements for the Degree of Doctor of Philosophy (PhD) of the Open University of Tanzania.

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Signature

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Date

DEDICATION

This Thesis is dedicated to my beloved parents; Juma Saidi Suluo and Amina Athumani Saidi, my lovely wife; Salma Francis Gaspar, my daughters; Nasra, Yusra, and Nawal, and my son; Nabil for their care, encouragement, love, and prayers, as well as moral and material support towards the successful completion of this study.

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May God Bless You All!

ABSTRACT

This study aimed to examine the contribution of audit committee characteristics to the corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable. The study was conducted in 18 regulatory authorities of Tanzania Mainland, at their head offices in Arusha, Dar es Salaam, and Dodoma. The survey strategy was used to collect data from a sample of 300 participants, using a structured questionnaire, where 241 participants responded, equivalent to 80.3%. The IBM SPSS Statistics version 26 was used for descriptive data analysis, data screening, and reliability tests, while the Jamovi Software version 2.3.28 was used for structural equation modelling analysis, including testing the 12 hypotheses of the study. The findings showed that, except for the audit committee size, the other constructs of the audit committee characteristics; advisory role, financial expertise, independence, and frequency of meetings significantly and positively influence audit committee effectiveness, which consequently mediates 60.3% of the total impact of audit committee characteristics on the corporate governance practices, confirming its partial mediation and pivotal role. Specifically, the advisory role construct from the resource dependency theory was found to be statistically significant, and positively influences audit committee effectiveness, thus confirming its theoretical contribution to the agency theory. The study recommends strengthening the board appointment process, enhancing financial expertise, optimizing audit committee size, enhancing auditing functions, improving financial reporting and accountability, and strengthening corporate governance practices of regulatory authorities in Tanzania.

Keywords: *Audit Committee, Agency Theory, Corporate Governance, Regulatory Authority, Resource Dependency Theory.*

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LIST OF ABBREVIATIONS

AC	Audit Committee
ACAR	Audit Committee Advisory Role
ACBG	Audit Committee in Board Governance
ACC	Audit Committee Characteristics
ACE	Audit Committee Effectiveness
ACEA	Audit Committee in External Auditing
ACFA	Audit Committee in Financial Statements Authorization
ACFE	Audit Committee Financial Expertise
ACFM	Audit Committee Frequency of Meetings
ACFR	Audit Committee in Financial Reporting
ACIA	Audit Committee in Internal Auditing
ACSZ	Audit Committee Size
AVE	Average Variance Extracted
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
CG	Corporate Governance
CGP	Corporate Governance Practices
CI	Confidence Interval
CMSA	Capital Markets and Securities Authority
CPA	Certified Public Accountant

CRB	Contractors Registration Board
EFA	Exploratory Factor Analysis
EWURA	Energy and Water Regulatory Authority
IPSAS	International Public Sector Accounting Standards
KMO	Kaiser-Meyer-Olkin
LATRA	Land Transport Regulatory Authority
MSV	Maximum Shared Variance
NACTVET	National Council for Technical and Vocational Education and Training
NAOT	National Audit Office of Tanzania
NBAA	National Board of Accountants and Auditors
NCGC	National Corporate Governance Codes
NEMC	National Environment Management Council
OTR	Office of the Treasury Registrar
OUT	Open University of Tanzania
PCA	Principal Component Analysis
PPRA	Public Procurement Regulatory Authority
PSE	Public Sector Entities
PSPTB	Procurement and Supplies Professionals and Technicians Board
RAS	Regional Administrative Secretary
RDT	Resource Dependency Theory
SE	Standard Error
TAEC	Tanzania Atomic Energy Commission

TANTRADE	Tanzania Trade Development Authority
TASAC	Tanzania Shipping Agencies Corporation
TBS	Tanzania Bureau of Standards
TCAA	Tanzania Civil Aviation Authority
TCRA	Tanzania Communications Regulatory Authority
TCU	Tanzania Commission for Universities
TFRA	Tanzania Fertilizer Regulatory Authority
TFRS	Tanzania Financial Reporting Standards
TIRA	Tanzania Insurance Regulatory Authority
TMDA	Tanzania Medicines and Medical Devices Authority
UK	United Kingdom
URT	United Republic of Tanzania
VETA	Vocational Education Training Authority
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter presents the background of the study, the statement of the research problem, and the general objective and specific objectives of the study. Finally, the chapter gives the significance of the study.

1.2 Background of the Study

The financial scandals of the early 2000s, experienced by big firms like Enron and WorldCom, caused the users of financial statements in the world to raise concerns about the auditor's failure to unveil wilful collusion of management and the board of directors, including failure to qualify their financial reports (Olojede, Erin, Asiriuwa, & Usman, 2020). In the dynamic landscape of corporate governance, where owners of organizations are separate from management, the agency problem arises due to the existence of conflicts of interest between the owners (principals) who want to maximize profits and the agents (management) who want to maximize their benefits; thus, the role of the audit committee as an internal monitoring mechanism becomes very critical (Mnzava, 2023). One of the audit committee's monitoring mechanisms is to manage the conflicts arising from the agency relationship (Kyere & Ausloos, 2021), and the costs associated with such monitoring are the agency costs (Ezhilarasi, 2019). The audit committee is established by the board of directors as part of good corporate governance in monitoring financial reporting and enhancing accountability and transparency (Jamil, 2020). The Sarbanes-Oxley (SOX) Act of 2002 enacted by the United States government after the Enron and WorldCom scandals of the 2000s,

introduced good corporate governance practices to enhance accountability and compliance to strengthen AC's governance role in the financial reporting process (De Haes, Huygh, Joshi, & Caluwe, 2019) and increase AC's role on monitoring financial reporting process (Jamil, 2020). The objective of good corporate governance practices is to protect owners from agents and to ensure that there is reasonable control of principals on agents, hence mitigating the agency problems (Castrillón, 2009).

The audit committee's monitoring role increased significantly because of the world's corporate failures, which challenged corporate governance credibility (Jamil, 2020). The AC monitoring aspect of good corporate governance creates accountability and transparency in the way firms are operated and governed (Wu, Feehily, & Lord, 2022). Corporate governance consists of a set of laws, rules, regulations, procedures, systems, processes, operational structures, voluntary practices, and people placed in an entity to create an entity's culture of self-consciousness, openness, and transparency (Satheesh, Rohini, Sivaram, & Author, 2022). Corporate governance is established in every entity to achieve the entity's business objectives of operating smoothly in compliance with required procedures and regulations (Gallena, Djajadikerta, & Setiawan, 2019). In the last decade, the number of developing countries that started to address corporate governance practices and issue national corporate governance codes has been increasing (Bosáková, Kubíček, & Strouhal, 2019). The best practices require countries to establish national corporate governance codes for compliance by organisations. Most national corporate governance codes adhere to the comply or explain principle, meaning that the practices and guidelines provided therein are non-committal (De Haes et al., 2019). According to De Haes et al. (2019), since entities in

different nations cannot comply with every national corporate governance code due to contextual differences, they are required to disclose such facts. It may require different governance codes with disclosure of compliance or non-compliance. The *comply or explain principle* requires entities to observe best practices and ensure voluntary compliance with applicable legislation, beyond which their managers will be held accountable through the laws (Basyith et al., 2022).

The regulatory frameworks, as shown in **Appendix 2** for Tanzania, emphasize the audit committee's role of protecting information transparency, mitigating conflicts of interest, and protecting the interests of owners in organisations by mitigating agency problems and reducing agency costs (Waweru, 2018). In most cases, the owners rely on their agents because they generally do not have the required and necessary financial knowledge (Jensen & Meckling, 1976). In Tanzania, regulatory authorities are public organisations established by specific legislation to regulate the provision of services fairly and transparently and ensure that they operate in a particular industry or sector. The legislation provides for establishing a board of directors and the formation of board sub-committees, including audit committees, as part of corporate governance. Board chairmen of the regulatory authorities are appointed by the President of the United Republic of Tanzania, indicating a high-level commitment of the national top leader and the importance of these organizations in serving the public. Respective parent ministries monitor the performance of regulatory authorities in terms of policy issues, and OTR monitors the overall performance as required by the Treasury Registrar (Powers and Functions) Act, Cap. 370. The board and its sub-committees

have the oversight role of ensuring decisions are made within the corporate governance framework to improve governance efficiency (Elhawary, 2021).

However, Tanzania has not established the National Corporate Governance Codes (NCGC) for compliance by organizations in the public and private sectors. The major initiatives undertaken by Tanzania's public sector entities (PSE) to introduce a corporate governance framework and enhance corporate governance mechanisms can be traced back to 2015. This was when the Office of the Treasury Registrar (OTR) issued the Board Charter Guidelines for Public and Statutory Corporations of August 2015. In addition, the Permanent Secretary of the Ministry of Finance issued the First and Second editions of the Audit Committees Guide for Public Sector Entities in 2013 and 2019, respectively. These were followed by the OTR issuance of the Board Charter Guidelines for Public and Statutory Corporations of July 2022, and the Corporate Governance Guidelines for Public and Statutory Corporations of September 2022. Other initiatives included those of the Bank of Tanzania, which issued the Banking and Financial Institutions (Corporate Governance) Regulations, 2021, and the Capital Markets and Securities (CMSA), which issued the Guidelines on Corporate Governance Practices by Public Listed Companies in Tanzania, 2002.

Despite the presence of appropriate legal frameworks, the board of directors' oversight responsibility, the oversight role of the Parliamentary Accounts Committee (PAC), and commitment from the top leadership, the CAG annual audit reports for six (6) consecutive years from 2018/19 to 2023/24 revealed weaknesses on the corporate governance practices of the PSE in Tanzania. In his reports, the CAG found

the existence of ineffective corporate governance in Tanzania's PSE, including the regulatory authorities (CAG, 2021). Corporate governance mechanism refers to the supervision of an entity to ensure it operates effectively and efficiently to improve its performance and value (Maulana, Haryadi, & Arief, 2022). The corporate governance mechanism is of two types: internal mechanisms and external mechanisms (Tenggono *et al.*, 2023). The audit committee is an internal corporate governance mechanism established to oversee matters related to financial reporting and auditing of entities (Wu *et al.*, 2022). It is also a significant indicator of good corporate governance (Dwawema, 2021). In this regard, the audit committee plays a key role in the governance mechanisms by monitoring information and the process for the preparation and presentation of financial statements (Broye & Johannes, 2021).

The CAG report on the audited financial statements for the financial year 2018/19 revealed that 39 public entities including five regulatory authorities (PSPTB, TAEC, TANTRADE, TBS, and TIRA) were operating without a board of directors (CAG, 2020); the report for the financial year 2019/20 revealed that 30 public entities including six regulatory authorities (CMSA, PSPTB, TAEC, TANTRADE, TBS, and TIRA) were operating without a board of directors (CAG, 2021); the report for the financial year 2020/21 revealed that 31 public entities including three regulatory authorities (EWURA, NEMC, and TIRA) were operating without a board of directors (CAG, 2022); the report for the financial year 2021/22 revealed that 13 public entities including one regulatory authority (TIRA) were operating without a board of directors (CAG, 2023); the report for the financial year 2022/23 revealed that eight (8) public entities were operating without a board of directors (CAG, 2024), and the report for

the financial year 2023/24 revealed that 36 public entities including four (4) regulatory authority (NBAA, NEMC, PSPTB and TANTRADE) were operating without a board of directors (CAG, 2025). These regulatory authorities operating without a board of directors weaken the corporate governance mechanism and defeat the purpose of forming an audit committee and its oversight role on financial reporting (CAG, 2022). In addition, the absence of a board of directors indicates a lack of corporate governance, which casts doubts on the transparency, reliability, and integrity of financial reports of public entities (CAG, 2021). Furthermore, the absence of a board compromises PSE's operational efficiency, which leads to governance failures, increased risks of financial instability, resulting in the loss of stakeholders' confidence (CAG, 2025). Nevertheless, for years, some of Tanzania's regulatory authorities had audit committees in operations, but their effectiveness was not studied and is not well known.

As entities navigate through complex financial environments, audit committee effectiveness (ACE) becomes a cornerstone in ensuring transparency, accountability, and regulatory compliance. To be effective in exercising its monitoring role, the audit committee must be composed of members with specific characteristics (Vitolla, Raimo, & Rubino, 2020), which include size, independence, frequency of meetings, and financial expertise (Almaqtari, Al-Hattami, Al-Nuzaili, & Al-Bukhrani, 2020). Several studies have documented the importance of the audit committee's monitoring role in improving the internal control and financial performance of organizations (Mnzava, 2023). Madhurangi & Abeygunasekera (2021) examined the impact of ACE and audit quality on financial reporting quality in the banking sector of Sri

Lanka; Ali, Singh, & Al-Akra (2018) examined the impact of ACE in the audit fees and non-audit service fees in a less regulatory environment of Australia; Al-Hajaya, (2019) examined the impact of ACE on audit quality in the Middle East; Agyei-Mensah (2019) examined the effect of ACE and audit quality on corporate voluntary disclosure of the listed companies in Ghana; and Gallena et al. (2019) explored the effect of ACE on the corporate governance of the listed companies in Indonesia. However, to the best knowledge of the author, there is no study conducted to specifically examine the contribution of audit committee characteristics to corporate governance practices in the context of regulatory authorities in Tanzania after the issuance of the 2nd edition of the Audit Committees Guide for Public Sector Entities in June 2019 and the Board Charter Guidelines for Public and Statutory Corporations issued by OTR in July 2022.

Many empirical studies conducted on corporate governance mechanisms and the audit committee's governance mechanism have applied an agency theory perspective (Wu *et al.*, 2022). Agency theory deals with the problem arising from the separation of owners from the management of an entity, and it emphasizes the mitigation of this problem through an audit committee monitoring mechanism (Panda & Leepsa, 2017). According to Panda & Leepsa (2017), the principal and agent reside in the same entity; however, they have different and opposite goals and interests, which results in a conflict termed the agency problem. In this study, the agency theory is used as a grand theory to examine the contribution of the audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania because the principal-agent relationship in this context is well explained by the agency theory, which entails the

separation of ownership and control (Jensen & Meckling, 1976). Jensen & Meckling (1976) argued that agency problems result in agency costs, which are of three types; (i) monitoring costs incurred by the principal to limit the agents' opportunistic behaviour, (ii) bonding or motivation costs incurred by an agent to win the principal's trust, and (iii) opportunity costs or residual losses being utility suffered by a principal because of differences of interests with an agent. Corporate governance mechanisms are intended to address the agency problem by protecting the principal's interests from those of the agent (Suman & Singh, 2021).

This study has adopted agency theory and resource dependency theory (RDT) as theoretical frameworks. Agency theory is applied in audit committee monitoring of management to protect the principal's interests, and RDT is applied in linking PSE to external resources (Pfeffer & Salancik, 1978). The agency theory is the grand theory for this study, as it is widely used to explain the audit committee's role in the principal-agent relationship (Raimo, Vitolla, Marrone, & Rubino, 2020). The RDT has a service role that involves building the entity's reputation, external networks, and resources (Pfeffer & Salancik, 1978). However, the agency theory is individually centered on the interests and satisfactions of the parties in the principal-agent relationship, and it does not consider resources external to the principal-agent environment. Therefore, this study contributes to the agency theory by introducing the audit committee's advisory role, from the perspective of resource dependence theory (RDT), as an additional audit committee characteristic. RDT suggests that each audit committee member brings strategic resources to an entity in terms of advice, education,

knowledge, skills, experience, information, and access to external sources of information (Pfeffer & Salancik, 1978).

1.3 Statement of the Research Problem

Corporate governance mechanisms are becoming critical issues to be addressed by organizations in both developed and developing countries (Al-Msiedeen, Alshurafat, Shbeilat, Al-Maani, & Alroud, 2024). In the context of Tanzania's public sector entities, the Public Finance Act, Cap 348, mandates public sector entities to establish audit committees as part of the corporate governance mechanism. However, the audit committee's effectiveness in ensuring transparency in financial reporting and accountability is still questionable (Mbelwa & Munyangabi, 2024). In addition, the literature review did not find that Tanzania has established the National Corporate Governance Codes. The international experiences of using the national corporate governance codes by countries have evidenced that organizations that comply with the corporate governance principles and best practices have sustained their business growth and economic development (Oudat, Ali, & Qeshta, 2021).

The Controller and Auditor General (CAG) annual audit reports showed weaknesses of audit committees on the corporate governance practices of the public sector entities (PSE) in Tanzania (CAG, 2022). Ineffective audit committees cannot exercise governance mechanisms to address agency problems in the agency relationship. A literature review of previous studies on ACE in other countries found that audit committee characteristics include members' financial expertise, members' independence, audit committee size, and frequency of meetings (Al-Hajaya, 2019).

Furthermore, to be effective in exercising its monitoring role, the audit committee must be composed of members with specific characteristics (Vitolla et al., 2020). An effective audit committee also depends on its size, members' independence, frequency of meetings, and members' financial expertise (Almaqtari et al., 2020). This means an ineffective audit committee consists of members with inadequate financial expertise, members with limited independence, an infrequent number of meetings, and improper composition and size of audit committees. These characteristics need to be studied for verification. Therefore, it was considered worth researching the contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania using audit committee effectiveness as a mediating variable. In addition, most of the previously conducted studies on audit committee effectiveness were based on the agency theory, which focused on the audit committees' governance mechanism in their monitoring role (Jensen & Meckling, 1976). The studies included audit committee effectiveness on performance management (Bjurstrøm, 2020), on independent regulatory agencies (Maggetti & Papadopoulos, 2018), on entrepreneurship (Solomon, Bendickson, Marvel, McDowell, & Mahto, 2021), on listed companies' operations (Azar, Sayyar, Zakaria, & Adwa, 2018), and on earnings management (Waweru, 2018). However, none of these studies considered audit committee effectiveness as a mediating variable specifically in assessing relationships between dependent variables and independent variables.

1.4 Research Objectives

This study has a general objective and specific objectives as provided below.

1.4.1 General Research Objective

The general research objective of this study is to examine the contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable.

1.4.2 Specific Research Objectives

The specific research objectives of this study are:

i) To determine the effect of audit committee characteristics (ACC) on the audit committee effectiveness (ACE) of regulatory authorities.

ii) To determine the effect of audit committee characteristics (ACC) on the corporate governance practices (CGP) of regulatory authorities.

iii) To determine the effect of audit committee effectiveness (ACE) on the corporate governance practices (CGP) of regulatory authorities.

iv) To determine the mediating effect (M) of audit committee effectiveness (ACE) on the relationship between audit committee characteristics (ACC) and corporate governance practices (CGP) of regulatory authorities.

1.5 Significance of the Study

The study contributes to the growing body of literature by being the first to examine the contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable. In addition, the study contributes to the literature by integrating agency theory and resource dependency theory to enlighten the effect of audit

committee advisory role on audit committee effectiveness and corporate governance practices of regulatory authorities in Tanzania.

The findings of the study serve as a reference for future research on audit committee characteristics and corporate governance practices in the public and private sector entities. In addition, the study's findings contribute to a broader understanding of how audit committee characteristics influence corporate governance practices among regulatory authorities within the agency theory framework. Furthermore, the study's findings contribute to agency theory by introducing a new construct, an advisory role, derived from resource dependency theory, thereby expanding its implications for audit committee effectiveness.

In consideration of appointments of board members and members of the board sub-committees, the findings from the study provide information to the board appointing authorities on the required characteristics, attributes, or profiles for consideration in the selection for vetting, and appointment of board members. Effective audit committees are established by members of the board of directors, except for co-opted members who are not permanent members of the audit committees. Thus, the findings of the study inform the board appointing authorities to select potential members on ‘know-how’ rather than the ‘know-who’ approach, which will ultimately ensure the establishment of effective audit committees in regulatory authorities and the public sector entities in general.

Furthermore, the findings of the study have theoretical, practical, and contextual implications. On theoretical implications, the study contributes to corporate governance and agency theory by introducing a mediation framework that examines audit committee effectiveness as a mediator. On practical implications, the findings align corporate governance practices of regulatory authorities with global standards and provide information to users of general-purpose financial statements and general stakeholders interested in and participating in corporate governance practices of regulatory authorities in Tanzania and beyond. In addition, the study examined the audit committee governance mechanism within the context of Tanzania's regulatory authorities, providing a reference for players in this context.

Finally, and more specifically, the study findings contribute to the references required by the Government of Tanzania in reflecting the need and importance of reviewing the Public Finance Act, Cap 348, and its regulations of 2001 with subsequent amendments, especially the Public Finance (Amendment) Regulations, 2022 (Government Notice No. 478K dated 01/07/2022) to introduce the good corporate governance practices in line with the international best practices.

1.6 Organization of the Thesis

The remaining part of this Thesis report consists of an additional five (5) chapters to make six (6) chapters in total. Chapter two is about literature review, focusing on the definition of key terms, theoretical literature review, empirical literature review, research gaps, and the conceptual framework. Chapter three delves into the research methodology, involving research philosophy, research approach, research method,

research design and strategy, study area and target population, sample size, sampling frame and sampling unit, sampling technique, source of data and methods of collection, variables and measurement procedure, validity and reliability procedure, survey questionnaire, data analysis, validation of research instruments, handling of missing data and outliers, and ethical consideration.

Chapter four centers on the findings of the study derived from the methodology chapter. These findings primarily involve respondents' demographic profiles, results of data analysis on the testing of the hypotheses of the study, reliability and validity tests, factor analysis, regression model testing, evaluation of structural path, hypotheses tests, and results, and contribution to the agency theory. Chapter five presents a discussion of the study's findings, comparing them to the results of previously conducted studies and examining the similarities and differences in the results. This includes inferential statistics analysis and the research gaps. Chapter six provides conclusions and recommendations for the study, implications of the study, limitations of the study, and suggested areas for future studies.

Finally, there is a section for references used in this study, and a section of appendices that lists all pertinent additional documents and materials used to support the study, including a Survey Questionnaire and the University clearance letters sent to relevant authorities to introduce the researcher for data collection purposes.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter provides conceptual definitions, a theoretical literature review, an empirical literature review, research gaps, and a conceptual framework for the study.

2.2 Conceptual Definitions

2.2.1 Audit Committee

The audit committee is a public sector entity's board-level independent committee composed of at least a majority of independent members, with the key responsibility of providing oversight of the management practices in key governance areas (IIA, 2014). It is also known as a group of directors established to manage the financial reporting process, select and appoint internal and external auditors, and receive audit findings from internal and external audits for implementation (Al-taee & Flayyih, 2022). The board of directors establishes the audit committee to assist the board in its oversight duties and functions, specifically to oversee the performance of the institution's management (Azizah & Nurcahyani, 2020). According to (Oroud, 2019), the audit committee is a good corporate governance mechanism as it includes the quality, credibility, objectivity, and integrity of the entity's financial reports. This study adopted the IIA (2014) definition of an audit committee as it explicitly addresses an independent audit committee in the public sector entities, and it was also used by other researchers like Ali (2014) and Al-Baidhani (2019), who conducted studies on corporate governance and the effectiveness of audit committees.

2.2.2 Audit Committee Effectiveness

Lin (2018) defined audit committee effectiveness (ACE) as the performance of the audit committee's governance roles in the review of entities' financial management and the oversight of internal auditing and external auditing. DeZoort, Hermanson, Archambeault, & Reed (2002, p.41) defined an effective audit committee as a committee that "*has qualified members with the authority and resources to protect stakeholder interests by ensuring reliable financial reporting, internal controls, and risk management through its diligent oversight efforts".* The definition indicates that the protection of shareholders' interests is the goal of the audit committee. Thus, ACE means the audit committee's ability to achieve its planned targets by using specified resources within a given period; and it needs resources, expertise, processes, and systems (Lartey, Kong, Afriyie, Santosh, & Bah, 2020).

Furthermore, effective audit committees are expected to enhance financial reporting processes and the credibility of the audited financial statements (BRC, 1999). The audit committee is effective from the perspective of its independence, financial expertise, frequency of meetings, authority, and size (Bananuka, Nkundabanyanga, Nalukenge, & Kaawaase, 2018). This study has adopted DeZoort et al. (2002) definition of ACE as it suits the purpose of the study, and further, it has been used by many other researchers, like Morgan (2010), Braswell, Daniels, Landis, & Chang (2012), Malik (2014), Badawy, (2020), and (Bajuri & Damagum, 2023) who conducted studies in the area of audit committee characteristics and audit committee effectiveness.

2.2.3 Corporate Governance

There is no generally accepted definition of corporate governance; however, scholars and researchers have defined it differently. Corporate governance is defined as a set of rules that governs the established relationship between an entity's shareholders, the Government, management, suppliers, staff, and other stakeholders, both from within and outside the entity (Setyahadi & Narsa, 2020). It is also defined as the relationship between the owners (shareholders), the board of directors, management, and other stakeholders (Amara, 2021). The corporate governance concept emerged because of problems that arise in the principal-agent relationship between owners and managers (Widiatmoko, 2020). However, as stated above, there was no standard definition of corporate governance. Its definition varies among scholars, researchers, and countries. Therefore, there are many definitions founded according to the understanding or interests of scholars (Amara, 2021). Generally, corporate governance may be defined as the system by which organizations are directed and controlled (Cadbury, 1992). The corporate governance definition of Cadbury (1992) was adopted in this study as it was also used in corporate governance studies conducted by other scholars, like Kyere & Ausloos (2021), Cooray, Gunarathne, & Senaratne (2020), Castrillón (2021), and Banda & Mwange (2023).

2.2.4 Corporate Governance Practices

Corporate governance practices are the mechanisms used to assess how the entities are directed and controlled (Wondem & Batra, 2019). They are monitoring mechanisms established to address the agency's problems and ensure management decisions are made in the best interests of the entities (Kengatharan & Tissera, 2019). When

included in the entity's core business strategies, good corporate governance practices will significantly increase the entity's value (Gillani, Ramakrishnan, Raza, & Ahmad, 2018). According to Gillani et al. (2018), corporate governance practices have become a focus point for researchers, as they utilize various variables to measure corporate governance in any entity. Furthermore, the World Bank Framework for Good Corporate Governance Practices for State-Owned Enterprises issued in the year 2014 identified good corporate governance practices to include ownership of entities, legal and regulatory matters, financial management disciplines, approaches for monitoring performance and accountability, transparency and disclosure requirements, and matters related to board of directors and its committee (Adebayo & Ackers, 2022). According to Adebayo & Ackers (2022), the framework is among the two internationally recognized to influence good corporate governance practices of public entities, the other being the OECD Guidelines for corporate governance in public entities. This study has adopted Wondem & Batra (2019) definition of corporate governance practices, as it maintains the contents of the adopted definition of corporate governance and adds 'mechanisms' in place of practices, clearly portraying the intended meaning.

2.2.5 Regulatory Authorities

Regulatory authorities are governing bodies responsible for setting laws, regulations, and guidelines for compliance by individuals, organizations, or businesses (Fiene, 2024). Regulatory authorities, which are also known as independent regulatory agencies, are public sector entities that are structurally disaggregated and entrusted with a specialized range of regulatory tasks, including licensing, standard setting,

monitoring, conformity assessments, rule refinement, and sanctioning of non-compliant regulated service providers (Maggetti, Di Mascio, & Natalini, 2022). In Tanzania, regulatory authorities are established by specific legislation to regulate and ensure fair practices, safety, and economic performance in the provision of services for a particular industry or sector, and in compliance with national policies and industry standards. The objectives of regulatory bodies can be grouped into four main categories: to safeguard service providers' investments in service delivery; to protect the rights of consumers; to improve the efficiency of service delivery; and to regulate the behaviours of service providers and promote fair competition (Bu, Li, & Wu, 2022). This study has adopted the definition of regulatory authorities used by Maggetti et al. (2022), as it is clearly defined in the context of public sector entities, which are the subject of this study.

2.3 Theoretical Literature Review

The theoretical framework is a research guide built on a prevailing theory in a study that reflects the study's hypotheses (Adom, Hussain, & Agyem, 2018). Theories used in the accounting profession were borrowed from other disciplines after some researchers' efforts were exhausted to theorize them in accounting contexts by either building, testing, or improving them (Sharma, 2013). The two theories, agency theory and resource dependency theory (RDT), were adopted as the theoretical framework for this study. Agency theory is a result of agency relationships and information asymmetry in the principal-agent relationship that causes agency problems and agency costs (Hendrastuti & Harahap, 2023). The theoretical perspective of RDT proclaims that an audit committee with a resource-dependent focus, evidenced through its

industry's members' experience, expertise, reputation, and networking, can significantly enhance the effectiveness of the audit committee (Cohen, Gaynor, Krishnamoorthy, & Wright, 2017).

Agency theory was applied in audit committee monitoring of management to protect the principal's interests, and the RDT was applied in linking the public sector entities (PSE) to the external resources. The agency theory is the grand theory for this study as it is a theoretical perspective on corporate governance research widely used to explain the principal-agent relationship (Raimo et al., 2020). The RDT has a service role that involves building the entity's reputation, external networks, and resources (Pfeffer & Salancik, 1978). In addition, RDT is concerned with the provision of an advisory role, which is about the ability of audit committee members to bring resources into their entities to assist management in achieving their goals (Pfeffer & Salancik, 1978).

2.3.1 Agency Theory

The agency theory emanated from the existence of an agency relationship between principals and agents, usually called the principal-agent relationship, whereby the principal employs the agents to manage and make decisions on the business in the best interest of the principal (Hendrastuti & Harahap, 2023). The agency theory is based on the separation of ownership of an entity from the management of the same entity by creating a principal-agent relationship, which results in the creation of an agency problem whose mitigation demands agency costs (Sharma, 2013). The principals are the owners of the business or entity, and the agents are managers of the business or

entity's operations on behalf of the principals (El Kouiri, 2023). Adam Smith (1937[1776]) was possibly the first author to be suspicious of the existence of the agency problem, and from then on, he became a motivating factor for economists to nurture the facets of agency theory (Panda & Leepsa, 2017). Thus, the agency theory focuses on the learning of contracts designed to solve agency problems and to address agency costs originating from the agency relationship, especially on the principal's delegation of decision-making to the agent (Hendrastuti & Harahap, 2023).

The core of agency theory lies in the examination of the agency problems and their potential solutions (Jensen & Meckling, 1976). The agency problems are the problems or difficulties of motivating the agents to work in the best interest of the principals (Hendrastuti & Harahap, 2023). In the agency relationship, an agent is not selected by a principal for a specified task but is hired for a broad scope of tasks that might change from time to time; thus, the principal's main interests are placed on the agent's characteristics and personality (Zogning, 2017). The agency theory advocates that principals enter into contracts with agents since agents are knowledgeable and skilled to undertake assigned tasks (Solomon et al., 2021).

The agency relationship was explained to be a contract between a principal and an agent, for the agent to perform some services on behalf of the principal, which involves the delegation of some decision-making authority to the agent because the agent will have more information than the principal (Jensen & Meckling, 1976). According to Panda & Leepsa (2017), a principal and an agent exhibit different levels of comfort with the business risk, resulting in divergent actions. Furthermore, the agency

relationship is a type of contract entered into between the principal who owns the business or entity, and an agent who manages the business or entity on behalf of the principal; and they both reside under one business entity but with different and opposite goals and interests, thus, there exists a conflict called the agency problem (Panda & Leepsa, 2017).

Furthermore, Adam Smith, the author of the article *The Wealth of Nations (1793),* raised concerns about the presence of agency problems, and since then, discussions in the literature of agency theory emerged to understand the agency problems, their different forms, and the different agency costs involved to minimize the agency problems (El Kouiri, 2023). As well, Berle and Means (1932) originated the research on agency theory at the beginning of the 19th century, thereafter, many studies were conducted on agency theory to the extent that, with changes of time, the agency problem was not limited to the principal and agent only, but it went beyond to cover other parties including major shareholders and minor shareholders, as well as, creditors (Panda & Leepsa, 2017). According to Panda & Leepsa (2017), researchers in economics and finance have categorized the agency problem into three types; Type I: Principal-Agent problem, Type II: Principal-Principal problem which deals with the conflict of interest between the major shareholders, and minor shareholders, and Type III: Principal-Creditor problem - where shareholders invest in the risky projects, and expect a higher return, thus, the projects raise the finance cost and decreases the outstanding debt, which affects creditors. This study deals with Type I.

The causes of agency problems in Principal-Agent relationships (Type I problem) are the separation of ownership from control, risk preference, duration of involvement, limited earnings, information asymmetry, and moral hazards (Panda & Leepsa, 2017). These causes of Type I problem are briefly explained below:

(i) **Separation of ownership from control**: The separation of this kind in large entities, like regulatory authorities, results in loss of proper monitoring of the agents by the shareholders (owners), where the agents are free to use the business or entity's properties for their personal needs to maximize their private welfare.

(ii) **Risk preference:** The parties involved in the business or entity's operations have different risk insights, and they usually struggle to reconcile such insights with their decisions.

(iii) **Duration of involvement:** The agents work for the business or entity for a limited period, while the principals (owners) are an inseparable part of the business or entity. Thus, the agents always struggle to maximize their benefits within their fixed duration of service and move to another employer (principal).

(iv) **Limited earnings:** The agents are the significant stakeholders of the business or an entity, but they have minimal earnings; thus, they are concerned about their compensation.

(v) **Information asymmetry:** The agents look after the business or entity, and they are aware of all information related to the business or entity. At the same time, the principals (owners) depend on the agents to get such information. Thus, the information might not be sent by the agents and reach the owners on time.

(vi) **Moral hazard:** The agents work for the principals (owners) in good faith, and the principals (owners) utilize their knowledge and skills in undertaking the risky projects, but the agents are not aware of such risk to the investment.

The agency theory also brought the concept of agency cost, which arises out of agency problems, being an aggregate of the monitoring cost, bonding cost, and residual loss (Jensen & Meckling, 1976). Agency cost is an internal expense incurred by an entity as a result of a conflict of interest between the principals and an agent (Huu Nguyen, Thuy Doan, & Ha Nguyen, 2020). According to Panda & Leepsa (2017), monitoring costs encompass expenses related to monitoring and evaluating management's performance within a business or entity, including the costs associated with maintaining an audit committee, board, recruitment, training, and management development. Bonding cost is the cost incurred in setting up and operating a business or an entity by the established system of the business or an entity (Jensen & Meckling, 1976). Residual loss is the loss resulting from inefficient managerial decisions due to the conflict of interest between the owners and management, and the decisions made by management are not aligned to maximize the owners' values (Panda & Leepsa, 2017).

Two main measures can be taken by shareholders (owners) to control agency problems caused in the agency relationship: (i) internal measures which include effective use of internal auditors, enhancing the agents' remuneration, revising capital structure for the agents to have minority shares, and establishing a good internal mechanism for corporate governance; and (ii) external measures which include the engagement and

effective use of external auditors, enhancing legal framework for corporate governance and use of capital markets (Boshkoska, 2014). This study concentrated on using these measures, specifically on internal and external auditors under the audit committee's oversight role. The audit committee is an important corporate governance mechanism established by shareholders (owners) to mitigate agency costs resulting from agency problems in the business or entities to protect the shareholders' values and interests.

Therefore, the fundamental proposition grounded in this study is the agency theory, which provides that an effective audit committee detects or reduces fraudulent reporting practices that emerge when corporate governance is weak (Gallena et al., 2019). Despite being the grand theory in this study, the agency theory has limitations. According to Panda & Leepsa (2017), agency theory posits that a contractual relationship exists between a principal and an agent for a specified period, with the future remaining uncertain. The theory views agents as opportunists, which undermines their competence.

2.3.2 Resource Dependency Theory

Resource dependence theory (RDT) states that, for organizations to survive in the business for the long term, they need resources external to their environment (Zehir, Findikli, & Çeltekligil, 2019); and it also explains that organizations are interdependent on their operational context, from which they depend to ensure their business survival by utilizing resources and information received from other organizations and the agents external to their environment (Castrillón, 2021). The approach to resource dependency was first introduced by James Thompson in 1967,

and it was further developed by the studies of Aldrich, Pfeffer and Salancik in 1978 (Çelik & Büyükbalci, 2020), as explained in the book *The External Control of Organizations* (Pfeffer & Salancik, 1978). This book contributed much to the resource dependence theory (RDT) in three main areas: (i) the importance of the organization's environmental or social contexts on decisions including boards' structure; (ii) organizations' ability to access and acquire limited resources in external environmental; and importance of organizations power to understand their internal and external behaviors (Çelik & Büyükbalci, 2020).

RDT is one of the corporate governance theories entailing the role of the board of directors in assisting organizations to access and acquire key resources from the external environment for smooth operations (Talat & Nazir, 2014), and that the board of directors provides access to external resources that other parties do not provide (Pfeffer & Salancik, 1978). According to Çelik & Büyükbalci (2020), RDT is centered on how organizations utilize the experience impacts from their external environments. It also defends that the control of the environment on organizations is related to power and dependency. To sustain their competitiveness, organizations must be aware of their capacities and abilities to utilize the resources available to their environment for making timely, informed decisions (Çelik & Büyükbalci, 2020).

Therefore, the constructs derived from the literature review are that RDT categorized entities as open systems, dependent on the external environment contingencies, including collaboration of external stakeholders, their strength of knowledge, competencies, access to external information, and resources (Pfeffer & Salancik,

1978). According to RDT, firms engage in collaborations with external stakeholders to manage their affairs and dependency on external resources brought into their entities to assist management in achieving their goals, critical external resources that could not be accessed easily without the assistance of external parties, members' experience, expertise, reputation, and networking to enhance the effectiveness of audit committee.

2.3.3 Synthesizing Agency Theory and Resource Dependency Theory

The synthesizing of theory offers the possibility of arranging, evaluating, organizing, and combining theories to make a stronger theory for practical use (Pugliese, Minichilli, & Zattoni, 2013). The agency theory, grand theory for this study, is concerned with monitoring the role of the oversight body, and the RDT is concerned with the provision of an advisory role, which is about the ability of the members of audit committee to establish network with external environment and bring resources into their entities for the purpose of assisting management to achieve their goals (Pfeffer & Salancik, 1978).

The audit committee characteristics (ACAR, ACFE, ACIND, ACSZ, and ACFM), as discussed in this study, have effects on the corporate governance practices (CGP). These characteristics were derived from the resource dependency theory (ACAR) and agency theory (ACFE, ACIND, ACSZ, and ACFM). It is obvious from the literature that agency theory is being used extensively in corporate governance studies, and the proponents of this theory argue for the importance of establishing a monitoring mechanism to address the conflicts of interest between the principals and agents due to the separation of control and ownership (Jensen & Meckling, 1976). The agency

theory perspective considers corporate governance mechanisms as an important framework established to reduce the agency cost in organizations (Maulana et al., 2022). According to Jensen & Meckling (1976), the corporate governance mechanism is among the methods used by principals to monitor performance and conduct in the agency relationship. Nevertheless, this monitoring mechanism results in agency costs to organisations. Therefore, the agency theory as used in this research is relevant in studying the structure of corporate governance as it describes the relationship between management (agents) and owners (principals) based on the assumption that each of them acts to maximize self-interest, which results in conflict between the principal and agent, and generates the agency cost (Haryono & Paminto, 2015).

However, the fact that agency theory exclusively focuses on self-interest and human opportunistic conduct means that it ignores a broader scope of human motivations (Galla & Mashala, 2023). As principals hire agents to manage organizational businesses, and directors (audit committee) to oversee the performance of the agents, operational performance of such organizations may diminish if the self-interests of hired agents and those of principals are not aligned (Pepper, 2019). Therefore, the managers' and owners' interests must be aligned through a justifiable share of ownership and remuneration, respectively. According to Pepper (2019) the agency theory ignores discussions on the provision of resources by hired agents and directors (audit committee). The agents and audit committees are crucial elements in organizations, and they have the power to lead and oversee the organization toward success or failure (Akram & Ul Haq, 2022). Unfortunately, the agency theory emphasises failure situations that agents and audit committees may cause through

remuneration and agency costs. At the same time, they contribute their unique human capital and social capital, which are collectively addressed by resource dependency theory.

Agency and resource-dependence theories propose that the board of directors has two main tasks: monitoring and advising the management of organizations (Hillman & Dalziel, 2003) and that these tasks constitute the key roles of the board of directors (Geletkanycz, College, & Boyd, 2011). In highly performing organizations, boards of directors are less engaged in both monitoring and advisory roles; however, in poorly performing organizations, boards of directors are more engaged in monitoring and advisory roles (Pugliese et al., 2013). In addition, previous studies have established that ACE is attributed to the audit committee's characteristics, such as financial expertise, independence, size, and frequency of meetings (Aljaaidi, Alothman, Sharma, & Bagais, 2021). Apart from these characteristics, this study determines the contribution of the audit committee advisory role to the audit committee effectiveness of regulatory authorities in Tanzania. The audit committee's advisory role was derived from the resource dependency theory.

Furthermore, several studies have been conducted to examine relationships between different factors of corporate governance practices. However, the author did not find a study that examines the effect of the audit committee characteristics on the corporate governance practices in the context of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable. The board of directors of regulatory authorities in Tanzania has been establishing audit committees from among their

members, which is part of good corporate governance practices in monitoring financial reporting and enhancing accountability and transparency (Jamil, 2020). In establishing an audit committee, there are specific characteristics that influence the corporate governance practices. It is emphasized that an audit committee is among the key pillars of a good corporate governance framework responsible for reducing problems of information asymmetry, improving board oversight role, enriching quality of financial statements, enhancing internal and external auditors' performance, independence, and objectivity, and improving decision making on financial matters (Buallay & Al-Ajmi, 2020). To address these corporate governance practices, this study examines the contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable.

2.4 Empirical Literature Review

2.4.1 Audit Committee Characteristics on ACE

The audit committee characteristics (ACC) as discussed under this study are the audit committee advisory role (ACAR), audit committee financial expertise (ACFE), audit committee independence (ACIND), audit committee size (ACSZ), and audit committee frequency of meetings (ACFM). Therefore, the empirical literature review for the effect of ACC on ACE is presented below:

2.4.1.1 Audit Committee Advisory Role (ACAR) on ACE

RDT is a theoretical perspective on the audit committee advisory role as developed by Pfeffer & Salancik (1978) to appreciate the controls of numerous social objects. It is

among the most influential theories on research undertaken on governance (Dong & Götz, 2020). Pfeffer & Salancik, (1978) established four significant benefits of the audit committee advisory role, which include (i) advice and guidance; (ii) legitimacy and reputation; (iii) channels of external communication; and (iv) creating preferential access to external support. The previous studies applied RDT to examine the audit committee's ability to provide helpful external resources to entities (Dong & Götz, 2020). The results of a study based on RDT by Dal Magro & Klann (2020) showed that the existence of directors with different expertise in audit committees is a foundation of resources for advisory services to management. According to Akwenye, Chata, & Benedict (2016), an effective audit committee advises management on matters, which include the annual audit plans, and management responses to audit findings and audit recommendations. In addition, an effective audit committee has an advisory role, which enhances the expectations of principals or owners of entities to receive more reliable and transparent financial reports (Elhawary, 2021). Based on these theoretical reviews, the following hypothesis was developed:

H_1: Audit committee advisory role significantly and positively influences the audit committee effectiveness of regulatory authorities in Tanzania.

2.4.1.2 Audit Committee Financial Expertise (ACFE) on ACE

Most governance regulations in the world recommend that audit committees be composed of at least one member with accounting and financial expertise (Boshnak, 2021). Similarly, the ACE is enhanced when the audit committee has at least one member with financial expertise (Gallena et al., 2019). Furthermore, ACFE is one of the significant inputs of an ACE (Elhawary, 2021). In addition, the presence of

members with financial expertise in the audit committee indicates ACE (Al-Hadrami, Rafiki, & Sarea, 2020). In South Africa, ACE is linked to its members' expertise in accounting (Legodi, 2021). In the case of Tanzania, the audit committee should be composed of at least one member with accounting expertise (URT, 2019). Despite these, some scholars reported the existence of an insignificant relationship between audit committee financial expertise and entities' sustainability reports (Buallay & Al-Ajmi, 2020). Likewise, the study conducted in Indonesia on the effect of audit committee characteristics on the timeliness of the audit report found that audit committee financial expertise had no impact on audit report timeliness (Syofyan, Septiari, Dwita, & Rahmi, 2021). Based on these empirical reviews, the following hypothesis was developed:

H_2: Audit committee financial expertise significantly and positively influences the audit committee effectiveness of regulatory authorities in Tanzania.

2.4.1.3 Audit Committee Independence (ACIND) on ACE

The crucial characteristic of an audit committee is its independence from management, by being objective in the presentation of financial statements (Akpan & Nsentip, 2020). The independence enhances the audit committee's monitoring role (Elhawary, 2021). It makes the audit committee more objective in its monitoring role in the transparency of financial reporting, enhancing its role in preventing misstatements of financial statements, and decreasing the agency problem between management and owners (Mardessi, 2021). The Saudi Arabian Code of Corporate Governance requires audit committee members to be independent non-executive directors (Boshnak, 2021). The study conducted in the Western Region of Ghana to examine the relationship between

audit committees and corporate governance established that most of the audit committee members are independent non-executives of their entities (Dwamena, 2021).

In addition, Tanzania's Audit Committees Guide for Public Sector Entities, 2019 stipulated that the audit committee should be composed of members external to the entity to enhance its independence (URT, 2019). Furthermore, policymakers and researchers advocated audit committee independence as one of the critical factors in enhancing good corporate governance practices. Likewise, in terms of empirical evidence, some previous studies have indicated that audit committee independence and audit quality are insignificant, in line with agency theory (Boshnak, 2021). Based on these empirical reviews, the following hypothesis was developed:

H_3: Audit committee independence significantly and positively influences the audit committee effectiveness of regulatory authorities in Tanzania.

2.4.1.4 Audit Committee Size (ACSZ) on ACE

The audit committee size is a critical factor for the audit committee to be effective in performing its monitoring and advisory roles (Mardessi, 2021). The audit committee is required to have at least three members (Agyei-Mensah, Agyemang, & Ansong, 2019). The UK Corporate Governance Code on the effectiveness of audit committees provides that the audit committee should be composed of at least three members (Al-Okaily & Naueihed, 2019). The international recommendation requires audit committees to be composed of three to six members (Kandandu et al., 2015). The Saudi Arabia Code of Corporate Governance recommends audit committee consist of

at least three directors (Boshnak, 2021). The Egyptian corporate governance codes require the audit committee to be composed of three non-executive members (Elhawary, 2021). Furthermore, the South African Companies Act and King IV Report provide for an audit committee to comprise at least three members (Deloitte, 2018). The audit committee should be composed of a minimum of three members and a maximum of five members (URT, 2019). However, the study conducted in Indonesia on the effect of audit committee characteristics on the timeliness preparation of the audit report found that audit committee size had no impact on audit report timeliness (Syofyan et al., 2021). Also, some scholars have indicated an insignificant relationship between audit committee size and the quality of financial reports (Hasan, Kassim, & Hamid, 2020). Based on the above empirical reviews, the following hypothesis was developed:

H_4: Audit committee size significantly and positively influences the audit committee effectiveness of regulatory authorities in Tanzania.

2.4.1.5 Audit Committee Frequency of Meetings (ACFM) on ACE

The audit committee is required to hold regular meetings, and the number of such meetings is recommended to be four per year (Gallena et al., 2019). The international standards and regulations recommend the frequency of audit committee meetings to be a minimum of three (3) and a maximum of four (4) meetings a year (Ha, 2022). The UK Corporate Governance Code provides for the audit committee frequency of meetings to be at least three in a year (Al-Okaily & Naueihed, 2019), and the Saudi Arabia Code of Corporate Governance requires audit committees to meet periodically, but at least four times during the financial year (Boshnak, 2021). The audit committee

is required to hold its meetings regularly (URT, 2019). Furthermore, an effective audit committee for monitoring and controlling management uses to meet frequently (Elhawary, 2021). However**,** not every national corporate governance code specifies the number of committee meetings. For example, the Corporate Governance Code in Bahrain (2018) emphasizes the importance of allocating time to committee meetings to effectively exercise the assigned duties and responsibilities with high-level performance and quality (Oudat et al., 2021). In addition, Haji-Abdullah and Wan-Hussin (2015) established that there was an insignificant association between the number of audit committee meetings and the management of real earnings (Syofyan et al., 2021). Based on the above empirical reviews, the following hypothesis was formulated:

H_5: Audit committee frequency of meetings significantly and positively influences the audit committee effectiveness of regulatory authorities in Tanzania.

2.4.2 Audit Committee Characteristics on CGP

An effective audit committee is established in consideration of specific characteristics, which include financial expertise, size, independence, and frequency of meetings, to address good corporate governance practices in regulatory authorities in Tanzania. Apart from these characteristics, this study considered the advisory role and monitoring aspects of good corporate governance practices, which create accountability and transparency in the way regulatory authorities are operated and governed (Wu et al., 2022). The world trend showed that, in the last decade, several developing countries have started to address corporate governance practices (CGP), and the issuance of the National Corporate Governance Code (NCGC) has been

increasing (Bosáková et al., 2019). NCGC provides ideal audit committee characteristics to make it effective and thus, more independent, more diligent, and better for governance mechanisms, resulting in quality internal and external auditing and enhanced integrity of financial reports (Al-Hajaya, 2019). To enhance corporate governance practices and improve the efficiency of organizations, the board of directors and their audit committees have an oversight responsibility to ensure that decisions made within their organizations are within the corporate governance framework (Elhawary, 2021). Therefore, audit committee characteristics are critical in shaping audit committees' effectiveness in the public sector entities by reflecting their key roles in promoting accountability, transparency, and good corporate governance practices (Mbelwa & Munyangabi, 2024). In this regard, the empirical literature review for the effect of ACC on CGP is presented below:

2.4.2.1 Audit Committee Advisory Role (ACAR) on CGP

The board forms an effective audit committee from among its members who are directly responsible for corporate governance practices (Omolaye & Jacob, 2018). When an individual is appointed to become a board member, organizations are expected to get benefits from those members, and among the primary benefits are advice and counsel (Pfeffer & Salancik, 1978). The advice and counsel are the first capital from the boards. In addition, previous studies established that boards perform two leading roles, the advisory role and the monitoring role of their organizations' management (Zalata, Tauringana, & Tingbani, 2018). This means the audit committee has an advisory role aimed at improving organizational performance, generally on improving accountability, strengthening environmental control, and assisting

management to fulfil its stewardship and leadership responsibilities (Akwenye et al., 2016).

Theoretically, the audit committee should balance between its two leading roles, the monitoring role and advisory role, to enhance the performance of its organization. While the advisory role focuses more on the strategic decision, the monitoring role is directed to monitoring and observing the management's day-to-day operations (Al-Daoud, Saidin, & Abidin, 2016). Scholars argue that the audit committee plays an advisory role, which is crucial in enhancing owners' and stakeholders' expectations of receiving the most reliable financial reports from the management of their entities (Elhawary, 2021). Furthermore, Bhatt & Bhattacharya (2015) made references to previous research, which found that the audit committee function, among others, is to provide resources to management that include the provision of strategic advice and links to the external environment. Furthermore, the resource dependency theory views boards as an asset to organisations, with the duty to provide advice on strategic initiatives (Pugliese et al., 2013). Based on the above empirical reviews, the following hypothesis was formulated:

H_6: Audit committee advisory role significantly and positively influences the corporate governance practices of regulatory authorities in Tanzania

2.4.2.2 Audit Committee Financial Expertise (ACFE) on CGP

Regulatory authorities require entities under their regulation to form an audit committee to ensure true and fair financial reporting and the existence of an effective auditing system (Rashid, Salim, & Ahmad, 2021). ACFE is one of the critical

mechanisms of CGP, as it has a vital role in overseeing financial reporting procedures and enhancing corporate financial decisions in organizations (Al Lawati & Hussainey, 2021). The primary purpose of establishing an audit committee is to provide oversight over the management of entities in the financial reporting process in compliance with laws, regulations, external audit processes, internal control systems, and the timely preparation of financial reports (Eklemet, Mohammed, Gyamera, & Twumwaah, 2023). The presence of accounting or finance experts in the audit committees provides technical competence, which enhances audit committee effectiveness, eliminates audit report lag, and ensures timely authorization of the draft audited financial statements (Ehigie & Isenmilia, 2022). The financial expertise assists external auditors in improving the timely reporting of their independent opinions on the financial reports (Alabi, Sanni, & Abdulrasaq, 2022). In addition, members with financial expertise enable the committee to confidently discuss with management on the applicable accounting standards and significant accounting policies, monitor compliance, and oversee the financial reporting process (Al-Baidhani, 2016). Furthermore, reforms undertaken in corporate governance mechanisms are drivers for improving controls and monitoring of the financial reporting process (Kakozi, Chalu, & Mzenzi, 2020). Based on the above empirical reviews, the following hypothesis was formulated:

H_7: Audit committee financial expertise significantly and positively influences the corporate governance practices of regulatory authorities in Tanzania

2.4.2.3 Audit Committee Independence (ACIND) on CGP

Independence is an important characteristic emphasized by the agency theory to ensure audit committee members are free from any influence, or conflicts of interest, which

could compromise their abilities to act reasonably and in the best interests of principals (Jensen & Meckling, 1976). ACIND is a pillar of corporate governance and a critical characteristic for ensuring that the audit committee is effectively fulfilling its oversight role (Mbelwa & Munyangabi, 2024). Independent, non-executive directors in the audit committee play a significant role in providing specific resources, which are not possessed by the management of organizations (Hasan et al., 2020). The study conducted in India showed that there is a significant and positive effect of audit committee independence to the financial performance of entities (Al-ahdal & Hashim, 2022). In addition, the study conducted in Vietnam showed that audit committee independence has a significant and positive effect on the level of corporate governance disclosures (Ha, 2022). The entities whose audit committees are independent disclose voluntarily required ethical information and assure the stakeholders that full disclosure of material information has been made in compliance with the corporate governance practices (El-Deeb, Alarabi, & Mohamed, 2024). Based on the above empirical reviews, the following hypothesis was formulated:

H_8: Audit committee independence significantly and positively influences the corporate governance practices of regulatory authorities in Tanzania

2.4.2.4 Audit Committee Size (ACSZ) on CGP

The size of the audit committee is about the number of directors appointed to form the committee and is a pivotal attribute in the agency theory framework (Mbelwa & Munyangabi, 2024). To enhance audit committee effectiveness on corporate governance practices, the committee must be composed with a satisfactory number of members to execute its established functions effectively (Alkilani, Wan Hussin, &

Salim, 2019). The study conducted in Malaysia revealed that audit committee size has a significant and positive impact on voluntary disclosures in financial statements as required by good corporate governance (Hasan et al., 2020). The larger audit committee size can minimize the agency problem between principals and agents because a larger size means a larger set of talented and skilled members are included in the committee for effective monitoring and control of management opportunistic behaviours (Bakri, Ayub, & Gazali, 2024). Based on the above empirical reviews, the following hypothesis was formulated:

H_9: Audit committee size significantly and positively influences the corporate governance practices of regulatory authorities in Tanzania

2.4.2.5 Audit Committee Frequency of Meetings (ACFM) on CGP

A meeting is an important event in corporate governance practices to amicably discuss, share issues, and resolve problems faced by organizations, and hence, where more meetings are held, more issues are shared, and more problems can be resolved (Ashari & Krismiaji, 2020). An organization is expected to conduct periodic scheduled meetings of the audit committee as required by good corporate governance. Corporate governance practices, as stipulated in the USA Securities and Exchange Commission (SEC), as well as in most of the advanced global corporate governance practices, emphasize the importance of ACFM (Shbeilat, 2023). The agency theory advocates that the ACFM is useful for entities when such meetings derive more benefits than costs (Jensen & Meckling, 1976). The study conducted in 100 companies in Malaysia found that the ACFM reduced the number of key audit matters under the internal governance mechanism (Abu & Jaffar, 2020). The study conducted in India showed

that there is a significant and positive effect of audit committee frequency of meetings to the performance of entities (Al-ahdal & Hashim, 2022). Based on the above empirical reviews, the following hypothesis was formulated:

H_{10}: Audit committee frequency of meetings significantly and positively influences the corporate governance practices of regulatory authorities in Tanzania

2.4.3 Audit Committee Effectiveness (ACE) on CGP

The ACE has increasingly become vital in the global corporate governance agenda as well as in businesses and emerging markets (Elhawary, 2021). The indicators of ACE in promoting corporate governance practices (CGP) are audit committee characteristics (Dwamena, 2021). Corporate governance is all about how entities are run and how the board of directors oversees management functions and accountability to the owners of entities and other stakeholders (Bhandari, 2018). Traditionally, an ACE focuses on overseeing the entity's financial reporting processes and internal and external audit functions, among other oversight roles, being part of CGP (Worrall, 2020). CGP in the public sector involves the arrangement of resources and systems, which include financial reporting and strategic decision processes in controlling entities to achieve stakeholders' collective interests (Lartey et al., 2020). The study conducted in South Africa established that the existence of ACE in public sector entities is an indication of good corporate governance (Dzomira, 2020). Audit committee's oversight role on corporate governance provides the public with accurate, complete, and reliable financial information (Al-Baidhani, 2016). Accountability, a key obligation of any public entity, requires the board to represent stakeholders' interests and comply with international accounting standards and other best practices

(Lartey et al., 2020). The audit committee is responsible for overseeing the entity's financial reporting process and disclosures of its financial information to ensure that the entity's financial statements are correct, sufficient, credible, and give a true and fair view (Bansal & Sharma, 2016). Furthermore, previous studies have identified measures of good corporate governance to come from corporate laws or corporate governance codes, including transparency and accountability (O'Connell & Ward, 2020). Based on the above reviews, the following hypothesis was formulated:

H_{11}: Audit committee effectiveness significantly and positively influences the corporate governance practices of regulatory authorities in Tanzania.

2.4.4 Mediating Effect of Audit Committee Effectiveness

This study on the contribution of audit committee characteristics to corporate governance practices uses audit committee effectiveness as a mediating variable. The audit committee characteristics are independent variables, and corporate governance practices are the dependent variable in this case. Previous studies recommended that researchers should not only concentrate on describing the relationship between independent variables and dependent variables but should also strive to explain such relationships in terms of mediating processes (Fiedler, Schott, & Meiser, 2011). In addition, previous studies showed that audit committee characteristics significantly affect audit committee effectiveness (Oussii & Taktak, 2018). The role of the audit committee is to reduce and possibly eliminate agency conflicts and agency problems between management and owners (Abu & Jaffar, 2020).

The audit committee's effectiveness as a mediating variable in this study was proposed to test the relationship between audit committee characteristics and corporate governance practices, thereby contributing to the body of knowledge and corporate governance studies on the role of audit committees in corporate governance mechanisms. The constructs proposed for the mediating variable were the ones making the committee more effective, which include co-opting external experts, the capacity to analyze financial statements, compliance with the Treasury Registrar Circular for holding extra meetings upon getting prior approvals, holding meetings with CAG in the absence of management, and conducting the annual review of internal audit plans (Al-Baidhani, 2016; URT, 2019; IIA, 2014). There are several studies conducted on audit committee effectiveness; however, the researcher is not aware of a study that used audit committee effectiveness as a mediating variable between audit committee characteristics and corporate governance practices. Therefore, based on the given explanation, the following hypothesis was developed:

H_{12}: Audit committee effectiveness significantly mediates the relationship between audit committee characteristics and corporate governance practices of regulatory authorities in Tanzania.

2.5 Research Gaps

The primary objective of research is to generate new knowledge by addressing identified gaps in the existing literature and contributing to a specific body of knowledge. After conducting a critical theoretical and empirical review of the literature, the researcher discovered a lack of empirical studies that employed quantitative research methods with an explanatory research design to investigate the

contribution of audit committee characteristics to the corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable.

Therefore, this study focuses on corporate governance to add knowledge in the context of regulatory authorities in Tanzania and fills the contextual gap with the audit committee's effectiveness as a mediating variable. The study also contributes to the agency theory by adding the advisory role construct, an external resource variable, from the resource dependence theory (RDT) in advising management (Dong & Götz, 2020) to fill the theoretical gap. Furthermore, the researcher was aware of the existence of audit committees in Tanzania's regulatory authorities, but was not aware of any empirical studies conducted using a quantitative research method with an explanatory research design to establish the contribution of audit committee characteristics to corporate governance practices of the regulatory authorities in Tanzania. Hence, this study bridges this empirical gap. Therefore, this study fills the three research gaps: theoretical, empirical, and contextual gaps with a mediating variable. These three identified gaps are discussed below:

2.5.1 Theoretical Gap

The theoretical gap occurs when an existing theory is insufficient to explain a phenomenon, or the previously conducted research has used a theory whose gap was identified in that previous study, or the gap has been identified in the current literature review (Miles, 2017). The researcher identified an apparent theoretical gap in the agency theory during the literature review as the prior research concerning agency

theory on the audit committee and governance research did not consider the advisory role of the audit committee as an important construct derived from the resource dependency theory, for use in the agency relationship. Agency theory emphasizes on audit committees' monitoring role and control mechanism, while resource dependency theory, on the other hand, emphasizes on the success and survival of organizations, and reliance on the advisory role for managing organizational good relationships with external stakeholders. In this regard, resource dependency theory fills the theoretical gap left by the agency theory through its focus on the advisory role and its usefulness in addressing the importance of both internal and external resources. Therefore, this study derived this construct from the resource dependency theory and tested its significance in the effectiveness of audit committees in the principal-agent relationship.

2.5.2 Empirical Gap

An empirical gap in research occurs when there is no previous research or there is a lack of data or study that supports a claim or hypothesis, to the extent that the facts can be established through further data collection or conducting a study (Mueller-Bloch & Kranz, 2015). In this study, the researcher did not find a previous study that addressed the hypotheses posed in this study. Hence, it appears an empirical gap exists in the prior research, and there was no rigorous research in the previous literature. Therefore, it is worthwhile for this study to bridge the identified empirical gap.

2.5.3 Contextual Gap

The literature reviews indicated that several studies on ACE established that the effectiveness is a result of audit committee characteristics, including audit committee

financial expertise, audit committee independence, audit committee size, and audit committee frequency of meetings (Oroud, 2019). There is a lack of rigorous research in the prior literature that examined the contribution of ACE to the corporate governance practices of regulatory authorities in Tanzania. The previously conducted studies were primarily focused on ACE in the listed companies (Qasim, 2018;Gallena et al., 2019); in firms' performance (Alqatamin, 2018;Ashari & Krismiaji, 2020), in audit quality (Al-Hajaya, 2019), and on profitability (Oroud, 2019). Furthermore, most of the previously conducted studies were focused on the listed companies, whose majority are private entities (Kapkiyai, Cheboi, & Komen, 2020; Ngollo & Mwenda, 2022; Bazhair, 2021; Ha, 2022). Nevertheless, from the best knowledge of the authors, there is only one study by Gallena et al. (2019) that was specifically focused on the effect of audit committee effectiveness on corporate governance: an empirical study on publicly listed companies in Indonesia. Its object was the publicly listed companies in the Indonesian Stock Exchange, which is also different from the institutional framework of regulatory authorities in Tanzania. Furthermore, corporate governance, which was the dependent variable in that Indonesian study, was measured by the Corporate Governance Perception Index (CGPI). Such an arrangement does not exist in Tanzania as it has not established the National Corporate Governance Codes.

2.6 Conceptual Framework

A conceptual framework is the explanation of the way the researcher will explore the statement of the research problem (Adom et al., 2018). According to Adom et al. (2018), a conceptual framework is a pictorial representation of relationships between

constructs or variables of the research study that assist in explaining how a research problem was explored (Adom et al., 2018).

The conceptual framework for this study has been developed based on the determinants of audit committee characteristics (ACC) as an independent variable, corporate governance practices (CGP) as a dependent variable, and audit committee effectiveness (ACE) as a mediating variable. Therefore, the conceptual framework is presented in **Figure 2.1**.

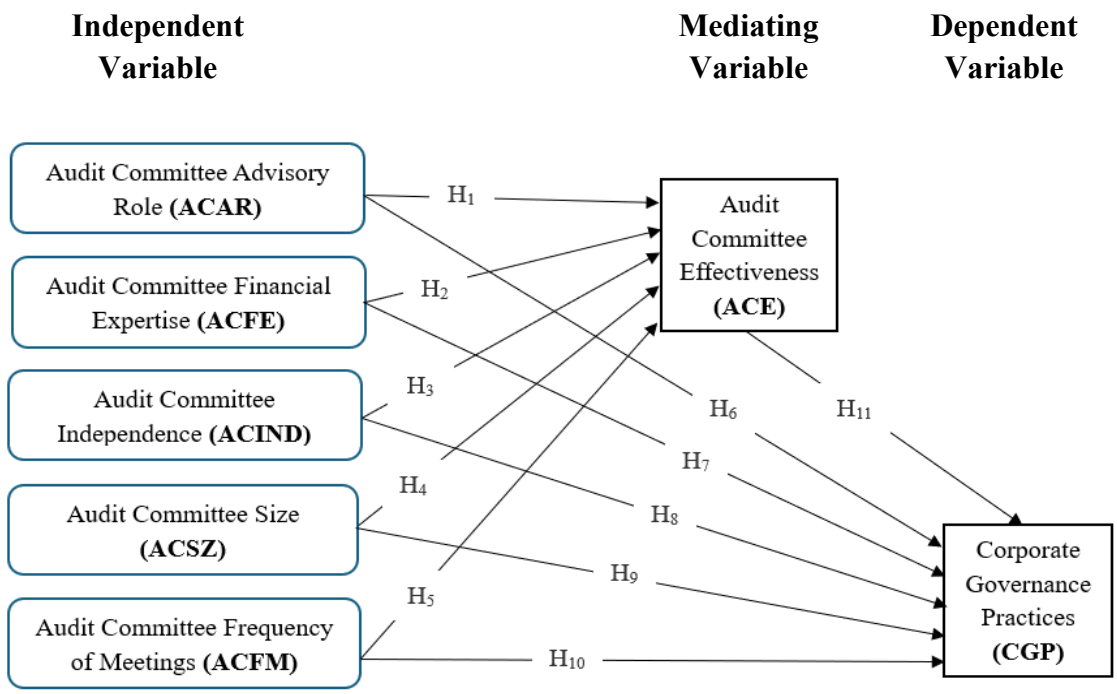

Figure 2.1: Conceptual Framework

Source: Researcher development based on the synthesis of the literature (2024)

The explanations and descriptions of the variables (independent variable, mediating variable, and dependent variable) as used in the conceptual framework (**Figure 2.1**)

are provided in **Table 2.1**. The conceptual framework consists of three latent variables, namely ACC, ACE, and CGP, which are made up of the other latent or observed variables.

Table 2.1 indicates the latent variables, observed variables, and their respective constructs. In total, there are 50 constructs developed from the 50 survey questions, composed of ACC (22 questions), ACE (5 questions), and CGP (23 questions).

Table 2.1: SEM Model Structure - Exogenous and Endogenous Variables

No	Latent Variables	Descriptions	Latent/Observed Variables		Quantity
1.	ACC	Exogenous variable- represent independent factor that influence another variable in the model but is not influenced by other factor.	ACAR	acar1, acar2, acar3, acar4	4
			ACFE	acfe1, acfe2, acfe3, acfe4	4
			ACIND	acind1, acind2, acind3, acind4, acind5	5
			ACSZ	acsz1, acsz2, acsz3, acsz4 acsz5	5
			ACFM	acfm1, acfm2, acfm3, acfm4	4
Sub-Total (Constructs) for ACC			ACC Surveyed Questions		22
2.	ACE	Mediating Variable	ACE	ace1, ace2, ace3, ace4, ace5	5
Sub-Total (Constructs) for ACE			ACE Surveyed Questions		5
3.	CGP	Endogenous variable - dependent variable explained by exogenous variable and/ or other endogenous variables.	ACBG	acbg1, acbg2, acbg3, acbg4, acbg5	5
			ACIA	acia1, acia2, acia3, acia4	4
			ACEA	acea1, acea2, acea3, acea4	4
			ACFR	acfr1, acfr2, acfr3, acfr4 acfr5	5
			ACFA	acfa1, acfa2, acfa3, acfa4, acfa5	5
Sub-Total (Constructs) for CGP			CGP Surveyed Questions		23
Grand-Total (Constructs)			Total Surveyed Questions		50

Source: Researcher's Literature Review, 2024

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

The methodology section of a research study encompasses essential guidelines and procedures necessary for conducting the investigation effectively (Thomas, 2021). It offers a structured framework to aid researchers in selecting and applying suitable research designs (Creswell, 2009). Thus, this chapter provides research methodology, which includes research philosophy, research approach, research design and strategy, area of the study, target population, sampling frame, sample size, source of data, methods of collection, variables, and measurement procedure. Moreover, the chapter provides validity and reliability procedures, the survey questionnaire, data analysis, validation of the research instrument, and ethical considerations.

3.2 Research Philosophy

The research philosophy, which is also referred to as the research paradigm, is a theoretical or philosophical ground for research work (Khatri, 2020), which enables researchers to explain the values, goals, and research approach (Dougherty, Slevc, & Grand, 2019). Several research philosophies have been discussed in previous literature; however, there was no consensus among researchers on the acceptable number of their classifications (Ugwu, Ekere, & Onoh, 2021). Saunders, Lewis, & Thornhill (2019) classified research philosophy in business and management research into five major philosophies, namely, positivism, critical realism, interpretivism, post-modernism, and pragmatism. However, the commonly used classifications in the extant literature are positivism, interpretivism, and pragmatism (Ugwu et al., 2021).

The research philosophy adopted for this study is positivism. Positivism is a branch of research philosophy that holds that reality exists independently of human beings (Rehman & Alharthi, 2016). Positivism is concerned with the philosophical standpoints of natural scientists (Saunders et al., 2019), and it undertakes that there are social facts in the phenomena with objective realities apart from individual beliefs (Bahari, 2010). The positivist research philosophy was chosen as it generates knowledge from collected data, and it is believed to provide absolute and undeniable truth about cause-and-effect relationships between independent variables and dependent variables using appropriate measurement tools (Leedy, Ormrod, & Johnson, 2021). Furthermore, the positivist philosophy assumes that when a cause-and-effect relationship exists between established phenomena, hypotheses about the causal relation between phenomena are developed and tested (Rehman & Alharthi, 2016). Hypothesis testing usually involves the formation of tentative explanations for behaviours and testing them after the collection of sufficient data about those behaviours, to develop supportable explanations from the results (Bordens & Abbott, 2018). Thus, empirical evidence was collected, analyzed, and formulated in a form that explains the effect of independent variables on the dependent variable for the study (Rehman & Alharthi, 2016).

3.3 Research Approach

There are generally two types of research approaches: the inductive research approach and the deductive research approach (Ugwu et al., 2021). The deductive approach is usually used to confirm or reject tested hypotheses in quantitative research (Barroga, Matanguihan, Furuta, Arima, Tsuchiya, Kawahara, Takamiya, & Izumi, 2023). The

research approach used for this study is deductive, which is typically applicable in quantitative research where the researcher tests the hypothesis for confirmation or rejection (Creswell & Creswell, 2018). Generally, the deductive research approach deals with a causal relationship between dependent variables and independent variables, whose primary purpose is to gain knowledge in unknown areas and to explain why events occur; it also builds, extends, or tests theory (Neuman, 2014). Furthermore, the deductive approach uses literature to develop a conceptual framework for subsequent testing (Saunders et al., 2019).

3.4 Research Method

The research method is how research data are collected, analysed, and interpreted to get the results (Melnikovas, 2018). Generally, there are two research methods – the quantitative research method and the qualitative research method; however, when these two methods are combined and used together in the same research, it is called a mixed research method (Barroga et al., 2023). This study employed a quantitative research method. This method was chosen because it is usually used for testing hypotheses, and the researcher for this study has developed hypotheses to predict the expected results of relationships between independent variables and dependent variables (Creswell & Creswell, 2018). In addition, quantitative research seeks to establish a cause-and-effect relationship between independent variables and a dependent variable by use of statistical, mathematical, and computational methods (Maxwell, 2016). Furthermore, this study has applied a survey questionnaire, which is a preferred tool for the collection of data and its analysis using quantitative measures.

3.5 Research Design and Strategy

Research design is a framework developed for the collection and analysis of research data to answer the research question and achieve research objectives (Saunders et al., 2019). According to Asenahabi (2019), the research design is a general plan consisting of connecting research problems to the research objectives; thus, it is a step-by-step procedure prepared before collecting and analyzing research data to achieve the research objectives properly. Furthermore, Creswell & Creswell (2018) defined research design as a type of inquiry within qualitative, quantitative, and mixed research methods approaches. A researcher must select the most appropriate design that fits the type of research study (Asenahabi, 2019). In this study, the researcher selected an explanatory research design. The explanatory research design enables the researcher to show the cause-and-effect relationship between independent variables and dependent variables (Kassa, 2021). Therefore, the hypothesized relationships between independent variables and dependent variables were tested through analysis of research data collected using a survey questionnaire. Thereafter, from the findings of the study, patterns to describe the causal links of interest to the researcher were drawn.

The research strategy is a general way of helping researchers choose methods of data collection or sets of methods prepared by researchers to answer research questions for the sake of meeting research objectives (Melnikovas, 2018). In this study, a survey strategy was employed for data collection to obtain the best results. The survey strategy, which utilizes a questionnaire, is widely recognized for enabling researchers to collect standardized data economically from a large sample, facilitating easy analysis and comparison of information (Saunders et al., 2019). Therefore, the survey

strategy was preferred as it provided a quantitative description of trends, attitudes, and opinions collected from a sample of the population and was used to test associations between variables in the hypotheses (Creswell, 2014). Furthermore, the questions in a questionnaire used for data collection were organized into self-administered questions, which enabled participants to complete the questionnaire independently.

3.6 Study Area and Target Population

This study was conducted in the three cities of Arusha, Dar es Salaam, and Dodoma. The three cities were chosen because they host the head offices of the 20 regulatory authorities selected to participate in the study. The selection of regulatory authorities was based on the fact that most governments in the world, including the Government of Tanzania, have delegated their fundamental regulatory powers to regulatory authorities in major socio-economic areas, including utilities, finance, food safety, therapeutic products, environmental protection, and therefore, regulatory authorities are responsible for a number regulatory functions, which include licensing, standard setting, monitoring, rule refinement, conformity assessments, and finally, taking regulatory action against the regulated service providers in case of any violation or non-compliance with the regulations and/or economic and safety standards (Maggetti et al., 2022). The researcher believes that when regulatory authorities fulfill their statutory mandates effectively, service providers will deliver the best possible services, and consumers will be satisfied.

Therefore, the researcher obtained the list of regulatory authorities from the Office of the Treasury Registrar to facilitate this study. The target population for the study

comprises a total number of 1,196 respondents, including board members, chief executive officers, management staff, accountants, and auditors from the selected 20 regulatory authorities in Tanzania Mainland, as shown in **Appendix 3**. The selection of participants from the population was based on their in-depth understanding of audit committee characteristics and their effectiveness in enhancing corporate governance.

3.7 Sample Size

The sample size is a subset of a population, usually referred to as the number of respondents or observations to be included in a study (Memon, Ting, Cheah, Thurasamy, Chuah, & Cham, 2020). This study will use a regression analysis model. According to Tabachnick &Fidell, (2014), Green (1991) provided a thorough discussion of the computation of the minimum sample size required for a study using a regression analysis model by applying a 'rule-of-thumb', $N \geq 50 + 8m$, where m is the number of independent variables. In addition, Owolabi, Ayandele, & Olaoye (2020) argued that literature in SEM indicated the standard sample sizes from 200 to 400 cases for a model with 10 to 15 indicator variables and a commonly applied 'rule of thumb': $N \geq 50 + 8k$, where k is the number of indicators. This study has 11 independent variables. Thus, the minimum sample size is 138 participants, as determined by the computation $N \geq 50 + 8*11 = 138$.

However, the fact that the population size for the study is known to be 1,196 participants, consisting of board members (147), management employees (155), auditors, and accountants (894), as summarized in **Appendix 3**. The determination

of the required sample size for this study was made from the known population using Taro Yamane's formula:

$$n = \frac{N}{1+Nd^2}$$

Where *n* is the sample size, *N* is the population size, and *d* is a sampling error (Uakarn, Chaokromthong, & Sintao, 2021). Therefore, using the level of precision (sampling error) of $\pm 5\%$, the required sample size was established to be 300 respondents, derived from the Taro Yamane's formula:

$$n = \frac{1{,}196}{1+(1{,}196)(0.05)^2} = 299.74 \approx 300.$$

The literature on business and social science studies recommended a minimum sample size for surveys to range from 100 to 200 participants (Fowler, 2013, cited by Sathyanarayana, Mohanasundaram, Pushpa, & Harsha, 2024). For studies that use SEM, Ding, Velicer, & Harlow (1995) recommended a minimum sample size of 100 to 150 participants. Furthermore, according to Kline (2016), for studies that use SEM, a minimum sample size of 200 participants is frequently recommended to ensure the stability of parameter estimates and the overall fit of the model. Therefore, the sample size of 300 participants for this study, which was derived from the population of 1,196, is appropriate and adequate. In this regard, a total of 300 survey questionnaires were distributed to the randomly selected 300 participants.

3.8 Sampling Frame and Sampling Unit

A sampling frame is a representative of the population containing the list of individuals or respondents from which a sample is drawn (Taherdoost, 2016). Simply, a sampling frame is the list of the sampling units from which participants or respondents to the

study are drawn, and sampling units are individuals or participants in the study whose responses are collected as research data (West, 2016). Therefore, a sampling frame for this study consists of 1,196 participants or respondents from 20 regulatory authorities in Tanzania, and the sampling unit is the individual participant from the selected regulatory authorities.

3.9 Sampling Technique

Sampling is an approach to selecting a sample for a study (Pesämaa, Zwikael, Hair, & Huemann, 2021), and it is generally referred to as selecting a subset from a chosen sampling frame or the entire population (Taherdoost, 2016). There are two sampling techniques: probability or random sampling, where each item in a sampling frame or population has an equal chance of being selected to establish a sample; and non-probability or non-random sampling, which is usually associated with a case study research design and qualitative research (Saunders et al., 2019; Taherdoost, 2016). Probability sampling is commonly associated with survey research strategy (Saunders et al., 2019). A sampling technique for this study is probability or random sampling. This sampling technique was selected because it applies to quantitative studies and involves the selection of a slightly larger sample size from a target population before data collection starts. It uses a recognized sampling frame to represent the target population (Etikan & Bala, 2017). To perform random sampling, each sampling unit in the selected sample was assigned numbers with the prefix consisting of serial numbers of the 20 regulatory authorities (01, 02, 03, … 20), followed by the group of participants which were assigned abbreviated letters CHR = Chairperson; BDM = Board Members; MGT = Management; and AAC = Auditors and Accountants.

Thereafter, the full list of participants was given serial numbers (1, 2, 3, …, 1,196). Thus, the assigned numbers to the participants from the first regulatory authority (01=BoT) was 01CHR0001, followed by 01BDM0002, 01BDM0003,….until all 20ACC1196 participants (20 = VETA) were listed in alphabetical order, serially numbered, and sequentially arranged with an equal chance of being selected. Thereafter, the researcher organized the assigned codes of 1,196 participants in one column of the Microsoft Excel spread sheet followed by the use of the *=RAND () function* to create a random sample in the second column of the spread sheet, sorted the two columns in ascending order, then the first 300 out of 1,196 participants from the top list were selected for distribution of the survey questionnaire.

3.10 Source of Data and Methods of Collection

This study collected primary data from the research participants using a structured self-completion survey questionnaire method, which is usually preferred for the collection of standard data and information (Saunders et al., 2019). The questions in the survey questionnaire were closed-ended structures and were administered to the selected sample of the study. The use of a survey questionnaire was relatively cheaper in terms of time and administration costs. The survey questionnaire, which was used for data collection, is attached as **Appendix 1.** Therefore, the source of data is participants from the sampling frame of 1,196 from 20 regulatory authorities in the Tanzania Mainland. The participants used their online data collection devices, which included smartphones, tablets, laptops, and desktop computers, to respond to online surveys for this study (Beatty, Collins, Kaye, Padilla, Willis, & Wilmot, 2020).

3.11 Variables and Measurement Procedure

The study had two main categories of variables to be measured, which were independent variables and dependent variables. In addition, there were three levels of measurement with their respective variables: audit committee characteristics (ACC), audit committee effectiveness (ACE), and corporate governance practices (CGP).

3.11.1 Variables for the Study

The ACC are independent variables that were measured using five (5) latent constructs: Audit Committee Advisory Role (ACAR), Audit Committee Financial Expertise (ACFE), Audit Committee Independence (ACIND), Audit Committee Size (ACSZ), and Audit Committee Frequency of Meetings (ACFM) with a total of twenty-two (22) measurement items. The ACE is a mediating variable of the relationship between ACC and CGP with five (5) measurement items. Finally, CGP is an independent variable measured by the five (5) latent constructs: Audit Committee in Board Governance (ACBG), Audit Committee in Internal Audit (ACIA), Audit Committee in External Audit (ACEA), Audit Committee in Financial Reporting (ACFR), and Audit Committee in Financial Authorization (ACFA) with a total of twenty-three (23) measurement items. In each of these constructs, a set of questions ranging from four (4) to five (5) was used to establish the constructs, and they were measured using the Likert scale. The variables and measurement items for the study are provided in **Table 3.1**.

Table 03.1: Variables and Measurement Items

Variable	Code	Items	Measurement Items	Measurement Scale	References
Audit Committee Characteristics (ACC)	*ACAR*	4	acar1=Dual role: Monitor and advise acar2=External resource in decisions acar3=Advice and Counsel Management acar4=Communication channel	5-Likert Scale: 1: Strongly disagree 3: Uncertain 5: Strongly agree	Dong & Götz (2020), Pfeffer & Salancik (1978), Dal Magro & Klann (2020), Al-Shaer & Zaman (2018).
	ACFE	4	acfe1=Certified Public Accountant acfe2=Basic financial knowledge acfe3=IPSASs and IFRSs knowledge acfe4=Accounting policies and standards	5-Likert Scale: 1: Strongly disagree 3: Uncertain 5: Strongly agree	Gallena et al. (2019), Boshnak (2021), Al-Hadrami et al. (2020), Legodi (2021).
	ACIND	5	acind1=All appointed by the board acind2=All are non-executive members acind3=Board Chair NOT attending AC acind4=Member is also a Board member acind5=Attend other committee meetings	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	(Akpan & Nsentip, 2020). (Elhawary, 2021), (Boshnak, 2021),Dwamena (2021).
	ACSZ	5	acsz1=Min. 3 and max. 5 members acsz2=Tenure expiry affects AC size acsz3=Difficulty of 10 or more members acsz4=Quorum is greater than half acsz5= All board members attend AC	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Agyei-Mensah et al. (2019). Al-Okaily & Naueihed (2019), (Boshnak (2021) Deloitte (2018).

Variable	Code	Items	Measurement Items	Measurement Scale	References
	ACFM	4	acfm1=Meets four times a year acfm2=Meet more than 6 times a year acfm3=Meetings are formal with minutes acfm4=Declaration of conflict of interest	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Gallena *et al.* (2019), Al-Okaily & Naueihed (2019), Boshnak (2021).
Audit Committee Effectiveness (ACE)	*ACE*	5	ace1=Co-opt external experts ace2= Financial statements analysis ace3=Extra meetings approved by TR ace4=CIA Annual performance review ace5=Meet CAG without management	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Pfeffer & Salancik (1978), Al-Baidhani (2016), Gallena et al. (2019), Rashid *et al.* (2021),
Corporate Governance Practices (CGP)	*ACBG*	5	acbg1=Board establishes AC Charter acbg2=AC receives board support acbg3=Board accepts responsibility acbg4=Board deliberates quarterly reports acbg5=Board evaluates AC annually	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Al-Hajaya (2019), Worrall (2020), Omolaye & Jacob (2018).
	ACIA	4	acia1= Approve Internal Audit Charter acia2= Review CIA reporting lines acia3= Existence of CIA reporting lines acia4= Meet CIA without Management	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Alzeban (2020), Buallay (2018), Rashid *et al.* (2021), Omolaye & Jacob (2018).

Variable	Code	Items	Measurement Items	Measurement Scale	References
	ACEA	4	acea1= Deliberate on CAG audit plan acea2= Ensure CAG is independent acea3= Review CAG audit findings acea4= Examine CAG non-audit services	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Agyei-Mensah (2019), Abdeljawad, Oweidat, & Saleh (2020), Al-Hajaya (2019).
	ACFR	5	acfr1=Oversee financial reporting process acfr2=Monitor accounting policies acfr3=Related party transactions disclosure acfr4=Discussing accounting policies acfr5=Review Directors' report	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Boshnak (2021), Rashid *et al.* (2021), Eklemet et al. (2023)
	ACFA	5	acfa1=Review Letter of Representation acfa2=CPA(T) signs Declaration Statement acfa3=Fair presentation of Accounts acfa4=Financial Statements authorization acfa5=Follow-up CAG recommendations	5-Likert Scale: 1: Strongly disagree, 3: Uncertain, 5: Strongly agree	Lartey et al. (2020), Al-Baidhani (2016).

Source: Researcher's Literature Review, 2024

3.11.2 Multivariate Regression Model

To create a predictive equation to the dependent variable CGP, using the independent variables ACAR, ACFE, ACIND, ACSZ, and ACFM, with ACE as a mediating variable, the researcher used the following Multivariate Linear Regression Model for the study:

(1) Direct Effects of ACC variables on CGP (without Mediation)

$$CGP = \beta_0 + \beta_1 ACAR_{1i} + \beta_2 ACFE_{2i} + \beta_3 ACIND_{3i} + \beta_4 ACSZ_{4i} + \beta_5 ACFM_{5i} + \varepsilon_i$$

(2) Mediation Model (including ACE)

Step 1: Effect of ACC variables on the Mediator (ACE)

$$ACE = \alpha_0 + \alpha_1 ACAR_{1i} + \alpha_2 ACFE_{2i} + \alpha_3 ACIND_{3i} + \alpha_4 ACSZ_{4i} + \alpha_5 ACFM_{5i} + n_i$$

Step 2: Effect of ACC variables and the Mediator (ACE) on CGP

$$CGP = \beta_0 + \beta_1 ACAR_{1i} + \beta_2 ACFE_{2i} + \beta_3 ACIND_{3i} + \beta_4 ACSZ_{4i} + \beta_5 ACFM_{5i} + \beta_6 ACE_{6i} + \varepsilon_i$$

Where:

- CGP= corporate governance practices, the predicted value of any of the dependent variables (*ACBG, ACIA, ACEA, ACFA,* and *ACFR*),
- $ACAR_1$, $ACFE_2$, $ACIND_3$,$ACSZ_4$,$ACFM_5$= independent variables,
- β_0 is the intercept for the Direct Effect Model,
- α_0 is the intercept for the Mediation Model,
- β_1, β_2, β_3, β_4, β_5, β_6 are the coefficients for the independent variables on the Direct Effect Model,

- $\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5, \alpha_6$ are the coefficients for the independent variables in the mediation equation,
- Ɛ is the model error term, that is, the extent of variation in the estimated value of CGP;
- n is the model error term for the mediation equation.
- ACE is a mediating variable, and
- $i = 1, 2, 3 \ldots n,$ *are the numbers of gathered observations.*

3.12 Reliability and Validity Procedure

Reliability and validity are essential measurements for judgments of the quality of quantitative research in the social sciences (Saunders et al., 2019). Reliability and validity measurements used in any research are key elements that enable the research to come out with beneficial results; thus, it was important to understand how the researcher correctly undertook these measurements (Sürücü & Maslakçi, 2020). To ensure the credibility of the study, the reliability and validity of the measurement instruments were assessed. Generally, reliability and validity are issues of concern in quantitative research, whereby quantitative reliability requires scores obtained from participants to be consistent and stable over time, and quantitative validity requires scores obtained from participants to provide meaningful indicators of the variables being measured (Creswell & Clark, 2018). It can therefore be argued that reliability is about the consistency of measurements, and validity deals with the accuracy of the measurements.

3.12.1 Reliability

Reliability refers to replication and consistency, and it explains that when a researcher manages to replicate earlier research design and achieve findings like those from other research, then such research will be judged as reliable (Saunders et al., 2019). It is the degree of accuracy of the research data collected, usually referred to as the extent to which the variables or indicators were stable and consistently measured what was supposed to be measured (Tabachnick & Fidell, 2014). Reliability was checked in this study by measuring Composite Reliability (CR), which describes the capability of a measured variable to represent the latent factor (Kumar & Upadhaya, 2017). The previous study on multivariate data analysis established that a CR value of 0.7 or higher denotes good reliability (Cheung, Cooper-Thomas, Lau, & Wang, 2024). CR is the most appropriate measure of reliability for SEM-based studies (Fornell & Larcker, 1981) rather than the Cronbach Alpha test. According to Kumar & Upadhaya (2017), the Cronbach Alpha test for reliability is not applicable in SEM because, in SEM, the unobserved latent factor is predicted by observed variables. Therefore, this study used CR, and for a variable to be reliable, it should have a CR of $\geq .70$ (Civelek, 2018).

3.12.2 Validity

Validity refers to the correctness of the measurement used, the accuracy of the data analysis, and the generalization of the findings, where the collected data measures correctly what was required to be measured (Saunders et al., 2019). It is the extent to which the research instrument (survey questionnaire) measured what it asserted to

measure, and the results of the measurements are trustworthy (Shiyanbola, Rao, Kuehl, Bolt, Ward, & Brown, 2022).

Validity tests in this study were conducted using SEM in Jamovi Software version 2.3.28 through Confirmatory Factor Analysis (CFA) to the level that reduced different measurement errors to enhance the quality of data. In addition, construct validity was addressed by ensuring that all relations in the model had significant loadings connected to their constructs. As well, the Jamovi Software version 2.3.28 was used to test for internal validity, as it took into consideration the measurement errors. The study used credible sources of information to maximize external validity. Furthermore, the use of an online survey questionnaire facilitated the increase of external validity since it encompassed a collection of data from different people.

Specifically, the study performed construct validity tests, namely convergent validity tests and discriminant validity tests. Construct validity is the degree to which a test measures what is expected to be measured (Saunders et al., 2019). It assesses whether the researcher's measurements correspond to the constructs in the theory being evaluated, and in the case of multiple studies conducted to establish the validity of a theory, a researcher must have confidence that all studies measure the key constructs of the theory (Broniatowski & Tucker, 2017). In this study, construct validity was addressed by ensuring that all relations in the model had significant loadings connected to their constructs. Therefore, construct validity tests performed in this study were of two types: convergent validity tests and discriminant validity tests (Taherdoost, 2016), as summarized below:

3.12.2.1 Convergent Validity

Convergent validity (CV) refers to the variable loadings on the construct, and it justifies whether the contribution of the variable to the variance of the factor is usable to describe the factor adequately or not (Kumar & Upadhaya, 2017). Reliability measure, a composite reliability (CR) in the case of this study, is one of the requirements used by researchers to evaluate convergent validity (Fornell & Larcker, 1981), and its acceptable value is 0.70 or above (Civelek, 2018). However, researchers suggest that examining CR only is not adequate in assessing convergent validity (Cheung et al., 2024). Thus, many studies have employed the Fornell and Larcker (1981) criterion in assessing convergent validity (Yu, Lin, Wang, Liu, & Zheng, 2022; Zahoor, Khan, Khan, & Akhtar, 2024) by calculating the Average Variance Extracted (AVE), whose minimum acceptable value is 0.50 (Hair, Hult, Ringle, & Sarstedt, 2022), Therefore, in this study, convergent validity was assessed by calculating the AVE, whose minimum acceptable value is 0.50 (Hair et al., 2022), and the CR whose acceptable value is 0.70 or above (Civelek, 2018).

3.12.2.2 Discriminant Validity

Discriminant validity is the extent to which a latent variable is discriminated from other latent variables (Taherdoost, 2016), and this occurs when two scales that are used to measure the same construct are not correlated, meaning that they overlap or differ (Saunders et al., 2019). Discriminant validity assessment is required in any research that involves latent variables to prevent multicollinearity issues, and the most widely used assessment method is the Fornell & Larcker Criterion (Hamid et al, 2017). Therefore, assessment of discriminant validity was performed by using

Fornell and Larcker Criterion (1981), which compared the square root of each AVE ($\sqrt{AVE}$) in the diagonal with the correlation coefficients (off-diagonal) for each construct in the respective columns and rows. According to Fornell & Larcker (1981), to satisfy the Fornell-Larcker Criterion for discriminant validity, the values of the $\sqrt{AVE}$ (in bold and italics) should be greater than those of the correlations with other latent constructs. The other condition used to determine discriminant validity for this study was to assess the Maximum Squared Variance (MSV), which is the square of the highest correlation coefficient between the latent constructs (Sürücü & Maslakçi, 2020). According to Sürücü & Maslakçi (2020), to confirm discriminant validity, the values of AVE of each construct must be greater than the values of their respective MSV, that is, AVE > MSV.

3.13 Survey Questionnaire

The questionnaire is the foundation of data collection for any empirical research (Humble, 2020). The survey questionnaire is widely used in social science and business management research for the collection of quantitative research data from the selected participants (Aithal & Aithal, 2020). The researcher adopted, with modification, the survey questionnaire developed by Masli (2018) and also prepared additional questions for inclusion after reviewing relevant literature. The survey questionnaire for this study had four (4) parts: Part 1: Participants' background (8 questions); Part II: Variables contributing to audit committee characteristics (22 questions); Part III: Variables contributing to the effectiveness of audit committee on corporate governance practices (23 questions), and Part IV: Mediating effect of audit committee effectiveness (5 questions). Parts II, III, and IV were made up of several

statements which were structured in the form of 5-point Likert-like scales. In addition, the questionnaire had structured and closed-ended questions, which were administered to the selected participants of the study. This approach facilitated the timely distribution of the questionnaire, enabling timely participants' responses, a quick and convenient follow-up, and simplified data collection. However, in some cases, physical follow-ups were done, both in-person and using a research assistant.

On the types of measurement scales, the interval scale and nominal scale were chosen from among the commonly used scales in research: the nominal scale, ordinal scale, interval scale, and ratio scale (Kumar, 2017). According to (Kumar, 2017), the interval is a space in between, and the interval scale talks about the order of values and the difference between each value; thus, it is the most preferred scale. The main questions in the survey questionnaire for this study were principally developed with the use of an interval scale. Each statement was presented in the interval scale using a 5-Likert scale format, except for the statements that addressed participants' profiles in the introduction part, including gender, age group, academic and professional levels, and membership in the board and its committees. The participants' background information was captured to establish the characteristics of the selected sample. In this regard, the scale used for measuring demographic information was a nominal scale where the possibility of assigning numbers of occurrences within specified categories of the variables.

Therefore, participants in the study responded to the survey questionnaire, which was developed using an interval scale, by stating their level of agreement, using the Likert

Scale, from Strongly Disagree (Likert Scale 1) to Strongly Agree (Likert Scale 5). A Likert Scale is an ordinal scale measure indicating the level of importance placed by respondents on the statements of the research study (Taherdoost, 2016), It was considered user-friendly when using indicators ranging from 1 to 5.

3.14 Data Analysis

The raw data from the quantitative survey were converted into a form suitable for data analysis, and thereafter, numerical values were assigned to each survey response for ease of analysis (Creswell & Clark, 2018). Quantitative research examines relationships between variables, which are measured numerically and analyzed using a range of statistical and graphical techniques (Saunders et al., 2019). This study applied multiple regression analysis, which is usually used to examine the relationship between dependent and independent variables and to draw a conclusion from the relationships (Karaca & Cattani, 2019). Thus, SEM, which is among the most widely used quantitative multivariate data analysis techniques, was used in data analysis (Priyanath, Rvspk, & Rgn, 2020).

The collected research data were virtually inspected to ensure that they were of good quality before data analysis was conducted. Thereafter, the research data were imported into IBM SPSS Statistics version 26 and Jamovi Software version 2.3.28. Specifically, IBM SPSS Statistics version 26 was used for descriptive data analysis, data screening, and reliability tests, and Jamovi Software version 2.3.28 was used for structural equation modelling analysis, including testing hypotheses.

The descriptive analysis was performed to obtain statistics from the collected data in terms of frequency, mean, and percentage. Using means, frequencies, and percentages to provide meaningful statistics from the profile characteristics of the research participants was recommended in previous studies (Kothari, 2004). In this study, simple frequencies and percentages were used to understand the nature of respondents concerning age, gender, education, professional qualifications, and membership in the board and board committees. Therefore, the information obtained from descriptive statistics about the respondents to this study was used to validate research findings as discussed in Chapter Five.

The study employed factor analysis, a very famous statistical method in research involving a survey questionnaire, which is of two types: exploratory factor analysis (EFA), and confirmatory factor analysis (CFA) (Safiih, Safiih, & Azreen, 2016). EFA is used to identify patterns of correlations in the set of observed variables in the dataset and group them into latent variables (factors) to gain knowledge of the factors and their establishing variables (Shrestha, 2021). EFA is commonly used to determine the underlying factors of multiple observed variables (Auerswald & Moshagen, 2019). After establishing the knowledge, CFA was assessed by using Jamovi Software version 2.3.28. This Software was extensively used in the data analysis as it was readily available and straightforward to use, being an open-source software that provides a graphical user interface (GUI) and is an accessible source for researchers who do not have software coding experience (Caldwell, 2022). The OSS is software released for use with a license that allows anybody to use it and view, modify, and distribute the source code without restrictions, and has become an

integral part of academic research, providing an excess of tools and resources that significantly enhance research capabilities, innovation, and collaboration across various disciplines (Kangiwa, Ladan, Nassarawa, Sabo, & Umar, 2024).

Generally, the SEM technique, consisting of CFA, was used to analyze the relationships between one or more independent variables and one or more dependent variables, as it can perform simultaneous tests of relationships between and among variables (Byrne, 2022). In addition, SEM was applied as it can detect and correct errors compared to the other data analysis techniques, and it can also overcome the presence of multicollinearity (Owolabi et al., 2020). In using SEM, due consideration was given to the SEM assumptions as explained hereunder.

3.14.1 SEM Assumptions

SEM is a multivariate statistical technique that was explored to test relationships between variables (Owolabi et al., 2020). It is a well-known research technique used to establish a relationship between the measurement model and the structural model based on the theory's assumptions (Wah, Fitriana, & Arumugam, 2023). The measurement model provides empirical evidence, which focuses on the relationship between latent variables and their corresponding indicators, and the structural model provides a framework to examine causal relationships between variables, which supports the hypothesis of the study (Fan, Chen, Shirkey, John, Wu, Park, & Shao, 2016). There are assumptions underlying the application of the SEM technique in data analysis, which need to be identified for this study, and appropriate ways of handling them should be suggested; otherwise, the study will not yield good results. Therefore,

SEM, like other multivariate statistical techniques, has various assumptions, but the most important assumptions are normality, linearity, homoscedasticity, and multicollinearity, as explained below:

3.14.1.1 Normality

The first and most important SEM assumption before building the model and checking its fit index is the normality of observations (Kumar & Upadhaya, 2017). According to Tabachnick & Fidell (2014), the model requires residuals to be normally distributed, specifically for hypothesis testing and confidence intervals. Normality has two components: *skewness* and *kurtosis*. *Skewness* deals with the symmetry of distribution, and *kurtosis* deals with the peakiness of a distribution. Any slight departure from normality does not significantly affect the model, but a significant departure does.

There are several methods used to test normality, and the most popular methods are Kolmogorov–Smirnov test, Shapiro–Wilk test, Box Plot, P–P Plot, Q–Q Plot, skewness, kurtosis, histogram, and mean with standard deviation; Kolmogorov–Smirnov test and the Shapiro–Wilk test are most widely used methods to test normality of data (Mishra, Pandey, Singh, Gupta, Sahu, & Keshri, 2019). In this study, *skewness, kurtosis*, and histograms were analysed using IBM SPSS Statistics version 26. To determine the existence of considerable normality, either an absolute *skewness* value should be less than or equal to 2, or an absolute *kurtosis* value should be less than or equal to 4 (Kim, 2013). A histogram estimates the probability distribution of a continuous variable; therefore, when the graph's shape is bell-shaped

and symmetric about the mean, it can be concluded that the data are normally distributed (Mishra et al., 2019).

3.14.1.2 Linearity

Linearity is the linear relationship between the dependent variable and the independent variables, measured by the correlations between the observed variables and their constructs, and between one construct and another (Civelek, 2018). SEM assumes that there is a linear relationship between latent or measured variables (Owolabi et al., 2020). According to Tabachnick & Fidell (2014), the linearity assumption proclaims the existence of a straight-line relationship between dependent and independent variables. In this study, linearity was assessed by a graphical layout showing a straight line that connects the variable and the constant.

3.14.1.3 Homoscedasticity

Homoscedasticity refers to equal variances of errors occurring in comparisons of variables over a specific period in the prediction of any independent variable (Jarantow, Pisors, & Chiu, 2023). It is a situation in which there is an equal statistical variance of the dependent variable across the range of the independent variable (Hair, Black, Babin, & Anderson, 2010). The regression model assumes that the variances of two groups or samples are approximately similar at every point along the model. If this assumption is violated, the regression coefficients could still be unbiased estimates of their target population, but not fully efficient. The researcher assessed the homoscedasticity using the Levene test across the set of variables. Levene's test provides that where the p-value is greater than 0.05, the variances are not significantly

different and therefore homogeneity assumption of the variance is met, that is, equal variances are assumed; but where the p-value is less than 0.05, it means the variances for one or more variables are significant, thus homogeneity assumption of the variance is violated and equal variances are not assumed (Hair et al., 2010).

3.14.1.4 Multicollinearity

Multicollinearity is a statistical phenomenon that entails the existence of a perfect or strong relationship between independent variables (Civelek, 2018). Multicollinearity usually occurs when two or more variables in the analysis of research data are highly correlated with each other to the extent of causing instability in the factor structure, thus affecting the accuracy of the factor loadings (Goudarzian, 2023). This may also cause standard errors and biased estimates; hence, researchers may use techniques like principal axis factoring with the oblique method that is available in IBM SPSS Statistics to allow for correlation between those factors (Goudarzian, 2023). According to Hair et al., (2010), the multicollinearity issue does not arise if the correlation is below 0.85. In addition, according to Kline (2023), when correlation coefficients of the paired independent variables are below 0.9, it implies the non-existence of multicollinearity

The researcher in this study used correlation analysis, tolerance, and variance inflation factor (VIF) to test for the existence of multicollinearity among the independent variables (Shrestha, 2020). Correlation analysis was used to determine the magnitude of correlation between the independent variables; tolerance was used to measure the closeness of its values to 1 and 0, whereby the value closer to 0 means

the existence of multicollinearity between independent variables, and VIF was used to show the extent of increase in coefficient estimate variance as a result of multicollinearity (Oke, Akinkunmi, & Etebefia, 2019; Kline, 2023)

3.14.2 Measurement Model

The measurement model is part of SEM that relates latent variables to their indicators, and it shows the relations between observed and unobserved variables; that is, it indicates relationships between the latent variables and their observed measures (Byrne, 2022). SEM has two models, namely the measurement model and the structural model. The measurement model in SEM is usually evaluated using confirmatory factor analysis (CFA) as recommended in previous studies (Owolabi et al., 2020). Furthermore, CFA is a type of SEM that deals explicitly with models presenting relationships between the observed variables and the latent variables or factors (Brown, 2015). In the analysis, SEM does not provide a straightforward test to determine model fit; instead, the best strategy to evaluate a model fit is to conduct multiple tests (Owolabi et al., 2020). Thus, this study used SEM, a model very popular with academics and researchers in the analysis of research data obtained through survey questionnaires (Mustafa, Nordin, & AbdulRazzaq, 2020).

Therefore, the significance of the overall regression model for all latent variables used in this study was tested by using Jamovi Software version 2.3.28. A multiple linear regression was conducted to predict audit committee effectiveness (ACE), based on the constructs of audit committee characteristics (ACAR, ACFE, ACIND, ACSZ, and ACFM. Additionally, the contribution of audit committee characteristics (ACC) to

corporate governance practices (CGP) was predicted through ACE as a mediating variable. In this process, the multiple correlation coefficient, *R*, which measures the strength and direction of the linear relationship between the dependent variable and the independent variables, and whose value ranges from 0 to 1 (Akossou & Palm, 2013), was tested. In addition, the coefficient of determination, R^2, which is used in statistics to assess the degree of fit of a regression model, was tested to indicate how much variation in the response is explained by the model (Akossou & Palm, 2013). Furthermore, the *F*-value was computed to determine the statistical significance of a regression equation or model (Hosken, Buss, & Hodgson, 2018). In all these cases, the p-value for the probability that the *F*-statistic would occur was $p < 0.05$.

3.14.3 Structural Model

Structural model testing is usually performed by examining the relationships between independent variables and the dependent variable (Herwin, Fathurrohman, Wuryandani, Dahalan, Suparlan, Firmansyah, & Kurniawati, 2022). The structural model, or path analysis model, is a part of the entire SEM diagram that shows the relationship among the unobserved variables; that is, it indicates relationships among the latent variables themselves (Byrne, 2022). In this study, a test of structural models was performed after testing measurement models, whose results showed that the model indices truly fit the data. Thus, the goodness of fit indices were among the indicators used to assess measurement models and structural models. This means the steps used to assess measurement models were also applied in assessing structural models.

3.14.4 Mediation Analysis

The mediation analysis measures the effect of an independent variable on the dependent variable through a third variable called a mediating variable (Baron & Kenny, 1986). The mediating variable is usually determined to be a mediator by the three main effects, namely, the direct effect, indirect effect, and total effect (Sidhu, Bhalla, & Zafar, 2021). These three effects are measured between the three variables: independent variable, mediating variable, and dependent variable. According to Sidhu et al. (2021), the mediation analysis approach developed by Baron and Kenny in 1986 is most widely used in research for conducting the mediating analysis, and it is commonly known as a regression model. Furthermore, the significance of the mediating variable was evaluated by the Sobel Test, which calculates the product of path coefficients (Sobel, 1982).

Thus, this study has applied the Baron and Kenny approach in mediation analysis, whose results had two main types of mediations: *partial mediation* and *full mediation*. As well, a mediation analysis could result in *no mediation*. The study assessed the strength of mediation by computing *Variance Accounted For* (VAF) using the formula:

$$VAF = \frac{Indirect\ Effect}{Total\ Effect} * 100$$

A full mediation occurs when the computed VAF value is greater than 80%, a partial mediation occurs when the computed VAF value is between 20% and 80%, and when the computed VAF value is less than 20%, there is no mediation (Hair, Tomas, Hult, Ringle, & Sarstedt, 2014). In addition, this study used the Sobel Test for testing the

significance of indirect paths in the structural model, as recommended by Baron & Kenny (1986).

3.14.5 Model Estimations

Model estimations were performed in four stages: starting with factor loadings, followed by the model fit indices, then validity, and reliability measures were tested. Factor loading is used to estimate the specific contribution of each factor to the variance in a variable (Tabachnick & Fidell, 2014). In factor loadings, the analysis utilized standardized estimates, unstandardized estimates, standard error (SE), which reflects the precision of the parameter estimate, and the critical ratio, which represents the parameter estimate divided by its standard error. The standardized estimates and unstandardized estimates show that the change depends on the variable for a unit change in the factor. Apart from being significant, the threshold used to keep or drop a factor for standardized estimates and unstandardized estimates is 0.5 (Wolf, Harrington, Clark, & Miller, 2013). Smaller values of SE that are closer to zero suggest estimates are accurate, and critical ratio values greater than 1.96 indicate statistical significance of the parameter estimates (Byrne, 2022). The results of the CFA were interpreted for decision using the seven (7) widely used Model fit indices, which are Chi-square (X^2), Root of Mean Square Error of Approximation (RMSEA), Standardized Root Mean Squared Residual (SRMR), Comparative Fit Index (CFI), Tucker Lewis Index (TLI), Bollen's Incremental Fit Index (IFI), and Chi-square Minimum by Degree of Freedom (CMIN/DF or X^2/df), as summarized in **Table 3.2**.

Table 3.2: Model Fit Indices and Their Threshold Values

Category of Fit	Name of Index	Acceptance level	Literature Support
Absolute Fit	Chi-Square	*p-value* > 0.05 for sample <200	Awang (2011) & Wheaton et al (1977)
	Root Mean Square Error of Approximation (RMSEA)	0.05 to 0.08	Awang (2011) & Hair et al. (2014)
		< 0.08	Khirfan et al (2022)
	Standardized Root Mean Square Residual (SRMR)	≤ 0.8 or 0.5	Hair et al. (2014)
		< 0.10	Carvalho & Chima (2014)
Incremental Fit	Comparative Fit Index (CFI)	> 0.90	Khirfan et al. (2022)
		≥ 0.95	Kline (2023)
	Tucker-Lewis Index (TLI)	> 0.90	Tabachnick & Fidell (2007)
		≥ 0.95	Awang (2011) & Hair et al. (2014)
	Incremental Fit Index (IFI)	> 0.90	Awang (2011)
		≥ 0.95	Nandru et al. (2021)
Parsimonious Fit	X^2/df	≤ 3.0	Kline (2011) & Hoe (2008)
		≤ 3.0 good fit < 5.0 acceptable	Mash & Hocevar (1985)

Source: (Bhale & Bedi, 2023; Sathyanarayana & Mohanasundaram, 2024)

3.15 Validation of Research Instruments

The data and information about audit committees' characteristics, which are independent variables, were collected from the selected sample of this study by using structured cross-sectional survey questionnaires where a series of pre-determined questions were sent to the selected sample for responding freely using the Likert scale (Thomas, 2021). This approach was chosen because of its popularity in data collection and its ability to collect rich data for research effectively (Saunders et al., 2019). Furthermore, in the validation of a survey questionnaire, before kicking off the data collection exercise, the researcher distributed the questionnaire to three

regulatory authorities for completion by some members of the board, management, accountants, and auditors to test the questionnaire. Thereafter, feedback was used to correct, drop, and modify some questions in the survey questionnaire to make it more effective during the actual data collection. The pilot study was conducted to improve the survey questionnaire by removing irrelevant and weak questions from the research instrument (Aithal & Aithal, 2020).

3.16 Handling of Missing Data and Outliers

Missing data is the data value that is not recorded for a specific variable of interest in the research and can significantly affect a conclusion drawn from the study (Kang, 2013). Missing data is caused by the failure of the target participants to participate in the study, and it becomes a problem when such participants give a different response from those who participated in the study (Rodgers, Jacobucci, & Grimm, 2021). An outlier is a data point that is extremely far from most other data points (Leys, Delacre, Mora, Lakens, & Ley, 2019). Outliers are cases or data values that represent a particular set of data whose scores are substantially different from the scores of others and can influence the outcomes of statistical analyses (Byrne, 2022). There are two types of outliers: multivariate outliers and univariate outliers. Multivariate outliers are cases or data values smaller or larger than other values of several variables, and univariate outliers are the cases or data values smaller or greater than a single variable in the research (Leys et al., 2019). It is necessary to detect multivariate outliers before performing SEM, as they can easily jeopardize fit indices (Kline, 2016). The most common approach used in identifying outliers in multivariate data is based on

measuring the distance of the observation from the central point of the dataset (Afzal, Afzal, Amin, Saleem, Ali, & Sajid, 2021).

3.17 Ethical Considerations

Ethical considerations in this research were observed in compliance with the OUT-Research Ethics Guidelines, 2015. The main issues for consideration included avoiding data fabrication and falsification in surveys, as well as plagiarism. In addition, participation in this study was voluntary, and the questionnaires to all participants emphasized confidentiality in the whole process, including the use of data, information, and personal opinions as may be provided by the participants. In addition, the researcher observed ethical issues throughout the study. Respondents' voluntary participation, anonymity, and confidentiality matters were carefully and adequately observed as recommended by Saunders et al. (2019).

In addition, the researcher did not engage in data falsification or fabrication throughout the study. All publications used were cited adequately in this thesis. As well, the thesis has properly acknowledged all resources used in the study. Likewise, the support and guidance provided by the supervisors to the researcher were also properly acknowledged.

Furthermore, a plagiarism check for the thesis was performed using *Turnitin* software, whose result established a level of similarity to be 29%. This result did not exceed 30% of the total volume of the work, which is a limit prescribed under para 6.8.3 of the Open University of Tanzania's Postgraduate Prospectus, 2023/2024.

Despite all of the above ethical considerations, before the researcher started collecting data for this study, research clearance letters were issued on 18 October 2022 by the Director of Postgraduate Studies at the Open University of Tanzania, and the researcher submitted copies of the letters to the relevant regulatory authorities for approval of data collection. Therefore, it is declared that the researcher fully observed ethical considerations in this study.

CHAPTER FOUR

FINDINGS OF THE STUDY

4.1 Overview

This chapter presents the findings of the study based on data analysis. The basic profile of respondents was analyzed using descriptive statistics. Exploratory and confirmatory factor analyses were done based on the data obtained from the survey. The chapter also summarised the findings of the tests for the validity and reliability of the research instruments. Lastly, it provided findings that resulted from the test of the hypothesis postulated in the study.

4.2 Response Rate

The response rate was checked to achieve usable data during the analysis. The researcher checked the response rate before data analysis because low response rates can cause sample bias, leading to invalid results and conclusions of the study population. The literature review indicated that the recommended minimum sample size for surveys in business and social science studies, which use SEM range from 100 to 150 participants (Ding et al., 1995), as well as from 100 to 200 participants (Fowler, 2013 cited by Sathyanarayana et al., 2024), and according to Kline (2016), a minimum sample size of 200 participants is frequently recommended to ensure the stability of parameter estimates and the overall fit of the model. The researcher collected data from 241 out of 300 participants who received the questionnaires via email and through their contact with the selected regulatory authorities. This is equivalent to a response rate of 80.3%. According to Saunders *et al.* (2012), in survey research, a response rate of

60% and above is typically considered to be higher and adequate for organizational research as it reduces the risk of non-response bias.

4.3 Handling Missing Data

Two (2) regulatory authorities were omitted from the study sample because the participants selected to establish a sample did not respond to the survey questionnaire, as participation was optional. Thus, there was missing data due to the failure of target participants from the two regulatory authorities to participate in the study.

4.4 Handling Outliers

There were no identified outliers during data analysis, as most participants responded online to the survey questionnaire, which was designed to require responses to every question. Furthermore, the researcher used Cook's Distance, a statistical measure in regression analysis, to identify influential data points through the linear regression analysis performed using the IBM SPSS Statistics Version 26. This analysis was performed to assess the non-existence of multivariate outliers and to draw conclusions on the data distribution, including univariate and multivariate outliers. Using a rough rule of thumb, Cook's Distance eliminates outliers if an observation is greater than 1 (Dhakal, 2017). However, there were no outliers in the collected data.

Therefore, the Cook's Distance plot for this study is plotted on the y-axis in **Figure 4.1** to show the non-existence of outliers.

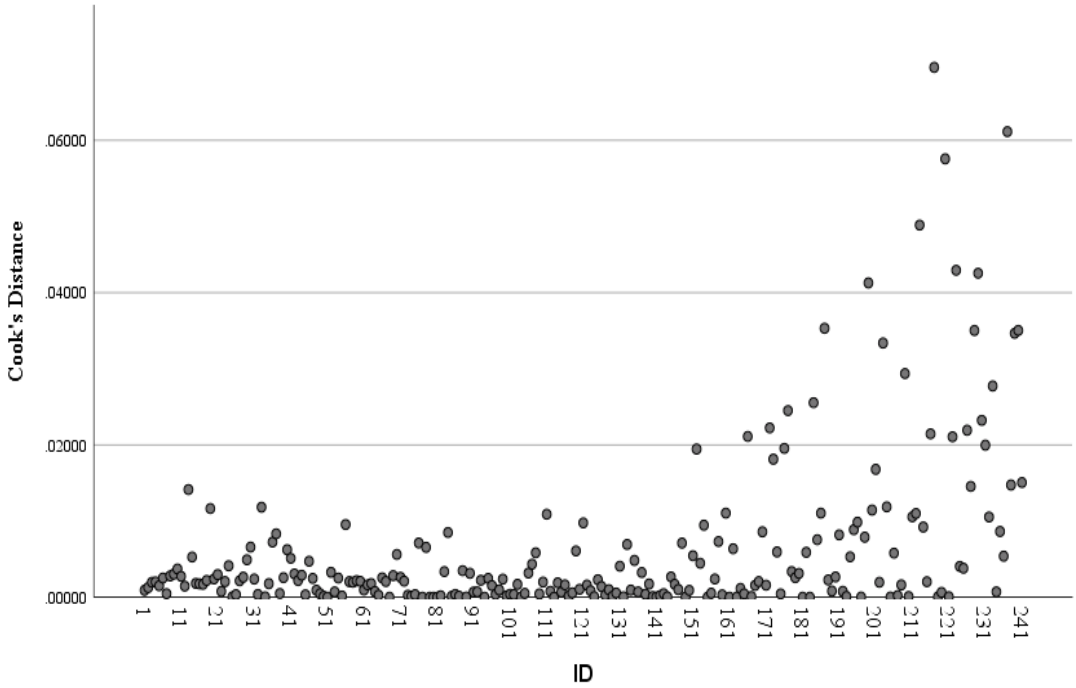

Figure 4.1: Scatter Dot Graph of Cook's Distance for 241 Respondents

Source: Research Data, 2025

4.5 Respondents' Demographic Profiles

The researcher analyzed respondents' demographic profiles from the collected data. The analysis included respondents' gender, age group, work occupation, highest education qualification, and working experience in years. The analysis was performed to establish the profiles of respondents to the study as follows:

4.5.1 Respondents by Gender

The total number of respondents to the study survey questionnaire was 241, comprised of 177 males (73.4 percent) and 64 females (26.6 percent). Although male participants dominated the study, the author chose not to analyze the difference in responses

between males and females, as this analysis does not impact further analysis for the study. Thus, the distribution of respondents by gender is summarized in **Table 4.1**.

Table 4.1: Distribution of Respondents by Gender

Gender	Number	Percentage (%)
Females	64	26.6
Males	177	73.4
Total	**241**	**100.0**

Source: Research Data, 2025

4.5.2 Respondents by Age Group

The age distribution shows a significant proportion of the respondents, that is, 97 (40.3 percent) were between the age group of 41 to 50 years, followed by 65 (27 percent) between the age group of 51 to 60 years, and then 50 (20.7 percent) between the age group of 18 to 30 years. The rest of the respondents, who are around 26 (12 percent), were above 61 years old. This suggests that most participants in this study are in the 41 to 50 years old age group, indicating they are well-matured, experienced, and can share diverse ideas, experiences, and knowledge on audit committees and corporate governance. The summary of respondents by age is provided in **Table 4.2**.

Table 4.2: Distribution of Respondents by Age Group

Age Group	Number	Percentage (%)
18 - 30 Years	13	5.4
31 - 40 Years	50	20.7
41 - 50 Years	97	40.3
51 - 60 Years	65	27.0
61 - 70 Years	13	5.4
Above Years	3	1.2
Total	**241**	**100.0**

Source: Research Data, 2025

4.5.3 Respondents by Work Occupation

The analysis showed the work occupation of the respondents comprised of board chairperson 6 (2.5 percent), board members 34 (14.1 percent), Director General/CEOs 11 (4.6 percent), management staff 91 (37.8 percent), Head/Chief Internal Auditors 15 (6.2 percent), Head/Director responsible for Finance 5 (2.1 percent), internal auditors 30 (12.4 percent), and accountants 49 (20.3 percent). This indicates that the majority of respondents are management staff (37.8%) and accountants (20.3%). In general, the selection of these participants, who are part of corporate governance practices within their entities, was aimed at collecting reliable data to address the internal governance mechanisms exercised by the audit committee, which is the focus of this study. Therefore, **Table 4.3** summarizes the number of respondents by work occupation.

Table 4.3: Distribution of Respondents by Work Occupation

Work Occupation	Number	Percentage (%)
Board Chairperson	6	2.5
Board Members	34	14.1
Director General/CEO	11	4.6
Management Staff	91	37.8
Head/Chief Internal Auditor	15	6.2
Head/Director responsible for Finance	5	2.1
Internal Auditors	30	12.4
Accountants	49	20.3
Total	**241**	**100.0**

Source: Research Data, 2025

4.5.4 Respondents by Highest Education Qualifications

The respondents' highest education qualifications were analyzed. The results showed that most of the respondents, 182 (75.5 percent), hold a master's or postgraduate degree, 37 (15.4 percent) hold an undergraduate degree, and 17 (7.1 percent) possess a PhD. In addition, only two (2) respondents had a CPA (T) and a Diploma/Advanced Diploma (each at 0.8 percent), and one (1) participant had none of these qualifications. This indicates that the number of participants with master's/postgraduate degrees is higher (75.5%) than other qualifications, indicating engagement of participants with an in-depth knowledge and theoretical frameworks used in conducting this study. Thus, **Table 4.4** provides a summary of respondents with their highest qualifications.

Table 4.4: Distribution of Respondents by Highest Qualifications

Highest Qualification	Number	Percentage (%)
CPA(T)	2	0.8
PhD	17	7.1
Master's/Postgraduate degree	182	75.5
Undergraduate degree	37	15.4
Diploma/Advanced Diploma	2	0.8
None of the above	1	0.4
Total	**241**	**100.0**

Source: Research Data, 2025

4.5.5 Respondents by Working Experience in Years

In terms of working experience, the largest group of respondents, 136 (56.4 percent), boasts more than 15 years of experience. Those with working experience ranging from 10 to 15 years were 59 (24.5 percent), and those with working experience of 5 to 10 years were 27 (11.2 percent). Furthermore, those with 1 to 5 years of working

experience were 10 (4.2 percent), and only one respondent (0.4 percent) had working experience of up to 1 year.

These results suggest that the majority of participants have over 15 years of working experience (56.4%), making them suitable for this study. This experience indicates a deeper understanding of hands-on and real-world problems and challenges, which are crucial for understanding and responding to the survey questions. **Table 4.5** summarizes the results of the respondents by their years of working experience.

Table 4.5: Distribution of Respondents by Working Experience

Working Experience in Years	Number	Percentage (%)
Up to 1 year	1	0.4
Above 1 year up to 3 years	10	4.2
Above 3 years up to 5 years	8	3.3
Above 5 years up to 10 years	27	11.2
Above 10 years up to 15 years	59	24.5
Above 15 years	136	56.4
Total	**241**	**100**

Source: Research Data, 2025

4.6 Testing SEM Assumptions

The SEM assumptions of normality, linearity, homoscedasticity, and multicollinearity were tested, and their results are summarized below:

4.6.1 Normality

The results indicated that the values of *skewness* ranged from -0.510 to -1.692, while those of kurtosis ranged from -0.260 to 2.790, as shown in **Table 4.6**. The normality assumption is usually confirmed when either an absolute skewness value is less than or

equal to 2, or an absolute kurtosis value is less than or equal to 4 (Kim, 2013). Therefore, both *skewness* and *kurtosis* are within the given threshold, meaning that the normality assumption in this study was confirmed.

Table 4.6: Normality Test Results: Descriptive Statistics

Description	N	Mean	Median	Standard deviation	Minimum	Maximum	Skewness	Std. error skewness	Kurtosis	Std. error kurtosis
ACAR	241	3.830	4.000	0.691	1	5	-0.979	0.157	- 1.140	0.312
ACFE	241	4.260	4.500	0.754	1	5	-1.480	0.157	0.140	0.312
ACIND	241	3.950	4.000	0.741	1	5	-0.792	0.157	- 1.940	0.312
ACSZ	241	3.500	3.500	0.638	1	5	-0.392	0.157	- 1.040	0.312
ACFM	241	3.840	3.750	0.562	1	5	-0.510	0.157	- 1.020	0.312
ACBG	241	4.350	4.400	0.660	1	5	-1.420	0.157	0.660	0.312
ACIA	241	4.060	4.000	0.675	1	5	-1.040	0.157	- 0.690	0.312
ACEA	241	3.890	4.000	0.745	1	5	-1.010	0.157	- 0.950	0.312
ACFR	241	4.100	4.200	0.719	1	5	-1.160	0.157	- 0.660	0.312
ACFA	241	4.310	4.400	0.687	1	5	-1.690	0.157	1.560	0.312
ACE	241	4.130	4.200	0.589	1	5	-1.040	0.157	- 0.260	0.312
ACC	241	3.840	3.890	0.436	1	5	-1.160	0.157	2.790	0.312
CGP	241	4.160	4.260	0.572	1	5	-1.490	0.157	1.870	0.312

Source: Research Data, 2025

On the use of histograms to test normality, almost all constructs had their histograms bell-shaped as presented in **Appendix 5**, confirming the SEM normality assumption.

4.6.2 Linearity

The linearity assumption was assessed by running bivariate correlations of paired independent variables. The results of bivariate correlations among the independent

variables of audit committee characteristics are shown in **Table 4.7**. In this table, the asterisks *** indicate $p < 0.001$, meaning that the significance value of every pair of the independent variables is derived from bivariate correlations. This implied that most of the variables obeyed the linearity assumption. Furthermore, the scatter plots on linearity for the constructs of the study were prepared using the IBM SPSS Statistics version 26 to confirm the SEM linearity assumption as presented in **Appendix 6.**

4.6.3 Multicollinearity

The correlation matrix analysis results showed that correlation coefficients of the paired variable of audit committee characteristics ranged from 0.185 to 0.440. These values of correlation coefficients of the paired independent variables are below 0.9, implying the non-existence of multicollinearity as recommended by Kline (2023). The results are summarized in **Table 4.7**.

Table 4.7: Correlation Matrix Analysis to Check Multicollinearity

		ACAR	ACFE	ACIND	ACSZ	ACFM
ACAR	Pearson's correlation (r)					
	df	—				
	p-value	—				
	N	—				
ACFE	Pearson's correlation (r)	0.376***				
	df	239	—			
	p-value	< .001	—			
	N	241	—			
ACIND	Pearson's correlation (r)	0.216***	0.192**			
	df	239	239	—		
	p-value	< .001	0.003	—		
	N	241	241	—		
ACSZ	Pearson's correlation (r)	0.197**	0.185**	0.353***		
	df	239	239	239	—	
	p-value	0.002	0.004	< .001	—	
	N	241	241	241	—	
ACFM	Pearson's correlation (r)	0.335***	0.244***	0.326***	0.440***	
	df	239	239	239	239	—
	p-value	< .001	< .001	< .001	< .001	—
	N	241	241	241	241	—

Source: Research Data, 2025

Note that: * p < .05 means a result is judged as significant; ** p < .01 means a result is judged as highly significant; and *** p < .001 means a result is judged as very highly significant.

The Variance Inflation Factor (VIF) was applied to confirm the absence of multicollinearity, whose threshold value is less than 10 (Kline, 2023). The results from the VIF test indicated that all VIFs for independent variables were between 1.200 and 1.390, as shown in **Table 4.8**, confirming the absence of multicollinearity cases. These

results correspond to the threshold of the proportion of variance in the j^{th} predictor explained by all other predictors, $R_j^2 > .90$, and the tolerance value, which is the variance that is, unique or not, explained by other predictors, $1- R_j^2 > 0.1$, (Kline, 2023). In this study, tolerance values were from 0.717 to 0.834 as shown in **Table 4.8**, which were all above 0.1 confirming the absence of multicollinearity.

Table 4.8: Variance Inflation Factor to Check for Multicollinearity

	Model Coefficients - ACE				Collinearity Statistics	
Predictor	**Estimate**	**SE**	**t**	**p**	**Tolerance**	**VIF**
Intercept	0.418	0.2448	1.710	0.089	-	-
ACAR	0.127	0.0462	2.740	0.007	0.790	1.270
ACFE	0.383	0.0404	9.480	< .001	0.834	1.200
ACIND	0.105	0.0393	2.670	0.008	0.825	1.210
ACSZ	0.141	0.0510	2.770	0.006	0.755	1.330
ACFM	0.188	0.0555	3.390	< .001	0.717	1.390
Model Summary: R^2 = .527, Adj. R^2 = .517 , F = 52.4, P<.001, N=241						
Dependent Variable: ACE = Audit Committee Effectiveness,						

Source: Research Data, 2025

4.6.4 Homoscedasticity

Levene's test was used to assess the uniformity of variance across the constructs of the study: ACC, ACE, and CGP. The probability of the presence of equal variances across groups is a p-value greater than 0.05, but if the p-value is less than or equal to 0.05, it means variances for one or more variables are not equal (Hair et al., 2010). Homogeneity of variances was assessed using Levene's test based on the mean, which is a default in the IBM SPSS Statistics Version 26. Results indicated equal variances for all constructs as follows:

(i) ACC: F (1, 239) = 1.906, p = 0.169

(ii) ACE: F (1, 239) = 1.658, p = 0.199

(iii) CGP: F (1, 239) = 1.476, p = 0.226

The results confirm that the assumption of homogeneity was met for all constructs. These results are also summarized in **Table 4.9**.

Table 4.9: Levene's Test of Homogeneity Equality of Variances

Construct	*Levene's F-test statistic*	*df1*	*df2*	*p-value*	*Variances*
ACC	1.906	1	239	0.169	Equal
ACE	1.658	1	239	0.199	Equal
CGP	1.476	1	239	0.226	Equal

Source: Research Data, 2025

4.7 Reliability and Validity Tests

The survey questionnaire for this study was pre-tested for validity and reliability before the researcher distributed it to the selected sample of the study. Any study undertaken without pre-testing the questionnaire is not expected to yield valuable results (Sürücü & Maslakçi, 2020). The pre-test of the survey questionnaire was conducted in three (3) regulatory authorities for internal consistency and reliability testing of the survey instrument. The pre-test was validated by the use of the Composite Reliability (CR) formula, and its results were used to amend the survey questionnaire. The CR for this study was therefore computed using the formula:

$$CR = \frac{\left(\sum \lambda_i\right)^2}{\left(\sum \lambda_i\right)^2 + \sum \left(1 - \lambda_i^2\right)}$$

Where λ_i is the completely standardized factor loading of item *i*, for which both latent constructs and indicators are standardized. The required CR value should be equal to or greater than 0.7 as an acceptable value indicator (Mat Nawi, Tambi, Samat, & Mustapha, 2020). The AVE for each construct in this study, say *X,* was computed using the formula:

$$AVE(X) = \frac{\sum_{i=1}^{p} \lambda_i^2}{\sum_{i=1}^{p} \lambda_i^2 + \sum_{i=1}^{p} Var(\varepsilon_i)} = \frac{1}{p}\left(\sum_{i=1}^{p} \lambda_i^2\right)$$

Where *i* is the completely standardized factor loading of the i^{th} indicator and *p* is the number of indicators of construct *X,* both the constructs and indicators are standardized.

Therefore, reliability in this study was evaluated for internal consistency of the measurement instruments by using composite reliability (CR), whose threshold is ≥ 0.7 (Kumar & Upadhaya, 2017). In addition, convergent validity for this study was confirmed by calculating the Average Variance Extracted (AVE), whose minimum acceptable value is 0.50 (Hair et al., 2022), and Composite Reliability (CR), whose acceptable value is 0.70 or above (Civelek, 2018). In addition, a discriminant validity test was performed using the Fornell-Larcker Criterion, and it was found that the values of $\sqrt{AVE}$ (shown in **Table 4.10** and **Table 4.11** in bold and italics) were greater than those of the correlations with other latent constructs. Furthermore, the values of

AVE of each construct were found to be greater than the values of their respective MSV, that is, AVE > MSV.

4.7.1 Reliability and Validity Tests for Audit Committee Characteristics

The results of reliability and validity tests for the ACC Model, consisting of the CR, AVE, MSV, $\sqrt{AVE}$ (in bold and italics), and correlations between the latent constructs (off-diagonal) are summarized in **Table 4.10**.

Table 4.10: Reliability and Validity Test Results for ACC Model

Latent Constructs	CR	AVE	MSV	Latent Constructs				
				ACAR	**ACFE**	**ACIND**	**ACSZ**	**ACFM**
ACAR	0.737	0.488	0.141	***0.699***				
ACFE	0.865	0.619	0.141	0.376	***0.787***			
ACIND	0.779	0.540	0.125	0.216	0.192	***0.735***		
ACSZ	0.787	0.553	0.194	0.197	0.185	0.353	***0.743***	
ACFM	0.795	0.571	0.194	0.335	0.244	0.326	0.440	***0.756***

Source: Research Data, 2025

The explanations of the results of the reliability and validity tests for the constructs of the ACC, shown in **Table 4.10,** are given as follows:

4.7.1.1 Reliability Test for ACC Model

The reliability of the measurement was verified by assessing Composite Reliability (CR) values, whose lower limit value is 0.70 (Cheung et al., 2024). The results of reliability tests for the ACC model presented in **Table 4.10** indicate the CR values for ACAR, ACFE, ACIND, ACSZ, and ACFM are 0.737, 0.865, 0.779, 0.787, and 0.795,

respectively. Therefore, all CR values are above the lower limit value of 0.7, indicating the existence of internal consistency reliability.

4.7.1.2 Validity Test for ACC Model

The validity tests for the ACC model were performed for convergent validity and discriminant validity as summarized below:

4.7.1.2.1 Convergent Validity

The convergent validity tests established AVE values for the constructs of the ACC model: ACAR, ACFE, ACIND, ACSZ, and ACFM to be 0.488, 0.619, 0.540, 0.553, and 0.571, respectively. The AVE value for ACAR is slightly below the minimum threshold of 0.5. However, convergent validity is still adequate even when AVE is less than 0.5, provided CR is greater than 0.7 (Fornell & Larcker, 1981). The CR values for the constructs of the ACC Model were confirmed to range between 0.737 and 0.865, all being above the minimum threshold of 0.7. These results confirm the existence of convergent validity for the ACC model.

4.7.1.2.2 Discriminant Validity

The discriminant validity tests established the values of $\sqrt{AVE}$ (in bold and italics) for the constructs of the ACC model: ACAR, ACFE, ACIND, ACSZ, and ACFM to be 0.699, 0.787, 0.735, 0.743, and 0.756 respectively, and confirmed these values to be greater than those of the correlations with other latent constructs. In addition, the AVE values for the constructs of the ACC model: ACAR, ACFE, ACIND, ACSZ, and ACFM were established to be 0.488, 0.619, 0.540, 0.553, and 0.571, respectively,

which are all greater than the values of their respective MSV (0.141, 0.141, 0.125, 0.194, and 0.194). In addition, the CR values, which ranged between 0.737 and 0.865, were all above the minimum threshold of 0.7. These results confirm the existence of discriminant validity for the ACC model.

4.7.2 Reliability and Validity Tests for Corporate Governance Practices

The results of reliability and validity tests for the CGP Model, consisting of the CR, AVE, MSV, $\sqrt{AVE}$ (in bold and italics), and correlations between the latent constructs (off-diagonal) are summarized in **Table 4.11**.

Table 4.11: Reliability and Validity Test Results for CGP Model

Latent Constructs	CR	AVE	MSV	Latent Constructs				
				ACBG	**ACIA**	**ACEA**	**ACFR**	**ACFA**
ACBG	0.912	0.676	0.450	***0.822***				
ACIA	0.832	0.554	0.389	0.624	***0.744***			
ACEA	0.854	0.595	0.370	0.529	0.608	***0.772***		
ACFR	0.888	0.614	0.511	0.608	0.465	0.599	***0.783***	
ACFA	0.911	0.676	0.511	0.671	0.502	0.547	0.715	***0.822***

Source: Research Data, 2025

The explanations of the results of the reliability and validity tests for the constructs of the CGP, shown in **Table 4.11,** are given as follows:

4.7.2.1 Reliability Test for CGP Model

The reliability of the measurement was verified by assessing Composite Reliability (CR) values. The CR lower limit value is 0.70 to indicate the reliability of internal

consistency. The results of reliability tests for the CGP model indicate the CR values for ACBG, ACIA, ACEA, ACFR, and ACFA are 0.912, 0.832, 0.854, 0.888, and 0.911, respectively. These signify that all CR values are above the lower limit value of 0.7, indicating the existence of internal consistency reliability for the CGP model.

4.7.2.2 Validity Test for CGP Model

The validity test for the CGP model was performed for convergent validity and discriminant validity as summarized below:

4.7.2.2.1 Convergent validity

The convergent validity tests established AVE values for the constructs of the CGP model: ACBG, ACIA, ACEA, ACFR, and ACFA to be 0.676, 0.554, 0.595, 0.614, and 0.676, respectively. The CR values for the constructs of the CGP Model were found to range between 0.832 and 0.912, all being above the minimum threshold of 0.7. The results confirm the existence of convergent validity for the CGP model.

4.7.2.2.2 Discriminant Validity

The discriminant validity tests established the values of $\sqrt{AVE}$ (in bold and italics) for the constructs of the CGP model: ACBG, ACIA, ACEA, ACFR, and ACFA to be 0.822, 0.744, 0.772, 0.783, and 0.822, respectively, and confirmed these values to be greater than those of the correlations with other latent constructs. In addition, the AVE values for the constructs of the CGP model: ACBG, ACIA, ACEA, ACFR, and ACFA were established to be 0.676, 0.554, 0.595, 0.614, and 0.676, respectively, which are all greater than the values of their respective MSV (0.450, 0.389, 0.370, 0.511, and

0.511). In addition, the CR values, which ranged between 0.832 and 0.912, were all above the minimum threshold of 0.7. These results confirm the existence of discriminant validity for the CGP model.

4.8 Model Formulation and Validation

The study ascertained the possibility of the suggested structures of factors if they were consistent with the collected data from the conducted survey. This was derived from the fact that the conceptual framework for the study was developed based on the agency theory, resource dependency theory, and the literature review, not from the collected data from the survey. As well, it was not known whether the established constructs were consistent with the proposed measures. Therefore, the study used factor analysis through Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) to confirm that the established constructs were in line with their indicators, even though their measurement scales were adopted from the literature review. In general, factor analysis was used to confirm that the proposed structures of factors perfectly fit the collected data. It should be noted that EFA and CFA are the main approaches to factor analysis (Shrestha, 2021) used to identify relationships between the observed variables of the study and their respective underlying latent variables (Goudarzian, 2023). CFA is a confirmatory technique used to test hypotheses and other pre-specified theoretical models (Goudarzian, 2023).

4.8.1 Exploratory Factor Analysis

The main steps involved in the factor analysis of this study included the assessment of the suitability of data by use of the two statistical measures: Kaiser-Meyer-Olkin

(KMO) measure of sampling adequacy and Bartlett's test of Sphericity; then factor extraction was performed using principal component analysis (PCA) with the other two techniques: Kaiser-Guttman Criterion and Cattell's Scree Test to decide on the number of factors to retain: and finally factor rotation and interpretation was performed using IBM SPSS Statistics, where orthogonal factor rotation was used based on varimax with Kaiser normalization because it produced the results that were easier to interpret (Shrestha, 2021). The KMO formula used as recommended by Shrestha (2021) was:

$$KMO_j = \frac{\sum_{i \neq j} R_{ij}^2}{\sum_{i \neq j} R_{ij}^2 + \sum_{i \neq j} U_{ij}^2}$$

Where: **Rij** is the correlation matrix, and

Uij is the partial covariance matrix.

KMO value ranges from 0 to 1, and values between 0.8 and 1.0 indicate the study sampling is adequate, values between 0.7 and 0.79 indicate middling, values between 0.6 and 0.69 indicate mediocre, and values less than 0.6 indicate the study sampling is not adequate, thus, remedial action is supposed to be taken (Shrestha, 2021). Furthermore, in another study, it was argued that KMO assesses the extent to which the dataset variables correlate with each other, whose cutoff point is 0.5; a value closer to 1 indicates better suitability, while a value below 0.5 is unacceptable (Kalufya & Nyello 2021). On Bartlett's Test of Sphericity, the significant value (p-value) must be less than the chosen significance level, which is less than 0.05 for this study, to indicate that a factor analysis is worthwhile in the dataset (Shrestha, 2021). As well, the

following Bartlett's Test of Sphericity formula was used as recommended by Shrestha (2021):

$$\chi^2 = -\left(n - 1 - \frac{2p+5}{6}\right) \times \ln|R|$$

Where: p= number of variables,

n= total sample size, and

R= correlation matrix

Furthermore, on the Kaiser's (Eigenvalue) Criterion, the Eigenvalue of a latent variable (factor) represents an amount of total variance explained by that factor, thus, in the factor analysis, for the factor to be retained, eigenvalues should be greater than 1, and the proportion of total variances explained by the retained factors must be at least 50% (Shrestha, 2021). As well, for the Scree test, after drawing a scree plot graph with the eigenvalues on the vertical (Y) axis, and eigenvalue numbers on the horizontal axis, followed by the plotted dots connecting the successive eigenvalues in descending order within the graph, factor extraction was stopped at a point where the graph turns to an 'elbow' shape (Shrestha, 2021; Auerswald & Moshagen, 2019).

Therefore, the researcher performed factors analysis for audit committee characteristics (ACC), corporate governance practices (CGP), and audit committee effectiveness (ACE), by observing the three steps: Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, Bartlett's test of Sphericity; then factor extraction was performed using principal component analysis (PCA) with the other two techniques:

Kaiser-Guttman Criterion and Cattell's Scree Test to decide on the number of factors to retain as detailed below.

4.8.1.1 Factor Analysis for Audit Committee Characteristics

4.8.1.1.1 KMO Measure for ACC

The KMO was employed to confirm the sufficiency of the sample size. The KMO value was established to be 0.759, which suggests that the variables in the dataset are moderately suitable for factor analysis.

4.8.1.1.2 Bartlett's Test of Sphericity for ACC

The Bartlett's test of Sphericity was used to confirm the existence of adequate correlation among the observed variables. The results showed an approximate Chi-square value of 1389.490 with 231 degrees of freedom (df) and a significance level (Sig.), of p = 0.000. This indicates that the correlation matrix is significantly different from an identity matrix, supporting the presence of relationships among the variables suitable for structure detection through techniques like factor analysis. Generally, both the KMO measure and Bartlett's Test of Sphericity suggest the dataset is suitable for factor analysis of ACC, as shown in **Table 4.12**.

Table 4.12: KMO Measure of Sampling Adequacy for ACC

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.759
Bartlett's Test of Sphericity	Approx. Chi-Square	1389.490
	df	231
	Sig.	.000

Source: Research Data, 2025

4.8.1.1.3 Principal Component Analysis for ACC

The principal component analysis (PCA) was performed using the data collected from 241 participants of the study, with the Rotation Method being Oblimin with Kaiser Normalization. The pattern matrix resulting from the PCA with Oblimin rotation revealed distinct components underlying the relationships among the variables for audit committee characteristics as shown in **Table 4.13**.

Table 4.13: Components Matrix for Factors of ACC

Rotated Component Matrix[a]							
	1	**2**	**3**	**4**	**5**	**6**	**Uniqueness**
acsz4	0.724						0.447
acfm3	0.719						0.444
acsz1	0.686						0.399
acfm1	0.665						0.341
acar1	0.566						0.478
acsz3	0.522						0.436
acfe4		0.849					0.232
acfe3		0.822					0.305
acfe2		0.724					0.415
acfe1		0.637					0.432
acind4			0.749				0.389
acind5			0.630				0.545
acind2			0.511				0.557
acind3							0.361
acind1							0.508
acar3				0.672			0.448
acar2				0.525			0.493
acar4							0.517
acsz5					0.635		0.435
acsz2					0.612		0.435
acfm4					0.503		0.572
acfm2						0.791	0.315
Note. 'varimax' rotation was used							

Source: Research Data, 2025

The matrix indicates that variables *acsz4, acfm3, acsz1, acfm1, acar1*, and *acsz3* are strongly associated with Component 1 while variables *acfe4, acfe3, acfe2*, and *acfe1* are strongly associated with Component 2. In addition, variables *acind4, acind5,* and *acind2* are strongly associated with Component 3, while variables *acar3* and *acar2* are strongly associated with Component 4. Finally, variables *acsz5, acsz2,* and *acfm4* are strongly associated with Component 5, while variable *acfm2* is strongly associated with Component 6.

4.8.1.1.4 Eigenvalue Criterion and Scree Test Criterion for ACC

In performing PCA, the six (6) factors were retained because their Eigenvalues are above 1, and they explained cumulative variance of 56.805%, which is above the threshold of at least 50% of the total variance, as indicated in **Table 4.14**.

Table 4.14: Total Variance Explained for Factors of ACC

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.681	21.279	21.279	3.191	14.502	14.502
2	2.263	10.288	31.567	2.895	13.160	27.662
3	1.736	7.891	39.458	2.058	9.355	37.018
4	1.448	6.582	46.040	1.606	7.301	44.319
5	1.311	5.961	52.001	1.530	6.956	51.275
6	1.057	4.805	56.805	1.217	5.531	56.805

Extraction Method: Principal Component Analysis.

Source: Research Data, 2025

In addition, based on the Eigenvalue criterion, and concerning the Scree test criterion, all six (6) factors were above the cutoff point or inflection point in the Scree plot graph as illustrated in **Figure 4.2**.

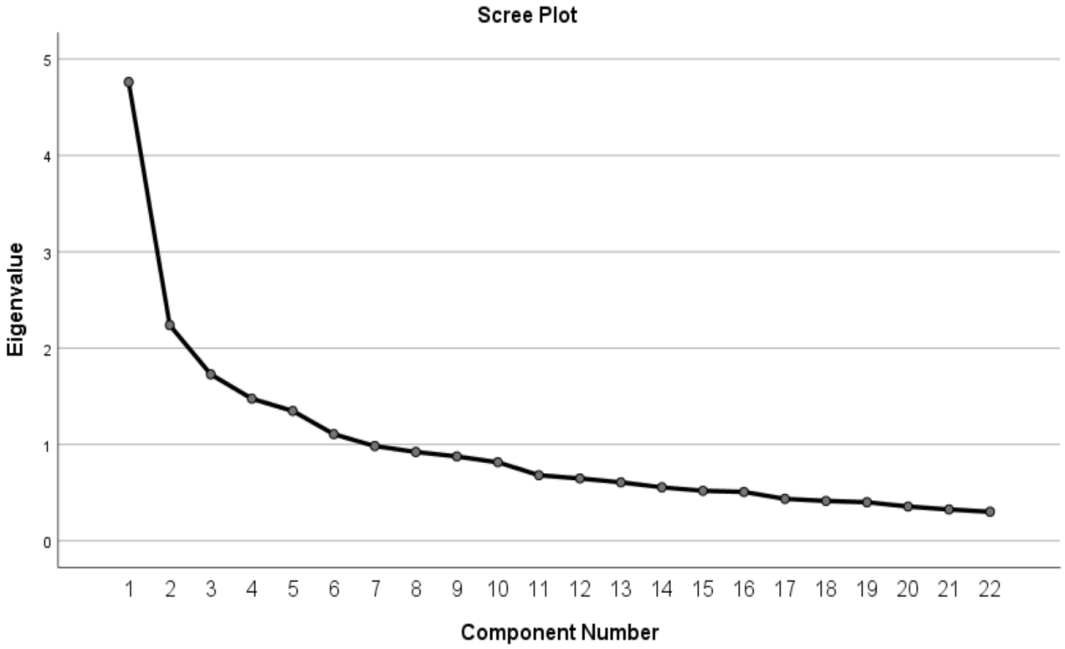

Figure 4.2: Scree Plot for Factors of Audit Committee Characteristics

Source: Research Data, 2025

4.8.1.2 Factor Analysis for Corporate Governance Practices

4.8.1.2.1 KMO Measure for CGP

In the case of corporate governance practices, the KMO measure is relatively high at .929, suggesting that the variables in the dataset are highly correlated and that the data is appropriate for factor analysis.

4.8.1.2.2 Bartlett's Test of Sphericity for CGP

The Bartlett's Test of Sphericity results showed an approximate Chi-square value of 3347.207 with 253 degrees of freedom (df) and a significance level (sig.) p = 0.000.

This indicates that the correlation matrix is significantly different from an identity matrix, supporting the presence of relationships among the variables suitable for structure detection through techniques like factor analysis. Generally, both the KMO measure and Bartlett's Test of Sphericity suggest the dataset is suitable for factor analysis of CGP, as shown in **Table 4.15**.

Table 4.15: KMO and Bartlett's Test of Corporate Governance Practices

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.929
Bartlett's Test of Sphericity	Approx. Chi-Square	3347.207
	df	253
	Sig.	.000

Source: Research Data, 2025

4.8.1.2.3 Principal Component Analysis for CGP

The pattern matrix resulting from a PCA with Oblimin rotation reveals distinct components underlying the relationships among the variables for corporate governance practices, as shown in **Table 4.16**.

Table 4.16: Components Matrix for Factors of CGP

Rotated Component Matrix[a]

	1	2	3	4	Uniqueness
acfa4	0.795				0.192
acfa3	0.772				0.241
acfa5	0.725				0.303
acfa2	0.722				0.328
acea2	0.625				0.350
acbg1		0.819			0.223
acbg2		0.684			0.277
acbg5		0.660			0.324
acbg3		0.636			0.380
acbg4		0.633			0.313
acia2		0.540			0.408
acfr4			0.746		0.313
acfa1			0.652		0.420
acfr2			0.639		0.414
acfr3			0.588		0.497
acfr1			0.585		0.339
acfr5			0.582		0.444
acea4				0.691	0.433
acea3				0.648	0.418
acea1				0.638	0.301
acia3				0.634	0.554
acia4				0.607	0.422
acia1				0.501	0.461

Note. 'varimax' rotation was used

Source: Research Data, 2025

The matrix shows that Component 1 is characterized by high positive loadings from variables *acfa4, acfa3, acfa5, acfa2, and acea2.* Component 2 shows strong positive loadings from variables *acbg1, acbg2, acbg5, acbg3, acbg4,* and *acia2.* Similarly, Component 3 is distinguished by high positive loadings from *acfr4, acfa1, acfr2, acfr3, acfr1,* and *acfr5*. Finally, Component 4 exhibits notable positive loadings from variables *acea4, acea3, acea1, acia3, acia4,* and *acia1*.

4.8.1.2.4 Eigenvalue Criterion and Scree Test Criterion for CGP

In performing EFA, the four (4) factors were retained because their Eigenvalues are above 1, and they explained cumulative variance of 63.677%, which is above the threshold of at least 50% of the total variance, as indicated in **Table 4.17**.

Table 4.17: Total Variance Explained for Corporate Governance Practices

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.040	43.653	43.653	4.341	18.872	18.872
2	1.995	8.675	52.327	3.643	15.841	34.713
3	1.585	6.893	59.220	3.535	15.372	50.084
4	1.025	4.457	63.677	3.126	13.593	63.677

Extraction Method: Principal Component Analysis.

Source: Research Data, 2025

In addition, based on the Eigenvalue Criterion, and concerning the Scree test criterion, all four (4) factors were above the cutoff point/inflection point in the Scree plot graph, as illustrated in **Figure 4.3**.

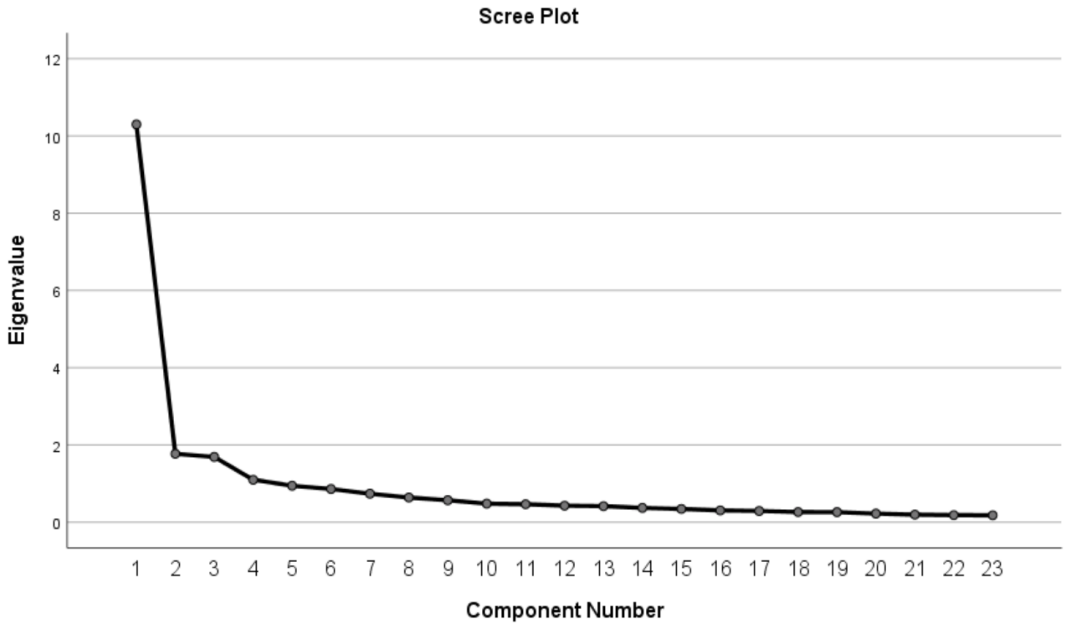

Figure 4.3: Scree Plot for Factors of Corporate Governance Practices

Source: Research Data, 2025

4.8.1.3 Factor Analysis for Audit Committee Effectiveness

4.8.1.3.1 KMO Measure for ACE

The KMO measure for ACE was analyzed and found to be quite high at .715, suggesting that the variables in the dataset are highly correlated and that the data is appropriate for factor analysis.

4.8.1.3.2 Bartlett's Test of Sphericity for ACE

The Bartlett's Test of Sphericity was analyzed and found to have a Chi-square value of 181.531 with 10 degrees of freedom (df) and a significance level (sig.) p = 0.000. This indicates that the correlation matrix is significantly different from an identity matrix, supporting the presence of relationships among the variables suitable for structure detection through techniques like factor analysis. Generally, both the KMO

measure and Bartlett's Test of Sphericity suggest the dataset is suitable for factor analysis of ACE as shown in **Table 4.18**.

Table 4.18: KMO and Bartlett's test of Audit Committee Effectiveness

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.715
Bartlett's Test of Sphericity	Approx. Chi-Square	181.531
	df	10
	Sig.	.000

Source: Research Data, 2025

4.8.1.3.3 Principal Component Analysis for ACE

The pattern matrix resulting from a PCA with Oblimin rotation reveals distinct components underlying the relationships among the variables for ACE. The matrix in **Table 4.19** shows that only Component 1 for this study is characterized by high positive loadings from variables *ace4, ace3, ace1,* and *ace5*. Thus, the component matrix for the factors of corporate governance practices is presented in **Table 4.19**.

Table 4.19: Components Matrix for Factors of ACE

Constructs	**Component**
	1
ace4	0.787
ace3	0.777
ace1	0.650
ace5	0.606
ace2	0.400
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Source: Research Data, 2025

4.8.1.3.4 Eigenvalue Criterion and Scree Test Criterion for CGP

In performing EFA, only one (1) factor was retained because its Eigenvalue is above 1. However, its cumulative variance of 43.443% is below the threshold of at least 50% of the total variance, as indicated in **Table 4.20**.

Table 4.20: Total Variance Explained for Factors of ACE

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.172	43.443	43.443	2.172	43.443	43.443
2	0.957	19.143	62.585			
3	0.799	15.978	78.563			
4	0.619	12.375	90.938			
5	0.453	9.062	100.000			

Extraction Method: Principal Component Analysis.

Source: Research Data, 2025

Furthermore, based on the Eigenvalue criterion, and concerning the Scree test criterion, only one (1) factor was above the cutoff point/inflected point in the Scree plot graph as illustrated in **Figure 4.4**. Unlike the above analysis, this solution has only one (1) factor and, thus, it cannot be rotated.

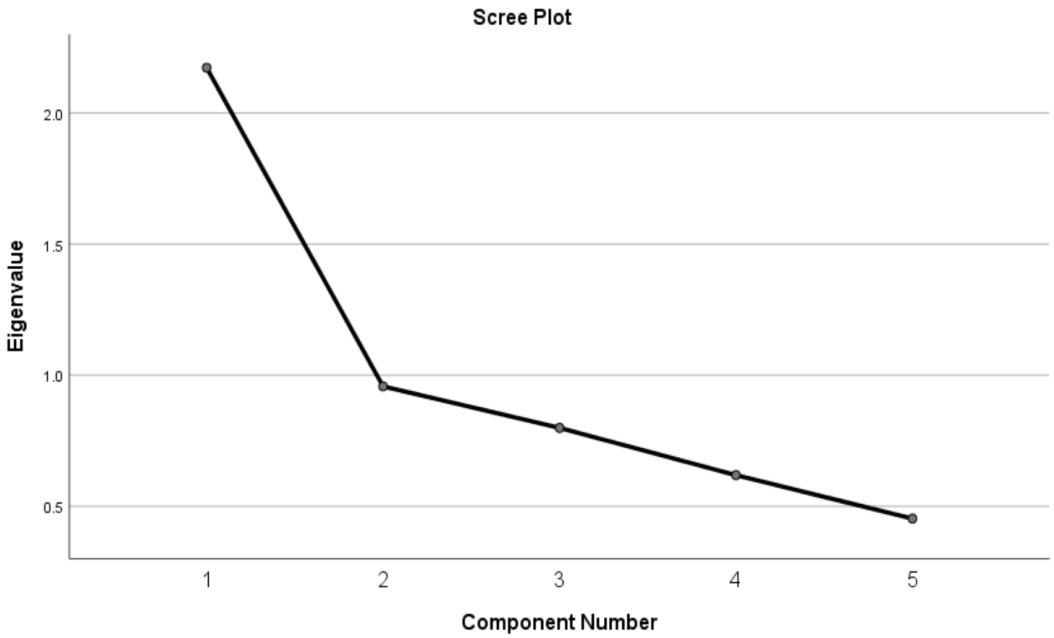

Figure 4.4: Scree Plot for Factors of Audit Committee Effectiveness

Source: Research Data, 2025

4.8.2 Factor Correlation Analysis

Correlation analysis is a statistical technique used to describe the extent of relationship between two or more quantitative variables or factors (Sutradhar, Adhikari, & Sen, 2023). A statistical measure which describes the direction and strength of relationship between quantitative variables or factors is a Pearson correlation coefficient whose numerical value ranges from -1 to +1, and a zero value indicates non-existence of correlation (Temizhan, Mirtagioglu, & Mendes, 2022). Therefore, a high relationship implies that two or more quantitative variables or factors have a solid relationship with each other, while a low relationship implies that the variables or factors are hardly related.

This study used IBM SPSS Statistics version 26 to perform correlation analysis with an oblique factor rotation method because the method is mostly used and preferred for a large size of dataset, and it allows factors to be correlated very quickly compared to other types of rotation methods. Principally, there are two types of rotation methods, which are orthogonal involving *varimax,* quartimax and equamax; and oblique involving direct, oblimin, and promax (Sürücü & Maslakçi, 2020). Therefore, the correlation matrix between the latent constructs of audit committee characteristics (ACC), audit committee effectiveness (ACE) and corporate governance practices (CGP) were analysed, and their results are summarised in **Table 4.21**, **Table 4.22**, and **Table 4.23** respectively. The results demonstrated non-appearance of either greatly high relationships or greatly low relationships among the latent constructs, implying that the constructs for this study were different and had their constrained cover.

The results of the correlation analysis for audit committee characteristics are summarised in **Table 4.21**.

Table 4.21: Correlation Matrix for Audit Committee Characteristics

Constructs	ACAR	ACFE	ACIND	ACSZ	ACFM
ACAR	1.000				
ACFE	0.376	1.000			
ACIND	0.216	0.192	1.000		
ACSZ	0.197	0.185	0.353	1.000	
ACFM	0.335	0.244	0.326	0.440	1.000
Extraction Method: Principal Axis Factoring.					
Rotation Method: Varimax with Kaiser Normalization.					

Source: Research Data, 2025

The results of the correlation analysis for audit committee effectiveness are summarized in **Table 4.22**.

Table 4.22: Correlation Matrix for Audit Committee Effectiveness

Constructs	ace1	ace2	ace3	ace4	ace5
ace1	1.000				
ace2	0.237	1.000			
ace3	0.361	0.163	1.000		
ace4	0.350	0.128	0.539	1.000	
ace5	0.184	0.144	0.309	0.371	1.000
Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalization.					

Source: Research Data, 2025

The results of the correlation analysis for corporate governance practices are summarised in **Table 4.23**.

Table 4.23: Correlation Matrix for Corporate Governance Practices

Constructs	ACBG	ACIA	ACEA	ACFR	ACFA
ACBG	1.000				
ACIA	0.624	1.000			
ACEA	0.529	0.608	1.000		
ACFR	0.608	0.465	0.599	1.000	
ACFA	0.671	0.502	0.547	0.715	1.000
Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalization.					

Source: Research Data, 2025

4.8.3 Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) is a statistical procedure used to test hypotheses that explain causal relationships between independent variables and dependent

variables, and it is used to simultaneously test multiple hypotheses of the study, which collectively establish a measurement model (Hoyle, 2000). CFA is a confirmatory technique used to test hypotheses and other pre-specified theoretical models (Goudarzian, 2023). In addition, scholars argue that CFA tests and confirms the suitability of factors for specific constructs to remain with the factors that match the constructs (Mustafa et al., 2020). According to Mustafa et al. (2020), the main criterion for accepting results of CFA tests for each factor is the loading factor value of not less than 0.50, not equal to, or greater than 1.00, and must be a positive value.

In addition, according to Hoyle (2000), CFA starts with specifications of the measurement model, where the most basic measurement models should consist of at least two variables, and each latent variable should have at least three observed variables, with one of the loadings on each latent variable fixed at 1. CFA tests and confirms the suitability of factors for specific constructs, to remain with the factors that match the constructs (Mustafa et al., 2020). Furthermore, according to Mustafa et al. (2020), the main criterion for accepting results of CFA tests for each factor is the loading factor value of not less than 0.50, not equal to, or greater than 1.00, and must be a positive value. Therefore, to get the final confirmatory factor analysis (CFA) for the audit committee characteristics (ACC), audit committee effectiveness (ACE), and corporate governance practices (CGP), all constructs and factors associated with ACC, ACE, and CGP were put together for running CFA using Jamovi software version 2.3.28. The aim was to allow correlation to be seen, as many social study variables are hardly orthogonal. The initial CFA was run to eliminate variables which were low factor loadings, and the final CFA model was established as shown in **Table 4.24**.

Table 4.24: Final CFA for the Constructs of ACC, ACE, and CGP

Factor	Indicator	Estimate	SE	95% CI		Z	p	Stand. Estimate
				Lower	Upper			
ACC	ACAR	0.332	0.0479	0.238	0.426	6.94	< .001	0.482
	ACFE	0.363	0.0518	0.262	0.465	7.01	< .001	0.483
	ACIND	0.394	0.0502	0.296	0.492	7.85	< .001	0.533
	ACSZ	0.280	0.0455	0.191	0.369	6.14	< .001	0.440
	ACFM	0.339	0.0387	0.263	0.415	8.77	< .001	0.604
ACE	ace1	0.426	0.0580	0.313	0.540	7.36	< .001	0.455
	ace3	0.619	0.0466	0.527	0.710	13.28	< .001	0.764
	ace4	0.487	0.0448	0.399	0.575	10.87	< .001	0.652
	ace5	0.549	0.0625	0.427	0.672	8.78	< .001	0.531
CGP	ACBG	0.597	0.0337	0.531	0.663	17.71	< .001	0.906
	ACIA	0.495	0.0383	0.420	0.570	12.91	< .001	0.735
	ACEA	0.481	0.0447	0.393	0.568	10.74	< .001	0.647
	ACFR	0.493	0.0421	0.410	0.575	11.69	< .001	0.686
	ACFA	0.513	0.0388	0.437	0.589	13.23	< .001	0.748

Source: Research Data, 2025

4.8.4 Assessment of Measurement Models

The measurement model for CFA, as well as for SEM, is a multivariate regression model that illustrates the existence of relationships between the observed dependent variables and the latent variables (Dash & Paul, 2021). In this study, the researcher used the SEM (interactive) module in Jamovi software version 2.3.28 to develop a pooled measurement model from the individual measurement models for audit committee characteristics (ACC), corporate governance practices (CGP), and the audit committee effectiveness (ACE). The measurement model of the audit committee characteristics was evaluated by including all constructs. The first analysis of audit committee characteristics found three constructs to have low loadings, which were

acar3 (β=0.208, z=2.81 and p=0.005), *acsz5* (β=-0.153, z=-2.68 and p=0.007), and acfm2 (β=-0.101, z=-1.99 and p=0.047).

Therefore, these three constructs were eliminated from the model. The model was further modified to ensure regression weights for all items were above 0.5 and statistically significant at $p \leq 0.05$. The process continued until the model fit indices output were CMID/DF (323/142) = 2.275, CFI= 0.965, TLI= 0.957, and RMSEA= 0.073, which were within the acceptable threshold values. Finally, all the retained items comprised good fit indices that indicated a perfect model fit with audit committee characteristics. The final measurement model for audit committee characteristics is presented in **Table 4.25**.

Table 4.25: Measurement Model for Audit Committee Characteristics

				95% CI				
Latent	**Observed**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
ACAR	acar1	1.000	0.0000	1.000	1.000	0.666		
	acar2	0.944	0.1217	0.706	1.183	0.629	7.76	< .001
	acar4	0.712	0.1197	0.477	0.946	0.474	5.95	< .001
ACFE	acfe1	1.000	0.0000	1.000	1.000	0.690		
	acfe2	1.043	0.0970	0.853	1.233	0.720	10.76	< .001
	acfe3	1.238	0.0967	1.049	1.428	0.854	12.80	< .001
	acfe4	1.214	0.1008	1.017	1.412	0.838	12.04	< .001
ACIND	acind1	1.000	0.0000	1.000	1.000	0.714		
	acind2	0.936	0.0863	0.767	1.106	0.668	10.85	< .001
	acind3	0.996	0.0981	0.803	1.188	0.710	10.15	< .001
	acind4	0.612	0.0941	0.427	0.796	0.437	6.50	< .001
	acind5	0.580	0.0833	0.417	0.743	0.414	6.97	< .001
ACSZ	acsz1	1.000	0.0000	1.000	1.000	0.892		
	acsz2	0.465	0.0665	0.334	0.595	0.414	6.98	< .001
	acsz3	0.644	0.0635	0.520	0.768	0.574	10.15	< .001
	acsz4	0.712	0.0530	0.608	0.816	0.635	13.43	< .001
ACFM	acfm1	1.000	0.0000	1.000	1.000	0.826		
	acfm3	0.931	0.0580	0.818	1.045	0.769	16.06	< .001
	acfm4	0.587	0.0658	0.458	0.716	0.485	8.93	< .001

Source: Research Data, 2025

4.8.4.1 Measurement model for Corporate Governance Practices

The measurement model for corporate governance practices was developed using Jamovi software version 2.3.28. The model was modified to ensure regression weights for all items were above 0.5 and statistically significant at $p \leq 0.05$. The modification process continued until the model fit indices output were CMID/DF (551/220) = 2.5, CFI = 0.990, TLI = 0.989, and RMSEA = 0.079, which were within the acceptable threshold values. Finally, all the retained items comprised good fit indices that indicated a perfect model fit with corporate governance practices. The final measurement model for corporate governance practices is presented in **Table 4.26**.

Table 4.26: Measurement Model for Corporate Governance Practices

				95% CI				
Latent	**Observed**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
ACBG	acbg1	1.000	0.0000	1.000	1.000	0.837		
	acbg2	1.068	0.0406	0.988	1.147	0.894	26.29	< .001
	acbg3	1.010	0.0413	0.929	1.091	0.846	24.44	< .001
	acbg4	1.074	0.0410	0.993	1.154	0.899	26.17	< .001
	acbg5	0.875	0.0462	0.784	0.966	0.733	18.94	< .001
ACIA	acia1	1.000	0.0000	1.000	1.000	0.791		
	acia2	0.967	0.0533	0.863	1.072	0.766	18.14	< .001
	acia3	0.551	0.0644	0.424	0.677	0.436	8.55	< .001
	acia4	1.013	0.0503	0.915	1.112	0.802	20.13	< .001
ACEA	acea1	1.000	0.0000	1.000	1.000	0.865		
	acea2	1.060	0.0386	0.984	1.136	0.916	27.45	< .001
	acea3	0.792	0.0412	0.711	0.873	0.685	19.21	< .001
	acea4	0.494	0.0540	0.388	0.600	0.427	9.16	< .001
ACFR	acfr1	1.000	0.0000	1.000	1.000	0.874		
	acfr2	0.940	0.0373	0.867	1.013	0.821	25.20	< .001
	acfr3	0.797	0.0465	0.706	0.888	0.697	17.13	< .001
	acfr4	0.890	0.0386	0.814	0.965	0.778	23.08	< .001
	acfr5	0.888	0.0386	0.813	0.964	0.776	23.04	< .001
ACFA	acfa1	1.000	0.0000	1.000	1.000	0.727		
	acfa2	1.118	0.0531	1.014	1.222	0.813	21.07	< .001
	acfa3	1.220	0.0575	1.107	1.333	0.887	21.23	< .001
	acfa4	1.293	0.0585	1.179	1.408	0.940	22.11	< .001
	acfa5	1.226	0.0575	1.113	1.339	0.891	21.32	< .001

Source: Research Data, 2025

4.8.4.2 Measurement model for Audit Committee Effectiveness

The measurement model for audit committee effectiveness was developed using Jamovi software version 2.3.28. The measurement model was modified further to ensure regression weights for all items were above 0.5 and statistically significant at $p \leq 0.05$. The modification process continued until the model fit indices output were CMID/DF (6.66/5) = 1.332, CFI = 0.997, TLI = 0.993, and RMSEA = 0.037, which were within the acceptable threshold values. Finally, all the retained items comprised good fit indices that indicated a perfect model fit with audit committee effectiveness. The final measurement model for audit committee effectiveness is presented in **Table 4.27**.

Table 4.27: Measurement Model for Audit Committee Effectiveness

				95% CI				
Latent	**Observed**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
ACE	ace1	1.000	0.000	1.000	1.000	0.547		
	ace2	0.567	0.127	0.317	0.817	0.310	4.45	< .001
	ace3	1.467	0.161	1.150	1.783	0.802	9.08	< .001
	ace4	1.451	0.168	1.122	1.779	0.794	8.65	< .001
	ace5	0.976	0.125	0.731	1.222	0.534	7.80	< .001

Source: Research Data, 2025

4.8.4.3 Overall Measurement Model for CGP, ACC, and ACE

The overall measurement model for corporate governance practices (CGP), audit committee characteristics (ACC), and audit committee effectiveness (ACE) was developed using Jamovi software version 2.3.28. The overall measurement model was modified further to ensure regression weights for all items were above 0.5 and

statistically significant at $p \leq 0.05$. The modification process continued until the model fit indices output were CMID/DF (318/74) = 4.297, CFI = 0.954, TLI = 0.953, and SRMR 0.078, which were within the acceptable threshold values. Finally, all the retained items comprised good fit indices that indicated a perfect model fit with CGP, ACC, and ACE. The final overall measurement model for CGP, ACC, and ACE is presented in **Table 4.28**.

Table 4.28: Overall Measurement Model for CGP, ACC, and ACE

				95% CI				
Latent	**Observed**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
ACC	ACAR	1.000	0.0000	1.000	1.000	0.485		
	ACFE	1.195	0.1264	0.948	1.443	0.531	9.46	< .001
	ACIND	1.143	0.1383	0.872	1.414	0.516	8.26	< .001
	ACSZ	0.737	0.0966	0.548	0.926	0.387	7.63	< .001
	ACFM	0.942	0.1001	0.746	1.138	0.561	9.41	< .001
ACE	ace1	1.000	0.0000	1.000	1.000	0.573		
	ace2	0.644	0.1158	0.418	0.871	0.370	5.57	< .001
	ace3	1.101	0.0995	0.907	1.296	0.632	11.08	< .001
	ace4	1.398	0.1256	1.152	1.645	0.802	11.13	< .001
	ace5	1.158	0.1157	0.931	1.385	0.664	10.01	< .001
CGP	ACBG	1.000	0.0000	1.000	1.000	0.704		
	ACIA	1.167	0.0572	1.055	1.279	0.805	20.41	< .001
	ACEA	1.192	0.0663	1.062	1.322	0.745	17.99	< .001
	ACFR	1.146	0.0591	1.030	1.261	0.741	19.39	< .001
	ACFA	1.177	0.0565	1.066	1.288	0.797	20.83	< .001

Source: Research Data, 2025

4.8.5 Analysis of Structural Model

4.8.5.1 The Structural Model of the Study

The structural model for this study, as presented in **Figure 4.5**, consists of different measurement models of independent variables (ACAR, ACFE, ACIND, ACSZ, and ACFM), mediating variable (ACE), and dependent variable (CGP). The Jamovi software version 2.3.28 was used to perform analysis of the structural model by using the maximum likelihood estimate to assess the level of significance among the hypothesized relationships and fitness of the model. The outputs of the analysis are presented in **Table 4.29** which summarizes modal fit indices for structural model including Chi-square (X^2), Root of Mean Square Error of Approximation (RMSEA), Standardized Root Mean Squared Residual (SRMR), Comparative Fit Index (CFI), Tucker Lewis Index (TLI), Bollen's Incremental Fit Index (IFI), and Chi-square Minimum by Degree of Freedom (CMIN/DF or X^2/df).

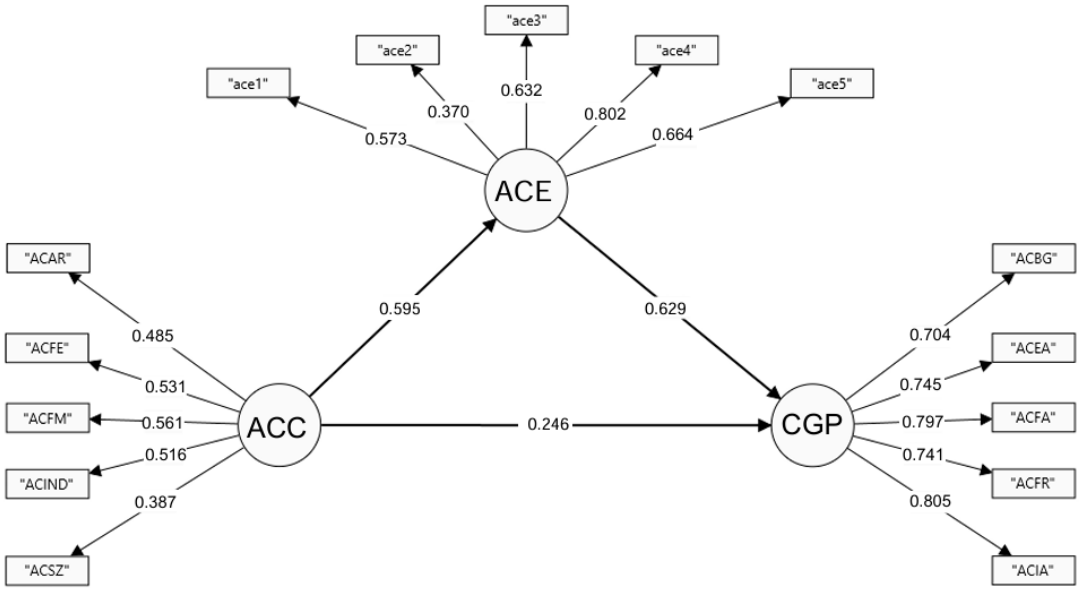

Figure 4.5: Structural Model for the Study

Source: Research Data, 2025

4.8.5.2 Results of CFA Model Fit Indices

The results of the CFA model fit indices for the structural model of the study were interpreted for decision, using the seven (7) widely used Model fit indices, which are X^2, RMSEA, SRMR, CFI, TLI, IFI, and CMIN/DF or X^2/df. The model fit statistics suggest significant differences between the user-defined model and the baseline model. The X^2 statistic for the structural model was 358 with *df* of 87, yielding a p-value of less than 0.001, indicating a significant model fit. Furthermore, other fit indices were calculated, including the RMSEA whose value was established to be 0.114 (with a 95% confidence interval of 0.065 to 0.166); the SRMR value was established as 0.081 (with a 95% confidence interval of 0.159 to 0.183), the CFI value was found to be 0.947, the TLI value was established to be 0.936, the IFI value was confirmed to be 947, and X^2/df was calculated to be 4.1. These results are summarized in **Table 4.29**.

Table 4.29: Results of Model Fit Indices for Structural Model

Category of Fit	Index	Results	Remarks
Absolute Fit	X^2	$P \geq 0.05$	Not applicable for large sample size (N > 200)
	RMSEA	0.114	Model does not fit the data
	SRMR	0.081	Model fit the data
Incremental Fit	CFI	0.947	Model fit the data
	TLI	0.936	Model fit the data
	IFI	0.947	Model fit the data
Parsimonious Fit	X^2/df	358/87=4.1	Model fit the data

Source: Research Data, 2025

After obtaining the above results, the researcher conducted a regression model testing to ensure that the use of the study variables in the regression equation model is statistically suitable and fits the hypotheses testing.

4.9 Regression Model Testing

The regression model was tested, and the results of the regression model fit measures are summarized in **Table 4.30.**

Table 4.30: Summary of Regression Model Fit Measures

				Overall Model Test	
Model	*R*	*R²*	*Adjusted R²*	*F*	*p*
ACC on ACE:					
1. ACAR predicting ACE	0.344	0.118	0.115	32.0	< .001
2. ACFE predicting ACE	0.569	0.324	0.321	114.0	< .001
3. ACIND predicting ACE	0.360	0.130	0.126	35.6	< .001
4. ACSZ predicting ACE	0.300	0.090	0.086	23.7	< .001
5. ACFM predicting ACE	0.445	0.198	0.195	59.1	< .001
ACC predicting ACE	**0.682**	**0.465**	**0.454**	**41.0**	**< .001**
ACE on CGP:					
6. ACE predicting CGP	**0.821**	**0.673**	**0.666**	**97.0**	**< .001**
ACC on CGP:					
7. ACAR predicting CGP	0.450	0.203	0.199	60.8	< .001
8. ACFE predicting CGP	0.408	0.166	0.163	47.6	< .001
9. ACIND predicting CGP	0.441	0.194	0.191	57.6	< .001
10. ACSZ predicting CGP	0.284	0.0808	0.077	21.0	< .001
11. ACFM predicting CGP	0.427	0.182	0.179	53.3	< .001
ACC predicting CGP	**0.652**	**0.425**	**0.412**	**35.0**	**< .001**

Source: Research Data, 2025

The regression analyses of the eleven (11) variables summarized in **Table 4.30** indicated a strong relationship between constructs in the model ($p < 0.001$). The results

showed the significant influence of the independent variables on a dependent variable, exhibiting a good fit and significant values of R, $R^{2,}$ as well as F-value. The relationships of the eleven (11) variables in the model are explained as follows:

(1) The relationship between ACAR and ACE indicated a good fit and a highly significant value of R (0.344), R^2 (0.118), and F-value (32.0). The model suggests that ACAR explains 11.8% of the variation in ACE.

(2) The relationship between ACFE and ACE indicated a good fit and a highly significant value of R (0.569), R^2 (0.324), and F-value (114). The model suggests that ACFE explains 32.4% of the variation in ACE.

(3) The relationship between ACIND and ACE indicated a good fit and a highly significant value of R (0.360), R^2 (0.130), and F-value (35.6). The model suggests that ACIND explains 13% of the variation in ACE.

(4) The relationship between ACSZ and ACE indicated a good fit and a highly significant value of R (0.300), R^2 (0.0901), and F-value (23.7). The model suggests that ACSZ explains 9.01% of the variation in ACE.

(5) The relationship between ACFM and ACE indicated a good fit and a highly significant value of R (0.445), R^2 (0.198), and F-value (59.1). The model suggests that ACFM explains 20% of the variation in ACE.

(6) The relationship between ACE and CGP indicated a good fit and a highly significant value of R (0.775), R^2 (0.6), and F-value (359). The model suggests that ACE explains 60% of the variation in CGP.

(7) The relationship between ACAR and CGP indicated a good fit and a highly significant value of R (0.450), R^2 (0.203), and F-value (60.8). The model suggests that ACAR explains 20.3% of the variation in CGP.

(8) The relationship between ACFE and CGP indicated a good fit and a highly significant value of R (0.408), R^2 (0.166), and F-value (47.6). The model suggests that ACFE explains 16.6% of the variation in CGP.

(9) The relationship between ACIND and CGP indicated a good fit and a highly significant value of R (0.441), R^2 (0.194), and F-value (57.6). The model suggests that ACIND explains 19.4% of the variation in CGP.

(10) The relationship between ACSZ and CGP indicated a good fit and a highly significant value of R (0.284), R^2 (0.0808), and F-value (21.0). The model suggests that ACSZ explains 8.08% of the variation in CGP.

(11) The relationship between ACFM and CGP indicated a good fit and a highly significant value of R (0.427), R^2 (0.182), and F-value (53.3). The model suggests that ACFM explains 18.2% of the variation in CGP.

4.10 Evaluation of Structural Path

The structural path evaluation was performed to evaluate path coefficients, which are the relationships among the constructs of the study. The results of the structural path evaluation will assist in testing the hypotheses of the study. Thus, the results of structural path evaluation, using Jamovi Software version 2.3.28, are summarized in **Table 4.31.**

Table 4.31: Results of Structural Path Evaluation

Type	Effect	Estimate	SE	95% C.I. Lower	95% C.I. Upper	β	z	p
Indirect	ACAR ⇒ ACE ⇒ CGP	0.067	0.0287	0.011	0.123	0.081	2.33	0.020
	ACFE ⇒ ACE ⇒ CGP	0.223	0.0306	0.163	0.283	0.295	7.29	< .001
	ACIND ⇒ ACE ⇒ CGP	0.080	0.0273	0.027	0.134	0.104	2.95	0.003
	ACSZ ⇒ ACE ⇒ CGP	0.050	0.0317	-0.012	0.112	0.056	1.58	0.114
	ACFM ⇒ ACE ⇒ CGP	0.146	0.0391	0.069	0.222	0.143	3.73	< .001
Component	ACAR ⇒ ACE	0.102	0.0432	0.018	0.187	0.120	2.37	0.018
	ACFE ⇒ ACE	0.342	0.0391	0.265	0.418	0.438	8.73	< .001
	ACIND ⇒ ACE	0.123	0.0407	0.043	0.203	0.154	3.02	0.003
	ACSZ ⇒ ACE	0.077	0.0481	-0.018	0.171	0.083	1.59	0.111
	ACFM ⇒ ACE	0.223	0.0574	0.110	0.336	0.213	3.88	< .001
	ACE ⇒ CGP	0.654	0.0493	0.557	0.750	0.674	13.25	< .001
Direct	ACAR ⇒ CGP	0.160	0.0335	0.094	0.225	0.193	4.78	< .001
	ACFE ⇒ CGP	-0.052	0.0344	-0.119	0.016	-0.068	-1.50	0.133
	ACIND ⇒ CGP	0.124	0.0317	0.062	0.186	0.160	3.90	< .001
	ACSZ ⇒ CGP	0.004	0.0370	-0.069	0.077	0.005	0.11	0.912
	ACFM ⇒ CGP	0.034	0.0453	-0.055	0.122	0.033	0.74	0.460
Total	ACAR ⇒ CGP	0.227	0.0436	0.141	0.312	0.274	5.20	< .001
	ACFE ⇒ CGP	0.172	0.0395	0.094	0.249	0.226	4.35	< .001
	ACIND ⇒ CGP	0.204	0.0410	0.124	0.285	0.264	4.98	< .001
	ACSZ ⇒ CGP	0.054	0.0485	-0.041	0.149	0.060	1.12	0.265
	ACFM ⇒ CGP	0.179	0.0579	0.066	0.293	0.176	3.09	0.002

Note 1: CI computed with method: Standard (Delta method)
Note 2: Betas are completely standardized effect sizes

Source: Research Data, 2025

The summary of path evaluation provided in **Table 4.31** above indicates that all five (5) variables of the audit committee characteristics (ACAR, ACFE, ACIND, ACSZ, and ACFM) contribute to the corporate governance practices (CGP) of regulatory authorities in Tanzania, with the audit committee effectiveness (ACE) as a mediating variable. Each variable's influence on CGP is broken down into indirect effects

(through ACE), direct effects (on CGP alone), and total effects (combined direct and indirect). The indirect effects show that all five variables significantly impact CGP through ACE, suggesting ACE acts as an effective mediating variable. Notably, among the five variables, ACFE has the most substantial indirect effect ($\beta = 0.295$, $p < .001$), meaning that it influences CGP primarily by impacting ACE first.

Furthermore, ACAR, ACIND, ACSZ, and ACFM have significant indirect effects, though these are somewhat smaller, with β values ranging from 0.056 to 0.143. The component effects shed light on the direct relationships of each variable with the ACE and of the ACE with CGP. All pathways to ACE are significant, indicating each variable meaningfully contributes to ACE, which then has a substantial positive contribution to CGP ($\beta = 0.674$, $p < .001$). In terms of direct effects, ACAR ($\beta = 0.193$, $p < .001$) and ACIND ($\beta = 0.160$, $p < .001$) emerged as particularly influential, with both significantly impacting CGP directly. ACAR shows the highest direct effect on CGP ($\beta = 0.193$), while ACFE ($\beta = -0.068$, $p = 0.133$), ACSZ ($\beta = -0.005$, $p = 0.912$), and ACFM ($\beta = 0.033$, $p = 0.460$) have weaker and non-significant direct effects, implying that these variables primarily exert their influence on CGP indirectly, through the ACE. The total effects combine direct and indirect impacts, showing that ACAR ($\beta = 0.274$, $p < .001$), ACFE ($\beta = 0.227$, $p < .001$), and ACIND ($\beta = 0.265$, $p < .001$), have the most substantial influence on CGP ($p < .05$). Even though ACSZ ($\beta = 0.061$, $p = 0.265$), and ACFM ($\beta = 0.176$, $p = 0.002$) have smaller impacts, they still show significant total effects on CGP ($p < .05$), underscoring the relevance of ACE as a mediating factor for all five variables.

In general, these findings suggest that the mediating variable, ACE, strengthens the relationship between each variable and CGP, highlighting the importance of considering ACE as an intermediary. This model illustrates how indirect effects enhance the overall influence of variables like ACAR and ACFE on CGP, while direct effects remain critical for variables such as ACAR and ACIND.

4.11 Results of Hypotheses Tests for the Study

The hypotheses for this study were tested using the Structural Equation Modelling (SEM) method. Many coefficients and scores attained from the structural model analysis were used to determine the relationship between the study's variables in postulated hypotheses. The researcher considered the level of significance (p-value), the critical ratio, the strength, and the direction of the standardized path coefficients to test and evaluate the hypotheses. Furthermore, every run of hypotheses testing was used as the basis for comparison. Therefore, the researcher used Jamovi software version 2.3.28 to test the twelve (12) hypotheses for the study, and their results were as follows:

4.11.1 Relationship between ACC and Audit Committee Effectiveness

The results of the test of the five (5) hypotheses for the study on the effect of audit committee characteristics (ACC) on the audit committee effectiveness (ACE) of regulatory authorities in Tanzania are presented below.

4.11.1.1 The Effect of ACAR on Audit Committee Effectiveness

The hypothesis H_1 was tested to establish whether ACAR significantly and positively

influences the ACE of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.32**.

Table 4.32: Hypothesis H_1 Test for the Effect of ACAR on ACE

Path	β	95% CI	p	Interpretation
Direct Effect: (ACAR ⇒ ACE)	0.120	[0.018, 0.187]	0.018	H_1 is supported

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Positive and significant direct effect (β=0.120, p=0.018).

The ACAR is statistically significant ($p<0.05$) and positively (β=0.120) influences the ACE of regulatory authorities in Tanzania. This means that, for every unit increase in ACAR, ACE improves by 0.120 units, indicating that stronger ACAR, say on risk guidance and compliance oversight, enhances audit committee operational effectiveness.

(ii) Confidence Interval Analysis (95% CI [0.018, 0.187]).

The results indicate that the true effect size lies between 0.018 and 0.187 with 95% confidence, which confirms the robustness of the relationship. This interval does not include zero, thus, it reinforces statistical significance.

Therefore, H_1 is supported, indicating that the audit committee's activeness in the provision of the advisory role to management enhances the audit committee's effectiveness in Tanzania's regulatory authorities. This result confirms the importance

of the advisory role characteristic, which was derived from the resource dependency theory, to contribute to the agency theory constructs.

4.11.1.2 The Effect of ACFE on Audit Committee Effectiveness

The hypothesis H_2 was tested to establish whether ACFE significantly and positively influences the ACE of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.33**.

Table 4.33: Hypothesis H_2 Test for the Effect of ACFE on ACE

Path	β	95% CI	p	Interpretation
Direct Effect: (ACFE ⇒ ACE)	0.438	[0.265, 0.418]	< .001	H_2 is supported

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Positive and significant direct effect (β=0.438, p < .001).

The ACFE is statistically highly significant (p < .001) and positively (β=0.438) influences the ACE of regulatory authorities in Tanzania. This means that every unit increase in ACFE corresponds to a 0.438-unit improvement in ACE, which underscores the critical importance of ACFE in governance structures.

(ii) Confidence Interval Analysis (95% CI [0.265, 0.418]).

The results indicate that the actual population effect size lies between 0.265 and 0.418 with 95% confidence, which is a narrow confidence interval indicating a precise estimation of the effect size. This interval excludes zero; thus, it confirms statistical significance.

Therefore, H_2 is supported, indicating that financial expertise is an essential and critical driver of the audit committee effectiveness of regulatory authorities in Tanzania.

4.11.1.3 The Effect of ACIND on Audit Committee Effectiveness

The hypothesis H_3 was tested to establish whether ACIND significantly and positively influences the ACE of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.34**.

Table 4.34: Hypothesis H_3 Test for the Effect of ACIND on ACE

Path	β	95% CI	p	Interpretation
Direct Effect: (ACIND ⇒ ACE)	0.155	[0.043, 0.203]	0.003	H_3 is supported

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Positive and significant direct effect (β=0.155, p = 0.003).

The ACIND is statistically highly significant (p = 0.003) and positively (β=0.155) influences the ACE of regulatory authorities in Tanzania. This means that each unit increase in ACIND corresponds to a 0.155 unit increase in ACE, which demonstrates that greater ACIND leads to improved effectiveness in governance structures.

(ii) Confidence Interval Analysis (95% CI [0.043, 0.203])

The results indicate that the actual population effect lies between 0.043 and 0.203 with 95% confidence, which is a relatively narrow range, suggesting the existence of reasonable precision in the estimation of the effect size. Furthermore, the interval excludes zero, thereby reinforcing the statistical significance of the results.

Therefore, H_3 is supported, indicating that a greater independence of audit committee members enhances the audit committee effectiveness of regulatory authorities in Tanzania.

4.11.1.4 The Effect of ACSZ on Audit Committee Effectiveness

The hypothesis H_4 was tested to establish whether ACSZ significantly and positively influences the ACE of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.35**.

Table 4.35: Hypothesis H_4 Test for the Effect of ACSZ on ACE

Path	β	95% CI	p	Interpretation
Direct Effect: (ACSZ ⇒ ACE)	0.083	[-0.018, 0.171]	0.111	H_4 is NOT supported

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Non-significant effect (β=0.083, p = 0.111).

The analysis found non-statistically significant effect of ACSZ (p > 0.05) on ACE of regulatory authorities in Tanzania. The positive coefficient (β=0.083) suggests a potential but unreliable tendency.

(ii) Confidence Interval Analysis (95% CI [-0.118, 0.171])

The analysis established that the actual population effect size is between -0118 and 0.171 with 95% confidence, which includes zero, thus confirming non-significance. This range suggests that the population's actual effect could be negative, null, or slightly positive. The wide interval indicates substantial uncertainty in the estimate.

Therefore, H_4 is NOT supported, indicating that the size of the audit committee does not meaningfully contribute to the audit committee effectiveness of regulatory authorities in Tanzania.

4.11.1.5 The Effect of ACFM on Audit Committee Effectiveness

The hypothesis H_5 was tested to establish whether ACFM significantly and positively influences the ACE of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.36**.

Table 4.36: Hypothesis H_5 Test for the Effect of ACFM on ACE

Path	β	95% CI	p	Interpretation
Direct Effect: (ACFM ⇒ ACE)	0.213	[0.110, 0.336]	< .001	H_5 is supported

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Positive and significant direct effect (β=0.213, p < .001).

The ACFM exerts a significant (p < .001) and positive (β=0.213) effect on the ACE of regulatory authorities in Tanzania. This indicates that each unit increase in ACFM corresponds to a 0.213 unit increase in ACE; thus, increased frequency of meetings predicts enhanced ACE of regulatory authorities in Tanzania.

(ii) Confidence Interval Analysis (95% CI [0.110, 0.336]).

The results indicate that the actual population effect of ACFM and ACE lies between 0.110 and 0.336 with 95% confidence, indicating moderate to strong practical significance. This interval also excludes zero, hence, it reinforces the reliability of the

results. Therefore, H_5 is strongly supported. The enormous effect size (β=0.213) and high significance (p < .000) suggest that convening regular meetings is an actionable lever for improving governance oversight of regulatory authorities in Tanzania.

4.11.2 Relationship between ACC and Corporate Governance Practices

The relationship between audit committee characteristics (ACC) and corporate governance practices (CGP) was analysed by testing the five (5) hypotheses, using the ACC's constructs, and established the direct relationship, as well as the indirect relationship through audit committee effectiveness (ACE). Therefore, the results of the test of the five (5) hypotheses for the study on the effect of ACC on the CGP of regulatory authorities in Tanzania are presented below.

4.11.2.1 The Effect of ACAR on Corporate Governance Practices

The hypothesis H_6 was evaluated to establish whether ACAR significantly and positively influences the CGP of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.37**.

Table 4.37: Hypothesis H_6 Test for the Effect of ACAR on CGP

Path	β	95% CI	p	Interpretation
Direct Effect: ACAR ⇒ CGP	0.193	[0.094, 0.225]	< .001	Significant
Indirect Effect: ACAR ⇒ ACE ⇒ CGP	0.081	[0.011, 0.123]	0.020	Partial mediation
Total Effect: ACAR ⇒ CGP	0.274	[0.141, 0.312]	< .001	Strong total impact
Mediation Proportion (Variance accounted for (VAF))	VAF (Indirect effect/Total effect) *100% = (0.081 / 0.274) * 100% = 29.6%			Moderate mediation

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Significant Direct Effect (β= 0.193, p < .001)

The ACAR has a significant (p < .001) and positive (β= 0.193) direct effect on CGP, independent of ACE, confirming that a stronger ACAR leads to improved CGP of regulatory authorities in Tanzania. This suggests that the advisory role of the audit committee, such as strategic guidance on risk oversight, compliance oversight, and recommendations on financial reporting quality provided to management by members of the audit committee, enhances governance structures independently of other factors. The 95% CI [0.094, 0.225] excludes zero, confirming effect reliability.

(ii) Significant Indirect Effect (β=0.081, p =0.020)

The ACAR has a significant (p<0.05) and positive (β=0.081) indirect effect on CGP through ACE, indicating that ACE partially mediates the relationship between ACAR and CGP. This means that ACAR improves governance, not only directly, but also by strengthening the audit committee's operational effectiveness, such as better financial reporting, internal controls, and compliance monitoring. The narrow range of 95% CI [0.011, 0.123] confirms the significance of mediation.

(iii) Strong Total Effect (β=0.274, p < .001)

The total effect demonstrates that the combined direct and indirect effects of ACAR have a significant (p < .001) and positive (β=0.274) impact on the CGP of regulatory authorities in Tanzania. This means that ACAR substantially improves CGP, as every unit increase in ACAR could enhance CGP by 27.4%. Furthermore, the 95% CI [0.141, 0.312] excludes zero, confirming robustness effects.

(iv) Partial Mediation (VAF = 29.6%)

The mediation proportion indicates that approximately 29.6% of the total effect of the ACAR on CGP of regulatory authorities operates through ACE, which is partial mediation. The remaining 70.4% reflects the direct oversight of ACAR, suggesting that other mechanisms like regulatory enforcement and the board oversight role may also contribute to the CGP. This advocates the multifaceted nature of the advisory role in CGP. Therefore, hypothesis H_6 is strongly supported. ACAR significantly improves CGP through both direct effect (β=0.193) at 70.4% and indirect effect (β=0.081) at 29.6%.

4.11.2.2 The Effect of ACFE on Corporate Governance Practices

The hypothesis H_7 was evaluated to establish whether ACFE significantly and positively influences the CGP of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.38**.

Table 4.38: Hypothesis H_7 Test for the Effect of ACFE on CGP

Path	β	95% CI	p	Interpretation
Direct Effect: ACFE ⇒ CGP	-0.068	[-0.119, 0.016]	0.133	Non-significant (p> 0.05)
Indirect Effect: ACFE ⇒ ACE ⇒ CGP	0.295	[0.163, 0.283]	< .001	Full mediation
Total Effect: ACFE ⇒ CGP	0.227	[0.094, 0.249]	< .001	Net positive impact
Mediation Proportion (Variance accounted for (VAF))	VAF (Indirect effect/Total effect) *100% = (0.295 / 0.227) * 100% = 130%			Suppression effect

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Full Mediation Pattern

(a) No Direct Effect: The ACFE's direct path to CGP (ACFE => CGP) is non-significant (β= -0.068, p = 0.133).

(b) Strong Indirect Effect: The ACFE improves CGP entirely through ACE (β= 0.295, p < 0.001).

(c) VAF > 100%: The 130% mediation proportion suggests suppression effects, where the direct and indirect effects oppose each other.

(ii) Total Effect Significance (β=0.227, p < 0.001)

Despite the non-significant direct path, ACFE has a meaningful net positive impact on CGP when accounting for mediation.

Therefore, hypothesis H_7 is partially supported. While ACFE shows no direct effect on CGP, it exerts a strong indirect influence through ACE (β= 0.295). The 130% VAF indicates that financial expertise benefits corporate governance only when audit committees effectively harness it.

4.11.2.3 The Effect of ACIND on Corporate Governance Practices

The hypothesis H_8 was evaluated to establish as to whether ACIND significantly and positively influences the CGP of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.39**.

Table 4.39: Hypothesis H_8 Test for the Effect of ACIND on CGP

Path	β	95% CI	p	Interpretation
Direct Effect: ACIND ⇒ CGP	0.160	[0.062, 0.186]	< .001	Significant direct effect
Indirect Effect: ACIND ⇒ ACE ⇒ CGP	0.104	[0.027, 0.134]	0.003	Significant mediation
Total Effect: ACIND ⇒ CGP	0.265	[0.124, 0.285]	< .001	Substantial total impact
Mediation Proportion (Variance accounted for (VAF))	VAF (Indirect effect/Total effect) *100% = (0.104 / 0.265) * 100% = 39.2%			Partial mediation

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Dual Pathway Influence

(a) Direct effect (β= 0.160, p = 0.003): ACIND directly enhances CGP beyond them on ACE.

(b) Indirect Effect (β= 0.104, p < .001): 39.2% of the ACIND's total effect operates through improved ACE.

(ii) Confidence Intervals

All paths showed intervals excluding zero, confirming robust effects. These are direct effects whose range is [0.062, 0.186], and indirect effects whose range is [0.027, 0.134].

(iii) Mediation Pattern

The analysis showed the existence of a partial mediation (VAF=39.2%), which suggests that ACIND benefits CGP through both direct oversight mechanisms (60.8%)

and enhanced ACE (39.2%). Therefore, hypothesis H_8 is fully supported. The mediation proportion suggests that while independent oversight directly strengthens corporate governance, 39.2% of this benefit comes from how ACIND boosts ACE.

4.11.2.4 The Effect of ACSZ on Corporate Governance Practices

The hypothesis H_9 was evaluated to establish whether ACSZ significantly and positively influences the CGP of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.40**.

Table 4.40: Hypothesis H_9 Test for the Effect of ACSZ on CGP

Path	β	95% CI	p	Interpretation
Direct Effect: ACSZ ⇒ CGP	0.005	[-0.069, 0.077]	0.912	Non-significant
Indirect Effect: ACSZ ⇒ ACE ⇒ CGP	0.056	[-0.012, 0.112]	0.114	Non-significant
Total Effect: ACSZ ⇒ CGP	0.061	[-0.041, 0.149]	0.265	Non-significant
Mediation Proportion (Variance accounted for (VAF))	VAF (Indirect effect/Total effect) *100% = (0.056 / 0.061) * 100% = 91.8%			Inconclusive

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Non-Significant Direct Effect (β= 0.005, p = 0.912)

The direct path from ACSZ to CGP is negligible (β= 0.005) and statistically non-significant (p = 0.912). This indicates that simply increasing the number of audit committee members does not inherently improve the CGP of regulatory authorities in Tanzania. Furthermore, the confidence interval [-0.069, 0.077] includes zero, indicating there is no reliable effect of size on corporate governance.

(ii) Non-Significant Indirect Effect (β= 0.056, p = 0.114)

The mediation path through ACE (ACSZ => ACE => CGP) is also non-significant (p = 0.114). On the mediation mechanism, while the coefficient (β=0.056) is positive, the effect is too weak to conclude that large committees enhance CGP by improving ACE. In addition, the 95% CI [-0.012, 0.112] includes zero, which further supports the lack of mediation.

(iii) Non-Significant Total Effect (β=0.061, p = 0.265)

The total effect (β=0.061) of ACSZ on CGP is minimal and non-significant (p=0.265).

(iv) High but Misleading VAF (91.8%)

Despite the high VAF (91.8%), both direct and indirect effects are non-significant. This suggests that if ACSZ had an effect, most of it would be mediated through ACE. However, since neither path is significant, this proportion is theoretically irrelevant.

Therefore, hypothesis H_9 is not supported. ACSZ does not significantly influence the CGP of regulatory authorities in Tanzania, whether directly or through ACE.

4.11.2.5 The Effect of ACFM on Corporate Governance Practices

The hypothesis H_{10} was evaluated to establish whether ACFM significantly and positively influences the CGP of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.41**.

Table 4.41: Hypothesis H_{10} Test for the Effect of ACFM on CGP

Path	β	95% CI	p	Interpretation
Direct Effect: ACFM ⇒ CGP	0.033	[-0.055, 0.122]	0.460	Non-significant
Indirect Effect: ACFM ⇒ ACE ⇒ CGP	0.143	[0.069, 0.222]	< .001	Full mediation
Total Effect: ACFM ⇒ CGP	0.176	[0.066, 0.293]	0.002	Significant total impact
Mediation Proportion (Variance accounted for (VAF))	VAF (Indirect effect/Total effect) *100% = (0.143 / 0.176) * 100% = 81.3%			Strong mediation

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Non-Significant Direct Effect (β= 0.033, p = 0.460)

The direct effect from ACFM to CGP is negligible (β= 0.033) and statistically non-significant (p = 0.460). This implies that simply holding more meetings does not directly improve corporate governance outcomes, unless those meetings translate into concrete actions. Furthermore, the 95% CI [-0.055, 0.122] includes zero, confirming no reliable standalone effect.

(ii) Significant Indirect Effect (β=0.143, p < .001)

The ACFM exerts a strong, significant (p <.001) and positive (β = 0.143) indirect effect on CGP through ACE. This indicates that ACFM enhances CGP only when it improves the ACE of regulatory authorities in Tanzania through its key functions, including better oversight, decision-making, and compliance monitoring. Furthermore, the 95% CI [0.069, 0.222), whose values exclude zero, confirms robustness effects.

(iii) Significant Total effect (β=0.176, p = 0.002)

Despite the non-significant direct effect, ACFM has a meaningful total effect (β=0.176) on CGP when accounting for mediation. This indicates that each additional meeting per quarter could improve CGP by 17.6%, provided that the audit committee meetings are productive.

(iv) Strong Mediation Proportion (VAF = 81.3%)

The mediation proportion being over 80% indicates that the impact of ACFM on CGP operates through improved ACE. Thus, the quality of meetings is critical over the quantity of meetings in enhancing the CGP of regulatory authorities in Tanzania.

Therefore, hypothesis H_{10} is partially supported. While ACFM has no direct effect on CGP, it exerts a strong indirect influence through ACE of regulatory authorities in Tanzania, with 81.3% mediation.

4.11.3 Relationship between ACE and Corporate Governance Practices

The results of the test of the hypothesis for the study on the effect of audit committee effectiveness (ACE) on the corporate governance practices (CGP) of regulatory authorities in Tanzania are presented in this subsection. The hypothesis H_{11} was evaluated to establish whether ACE significantly and positively influences the CGP of regulatory authorities in Tanzania. The structural equation modelling analysis established the results summarized in **Table 4.42.**

Table 4.42: Hypothesis H_{11} Test for the Effect of ACE on CGP

Path	β	p	95% CI	Interpretation
Direct Effect: (ACE ⇒ CGP)	0.674	< .001	[0.557, 0.750]	H_{11} is supported

Source: Research Data, 2025

In summary, H_{11} proposed that ACE significantly and positively influences the CGP of regulatory authorities in Tanzania. The structural equation modelling analysis confirmed a significant and positive effect (β= 0.674, p < .001, 95% CI [0.557, 0.750]).

Therefore, H_{11} is strongly supported, indicating that ACE has a significant positive effect on CGP.

4.11.4 Mediating Effect of ACE on the Relationship between ACC and CGP

The results of the test of the hypothesis for the study on the mediating effect of audit committee effectiveness (ACE) on the relationship between audit committee characteristics (ACC) and the corporate governance practices (CGP) of regulatory authorities in Tanzania are presented below.

The hypothesis H_{12} was tested to evaluate whether ACE significantly and positively mediates the relationship between ACC and CGP of regulatory authorities in Tanzania. The structural equation modelling analysis was performed, starting with the structural path evaluation, using Jamovi Software version 2.3.28. The results of the structural path evaluation are summarized in **Table 4.43**:

Table 4.43: Structural Path Evaluation for the Effect of Mediation

Type	Effect	Esti-mate	SE	95% C.I. (a) Lower	Upper	β	z	p
Indirect	ACC ⇒ ACE⇒ CGP	0.490	0.0568	0.379	0.602	0.374	8.63	< .001
Comp-onent	ACC ⇒ ACE	0.804	0.0699	0.667	0.941	0.595	11.50	< .001
	ACE ⇒ CGP	0.610	0.0467	0.518	0.702	0.629	13.06	< .001
Direct	ACC ⇒ CGP	0.322	0.0631	0.199	0.446	0.246	5.11	< .001
Total	ACC ⇒ CGP	0.813	0.0664	0.683	0.943	0.620	12.24	< .001

Note 1: Confidence intervals computed with method: Standard (Delta method)

Note 2: Betas are completely standardized effect sizes

Source: Research Data, 2025

Thereafter, the regression analyses were performed for ACC, ACE, and CGP constructs, and their results indicated a significant and positive relationship between the constructs in the model. Generally, the results of the analyses showed the significant influences of the independent variables on the dependent variable, exhibiting a good fit, as well as the significant values of R, $R^{2,}$ and F-value were as summarized in **Table 4.44**.

Table 4.44: Regression Model Fit Measures for ACC, ACE and CGP

Model	R	R^2	Adjusted R^2	Overall Model Test F	df1	df2	p
ACC =>ACE	0.682	0.465	0.454	41	5	235	< .001
ACC =>CGP	0.652	0.425	0.412	35	5	235	< .001
ACE =>CGP	0.821	0.673	0.666	97	5	235	< .001

Source: Research Data, 2025

The results of model fit measures in **Table 4.44** provide the following:

(i) The relationship between ACC and ACE indicated a good fit and a highly significant value of R (0.682), R^2 (0.465), and F-value (41). The model suggests that ACE explains 46.5% effect on the CGP.

(ii) The relationship between ACC and CGP indicated a good fit and a highly significant value of R (0.652), R^2 (0.425), and F-value (35). The model suggests that ACE explains 67.3 % effect on the CGP.

(iii) The relationship between ACE and CGP indicated a good fit and a highly significant value of R (0.821), R^2 (0.673), and F-value (97). The model suggests that ACE explains 67.3% effect on the CGP.

Finally, the hypothesis H_{12} was tested to evaluate whether ACE significantly and positively mediates the relationship between ACC and CGP of regulatory authorities in Tanzania. The results of the hypothesis test are summarized in **Table 4.45**.

Table 4.45: Hypothesis H_{12} Test for the Mediating Effect of ACE

Path	β	95% CI	p	Interpretation
Direct Effect: ACC ⇒ CGP	0.246	[0.199, 0.446]	< .001	Significant direct effect (39.7%)
Indirect Effect: ACC ⇒ ACE ⇒ CGP	0.374	[0.379, 0.602]	< .001	Strong mediation (60.3%)
Total Effect: ACC ⇒ CGP	0.620	[0.683, 0.943]	< .001	Substantial total impact
Mediation Proportion (Variance accounted for (VAF))	VAF (Indirect effect/Total effect) *100% = (0.374 / 0.620) * 100% = 60.3%			Dominant mediating role

Source: Research Data, 2025

The above results are interpreted as follows:

(i) Strong Mediation Effect of ACE ($\beta = 0.374$, $p < 0.001$)

The indirect effect is highly significant ($p < .001$) and substantially positive ($\beta = 0.374$), confirming ACE as a potent mediator. In addition, the 95% CI [0.379, 0.602] excludes zero, indicating robust mediation of ACE.

(ii) Partial Mediation Pattern

Variance accounted for (VAF) is 60.3%. This indicates that over 60% of the ACC's total impact on CGP operates through ACE. Furthermore, the direct effect remains significant ($\beta=0.246$, $p < 0.001$), indicating ACC also influences CGP through other pathways, transmitting the impact at 39.7%.

(iii) Total Effect Magnitude ($\beta=0.620$, $p < .001$)

The total effect is significant ($p < .001$) and strongly positive ($\beta=0.620$), indicating ACC has a large overall impact on CGP, with ACE mediating a major part of this relationship. Therefore, hypothesis H_{12} is strongly supported. ACE serves as a significant and positive mediator between ACC and CGP of regulatory authorities in Tanzania. This finding, with 60.3% of ACC's total effect operating through ACE, underscores that audit committee characteristics enable corporate governance improvements primarily by enhancing audit committee effectiveness.

4.12 Summary of Hypotheses Test Results

The results of testing the 12 hypotheses for the study, as presented in this Chapter, are summarized in **Table 4.46.**

Table 4.46: Summary of Hypotheses Tests Results

No	Hypotheses for the Study	β	p-value	95% CI	Interpretation
1.	ACAR significantly and positively influences ACE of regulatory authorities in Tanzania	0.120	.018	[0.018, 0.187]	Supported
2.	ACFE significantly and positively influences ACE of regulatory authorities in Tanzania	0.438	< .001	[0.265, 0.418]	Supported
3.	ACIND significantly and positively influences ACE of regulatory authorities in Tanzania	0.155	.003	[0.043, 0.203]	Supported
4.	ACSZ significantly and positively influences ACE of regulatory authorities in Tanzania	0.083	.111	[-0.018, 0.171]	NOT Supported
5.	ACFM significantly and positively influences ACE of regulatory authorities in Tanzania	0.213	< .001	[0.110, 0.336]	Supported
6.	ACAR significantly and positively influences CGP of regulatory authorities in Tanzania	0.193	< .001	[0.094, 0.225]	Supported with a partial mediation
`7.	ACFE significantly and positively influences CGP of regulatory authorities in Tanzania	-0.068	.133	[-0.119, 0.016]	Supported with a full mediation
8.	ACIND significantly and positively influences CGP of regulatory authorities in Tanzania	0.160	< .001	[0.062, 0.186]	Supported with a partial mediation
9.	ACSZ significantly and positively influences CGP of regulatory authorities in Tanzania	0.005	.912	[-0.069, 0.077]	NOT Supported
10.	ACFM significantly and positively influences CGP of regulatory authorities in Tanzania	0.033	.460	[-0.055, 0.122]	Supported with a full mediation
11.	ACE significantly and positively influences CGP of regulatory authorities in Tanzania	0.674	< .001	[0.557, 0.750]	Supported
12,	ACE significantly and positively mediates the relationship between ACC and CGP of regulatory authorities in Tanzania	0.620	< .001	[0.683, 0.943]	Supported with a partial mediation

Source: Research Data, 2025

4.13 Revised Conceptual Framework

The study results have driven the researcher to update the original conceptual framework (**Figure 2.1**) after the hypotheses testing and discussion of the results to the Revised Conceptual Framework presented in **Figure 4.6**.

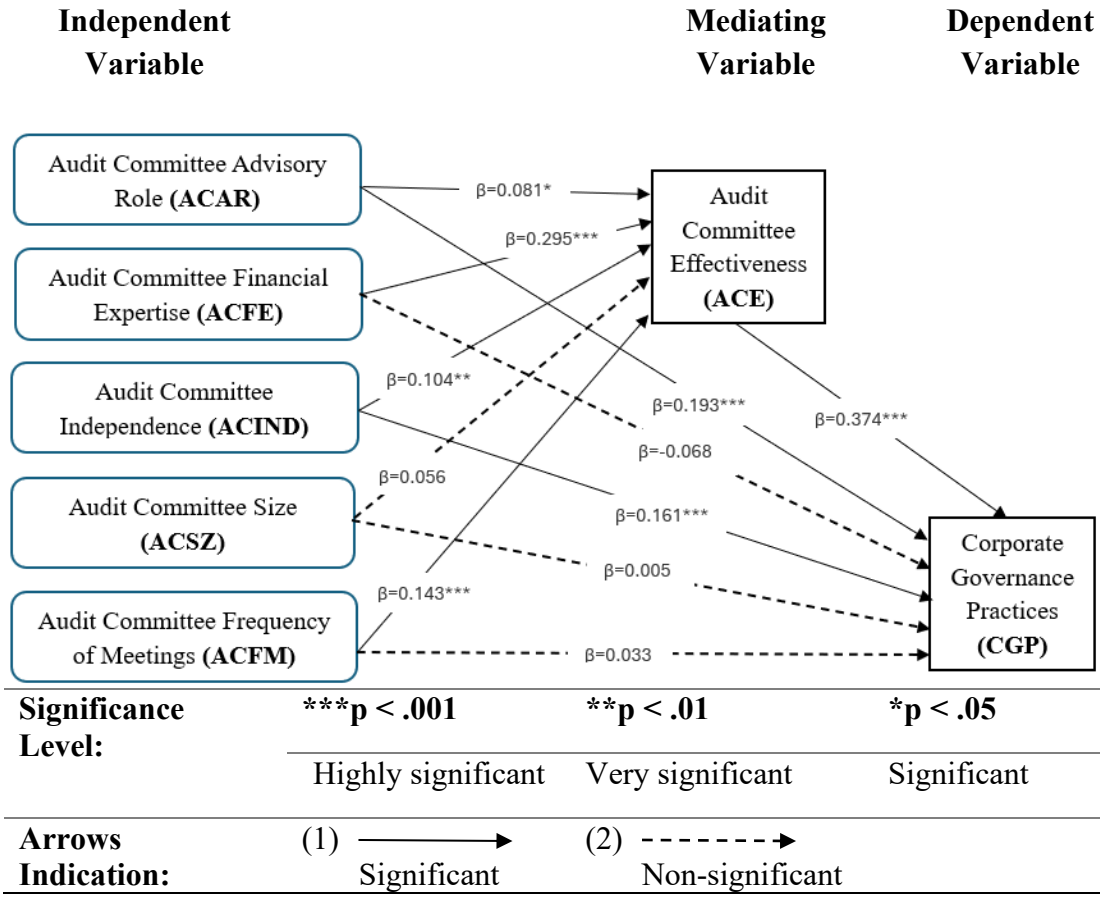

Figure 4.6: Revised Conceptual Framework

Source: Results of Data Analysis (2025)

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Overview

This chapter involves a discussion of the inferential findings of the study. The Chapter provides a comprehensive reflection of the findings on the contribution of audit committee characteristics to corporate governance practices among regulatory authorities in Tanzania, using audit committees' effectiveness as a mediating variable. The findings were derived from the data analysis performed using IBM SPSS Statistics version 26, and structural equation modelling (SEM) analysis performed using Jamovi Software version 2.3.28. Specifically, Jamovi software was used for testing hypotheses. Therefore, the Chapter compares the findings of the study explained in Chapter Four to theoretical hypotheses. It also compares the study's findings with those of other similar empirical studies by previous researchers in the study's related variables. Furthermore, the Chapter discusses the importance of consistency and deviations of findings from previous empirical findings.

5.2 Discussion of the Main Findings of the Study

The main findings of the study have been grouped into 12 sub-sections representing the results of the hypotheses tests for the study. The discussion of the main findings was conducted under the four (4) headings: (i) Effect of Audit Committee Characteristics on ACE; (ii) Effect of Audit Committee Characteristics on CGP; (iii) Effect of Audit Committee Effectiveness on CGP; and (iv) Mediating Effect of Audit Committee Effectiveness.

5.2.1 Effects of Audit Committee Characteristics on ACE

The effects of the constructs of audit committee characteristics (ACAR, ACFE, ACIND, ACSZ, and ACFM) on the audit committee effectiveness (ACE) of regulatory authorities in Tanzania are discussed in this section. The results of the analysis show that, except for ACSZ, the remaining four constructs, including ACAR, which was derived from resource dependency theory for theoretical contribution to the constructs of the agency theory, had significant and positive influences on ACE.

5.2.1.1 Audit Committee Advisory Role (ACAR) on ACE

The hypothesis, H_1 -ACAR significantly and positively influences the ACE of regulatory authorities in Tanzania, was statistically supported ($\beta = 0.120$, $p = 0.018$). This result justifies the introduction of the new construct, the ACAR, to the agency theory from resource dependency theory, as a theoretical contribution of the study. The result indicates that ACAR, which includes providing strategic inputs on risk management and internal controls, significantly enhances the oversight capabilities of regulatory authorities in Tanzania. The finding aligns with global governance frameworks (OECD, 2024) and empirical studies in the USA (Croci, Hertig, Khoja, & Lan, 2020), where directors, despite having a monitoring role, provide valued advice to management when facing a disruptive event. Likewise, the result supports the fact that the advisory role to management was among the top five functions of the board of directors in the United States and Europe (Adams, 2000).

Furthermore, this result is consistent with the argument of Fama & Jensen (1983), which underscores the importance of the audit committee to be composed of directors

with different expertise for the provision of advisory services to bridge governance gaps in private and public entities.

5.2.1.2 Audit Committee Financial Expertise (ACFE) on ACE

The hypothesis, H_2 -ACFE significantly and positively influences ACE of regulatory authorities in Tanzania, was statistically supported (β=0.438, $p<0.001$). Scholars have used ACFE to measure ACE (Salehi, Tahervafaei, & Tarighi, 2018). The result of this study confirms that ACFE is non-negotiable for the governance rigor of regulatory authorities in Tanzania. This aligns with the argument that ACFE increases the compliance of disclosures in financial statements as the professional accountants in the audit committee observe professional ethics; as a result, ACFE plays a vital role in the ACE (Namakavarani, Daryaei, Askarany, & Askary, 2021). This result aligns with some scholars' argument that ACFE is a fundamental determinant of the effectiveness of the audit committee. (Kandandu, Beukes, & Benedict, 2015). However, some studies' findings have indicated that the existence of members with financial expertise in the audit committee does not assure ACE unless such members are coupled with other basic and necessary skills, including leadership and communication skills (Pucheta-Martínez & Gallego-Álvarez, 2020).

5.2.1.3 Audit Committee Independence (ACIND) on ACE

The hypothesis, H_3 -ACIND significantly and positively influences ACE of regulatory authorities in Tanzania, was statistically supported ($\beta = 0.154$, $p = 0.003$). The ACIND is a cornerstone of corporate governance, which is critical in ensuring the effectiveness of the audit committee in its oversight role (Mbelwa & Munyangabi, 2024). The result

of this study indicates that independent audit committee members, being free from managerial influences, significantly strengthen the oversight rigor of Tanzanian regulatory authorities in Tanzania. The result is consistent with scholars posit on agency theory, which argues that the audit committee with a high proportion of independent members is more effective in governing, controlling, and handling management of entities (Jensen & Meckling, 1976; Fama & Jensen, 1983). Corporate governance regulators like the New York Stock Exchange (NYSE) have been emphasizing ACIND as the basis for strengthening ACE (Bajuri & Damagum, 2023).

5.2.1.4 Audit Committee Size (ACSZ) on ACE

The hypothesis, H_4 -ACSZ significantly and positively influences ACE of regulatory authorities in Tanzania, was not supported ($\beta = 0.083$, $p = 0.111$). This result indicates that large ACSZ do not inherently enhance committees' oversight capabilities in Tanzanian regulatory authorities. The result is consistent with the agency theory, which posits that large ACSZ are usually less focused and less participative than smaller ACSZ (Elhawary, 2021). As well, the result is consistent with the findings of the study conducted in the western region of Ghana, which found that a large ACSZ may have an unfavourable effect on the ACE (Dwawema, 2021). Similarly, researchers investigated the effect of audit committee characteristics on the performance of the publicly listed commercial banks of Bangladesh and established that the ACSZ has a negative and significant relationship with the bank's performance (Fariha, Hossain, & Ghosh, 2022). Nevertheless, some scholars argue that a larger ACSZ is more productive in assessing the external auditor's role and assists the board

of directors to enhance audit quality by providing audit recommendations (Bagais & Aljaaidi, 2020).

5.2.1.5 Audit Committee Frequency of Meetings (ACFM) on ACE

The hypothesis, H_5 -ACFM significantly and positively influences ACE of regulatory authorities in Tanzania, was strongly supported ($\beta = 0.213$, $p < 0.001$). ACFM is one of the characteristics that enhances the effectiveness of audit committees (Oroud, 2019). ACFM is a measure of ACE; thus, the more meetings, the more problems can be resolved. This result indicates that regular convening of audit committee meetings significantly enhances the oversight capabilities of regulatory authorities in Tanzania by facilitating timely risk reviews, audit follow-ups, and strategic alignment. The result is consistent with the findings of the study conducted in Tanzania, which revealed that the ACFM was highly statistically significant ($p < 0.001$) and positively influences ACE (Millinga & Naho, 2022). However, the result of this study contradicts the findings of the study conducted in the energy industry of Saudi Arabia, which established the existence of a negative correlation between the ACFM and the company's performance (Bagais & Aljaaidi, 2020).

5.2.2 Effects of Audit Committee Characteristics on CGP

The effect of the constructs of audit committee characteristics (ACAR, ACFE, ACIND, ACSZ, and ACFM) on the corporate governance practices (CGP) of regulatory authorities in Tanzania is discussed in this section. The results of the analysis show that, except for ACAR, which was derived from resource dependency theory for theoretical contribution to the constructs of the agency theory, and ACIND,

which had significant and positive influences on CGP, the remaining three constructs, ACFE, ACSZ, and ACFM, do not directly influence the GGP of regulatory authorities in Tanzania.

5.2.2.1 Audit Committee Advisory Role (ACAR) on CGP

The hypothesis, H_6 -ACAR significantly and positively influences CGP of regulatory authorities in Tanzania, was strongly supported ($\beta = 0.193$, $p < 0.001$). This indicates that ACAR directly improves the CGP of regulatory authorities in Tanzania, independent of ACE. The result of this study is consistent with the findings of the study conducted in the Ghanaian listed companies, which established that ACAR is one of the three important governance responsibilities of the audit committee, the others being the audit committee's supervisory and monitoring responsibilities (Kwakye, Owusu, & Bekoe, 2018). However, the result of the study contradicts the findings of the study conducted in the energy industry of Saudi Arabia, which showed the existence of a negative impact of the members of the audit committee in exercising their advisory role to the management (Bagais & Aljaaidi, 2020).

5.2.2.2 Audit Committee Financial Expertise (ACFE) on CGP

The hypothesis, H_7 - ACFE significantly and positively influences the CGP of regulatory authorities in Tanzania, was not supported ($\beta = -0.068$, $p = 0.133$). This indicates that ACFE alone does not directly influence the CGP of regulatory authorities in Tanzania. The result is consistent with the findings of the study conducted in Indonesia, which established that ACFE has no significant effect on corporate governance (Gallena et al., 2019). In addition, the result is consistent with the findings

of the study conducted in Saudi non-financial listed firms, which indicated that firms with a high ratio of members with financial expertise strongly and positively influence their financial performance (Bazhair, 2021). However, the result is contrary to the findings of the previous studies, which generally supported ACFE to be significantly and positively influencing CGP (Al Lawati & Hussainey, 2021). Furthermore, the study's results contradict previous research, which established that ACFE is a critical characteristic for enhancing the audit committee's internal governance mechanisms in fraud and error detection, corporate financial reporting, and the presentation of accurate financial information to shareholders (Altin, 2024).

5.2.2.3 Audit Committee Independence (ACIND) on CGP

The hypothesis, H_8 -ACIND significantly and positively influences CGP of regulatory authorities in Tanzania, was strongly supported ($\beta = 0.160$, $p < 0.001$). This effect was also noted on the ACE, where ACIND was found to be a cornerstone of corporate governance, which is critical in ensuring the effectiveness of the audit committee in the oversight role (Mbelwa & Munyangabi, 2024). The result of this study indicates that independent audit committee members, who are free from managerial or political influence, directly enhance the governance rigor of regulatory authorities in Tanzania through objective oversight of the financial reporting process (ACFR), external audit functions (ACEA), and financial statements authorization processes (ACFA). This result is consistent with the findings of previous studies, which consistently demonstrated the strong and positive effect of ACIND on CGP and other aspects of organizational performance (Mbelwa & Munyangabi, 2024). In addition, the result aligns with the findings of the study conducted in Vietnam, which showed that ACIND

has a significant and positive effect on the level of corporate governance disclosures (Ha, 2022). As well, the result is consistent with the findings of the study conducted in Indonesia, which established that ACIND has a significant effect on corporate governance (Gallena et al., 2019); and the study conducted in the public sector entities in the western region of Ghana, which suggested that ACIND, as an audit committee characteristic, has a significant and positive effect on corporate governance activities (Dwawema, 2021). Further, the result aligns with the study by Li & Li (2020), which found that ACIND is significantly associated with corporate governance practices.

5.2.2.4 Audit Committee Size (ACSZ) on CGP

The hypothesis, H_9 -ACSZ significantly and positively influences CGP of regulatory authorities in Tanzania, was not supported ($\beta = 0.005$, $p = 0.912$). ACSZ is the total number of members in the audit committee that can influence the corporate governance practices of an entity (Pucheta-Martínez & Gallego-Álvarez, 2020), and it is the key factor for the success of the committee (Almunawwaroh & Setiawan, 2023). The result of this study indicates that larger committees do not inherently improve governance outcomes of regulatory authorities in Tanzania, thus reinforcing earlier findings (hypothesis - H_4) that ACSZ also lacked impact on ACE. The result is consistent with the findings of the study conducted in Saudi non-financial listed firms, which strongly emphasized that ACSZ negatively influences an organization's performance (Bazhair, 2021). However, the result is contrary to the findings of the study conducted in Malaysia, which revealed that ACSZ has a significant and positive impact on voluntary disclosures in financial statements as required by good corporate governance (Hasan et al., 2020). In addition, the result of this study contravenes the findings of the study

conducted in the public sector entities in the western region of Ghana, which suggested that ACSZ, as an audit committee characteristic, has a significant and positive effect on the CGP (Dwawema, 2021).

5.2.2.5 Audit Committee Frequency of Meetings (ACFM) on CGP

The hypothesis, H_{10} - ACFM significantly and positively influences the CGP of regulatory authorities in Tanzania, was not supported ($\beta = 0.033$, $p = 0.460$). The ACFM is a critical component for examining the financial reporting process of organizations (Almunawwaroh & Setiawan, 2023). The result of this study indicates that increasing ACFM alone does not directly influence the corporate governance practices of regulatory authorities in Tanzania. This result is consistent with the findings of the study conducted in Indonesia, which established that ACFM has no significant effect on corporate governance (Gallena et al., 2019); and is also consistent with the findings of the study conducted in Turkey, which established ACFM to have no significant effect on firm performance (Altin, 2024). Furthermore, the result of this study aligns with the findings of the study conducted in Saudi non-financial listed firms, which strongly emphasized that ACFM negatively influences an organization's performance (Bazhair, 2021). However, the result of this study contradicts the findings of the study conducted in Chinese listed firms, which established that a higher ACFM enhances the quality of CGP (Ji, Talavera, & Yin, 2020). As well, the result is contrary to the findings of the study conducted in the 100 companies in Malaysia, which found that the ACFM reduces the number of key audit matters (KAM) under the internal governance mechanism (Abu & Jaffar, 2020).

5.2.3 Effects of Audit Committee Effectiveness on CGP

The study established the effect of audit committee effectiveness (ACE) on the corporate governance practices (CGP) of regulatory authorities in Tanzania. This was confirmed by testing the hypothesis, H_{11} -ACE significantly and positively influences the CGP of regulatory authorities in Tanzania, which was statistically supported ($\beta = 0.674$, $p < 0.001$). This finding, which has the strongest path coefficient in the model, confirms ACE as the cornerstone of governance excellence of regulatory authorities in Tanzania, driving improvements across all CGP indicators: board governance (ACBG), internal auditing (ACIA), financial reporting (ACFR), and authorization (ACFA). This result is consistent with the findings of the study conducted in Indonesia, which established that ACE has an overall significant and positive effect on corporate governance (Gallena et al., 2019). In addition, the result is consistent with the findings of the study conducted in South Africa, which established that the existence of an effective audit committee in the public sector is an indication of good corporate governance (Dzomira, 2020). The board forms an effective audit committee from among its members who are directly responsible for CGP (Omolaye & Jacob, 2018). Furthermore, the result aligns with the findings of the study conducted in the western region of Ghana, which established that the audit committee has a strong and positive effect ($\beta = 0.338$, $p < 0.005$) on corporate governance (Dwawema, 2021). Generally, the result of this study is in line with agency theory posit, thus, confirming that an effective audit committee represents one of the significant and effective pillars of corporate governance (Shbeilat, 2023).

5.2.4 Mediating Effect of Audit Committee Effectiveness

A good performance of entities is a result of the existence of good corporate governance practices caused by audit committee effectiveness (Dzomira, 2020). This study has established the mediating effect of audit committee effectiveness on the relationship between audit committee characteristics and corporate governance practices of regulatory authorities in Tanzania. The hypothesis, H_{12} – ACE significantly and positively mediates the relationship between ACC and CGP of regulatory authorities in Tanzania, was strongly supported, with ACE transmitting 60.3% of ACC's total governance impact to the CGP. This confirms ACE's role as the central mechanism converting structural traits into governance outcomes in Tanzanian regulatory authorities.

Furthermore, the result highlights that ACC contributes meaningfully to ACE, reinforcing ACE's role as a mediating variable in the relationship between ACC and CGP. The ACE as a mediating variable has shown a strong correlation with efficient processes in Iraqi industries (Al-taee & Flayyih, 2022), and improvements in corporate governance mechanisms are perceived by the audit committee as one of the main factors in improving the quality of financial reporting (Al-Khonain & Al-Adeem, 2020). The analysis of the effect of ACC on CGP observed that the audit committee plays a significant role in corporate governance towards the entity's direction, control, and accountability (Al-Baidhani, 2016). In addition, the study conducted in Iraqi industries found that ACE had a strong correlation with efficient processes in (Al-taee & Flayyih, 2022), improvements in corporate governance mechanisms are perceived

as one of the main factors in improving the quality of financial reporting (Al-Khonain & Al-Adeem, 2020).

5.3 The Research Gaps

The study addressed the three (3) research gaps as discussed below.

5.3.1 Theoretical Gap

The analysis of the data confirmed that the audit committee advisory role (ACAR) has a significant positive contribution to the audit committee's effectiveness and corporate governance practices (CGP). This justifies the contribution to the agency theory, which is the grand theory for this study, by borrowing the advisory role construct from resource dependency theory.

5.3.2 Empirical Gap

This research has collected data on the new scope of regulatory authorities in Tanzania, where the researcher was not aware of any other similar kind of research conducted in previous years. This is the first study conducted for empirical validation of the governance impact of audit committee effectiveness in the context of regulatory authorities in Tanzania. Therefore, the study contributes to the body of knowledge on corporate governance matters, specifically to the Government and PSEs.

5.3.3 Contextual Gap

The study has addressed the gap in research conducted within the context of regulatory authorities. The researcher was not aware that this kind of research to have been

conducted before in the context of regulatory authorities in Tanzania. It is therefore strongly believed that the results of this study contribute to the body of knowledge on audit committee characteristics leading to auditing committee effectiveness, with subsequent contribution to the good corporate governance practices of regulatory authorities in Tanzania and beyond.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Overview

This chapter presents the summary of key findings, the conclusion of the study derived from the data analysis, the findings of the study, and the discussions originated from the previous chapters, which were facilitated by the research objectives. Furthermore, the chapter presents study implications and recommendations. Finally, the chapter highlights the limitations of the study and suggests areas for future studies.

6.2 Summary of Key Findings

The study found that, except for the audit committee size, the other four constructs of the audit committee characteristics, advisory role, financial expertise, independence, and frequency of meetings, have a significant and positive effect on the audit committee effectiveness of regulatory authorities in Tanzania. The advisory role construct was found to be statistically significant ($p<0.05$) and positively ($\beta=0.120$) influencing audit committee effectiveness, thus confirming its theoretical contribution from resource dependency theory to the constructs of agency theory.

In addition, the study found that, generally, advisory role, financial expertise, independence, size, and frequency of meetings of the audit committee have no direct effect on the corporate governance practices of regulatory authorities in Tanzania. Only advisory role and independence constructs were found to have a significant and positive direct effect on the corporate governance practices, and the remaining three

constructs, financial expertise, size, and frequency of meetings, did not have a direct effect. This means that, overall, the audit committee characteristics alone do not have a direct effect on corporate governance practices but have a significant and positive effect on corporate governance practices through the mediating variable, the audit committee effectiveness.

Furthermore, the study established that audit committee effectiveness has a significant and positive effect on the corporate governance practices of regulatory authorities in Tanzania. This result, which had the strongest path coefficient in the model, confirms that audit committee effectiveness is the cornerstone of governance excellence of regulatory authorities in Tanzania. As well, this result drives improvements across all indicators of corporate governance practices, including board governance (ACBG), internal auditing (ACIA), external auditing (ACEA), financial reporting (ACFR), and financial authorization (ACFA).

Finally, the mediation analysis found that audit committee effectiveness significantly ($p < .001$) and positively ($\beta = 0.620$) mediates the relationship between audit committee characteristics and corporate governance practices of regulatory authorities in Tanzania, through the mediating variable, which transmits 60.3% of the total effect to the corporate governance practices. This confirms that audit committee effectiveness partially mediates the relationship between audit committee characteristics and corporate governance practices of regulatory authorities in Tanzania.

6.3 Conclusion

The conclusion of the study is divided into two sub-sections; the first is the conclusion based on examining the effects of audit committee characteristics on audit committee effectiveness, and corporate governance practices, as well as the effect of audit committee effectiveness on the corporate governance practices is the conclusion based on the mediating effect of audit committee effectiveness on the relationships between audit committee characteristics and corporate governance practices. The explanations of these conclusions are under sub-sections 6.3.1 and 6.3.2 below.

6.3.1 Effects of ACC on ACE and CGP, and Effect of ACE on CGP

The results of hypothesis tests concerning the first specific objective of the study showed that audit committee characteristics (ACC) have a significant and positive effect on the audit committee effectiveness (ACE) of regulatory authorities in Tanzania. However, among the five constructs of the ACC used in this study (ACAR, ACFE, ACIND, ACSZ, and ACFM), one construct, ACSZ, had no impact on ACE.

In addition, for the second specific objective of the study, the results showed audit committee characteristics (ACC) had no direct effect on the corporate governance practices (CGP) of regulatory authorities in Tanzania. Only two out of five constructs of ACC have significant and positive effect on CGP. Thus, the effect of the ACC on CGP is transmitted through the audit committee effectiveness (ACE).

Furthermore, for the third specific objective, the results showed that audit committee effectiveness (ACC) significantly and positively influences corporate governance

practices (CGP) of regulatory authorities in Tanzania, thus, confirming that ACE is the cornerstone of governance excellence of regulatory authorities in Tanzania.

6.3.2 Mediating Effect of ACE on the Relationship Between ACC and CGP

The results from mediation analysis for the fourth specific objective of the study showed that audit committee effectiveness (ACE) significantly and positively mediates the relationship between audit committee characteristics (ACC) and corporate governance practices (CGP). Furthermore, ACE transmits 60.3% of the ACC total impact to CGP, which confirms its partial mediation.

6.4 Results of the Study in Addressing the Research Gaps

The study addressed the three identified research gaps, which are the theoretical gap by borrowing the constructs of audit committee advisory role (ACAR) from the resource dependency theory to the audit committee characteristics; the contextual gap by conducting the study in the context of regulatory authorities in Tanzania, and empirical gap by conducting this research with audit committee effectiveness as a mediating variable with the new scope of regulatory authorities. This is adding to the new corporate governance body of knowledge for the Government of Tanzania, regulatory authorities, scholars, stakeholders, and readers of this report, among others.

6.5 Study Implications

This sub-section presents the study implications as derived from the discussion of findings and conclusions of this study. The study implications are grouped into three scopes: theoretical implications, practical implications, and contextual implications.

Theoretical implications consist of the contributions to updating the methodology of previous studies and the advisory role of the resource dependency theory with the agency theory, enhancing the audit committee's effectiveness in its monitoring mechanism. The practical implications provide the actions that relevant parties may take because of this study. These can be referred to in the context of this study's recommendations. The contextual implications provide issues relevant to regulatory authorities. The fact that this study was conducted in the context of regulatory authorities means that its results have implications for this context.

6.5.1 Theoretical Implications

Any study has an important role to act as an overall means of providing information about a broader set of phenomena; the more information it provides, the stronger the theoretical contribution it makes (Crane, Henriques, Husted, & Matten, 2016). The theoretical contribution is a process concerning the development of a theory and the advancement of the existing theory (Zhou, Shafiq, Adeel, Nawaz, & Kumar, 2017). The study provides a theoretical contribution through the presentation of a summarized overview of corporate governance and the agency theory, together with resource dependency theory, from its historical development to its application in research. Thus, it broadens the scope of corporate governance, agency theory, and resource dependency theory, as well as introducing audit committee effectiveness as a mediator in the study, thereby providing additional knowledge to readers of this thesis. In addition, the study has borrowed an audit committee advisory role construct from the resource dependency theory to the agency theory construct to broaden the number of audit committee characteristics, which results in the theoretical contribution.

Therefore, apart from the monitoring role of the audit committee guided by agency theory in the agency relationship, the audit committee advisory role has also proven to be critical for the audit committee undertakings of the regulatory authorities in Tanzania.

6.5.2 Practical Implications

The study established that, except for the audit committee size, the other four constructs of the audit committee characteristics: advisory role, financial expertise, independence, and frequency of meetings, significantly and positively influence audit committee effectiveness. This means, the appointing authorities of the board of directors for regulatory authorities in Tanzania need to consider the importance of these key characteristics in the appointment of board members who ultimately become members of the audit committee formed by the board. Effective audit committees are formed by the members from the board of directors. Therefore, the effective audit committee in regulatory authorities will be enhanced by appointment of members with the specific characteristics to have an impact on corporate governance practices. This will consequently impact the operational performance of regulated service providers and related entities under the regulatory ambit of the effective regulators.

6.5.3 Contextual Implications

The studies on audit committees and corporate governance practices in private and public entities have gained much attention from scholars, researchers, and law-enforcing bodies all over the world. The gained attention was a result of the world's corporate failures, such as Enron and WorldCom, which challenged corporate

governance credibility (Jamil, 2020). The contribution of this study is focused on the audit committee governance mechanism in the context of regulatory authorities in Tanzania because the audit committee plays a crucial role in the corporate governance practices (Buallay, 2018). Where good corporate governance practices exist in a regulatory authority, it is due to the existence of an effective audit committee, which is an important component of good corporate governance (Eklemet et al., 2023). Therefore, an effective audit committee automatically enhances regulated service providers' compliance in producing quality goods and rendering quality services to the satisfaction of the users and consumers in general. It can be concluded that the knowledge gained in this study has a contextual implication for the regulatory authorities in Tanzania and beyond, as well as to public sector entities, and other players in the context of regulatory authorities.

6.6 Recommendations from the Study

Based on the conclusion drawn from the contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable, the following are recommended to enhance good corporate governance practices in regulatory authorities in Tanzania:

6.6.1 Strengthening Appointment Process for Board Members

The process of appointing board members should be strengthened to ensure a competitive selection of members with a balanced composition, encompassing industry knowledge, relevant qualifications, skills, expertise, gender consideration,

and independence. This can be achieved through targeted recruitment efforts and prior attendance of directors' certification programs explicitly aimed at equipping members with the necessary knowledge and understanding of responsibilities, accountabilities, and consequences of being a director.

6.6.2 Enhancing Audit Committee Financial Expertise

Given the significant role of financial expertise in audit committee effectiveness, regulatory authorities should prioritize initiatives aimed at enhancing the financial literacy and expertise of audit committee members. Principally, it should be mandatory to appoint a certified public accountant (CPA(T)) or its equivalent, to be a board member. Subsequently, a chair of the audit committee for every regulatory authority in Tanzania should be a person with financial expertise. In addition, members of audit committee should be provided with a continuous specialized training on governance matters, international accounting standards, financial reporting and auditing requirements, tax matters, regulatory requirements, and financial analysis techniques.

6.6.3 Optimizing Audit Committee Size

Regulatory authorities should carefully consider the size of their audit committees to ensure effectiveness and efficiency. While larger committees may offer broader expertise, smaller committees of three to five members may be more agile and conducive to effective decision-making. Therefore, a balanced approach that considers the specific needs and objectives of the regulatory authority is recommended with the preference of three members. Where a specialized technical knowledge is required by

the audit committee to make informed decisions in its undertaking, co-option of members with required knowledge should emphasized in the committee's Charter.

6.6.4 Enhancing Internal and External Auditing Functions

Regulatory authorities should invest in strengthening both internal and external audit functions to ensure the effective identification and mitigation of risks. This may involve establishing and effectively implementing the Audit Committees Charter and Internal Audit Charter, building capacity to the audit committee members on the requirements of the International Professional Practices Framework (IPPF), governance mechanisms with emphasis on the use of technology, and effective use of auditing software. Further emphasize should be focused on the proper staffing of internal audit units, increasing resources allocated to audit activities, enhancing audit methodologies and techniques, and fostering collaboration between internal and external auditors.

6.6.5 Improving Financial Reporting and Accountability

Regulatory authorities should promote transparency and accountability in financial reporting processes by implementing robust reporting standards and mechanisms. This may include adopting internationally recognized accounting standards specifically the International Public Sector Accounting Standards (IPSASs) for regulatory authorities, building capacity for accounting staff and audit committee members on the process for preparation and presentation of financial statements and annual reports, effective use of the checklists issued by NBAA for compliance in the preparations of the financial statements, effective implementation of recommendations issued by the Controller and

Auditor General (CAG) as well as recommendations from other oversight organs like Parliamentary Accounts Committee (PAC). Furthermore, periodic review of significant accounting policies and other disclosure requirements as required by international accounting standards, and implementing regular audits and follow-up of audit recommendations to ensure compliance with regulatory requirements should be among the quarterly agenda of the audit committee.

6.6.6 Strengthening Corporate Governance Practices

Strong corporate governance practices enhance the accountability and responsibilities of the board of directors and their sub-committees, promote transparency in financial reporting, and ensure sustainability through governance reporting, compliance with legal frameworks, standards, and regulatory requirements, as well as the stability of regulatory authorities. The Government of Tanzania, particularly the Ministries responsible for governance matters, should reflect on Tanzania's current institutional framework, international best practices, and establish a robust framework for corporate governance practices to ensure the effectiveness of audit committees. The existing legal framework for establishing audit committees, as outlined in the Public Finance Act, Cap 348, does not ensure the effectiveness of audit committees in public sector entities. With the appreciation and recognition of the initiatives of the Capital Markets and Securities (CMSA), which issued the Guidelines on Corporate Governance Practices by Public Listed Companies in Tanzania, 2002, the Office of Treasury Registrar, which issued the Corporate Governance Guidelines for Public and Statutory Corporations, 2022, and the Bank of Tanzania, which issued the Banking and Financial Institutions (Corporate Governance) Regulations, 2021, there is still a need for audit

committee members to be updated of these initiatives. Furthermore, the Government of Tanzania has to coordinate and harmonise these initiatives for effectiveness of audit committees in the regulatory authorities and other public sector entities.

6.7 Limitations of the Study and Suggestions for Future Studies

This study had some limitations, which are suggested by the researcher for future studies. The key limitations and suggestions for future studies are given below:

Firstly, the study's reliance on agency theory, while appropriate for testing monitoring mechanisms like audit committee financial expertise and audit committee independence, may oversimplify the governance dynamics. For instance, stewardship theory posits that shared values between the board of directors and management can reduce agency costs without strict controls. This theoretical perspective was not considered in this study. In addition, this study assumes uniform rationality among audit committee members, neglecting behavioural influences like political pressures which may be exerted to regulatory authorities. It is suggested that future studies could integrate behavioural governance theories to explore these gaps.

Secondly, in this study, the mediation model tested the role of audit committee effectiveness through an agency theory lens, with an emphasize on monitoring, controls, and accountability. However, resource dependency theory suggests that audit committees' members can also provide strategic resources like advise to management, creating entities' networks to the external environment, and provision of industrial expertise, which were not explicitly measured in this study. This narrow focus may

under-represent a full governance contribution of audit committee effectiveness. It is suggested that future studies could combine both theories; agency theory and resource dependency theory, to assess how audit committees in public sector entities (PSEs) in Tanzania balance their oversight role and advisory role.

Thirdly, out of 241 respondents to this study from 18 regulatory authorities, only 51 respondents, equivalent to 21.2 percent, were those charged with governance. These are the six board chairpersons, equivalent to 2.5 percent, 34 board members, equivalent to 14.1 percent, and 11 Director Generals/CEOs, equivalent to 4.6 percent. Participation of those charged with governance is critical to strengthening the results of the study. It is suggested that a similar study could be conducted in the future to specifically focus on the participation of the board chairpersons, board members, and Director Generals/CEOs to broaden the insights and knowledge drawn from this study.

Fourthly, the study used audit committee constructs to determine their effectiveness in corporate governance practices. However, the study did not assess the effectiveness of audit committees within the regulatory authorities which participated in this study. It is suggested that future studies could use these constructs of audit committee characteristics to establish whether audit committees of regulatory authorities in Tanzania, and other PSEs or private sector entities, are effective in undertaking their oversight functions. The researchers may choose and use other factors which are relevant in assessing effectiveness of audit committees within their respective entities.

Finally, the study established that audit committee characteristics contribute significantly and positively to corporate governance practices of regulatory authorities in Tanzania through the audit committee effectiveness, which served as a mediator. Despite the findings of this study, some constructs, like audit committee size, had no significant or positive impact. It is suggested that similar future studies could be conducted in public and private sector entities to validate the results of this study.

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APPENDICES

Appendix 1: Survey Questionnaire

THE OPEN UNIVERSITY OF TANZANIA

FACULTY OF BUSINESS MANAGEMENT

DEPARTMENT OF FINANCE AND ACCOUNTING

Dear Participant,

RE: REQUEST TO COMPLETE A RESEARCH QUESTIONNAIRE TO EXAMINE THE CONTRIBUTION OF AUDIT COMMITTEE CHARACTERISTICS TO CORPORATE GOVERNANCE PRACTICES OF REGULATORY AUTHORITIES IN TANZANIA: MEDIATING EFFECT OF AUDITING COMMITTEE EFFECTIVENESS

I am Habibu J. S. Suluo, a PhD student from the Faculty of Business Management at the Open University of Tanzania (OUT). I am conducting a study to examine the **contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable**.

I would be grateful for your participation in a research survey by responding to the attached questionnaire at your earliest convenient time but preferably within 30 days

from when you receive this request. Your experience could contribute valuable insight which would be of benefit in undertaking this study whose significance include contribution to the body of knowledge on the effectiveness of audit committee on corporate governance and providing information to appointing authorities of board of directors and governing bodies of public entities on the required attributes of board members.

I would like to assure you that the information and personal opinion which you provide in the attached questionnaire will be kept strictly confidential. I would be extremely grateful if you would complete this online questionnaire which will automatically be submitted to my email account, hsuluo@gmail.com upon your completion and submission. Please accept in advance my best wishes and appreciation for your cooperation and attention.

Should you need to contact me, please feel free to use my email or you can call or send a message using my mobile phone number 0767-880 013 which is also a WhatsApp number.

Yours faithfully,

SULUO, Habibu J. S.

PhD RESEARCH ON THE CONTRIBUTION OF AUDIT COMMITTEE CHARACTERISTICS TO CORPORATE GOVERNANCE PRACTICES OF REGULATORY AUTHORITIES IN TANZANIA: MEDIATING EFFECT OF AUDITING COMMITTEE EFFECTIVENESS

PARTICIPANT INFORMATION

Dear Participant,

I am **Habibu J. S. Suluo**, a PhD student from the Faculty of Business Management, the Open University of Tanzania (OUT) with Registration No. **PG201907947**. I am conducting a study to examine the **contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable**. Thank you for your time and for your consideration to take part in this useful study. I humbly request you respond to my **Survey Questionnaire** using either a **Desktop Computer, Laptop, Tablet** or **Smart Phone**.

However, before you respond to the Questionnaire, it is important that you understand the objective of this study and the extent of your participation so that you can decide whether or not to take part. In this regard, I will be grateful if you will read each question carefully and understand it before you respond. Please do not hesitate to contact me if anything is unclear or in case of any required clarifications.

1. Purpose of the Research

This research is undertaken as part of a PhD degree on Audit Committee and Corporate Governance under the Faculty of Business Management at the Open University of Tanzania (OUT).

2. General Research Objective

The general objective of this study is to examine the contribution of audit committee characteristics to corporate governance practices of regulatory authorities in Tanzania, using audit committee effectiveness as a mediating variable.

3. Areas of Research and Participants

The research will be conducted in **three (3) cities; Arusha, Dar es Salaam and Dodoma** with about 1,196 participants from 20 Regulatory Authorities in Tanzania. The participants include **Board Chairmen/ Chairpersons, Board Members, Director Generals/Chief Executive Officers (CEOs), Management, Accountants,** and **Auditors** who are considered to have an in-depth knowledge of audit committee and corporate governance matters.

4. Clearance to Conduct Survey

The Open University of Tanzania (OUT) has granted clearance for data collection through a survey vide a letter with Ref. No.: OUT/ PG201907947 dated 18th October 2022 to the Regional Administrative Secretaries of Arusha, Dar es Salaam and Dodoma Cities. For verification, kindly do not hesitate to contact the Deputy Vice-

Chancellor (Academic) of the Open University of Tanzania, P. O. Box 23409, Dar es Salaam. Tel: 022-2-2668820.

5. Deadline for Receiving Responses

You are requested to respond to the Questionnaire at your convenience. However, to comply with the timetable of this study, you are **kindly requested to respond as early as practicable to you but preferably ON or BEFORE 30TH APRIL 2023.**

6. Declaration of Confidentiality

I declare to maintain secrecy and confidentiality on the data and information provided by participants, and I will not use such data and information for any purpose other than the purpose of this research and for my academic endeavors.

7. Contacts for the Researcher

Should you need to contact me, please feel free through email hsuluo@gmail.com and Mobile phone numbers +**255 787 880 013** (sms and calls) and **+255 767 880 013** (sms, calls, and WhatsApp messages).

Thank you for agreeing to take part in this research.

With kind and best regards,

SULUO, Habibu, J. S.

February 2023

GENERAL GUIDANCE / INSTRUCTIONS TO EACH PARTICIPANT

1) *PLEASE ANSWER THE QUESTIONS WITH REFERENCE TO THE ACTUAL CIRCUMSTANCES OF YOUR ORGANIZATION (WHERE YOU ARE WORKING) OR AS A MEMBER OF REGULATORY BOARD OF DIRECTORS*

2) Part I: Participant Background – has **EIGHT (8) Areas** of required information, kindly respond to all which are relevant to you.

3) Part II: Questionnaire has **22** Questions on the characteristics of audit committee on the effectiveness of audit committee.

4) Part III: Questionnaire, has **23** Questions on the characteristics of audit committee on the corporate governance practices.

4) Part IV: Questionnaire, has **5** Questions on the mediating effect of audit committee effectiveness on the relationships between audit committee characteristics and corporate governance practices.

5) Kindly respond to each question by selecting only one (1) appropriate/suitable answer out of the **five (5) options** by indicating your level of disagreement or agreement as: ***(1) Strongly disagree, (2) Disagree, (3) Uncertain, (4) Agree or (5) Strongly agree.***

6) You are estimated to spend **about 30 minutes** to complete your responses. Click **Submit** at the end when you are done with all Survey Questions.

Thank you very much for accepting to participate in this important study in Tanzania.

PART I: PARTICIPANT'S BACKGROUND

Your Name (optional)

Please enter your email address:

Name of Your Organization for the Purpose of this Survey:

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1. Please indicate (√) your Gender:

- Male
- Female

2. Please indicate (√) your Age Group in the appropriate place:

- Age Group: 18 - 30 Years
- Age Group: 31 - 40 Years
- Age Group: 41 - 50 Years
- Age Group: 51 - 60 Years
- Age Group: 61 – 70 Years
- Age Group: Above 70 Years

3. Please indicate (√) your current job position in your organization:

- Member of the Board
- Chairman/Chairperson of the Board

- Management Staff
- Director General/CEO
- Chief Internal Auditor
- Head/Director of Finance
- Accountant
- Internal Auditor

4. Please select (√) the highest level of your academic qualification:

- PhD
- Master/Postgraduate degree
- Undergraduate degree
- Diploma/Advance Diploma
- None of the above
- Other:

5. Please indicate (√) the major of your last educational degree:

- Accounting or Finance
- Economics or Statistics
- Management or Social Sciences
- Legal or Taxation
- Computer Science of Engineering
- None of the above
- Other:

6. Please indicate (√) your CPA (T) or other relevant category:

- Fellow CPA
- Associate CPA
- Graduate Accountant (GA)
- None of the above
- Other:

7. Please indicate (√) your overall period of working experience in years:

- Up to 1 year
- Above 1 year up to 3 years
- Above 3 years up to 5 years
- Above 5 years up to 10 years
- Above 10 years up to 15 years
- Above 15 years

8. Please indicate (√) the Board Committees you are serving at any regulatory authority:

- Audit committee or Audit and Risk Committee
- Finance/Planning committee
- Human Resource/Nomination Committee
- None of the above
- Other:

PART II – AUDIT COMMITTEE CHARACTERISTICS ON THE EFFECTIVENESS OF AUDIT COMMITTEE

Please choose only one appropriate answer for each question with reference to your organization.

A: Audit Committee (AC) advisory role on the Audit Committee Effectiveness (ACE)

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree

Qn	Questions for Survey					
1.	AC is effective when its members have dual roles of monitoring and providing advice to the Management of regulatory authorities	1	2	3	4	5
2.	AC members with different educational background and competence provides external resources for informed decision making to regulatory authorities	1	2	3	4	5
3.	Advice and counsel are among primary benefits provided to Management by AC members in the regulatory authorities	1	2	3	4	5
4.	AC members are channels for communicating information between external organizations and regulatory authorities	1	2	3	4	5

Source: Derived from Resource Dependency Theory (RDT) by Pfeffer & Salancik (1978)

B: Audit Committee (AC) financial expertise on the Audit Committee Effectiveness (ACE)

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree.

Qn	Questions for Survey					
5.	At least one AC member is a Certified Public Accountant (CPA(T)) and has relevant financial experience	1	2	3	4	5
6.	AC members have basic knowledge of Financial Management, Accounting and Auditing	1	2	3	4	5
7.	AC members are conversant with International Public Sector Accounting Standards (IPSAS)/ International Financial Reporting Standards (IFRS)	1	2	3	4	5
8.	AC members understand and review significant accounting policies used in the preparation of financial statements	1	2	3	4	5

Source: Adopted with Modification from Masli (2018)

C: Audit Committee (AC) Independence on the Audit Committee Effectiveness (ACE)

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree.

Qn	Questions for Survey					
9.	AC members are appointed by the Board of Directors	1	2	3	4	5
10.	All AC members are solely non-executive directors	1	2	3	4	5
11.	The Board Chairman DO NOT attend AC meetings	1	2	3	4	5
12.	All AC members are also Board members	1	2	3	4	5
13.	AC members are also members of other committees of the Board	1	2	3	4	5

Source: Adopted with Modification from Masli (2018)

D: Audit Committee (AC) Size on the Audit Committee Effectiveness (ACE)

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree.

Qn	Questions for Survey					
14.	AC is composed of a minimum of three (3) and a maximum of five (5) members	1	2	3	4	5
15.	AC size is affected when the tenure of service of any AC members expires as the duration of appointment of Board members is not the same	1	2	3	4	5
16.	AC with more than ten (10) members is difficult and challenging to manage	1	2	3	4	5
17.	A quorum of AC meetings is more than half of the members	1	2	3	4	5
18.	AC size does not matter as all Board members attend AC meetings	1	2	3	4	5

Source: Adopted with Modification from Masli (2018)

E: Audit Committee (AC) frequency of meetings on the Audit Committee Effectiveness (ACE)

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree

Qn	Questions for Survey					
19.	AC meets four (4) times a year for ordinary meetings	1	2	3	4	5
20.	The frequency of AC meetings is more than six (6) per year contrary to the Treasury Registrar's Guidelines	1	2	3	4	5
21.	AC meetings are conducted on a formal basis and the AC secretary takes minutes to record the proceedings and any decisions made	1	2	3	4	5
22.	Each AC member signs the Declaration of Conflict-of-Interest form before the beginning of every AC meeting	1	2	3	4	5

Source: Adopted with Modification from Masli (2018)

PART III – AUDIT COMMITTEE CHARACTERISTICS IN THE CORPORATE GOVERNANCE PRACTICES

Please indicate whether the following statements reflect current practice at your organization.

A: Audit Committee Characteristics in the Board Governance

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree

Qn	Questions for Survey					
23.	The board should establish AC with its Charter in compliance with the Board Charter Guidelines for Public and Statutory Corporations issued by the Treasury Registrar's Office in 2022	1	2	3	4	5
24.	AC receives all necessary support from the Board in the execution of its key roles and responsibilities as provided in the AC Charter	1	2	3	4	5
25.	Board accepts responsibility for the preparation of financial statements in compliance with the IPSAS/IFRS	1	2	3	4	5
26.	Board receives and deliberates on AC's quarterly reports including internal audit reports and implementation status of CAG's recommendations	1	2	3	4	5
27.	Board conducts evaluation of AC in compliance with the Board Charter Guidelines for Public and Statutory Corporations issued by the Treasury Registrar's Office, in 2022	1	2	3	4	5

Source: Literature Reviews by Researcher, 2023

B: Audit Committee Characteristics in the Internal Auditing

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree

Qn	Questions for Survey					
28.	AC reviews and approves the internal audit charter, risk-based internal audit strategic plan, and risk-based annual audit plan	1	2	3	4	5
29.	AC reviews the functional and administrative reporting lines of the Chief Internal Auditor (CIA) in line with the principles of independence and accountability	1	2	3	4	5
30.	The Chief Internal Auditor (CIA) reports functionally to the AC and administratively to the Director General/CEO	1	2	3	4	5
31.	AC holds scheduled meetings with the Chief Internal Auditor (CIA) in the year to allow open communication in the absence of Management	1	2	3	4	5

Source: Adopted with Modification from (Masli, 2018) and Literature Reviews, 2023

C: Audit Committee Characteristics in the External Auditing

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree

Qn	Questions for Survey					
32.	AC discusses with the CAG on the annual audit plan with reference to areas of risk and materiality and could suggest areas which require additional audit coverage	1	2	3	4	5

Qn	Questions for Survey					
33.	AC assists to ensure the CAG is independent in the auditing exercise and is able to issue his independent opinion about the organization's financial statements	1	2	3	4	5
34.	AC reviews CAG's recommendations issued through the Management Letter and Management responses, then it submits its report to the Board for deliberation	1	2	3	4	5
35.	AC examines any non-audit service rendered by CAG in order to prevent any conflict of interest or impairment of his independence	1	2	3	4	5

Source: Adopted with Modification from (Masli, 2018) and Literature Reviews, 2023

D: Audit Committee Characteristics include the Financial Reporting

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree

Qn	Questions for Survey					
36.	One of the AC main responsibilities is to oversee the financial reporting process in order to enhance the quality of this process	1	2	3	4	5
37.	AC is responsible for monitoring the organization's accounting policies, principles, and practices.	1	2	3	4	5
38.	Related Party Transactions are disclosed and the Key Management Personnel complete NBAA form for declaration of related party transactions	1	2	3	4	5

Qn	Questions for Survey					
39.	AC discusses with Management the accounting standards, significant accounting policies, accounting principles and Management accounting estimates and judgments	1	2	3	4	5
40.	Report by Those Charged with Governance (Directors' Report) prepared in compliance with Tanzania Financial Reporting Standards (TFRS) No. 1 is reviewed by AC	1	2	3	4	5

Source: Adopted with Modification from Masli (2018) and Literature Reviews, 2023

E: Audit Committee Characteristics on the Financial Statements Authorisation:

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree,(3): Uncertain, (4): Agree or (5): Strongly agree

Qn	Questions for Survey					
41.	AC reviews and gives particular attention to non-standard issues of representation before the letter of representation is signed by Director General/CEO and submitted to the Controller and Auditor General (CAG)	1	2	3	4	5
42.	Statement of Declaration by the Head of Finance and Accounting is signed by a Certified Public Accountant (CPA(T)), or its equivalent, registered by NBAA	1	2	3	4	5
43.	Audited financial statements present fairly, in all material respects, the financial position of the organization as at the reporting date	1	2	3	4	5

Qn	Questions for Survey					
44.	Financial statements are authorized for issue by the Board and there is the disclosure of the date of authorization and the names/titles of signatories to the financial statements	1	2	3	4	5
45.	AC took appropriate actions on the audit recommendations issued by the Controller and Auditor General (CAG) in the Management Letter	1	2	3	4	5

Source: Adopted with Modification from Masli (2018) and Literature Reviews, 2023

PART IV – MEDIATING EFFECT OF AUDIT COMMITTEE EFFECTIVENESS

Please indicate whether the following statements reflect current practice at your organization.

A: Audit Committee Effectiveness Mediates Relationship Between Audit Committee Characteristics and Corporate Governance Practices with the following constructs:

Please choose **(√)** *one score from the following options:*

(1): Strongly disagree, (2): Disagree, (3): Uncertain, (4): Agree or (5): Strongly agree

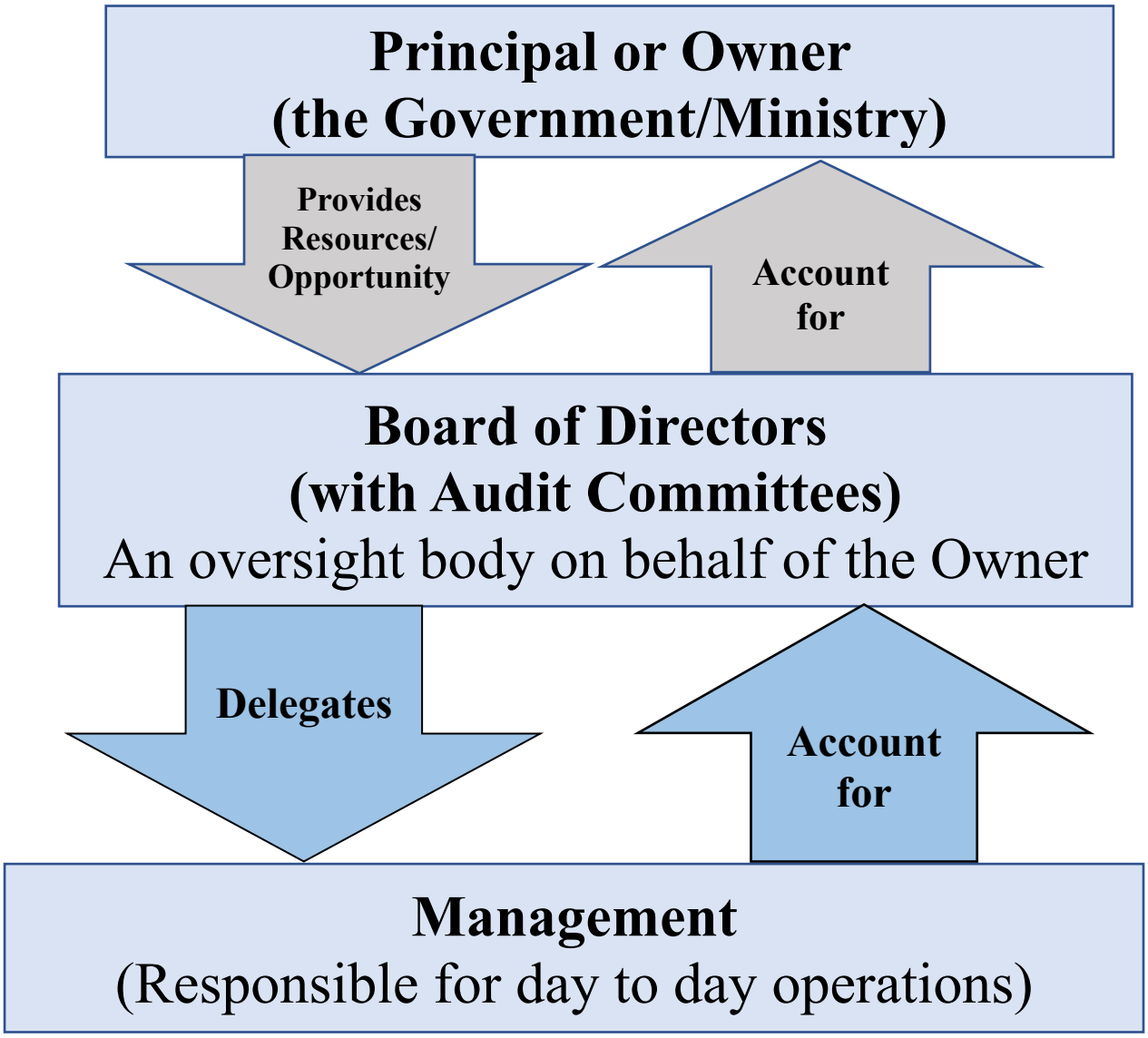
Qn	Questions for Survey					
46.	AC co-opts external experts to attend AC meetings for their professional opinion.	1	2	3	4	5
47.	AC members can analyze financial statements, including liquidity and solvency ratios, to determine financial performance	1	2	3	4	5

Qn	Questions for Survey					
48.	AC does not hold more than two (2) extra-ordinary meetings without the prior approval of the Treasury Registrar	1	2	3	4	5
49.	AC conducts an annual review of the internal audit performance and resources	1	2	3	4	5
50.	AC meets with CAG to discuss issues related to the audit process without the presence of Management	1	2	3	4	5

Source: Adopted with Modification from Masli (2018) and Literature Reviews, 2023

THANK YOU VERY MUCH FOR YOUR PARTICIPATION AND RESPONSES

Appendix 2: Institutional Framework for Regulatory Authorities



Appendix 3: Target Population for Quantitative Survey

S/N	Name of the Regulatory Authority	Board of Directors (Board Chair & Members)	Management Staff (Including Chief Executive Officer)	Internal Auditors & Accountants	Total Number of Target Population	Location of Head Office	Source of Data / Information
1	Bank of Tanzania (BoT)	7	8	45	**60**	Dodoma	Annual Report 2020/21
2	Capital Markets and Securities Authority (CMSA)	6	7	45	**58**	Dar es Salaam	Annual Report 2019/20
3	Contractors Registration Board (CRB)	8	7	42	**57**	Dodoma	www.crb,go.tz
4	Energy and Water Regulatory Authority (EWURA)	7	9	45	**61**	Dodoma	Annual Report 2019/20
5	Land Transport Regulatory Authority (LATRA)	7	8	45	**60**	Dodoma	Annual Report 2019/20
6	National Board of Accountants and Auditors (NBAA)	9	7	45	**61**	Dodoma	www.nbaa.go.tz
7	National Council for Technical and Vocational Education and Training (NACTVET)	9	8	45	**62**	Dar es Salaam	www.nacte.go.tz
8	Procurement and Supplies Professionals and Technicians Board (PSPTB)	7	7	45	**59**	Dar es Salaam	www.psptb.go.tz
9	Public Procurement Regulatory Authority (PPRA)	7	7	42	**56**	Dodoma	www.ppra.go.tz
10	Tanzania Atomic Energy	7	9	45	**61**	Arusha	www.taec.go.tz

S/N	Name of the Regulatory Authority	Board of Directors (Board Chair & Members)	Management Staff (Including Chief Executive Officer)	Internal Auditors & Accountants	Total Number of Target Population	Location of Head Office	Source of Data / Information
	Commission (TAEC)						
11	Tanzania Bureau of Standards (TBS)	7	7	45	**59**	Dar es Salaam	www.tbs.go.tz
12	Tanzania Civil Aviation Authority (TCAA)	7	10	45	**62**	Dar es Salaam	www.tcaa.go.tz
13	Tanzania Commission for Universities (TCU)	7	3	45	**55**	Dar es Salaam	Annual Report 2018/19
14	Tanzania Communications Regulatory Authority (TCRA)	7	6	45	**58**	Dar es Salaam	www.tcra.go.tz
15	Tanzania Fertilizer Regulatory Authority (TFRA)	9	7	45	**61**	Dar es Salaam	www.tfra.go.tz
16	Tanzania Insurance Regulatory Authority (TIRA)	8	9	45	**62**	Dodoma	www.tira.go.tz
17	Tanzania Medicines and Medical Devices Authority (TMDA)	6	9	45	**60**	Dodoma	www.tmda.go.tz
18	Tanzania Shipping Agencies Corporation (TASAC)	7	9	45	**61**	Dar es Salaam	Annual Report 2019/20
19	Tanzania Trade Development Authority (TANTRADE)	7	9	45	**61**	Dar es Salaam	www.tantrade.go.tz

S/N	Name of the Regulatory Authority	Board of Directors (Board Chair & Members)	Management Staff (Including Chief Executive Officer)	Internal Auditors & Accountants	Total Number of Target Population	Location of Head Office	Source of Data / Information
20	Vocational Education Training Authority (VETA)	8	9	45	**62**	Dodoma	www.veta.go.tz
Total		**147**	**155**	**894**	**1,196**		

Source: *List of Regulatory Authorities obtained from the OTR, and List of Internal Auditors and Accountants obtained from NBAA, 2023*

Appendix 4: Research Clearance Letters

Appendix 4A: Research Clearance Letter-RAS, Arusha

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

THE OPEN UNIVERSITY OF TANZANIA

Ref. No OUT/ PG201907947 **18th October, 2022**

Regional Administrative Secretary,
Arusha Region,
P.O Box 3050,
ARUSHA.

Dear Regional Administrative Secretary,

RE: RESEARCH CLEARANCE FOR MR HABIBU JUMA SAIDI SULUO, REG NO: PG201907947

2. The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007.In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

3. To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Habibu Juma Saidi Suluo, Reg. No: PG201907947)** pursuing **(PhD**). We here by grant this clearance to conduct a research titled **"Effect of Audit Committee Effectiveness on Corporate**

Governance of Regulatory Authorities in Tanzania". He will collect his data at Tanzania Atomic Energy Commission (TAEC) in Arusha Region from 1st November 2022 to 30th April, 2023.

4. In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

THE OPEN UNIVERSITY OF TANZANIA

Prof. Magreth S.Bushesha

For: VICE CHANCELLOR

Appendix 4B: Research Clearance Letter-RAS, Dar es Salaam

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

THE OPEN UNIVERSITY OF TANZANIA

Ref. No OUT/ PG201907947 **18th October, 2022**

Regional Administrative Secretary,
Dar es salaam Region,
P.O Box 5429,
DAR ES SALAAM.

Dear Regional Administrative Secretary,

RE: RESEARCH CLEARANCE FOR MR HABIBU JUMA SAIDI SULUO, REG NO: PG201907947

2. The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007.In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

3. To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Habibu Juma Saidi Suluo, Reg. No: PG201907947)** pursuing **(PhD**). We here by grant this clearance to conduct a research titled **"Effect of Audit Committee Effectiveness on Corporate**

Governance of Regulatory Authorities in Tanzania". He will collect his data as indicated in the appendix 1 from 1st November 2022 to 30th April, 2023.

4. In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

THE OPEN UNIVERSITY OF TANZANIA

Prof. Magreth S.Bushesha

For: VICE CHANCELLOR

Appendix 1

S/N	Region	District Council Municipality	Name of Organization
1	Dar es Salaam	Ilala	Procurement andSupplies Professionals and Technicians Board (PSPTB)
2	Dar es Salaam	Ubungo	Tanzania Bureau of Standards (TBS)
3	Dar es Salaam	Ilala	Capital Markets and Securities Authority (CMSA)
4	Dar es Salaam	Ilala	Tanzania Civil Aviation Authority (TCAA)
5	Dar es Salaam	Ilala	Tanzania Commission for Universities (TCU)
6	Dar es Salaam	Kinondoni	Tanzania Communications Regulatory Authority (TCRA)
7	Dar es Salaam	Temeke	Tanzania Fertilizer Regulatory Authority (TFRA)
8	Dar es Salaam	Ilala	Tanzania Shipping Agencies Corporation (TASAC)
9	Dar es Salaam	Temeke	Tanzania Trade Development Authority (TANTRADE)

Appendix 4C: Research Clearance Letters-RAS, Dodoma

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

THE OPEN UNIVERSITY OF TANZANIA

Ref. No OUT/ PG201907947 **18th October, 2022**

Regional Administrative Secretary,
Dodoma Region,
P.O Box 914,
DODOMA.

Dear Regional Administrative Secretary,

RE: RESEARCH CLEARANCE FOR MR HABIBU JUMA SAIDI SULUO, REG NO: PG201907947

2. The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007.In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

3. To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Habibu Juma Saidi Suluo, Reg. No: PG201907947)** pursuing **(PhD**). We here by grant this clearance to conduct a research titled **"Effect of Audit Committee Effectiveness on Corporate Governance of Regulatory Authorities in Tanzania".** He will collect his data as indicated in the appendix 1 from 1st November 2022 to 30th April, 2023.

4. In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

THE OPEN UNIVERSITY OF TANZANIA

Prof. Magreth S.Bushesha

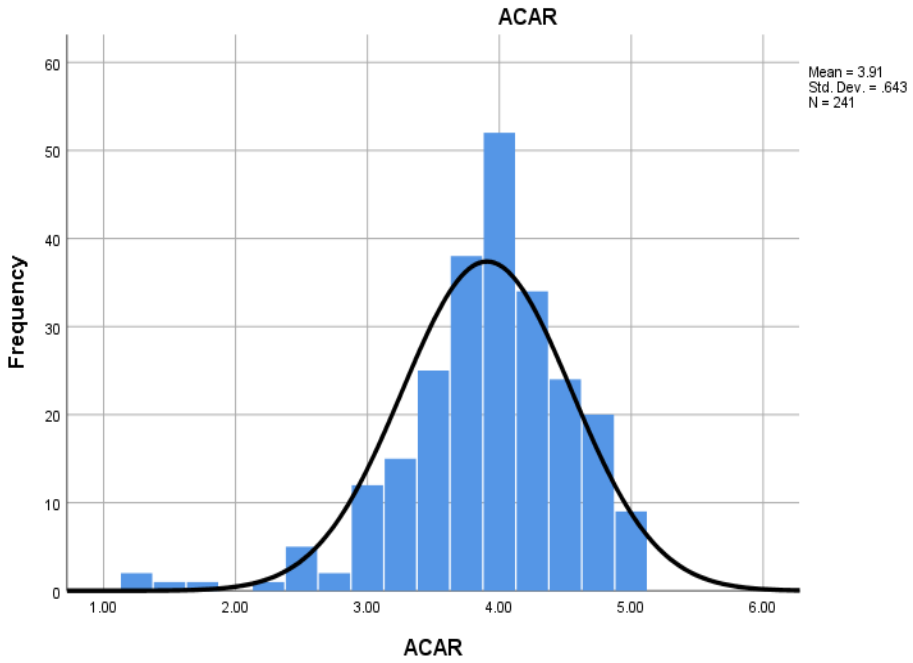
For: VICE CHANCELLOR

Kinondoni Biafra, Kawawa Road; P.O 23409; Dar es Salaam; Tel: +255 22 2668 445;
E-Mail:vc@out.ac.tz|| Website:www.out.ac.tz

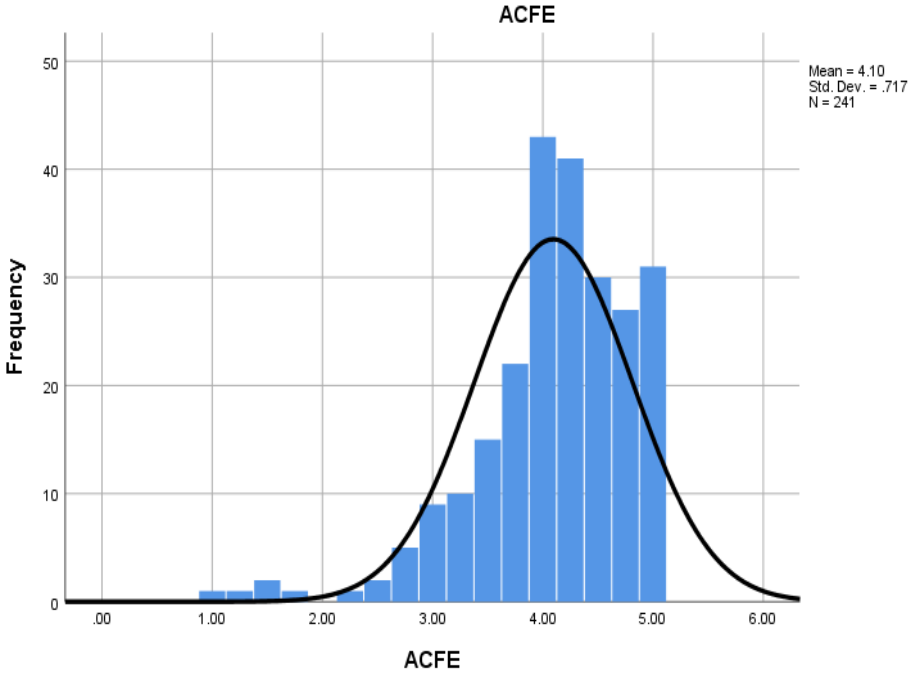
Appendix 1

S/N	Region	District Council Municipality	Name of Organization
1	Dodoma	Dodoma	Bank of Tanzania (BoT)
2	Dodoma	Dodoma	Energy andWater Regulatory Authority (EWURA)
3	Dodoma	Dodoma	Land Transport RegulatoryAuthority (LATRA)
4	Dodoma	Dodoma	National Board of Accountantsand Auditors (NBAA)
5	Dodoma	Dodoma	National Council for Technical and Vocational Education andTraining (NACTVET)
6	Dodoma	Dodoma	Contractors Registration Board (CRB)
7	Dodoma	Dodoma	Tanzania Medicines and Medical Devices Authority (TMDA)
8	Dodoma	Dodoma	Public ProcurementRegulatory Authority (PPRA)
9	Dodoma	Dodoma	Vocational EducationTraining Authority (VETA)
10	Dodoma	Dodoma	Tanzania Insurance RegulatoryAuthority (TIRA)

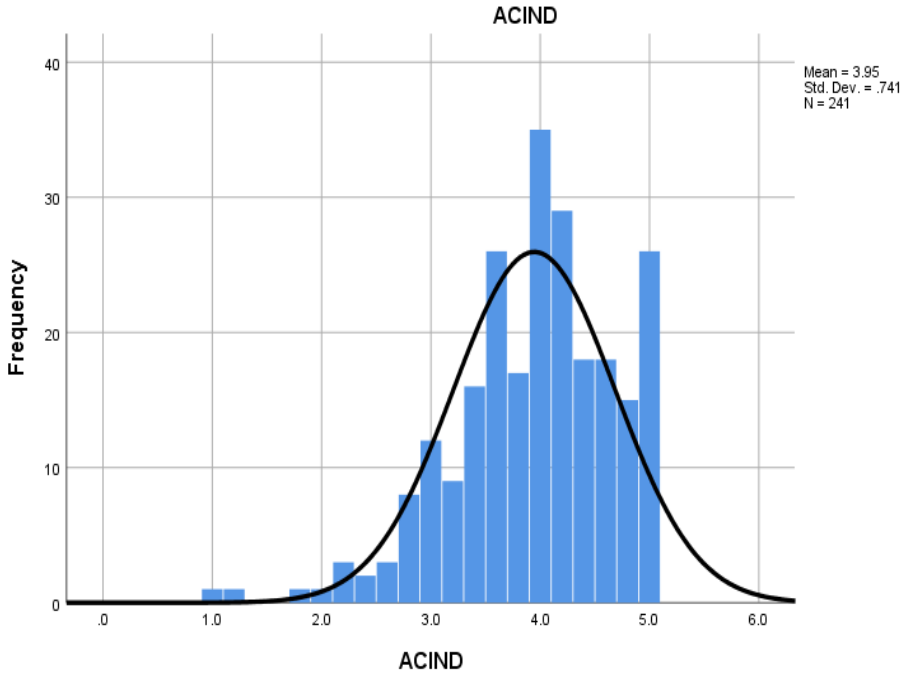
Appendix 5: Histograms Showing Normality Status of Constructs



Normality Status of ACAR Construct
Source: Research Data, 2025



Normality Status of ACFE Construct
Source: Research Data, 2025



Normality Status of ACIND Construct
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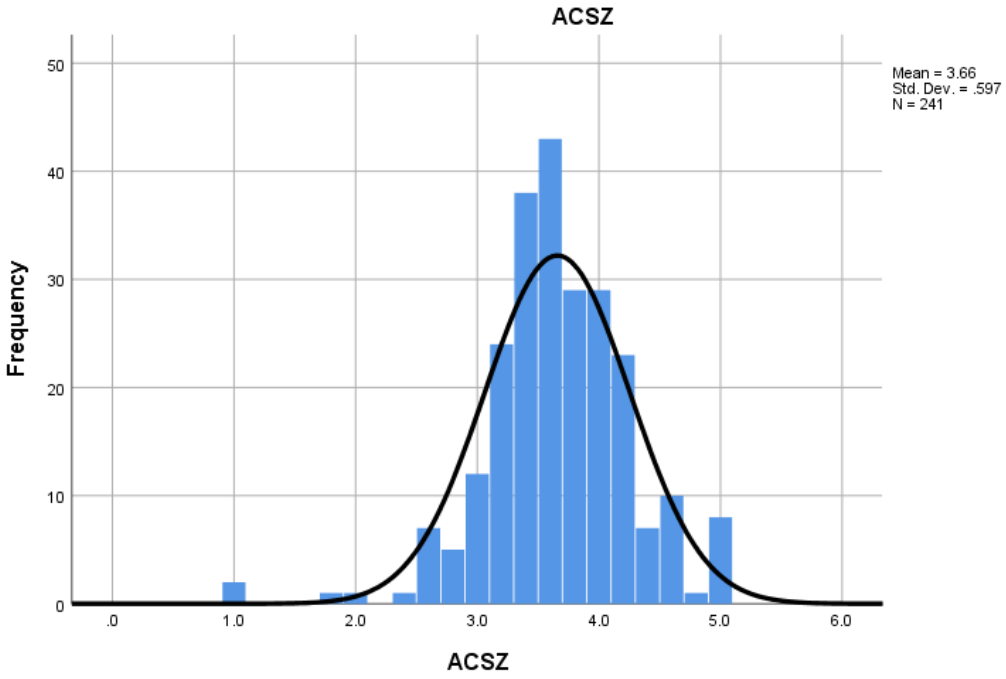
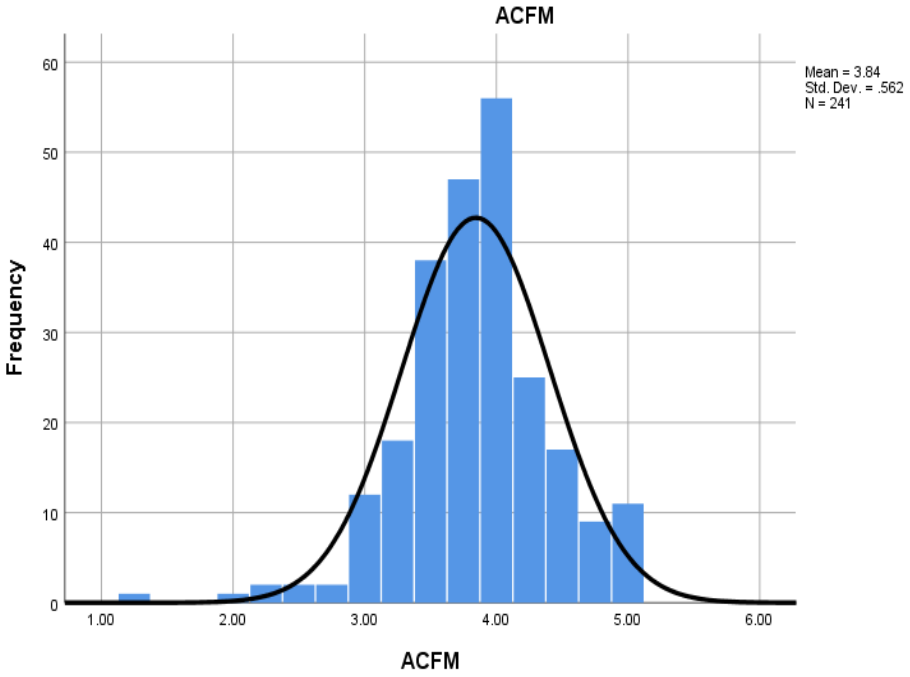
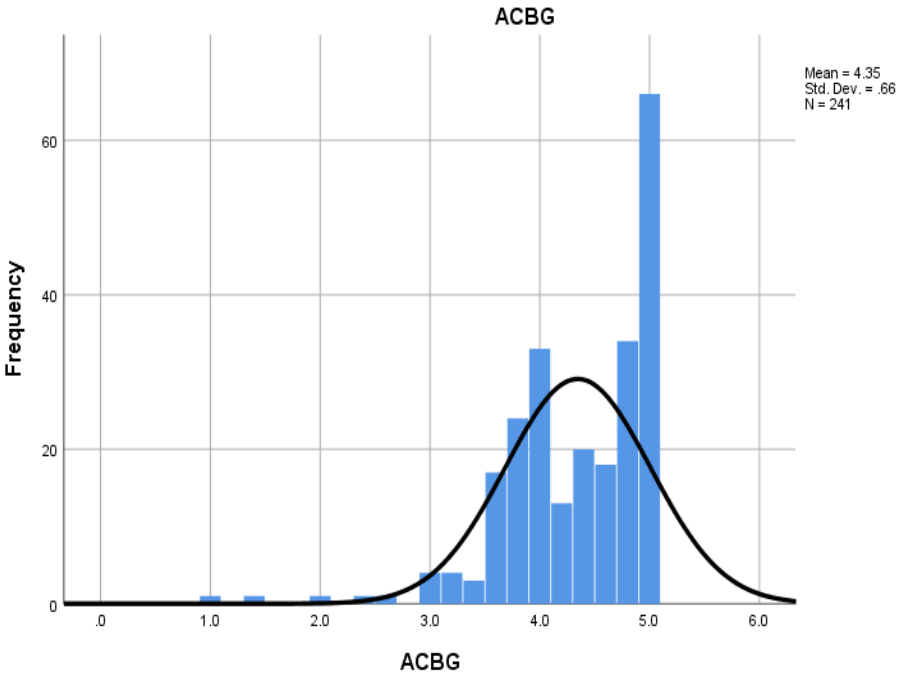


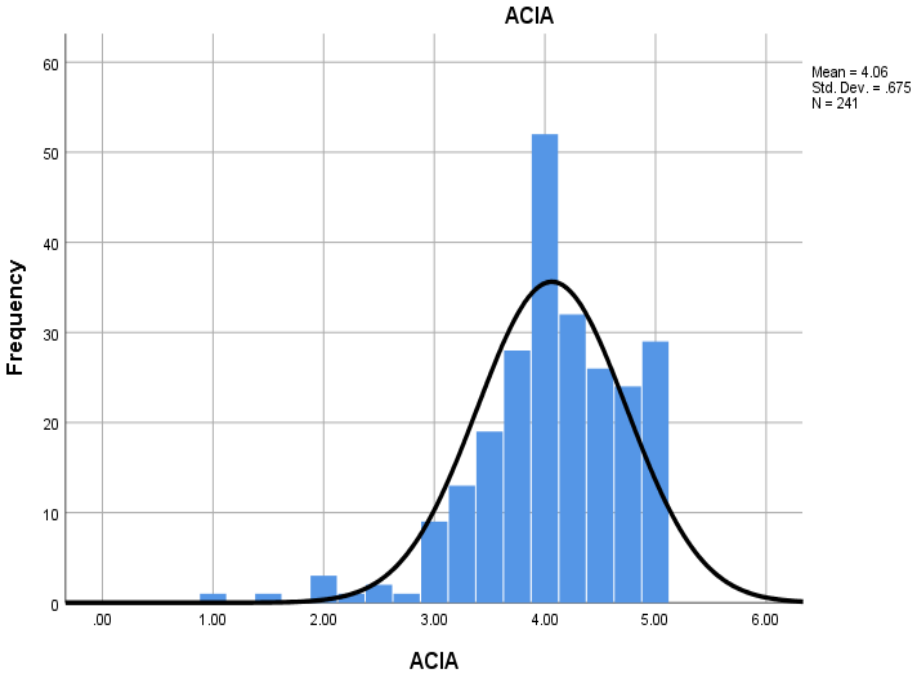
Normality Status of ACSZ Construct
Source: Research Data, 2025



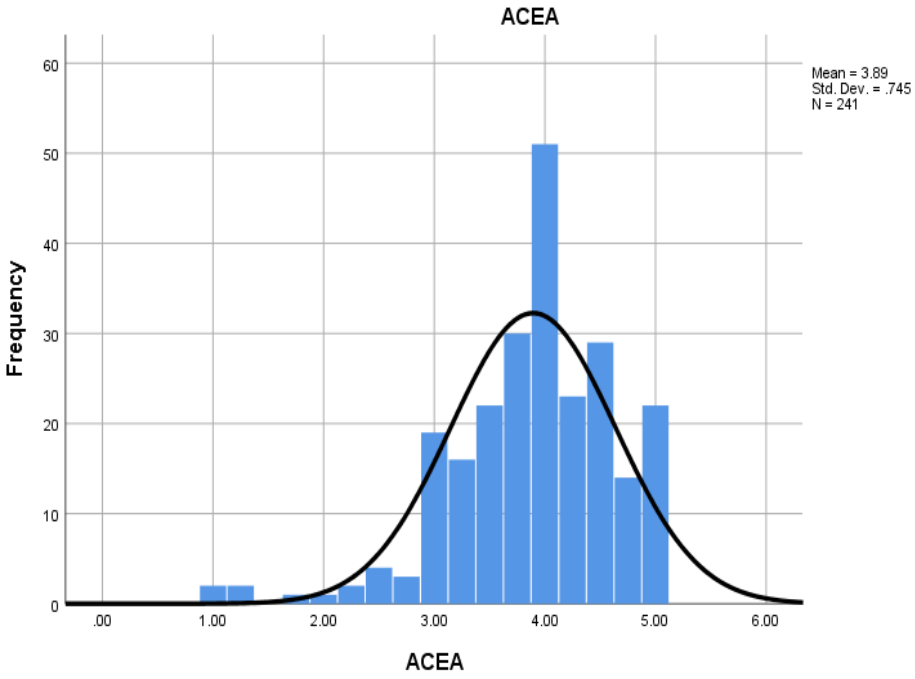
Normality Status of ACFM Construct
Source: Research Data, 2025



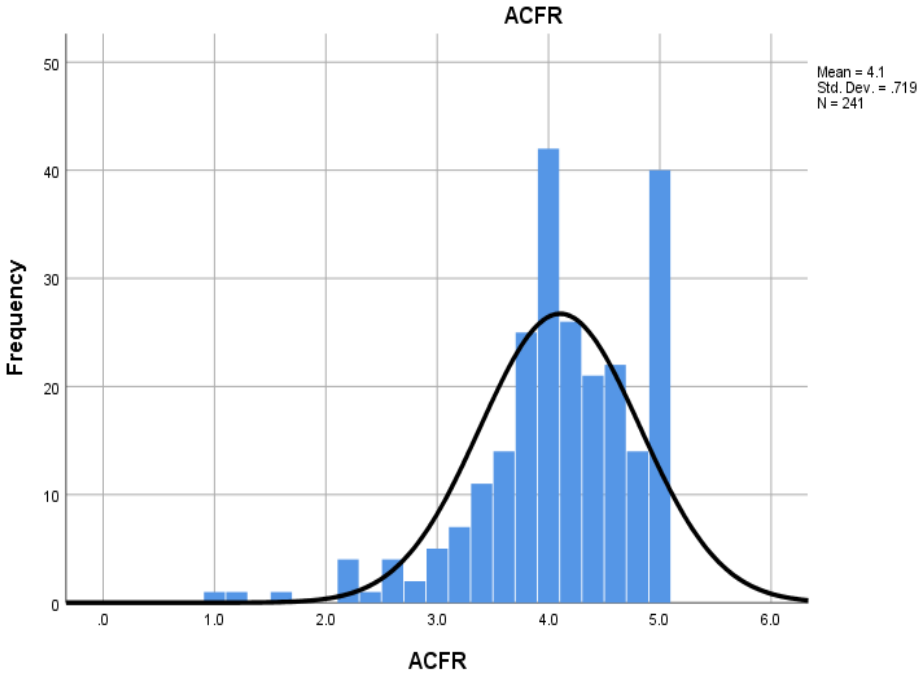
Normality Status of ACBG Construct
Source: Research Data, 2025



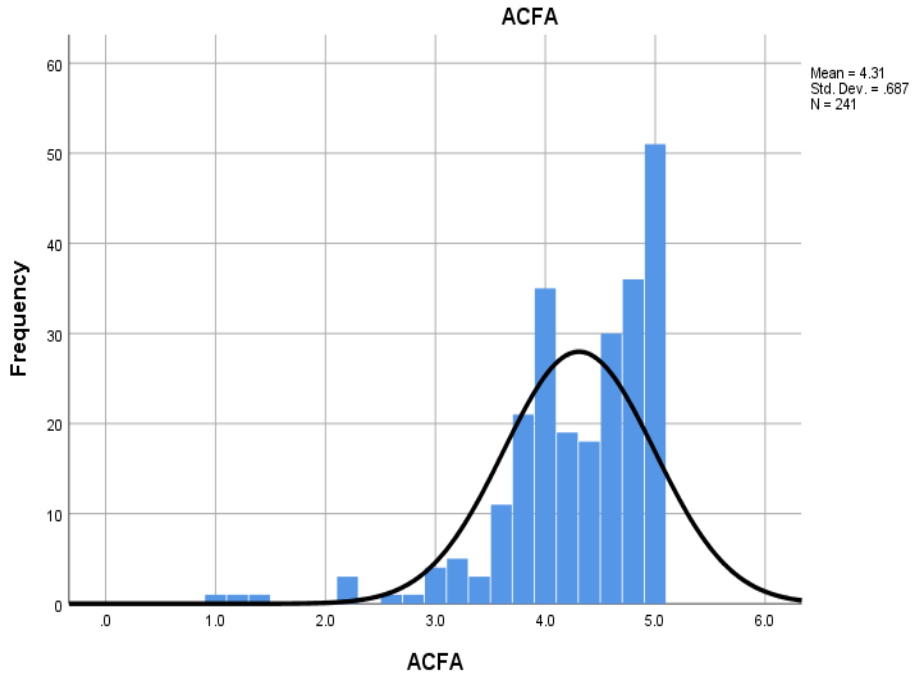
Normality Status of ACIA Construct
Source: Research Data, 2025



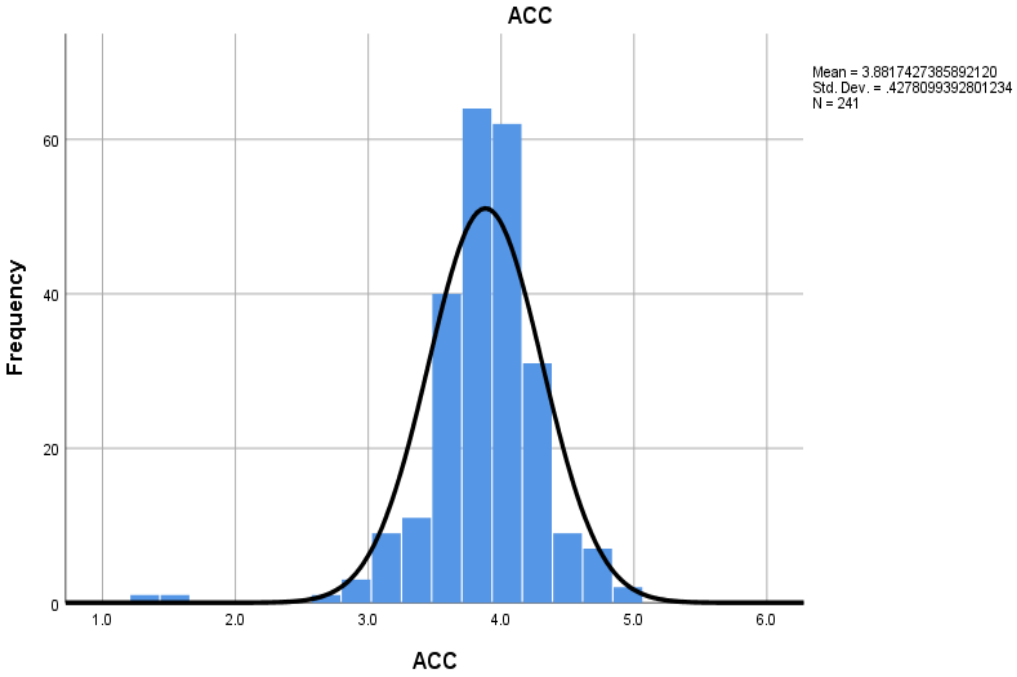
Normality Status of ACEA Construct
Source: Research Data, 2025



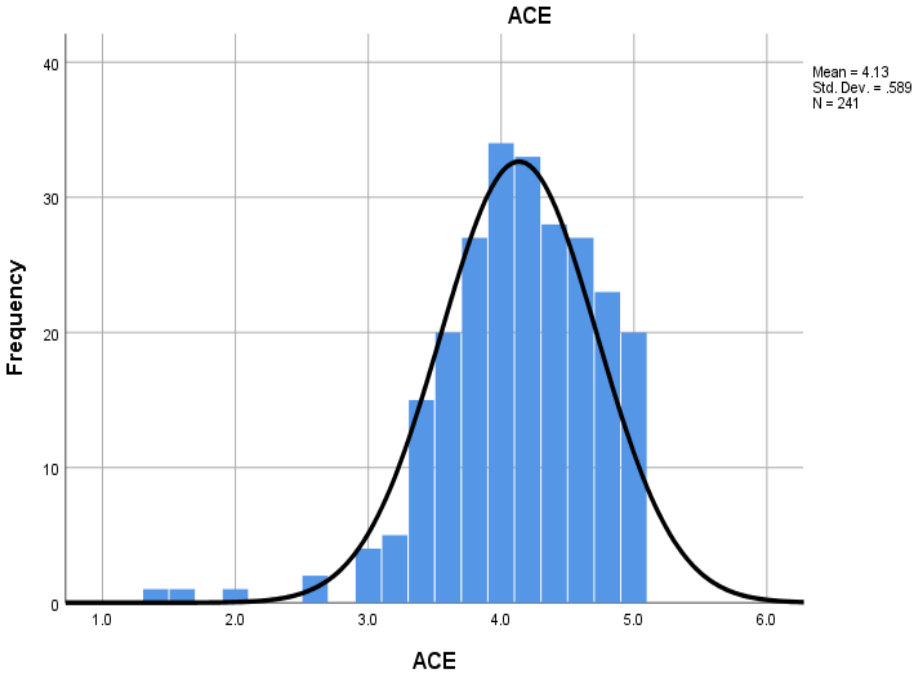
Normality Status of ACFR Construct
Source: Research Data, 2025



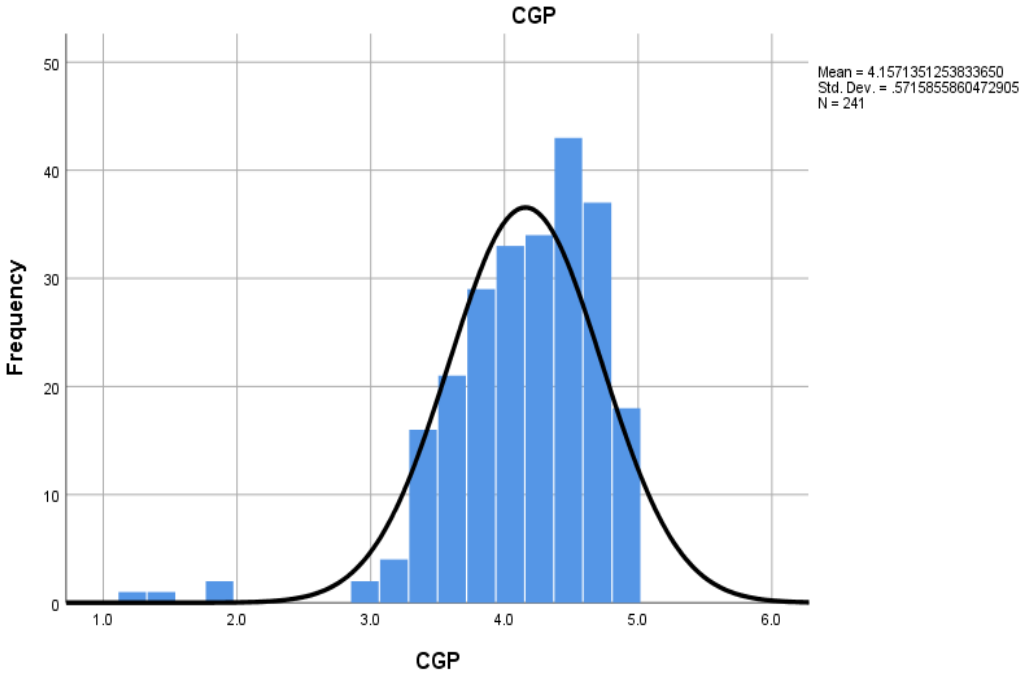
Normality Status of ACFA Construct
Source: Research Data, 2025



Normality Status of ACC Construct
Source: Research Data, 2025

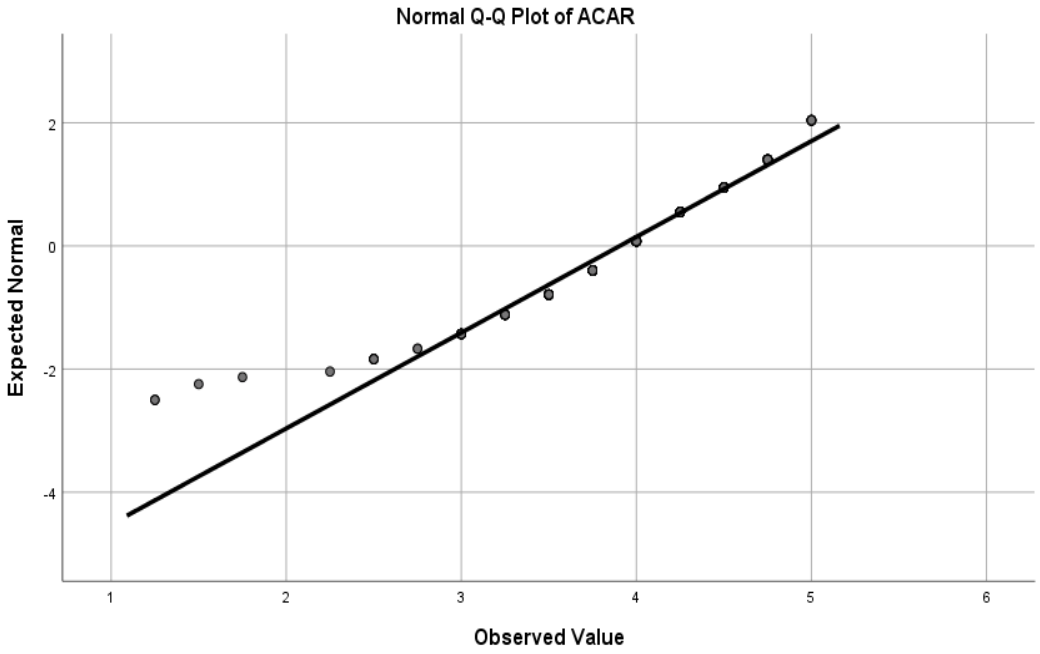


Normality Status of ACE Construct
Source: Research Data, 2025

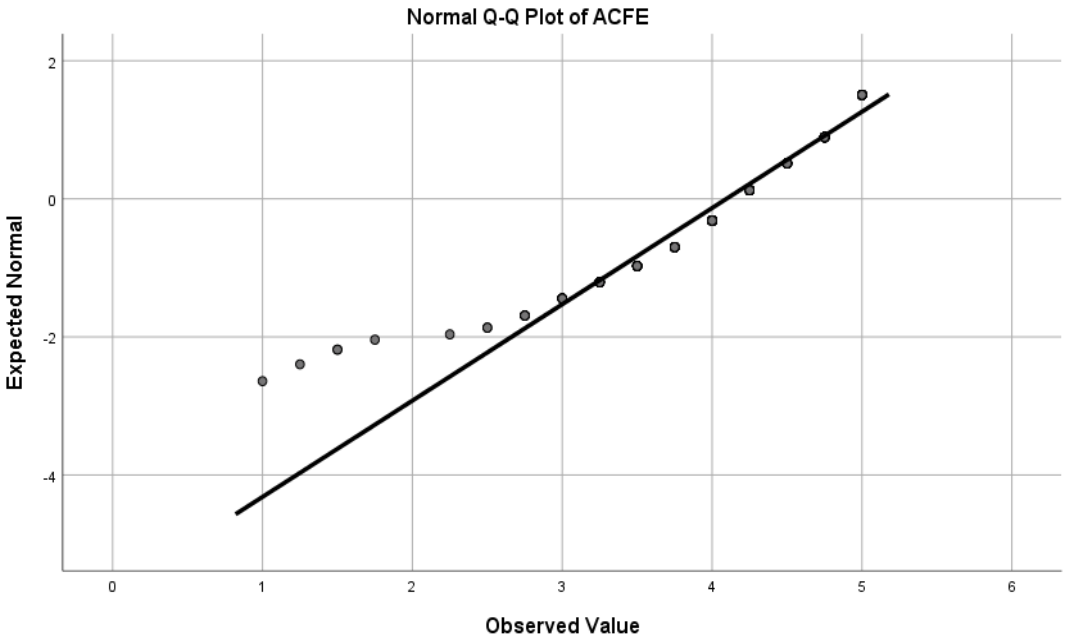


Normality Status of CGP Construct
Source: Research Data, 2025

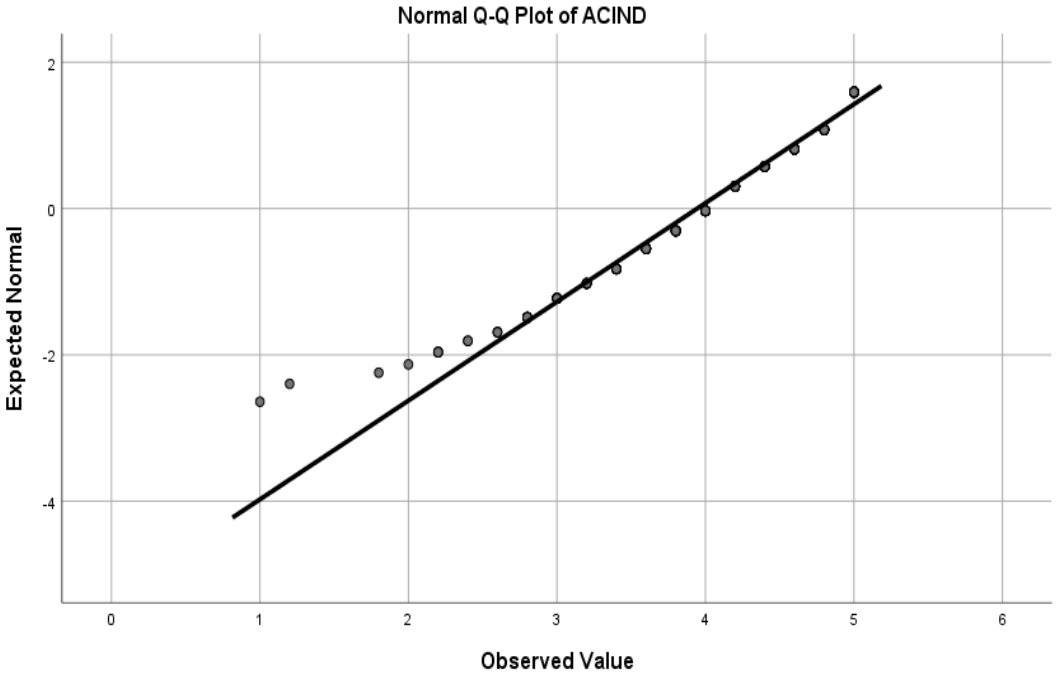
Appendix 6: Scatter Plots Showing Linearity Status of Constructs



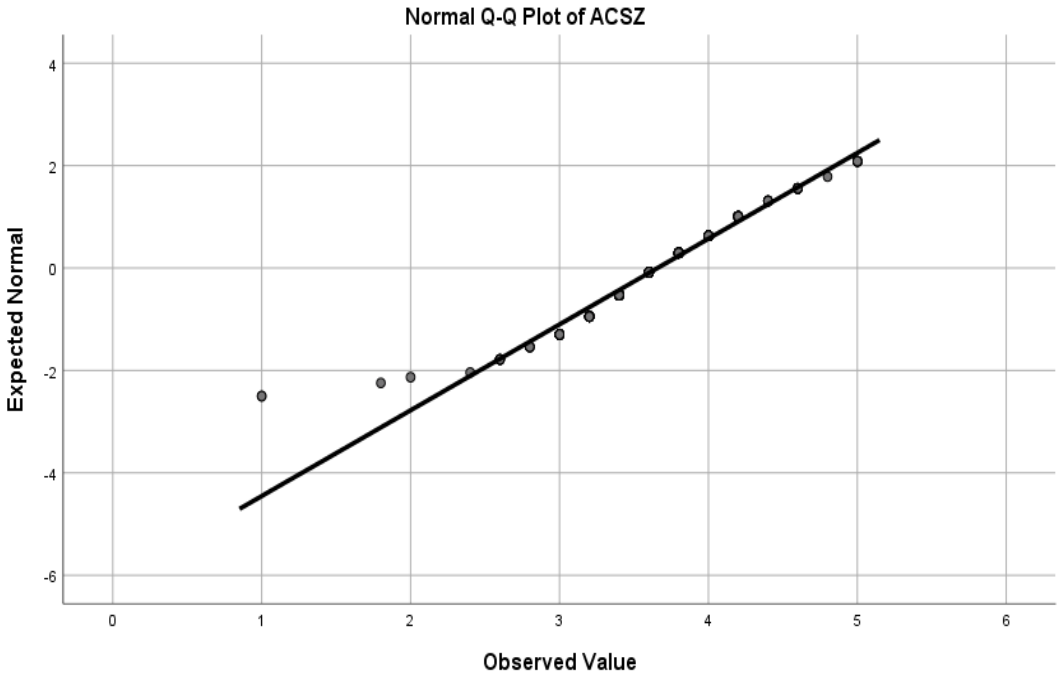
Linearity Status of ACAR Construct
Source: Research Data, 2025



Linearity Status of ACFE Construct
Source: Research Data, 2025



Linearity Status of ACIND Construct
Source: Research Data, 2025



Linearity Status of ACSZ Construct
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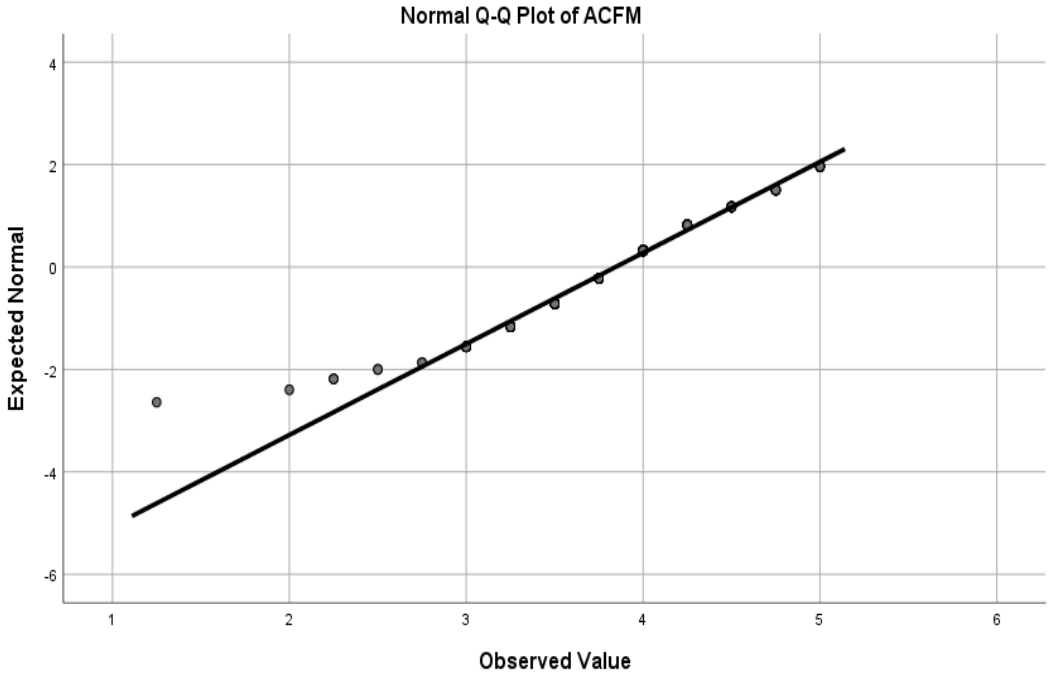
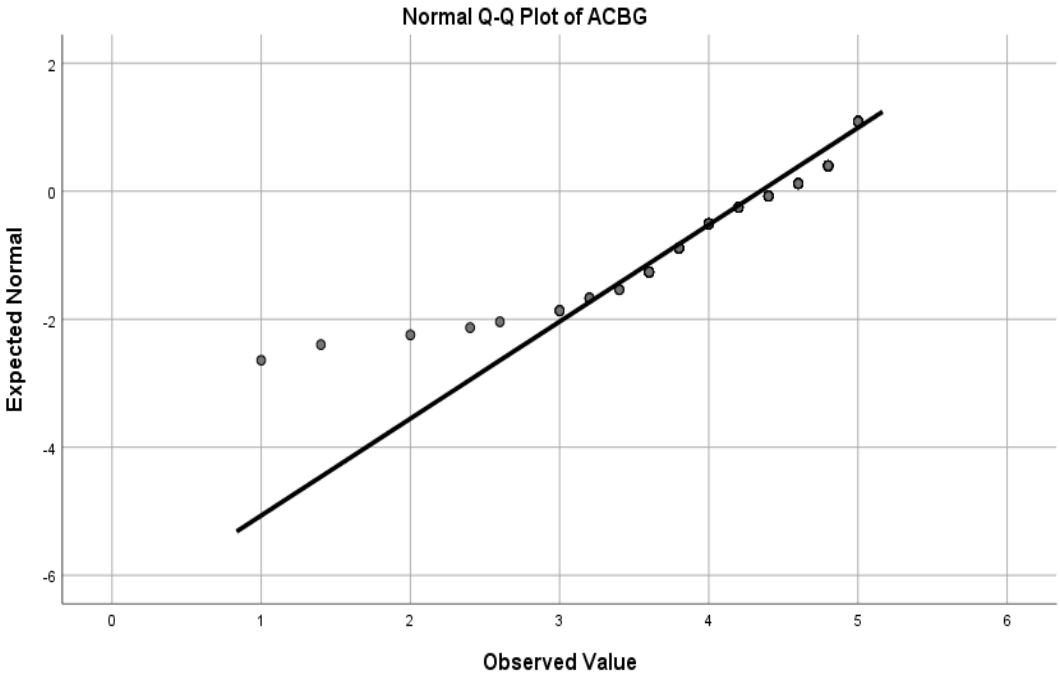
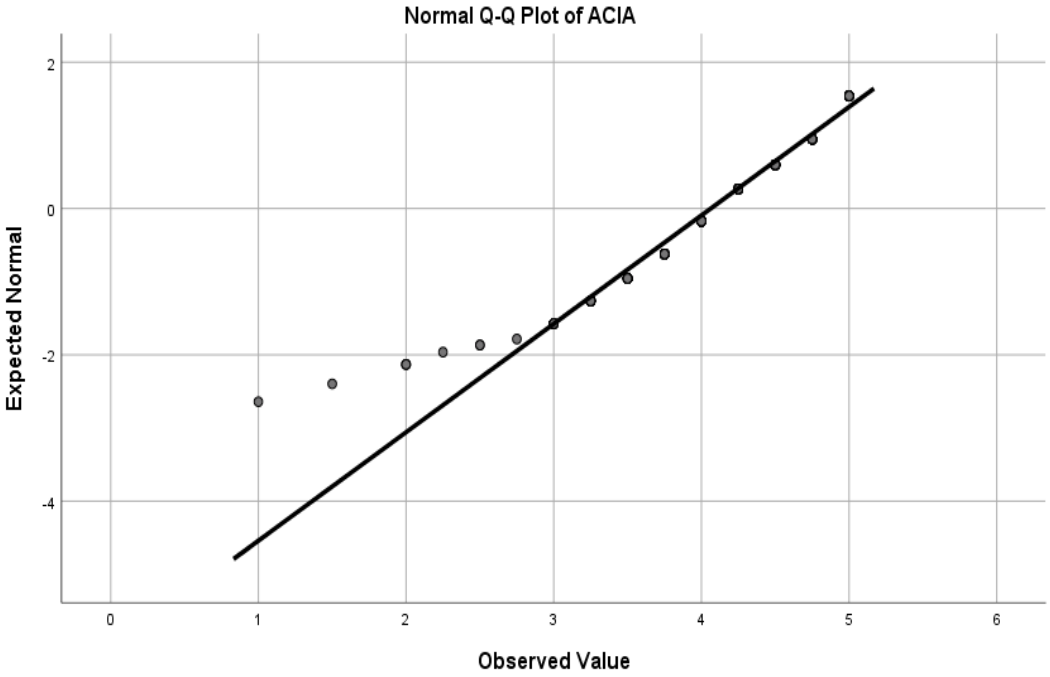


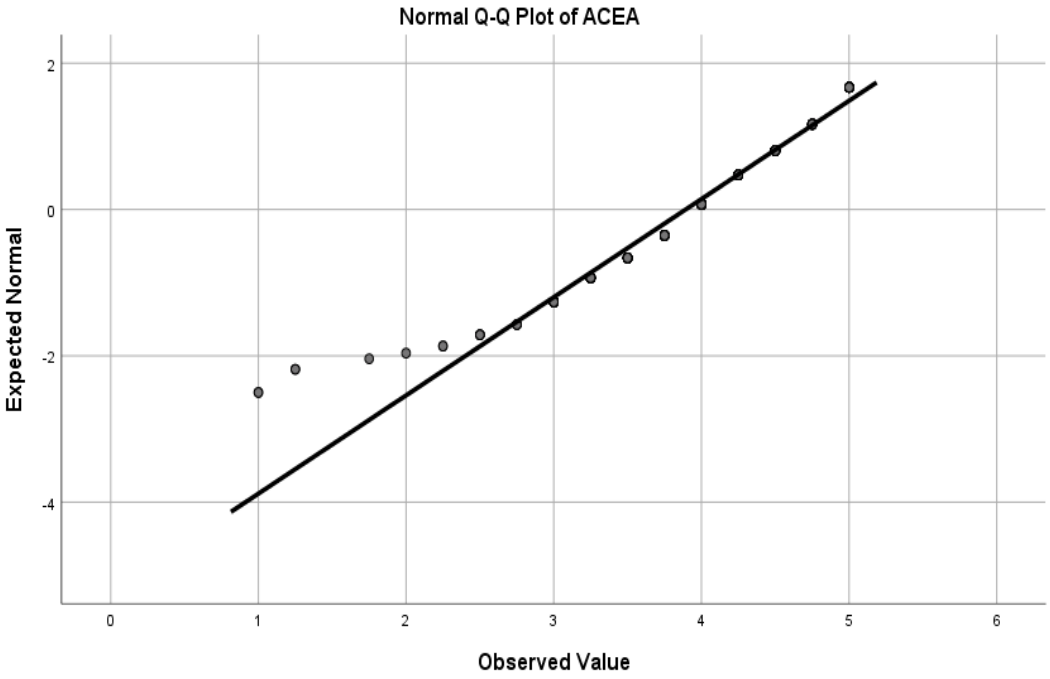
Linearity Status of ACFM Construct
Source: Research Data, 2025



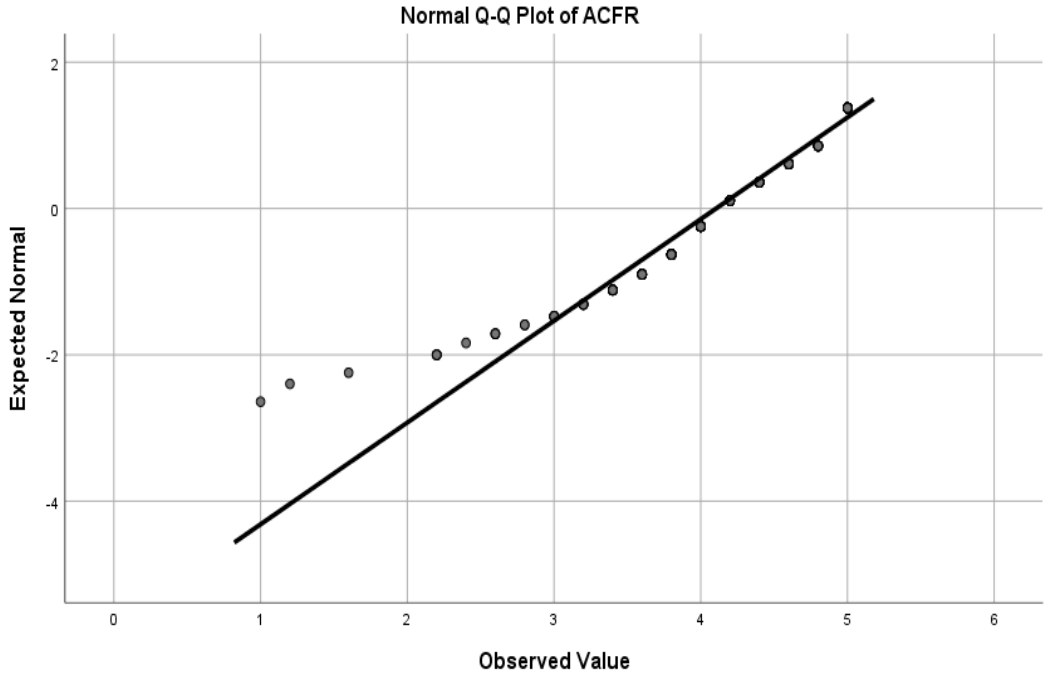
Linearity Status of ACBG Construct
Source: Research Data, 2025



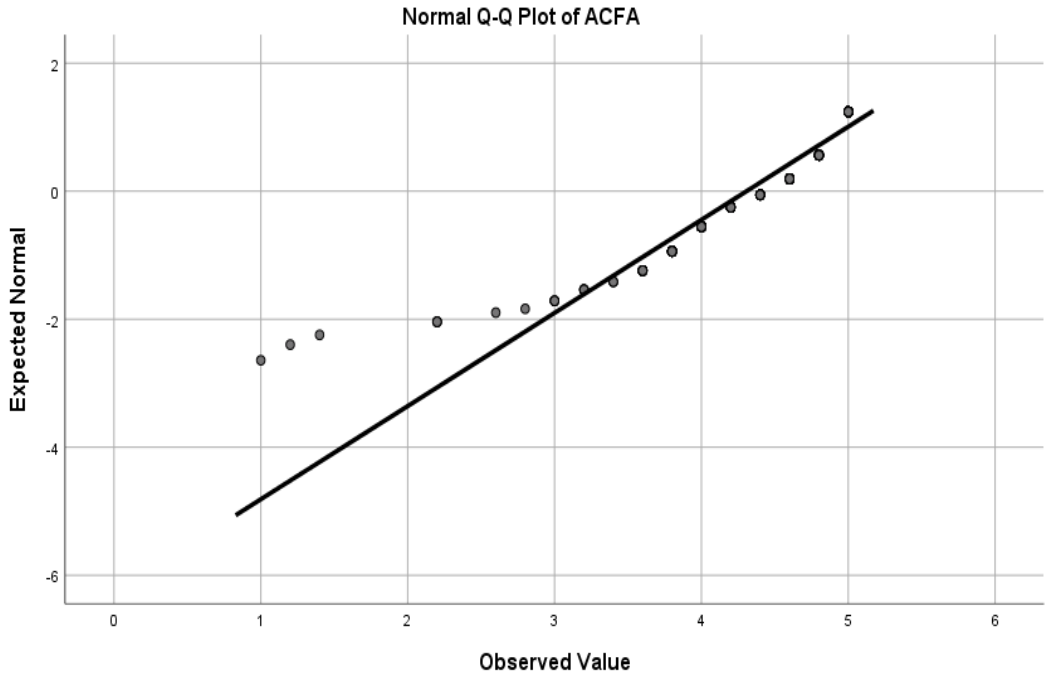
Linearity Status of ACIA Construct
Source: Research Data, 2025



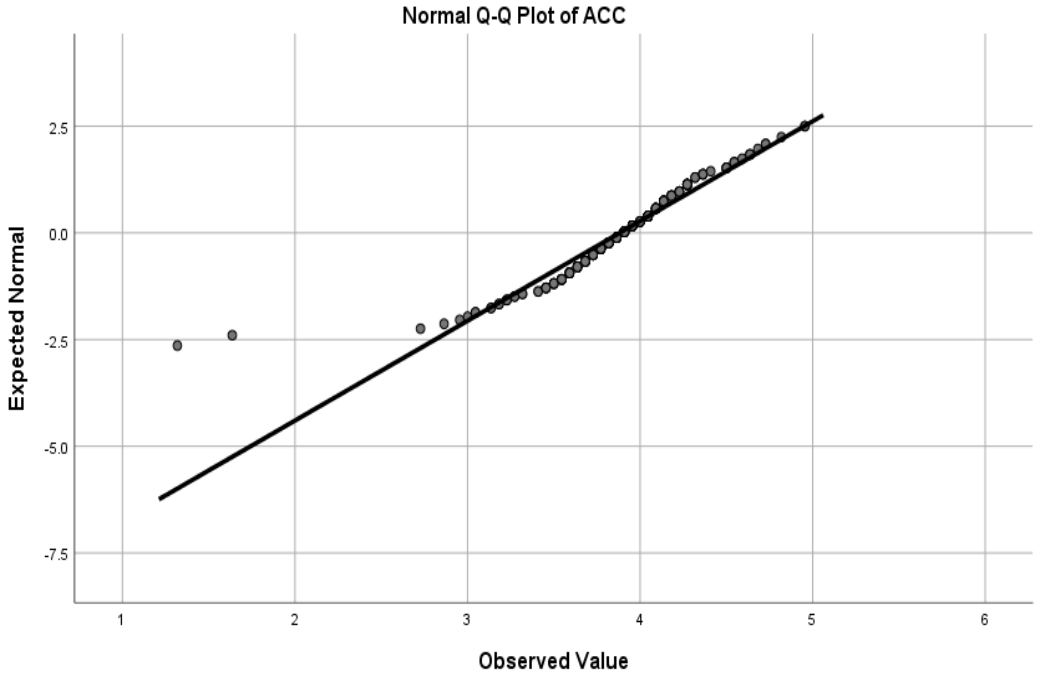
Linearity Status of ACEA Construct
Source: Research Data, 2025



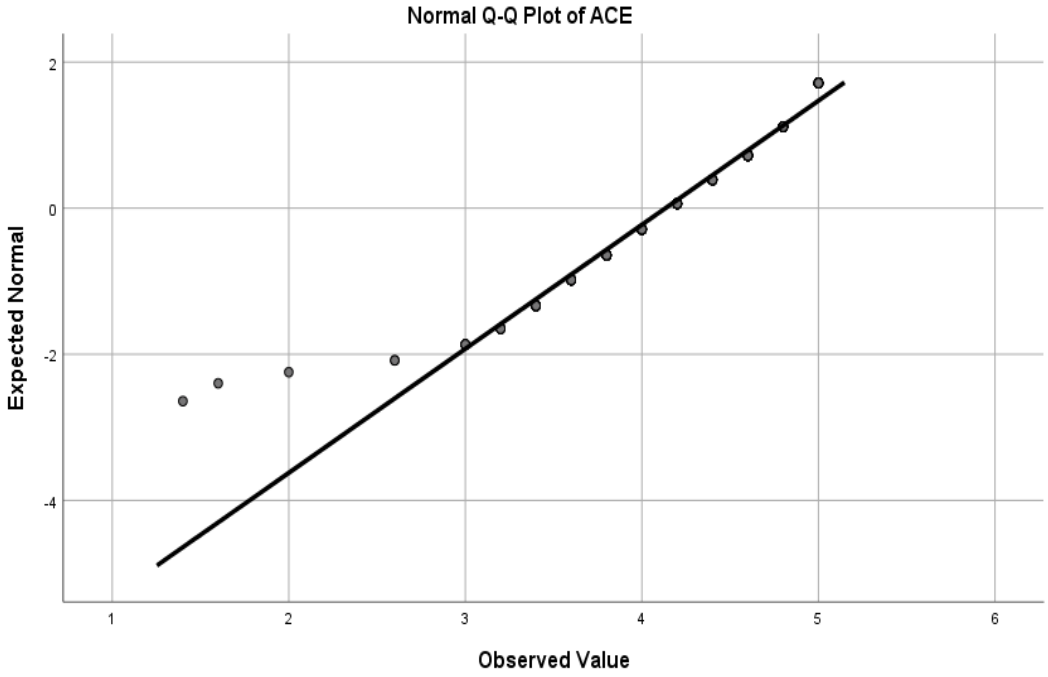
Linearity Status of ACFR Construct
Source: Research Data, 2025



Linearity Status of ACFA Construct
Source: Research Data, 2025



Linearity Status of ACC Construct
Source: Research Data, 2025



Linearity Status of ACE Construct
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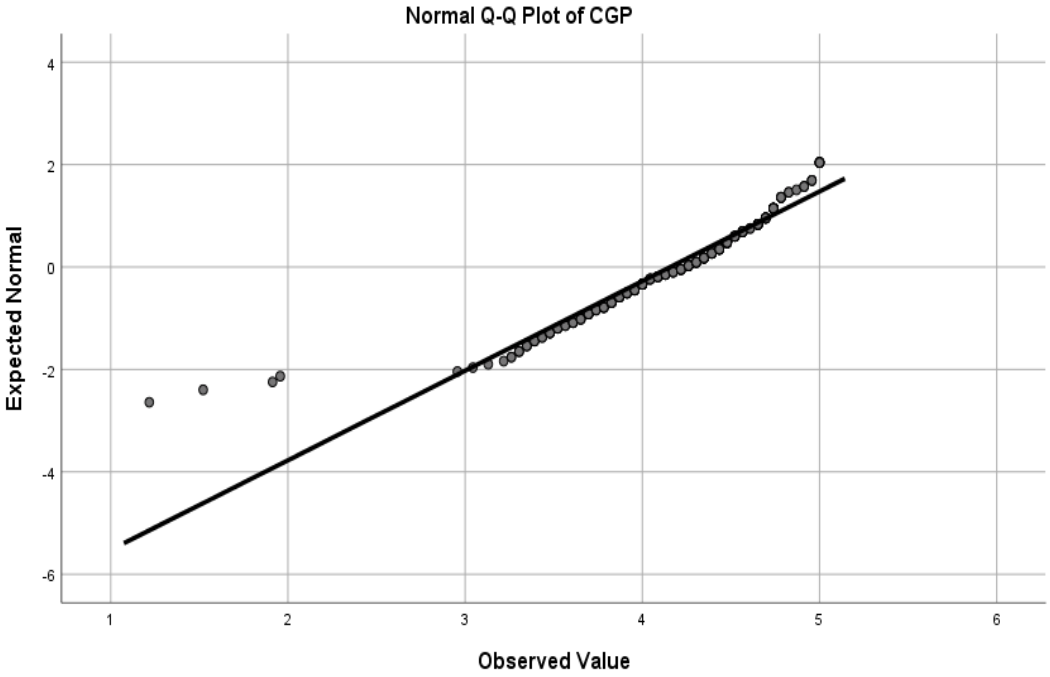

Linearity Status of CGP Construct
Source: Research Data, 2025