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Effects of Audit Committee Effectiveness and Board Characteristics on Voluntary Disclosure Quality in (Mena) Countries

Ameer Reaad Sulaiman Alhzeem, Prof. Dr. Mohamad Ali Abdul-Hamid, Dr. Saidatunur Fauzi Bin Saidin
University Putra Malaysia, UPM
Email: ameer2hazeem@gmail.com, ali@putrabs.edu.my, saidatunur@upm.edu.my

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Abstract
This paper aims to investigate the direct relationship between the board characteristics on voluntary disclosure quality in (MENA) countries. Therefore, the importance role played by the audit committees in voluntary disclosure quality is for the board of directors and assisting executive members of the board of directors in carrying out accounting and financial matters, through the role of audit committees, their duties and responsibilities, especially in improving communication between the internal auditor of the board of directors and the external auditor, and the process of supervising and controlling the preparation of financial statements. Thus, the main objective of this study, to determine the relationship between board characteristics and voluntary disclosure quality in (MENA) countries. However, to achieve this objective, the study obtained data from listed firms on Amman Stock Exchange, Egypt Stock Exchange and Saudi Arabia Stock Exchange from 2013-2022 during which 128 firms were analyzed, culminating in a total of 1280 observations. Secondary method was adopted to determine the relationship between board characteristics and voluntary disclosure in the annual reports. The findings suggest that strengthening the effectiveness of audit committees can be a key strategy for improving the quality of voluntary disclosures. However, the impact of such measures is contingent on the specific corporate and regulatory context of each region. For regulators, the results supports the development of policies and guidelines aimed at promoting effective audit committees as a part of broader efforts to enhance corporate governance and transparency. Thus, the study recommends that, this research was conducted using firms listed in Amman Stock Exchange, Egypt Stock Exchange and Saudi Arabia Stock Exchange, which come from Non-financial sector. As such, the results are valid for firms in these sectors and any generalizations made with respect to this study are confined to firms in these sectors. Therefore, future research can involve comparisons between these sectors and others such as financial and plantation sectors to see the

improvement in the research. Finally, the study will add more value to the body of literature related to the variables used in the study.

Keywords: Board Characteristics, Voluntary Disclosure, Content Analysis and Panal Anlysis

Introduction

The creation of an audit committee (AC) is a method for decreasing knowledge asymmetry, managerial opportunism, and enhancing disclosure quality (Agyei-Mensah, 2019). Agyei-Mensah (2019) assert that the level of corporate disclosure is influenced by the presence of an AC. The rule urged the corporations to establish audit committees with a good structure, especially, in terms of size, meetings, and experience. Therefore, organizations with efficient audit committees ought to adhere to the standards of the mandated disclosure (Alshirah et al., 2021). However, Nimer et al (2012) found in their study that the audit committees of the listed corporations many MENA economies appear to be ineffective. In a different study, Alshirah et al (2021) found that 43% of Jordanian companies lacked an audit committee, suggesting that these companies were not fully committed to the corporate governance code's standards on the audit committee's characteristics.
In order to evaluate the efficiency of the audit committee’s functions, disclosure and reporting regarding the audit committee are essential. There are not many studies that have looked at how audit committees affect disclosure. In recent years, the legislature in various countries in the MENA have passed a number of bills and rules that have significantly contributed to highlighting the significance and structure of audit committees, as well as, the qualities that should be included in audit committees. One of these laws and regulations relates to voluntary disclosure, which may reveal some crucial information that businesses may have neglected to include in their financial reports (Abdallah, 2020).

External audit is required as a result of agency issues with ownership and control separation. Information asymmetry and conflicts of interest between management and shareholders are reduced through the audit function (Abu Afifa et al., 2023). Consequently, it is assumed that the auditing process will work in a similar manner as a monitoring system to enhance the quality of voluntary information disclosures. The auditors in Jordan face issues with the laws and legislations. This is evidenced by a) a lack of the requirements of the audit legislations requiring continuous rehabilitation and training of the auditor as a condition to practice the profession, b) a shortage of auditors, c) a lack of an independent party specialized in issuing legislations and laws pertaining to the profession of auditing, and d) a lack of an independent party specialized in issuing legislations and laws pertaining to the profession of auditing (Hanini, 2021).

Moreover, auditors in Jordan face challenges in adopting and implementing the corporate governance practice used in public shareholding companies. The companies’ lack of understanding on the concept of corporate governance while subjected to audit, as well as, the lack of legislation and the laws that require and control the voluntary disclosure process for the public shareholding companies (Hanini, 2021). However, the Jordan can provide an important setting for investigating issues in audit quality. Jordan is heavily reliant on foreign capital due to its small capital market. Furthermore, a less liquid and small market exposes foreign investors to greater risk. Its geographic isolation increases the likelihood of information asymmetry and rising agency costs for investors. Furthermore, the Report on the Observance of Standards and Codes concludes that the implementation mechanisms for

accounting standards and codes must be strengthened. Finally, because Jordan is one of the countries where users rely on financial accounting numbers to generate decisions, it is important to address the audit quality issue to avoid misleading these users (Alzoubi, 2016).

In light of recent changes in the global economic environment, international accounting standards play an important role in unifying the accounting language at the international level (Asim, 2020). The main objective of accounting disclosure is to provide access to quality accounting information, in addition to being acceptable and useful to its users. Inspection can be defined as providing information and data to users in the truthful manner that helps them in making decisions, whether they are from inside or outside the organization (Rahmeh, 2020). In compliance with high quality accounting standards, information should be generated, audited and disclosed.

In order to evaluate management governance and make informed choices, stakeholders and potential investors need access to frequent, accurate and comparative information. A resilient regime for disclosure increases transparency and influences stakeholders' behavior. This leads to increased capital attraction, investors' confidence and fraud may be prevention (Al-Sulaiti et al., 2018). Inadequate information might increase capital costs and lead to inefficient resource allocation. In addition, throughout the years, the corporate environment has undergone changes, largely impacted by globalization and technological innovation. International capital markets are sources of capital for companies, globally. Consequently, appropriate and trustworthy information ought to be disclosed (Tereshenko et al., 2019).

In the previous years, Amman Stock Exchange (ASE) has witnessed significant growth in its volumes of trading, market capital and the number of listed businesses. For example, market capitalisation in stock market has quadrupled in the last five years. Moreover, the market is anticipated to gain from the recent policy development of the region, as finite resources are able to be directed to the most productive purposes (Albitar, 2015). Voluntary disclosure reflects the information that the facility reveals voluntarily. It is a relative issue that differs from one company to another. Agency theory suggests that establishment of an AC serves as a means of reducing information asymmetry, managerial opportunism and improving disclosure quality (Agyei-Mensah, 2019). Several studies have also argue that the presence of an AC influence the level of corporate disclosure (Yeboah, 2019; Altawalbeh, 2020; See et al., 2020; Buallay and Al-Ajmi, 2020). The agency problems related to ownership and control segregation also result in the request for external audit. The audit function thus assists to decrease information asymmetry and conflict of interest that occur among managers and shareholders (Alyousef and Alsughayer, 2021).

Literature Review

Yuanita & Dewi (2022) research on voluntary disclosure has been widely studied by previous researchers and the most dominant is related to the audit committee. The audit committee is defined as a committee board appointed by the company as a liaison between directors and external auditors that focuses on intermediary communication between the main parties in financial reporting in order to carry out the main supervisory and monitoring function on financial reporting (Al-Qadasi et al., 2022). Meanwhile, audit quality described by external auditors is also a party that takes responsibility for the reporting provided, including the information submitted in the form of disclosures in the company's annual report (Zuhri & Ratnasari, 2021). However, the measurement of voluntary disclosure is the determination of

the level or quality of voluntary disclosure and the calculation of a certain degree of communication of the company with investors (Hossain, 2022).
Aldoseri et al (2021) asserted that the characteristics of the information are related to the quality of disclosure, while Bailey et al (2022) held that the volume, timeliness, and accuracy of the information disclosed as well as the general warning of the company's disclosure determine the quality of disclosure. In addition, according to Sheng et al (2023), the correctness of an investor's opinions about the value of a company after obtaining disclosure information is a measure of the quality of the disclosure. Along with being compliant with legislation and disclosure obligations, financial reporting quality is also intended (Barać & Bilić, 2021).
The Board of Directors' Audit Committee is a crucial subcommittee and is regarded as the first line of defense in ensuring the presence of accurate and comprehensive financial reports (Farooq et al., 2023; Cho & Wang, 2019). A committee designated by the company to serve as a conduit between the board of directors and the external auditors is known as the audit committee. This committee typically includes the majority of non-executive directors, and it is possible that they will be given separate and impartial information about the company's affairs (Almomania et al., 2023)

The Audit Committee is regarded as a crucial component of a company's financial reporting process and a key instrument for enhancing corporate governance (Weickgenannt et al., 2021). The Sarbanes-Oxley Act gave the Audit Body meaning as a committee established by the Board of Directors of the firm with the objective of overseeing both the audit process of issuing the company's financial reports as well as the financial reporting process. The American Institute of Certified Public Accountants Elemes et al (2021) also defined it as the tool by which all illegal actions are curbed by senior management in companies. It can also be defined as a committee composed of the board of directors that supervises the operations and accounting activities and others, in addition to supervising the financial audits by the external auditors, and this committee consists of three members, one of whom has financial experience (Ioualalen, et. al., 2015). It was also known as the Executive Committee, Supervision and Control Committee (the independent committee of the Board of Directors), which focuses in its work on the methodology and quality of external audit, the quality of financial reports, and the interaction between internal and external audit and ensuring their independence (Ellen et al., 2019).

The audit committee is also one of the committees formed by the board of directors, and it is a control tool that reduces the illegal behavior of higher departments and consists of three independent members, that one of them has financial or accounting experience and this committee carries out its work according to a written guide clarifying its responsibility, the committee shall supervise the preparation of financial reports, appoint the external auditor and follow up on its work, and also contribute to building a sound internal control system (Braiotta, 2004).

These definitions make it clear that the Audit Committee's main objectives are to ensure that an independent external audit is conducted and that it complies with the Board's legal obligations with regard to the financial reports' dependability and objectivity (Al-Masawa et al., 2022).

There are many responsibilities that fall on the audit committee, and therefore the audit committee must be able to confront both the administration and the internal auditors in addition to the external auditors, in order to ensure the correctness and fairness of the financial reports, and this, in turn, guarantees protection for the rights of shareholders. The audit committee serves as a governance mechanism that improves administrative accountability and also works to reduce agency problems by addressing the issue of information asymmetry between the dominant owners and shareholders. As a result, it was assumed that the audit committee's effectiveness is one of the internal tools that reduce agency conflicts. The Board of Directors and its committees, such as the Audit Committee, therefore make up a fundamental mechanism to address the agency's issue (Hassan et. al 2017). It has been proposed that the usage of independent, qualified, and professionals who have the necessary skills and capacity to maintain ongoing oversight determines the audit committee's effectiveness (Al-Hajaya, 2019).

In addition to independence, experience is an important and critical advantage in the effective functioning of the Audit Committee (Carcello, et al., 2006; Beasley & Salterio, 2001). To ensure effectiveness, audit committee members must be able to prepare and review financial statements, in addition to understanding and using acceptable accounting standards (Iriyadi, 2019; Donatella, 2022; Khemakhem & Fontaine, 2019). The fundamental responsibility of the audit committee, according to Dheeriya & Singhvi (2021), is to protect shareholders. In order to accomplish close monitoring, the committee must choose qualified individuals who have the power to make decisions. According to some studies, the traditional requirements for the effectiveness of the audit committee, such as its independence, size, experience, meetings, and length of work, do not guarantee the committee's effectiveness because these requirements complement one another.

As a result, the audit committee will become ineffective if one requirement is met while the other is ignored (Habbash, 2020). In addition, the formation of the audit committee is one of the reforms that can enhance the quality of the companies 'financial reports through honest communication and open relationship with the company's board of directors as well as with the internal and external auditors to verify the reliability and integrity of financial reports. The audit committee is among the most important elements of corporate governance, and the audit committee is the primary component that works to enhance the quality of financial reports. The primary responsibility of the audit committee is to supervise the financial reporting process and ensure its quality (Mazumdar, 2020).

Underpinning Theory

Agency Theory

Jensen and Meckling (1976) developed the notion of agency theory. They referred to the issue as "the agency problem" a conflict of interest stemming from contractual agreements between owners and managers. The essential premise of agency theorists of CG is that managers have self-interest and may not act to maximize shareholder profits unless appropriate corporate governance structures and controls (to monitor costs) are in place to protect shareholder interests (Jensen & Meckling, 1976). The theory denotes that corporate governance seeks to develop and supervise the methods shareholders set to ensure managers maximize shareholder value by minimizing agency loss (Kokkinis, 2017; Pargendler, 2019). In the absence of comprehensive CG, managers may deploy increasing authority not

for long-term profitability but for their own personal wealth, status, and goals (Arayssi & Jizi, 2019).

In addition, this theory demonstrates that an organization may attain an optimal capital structure by avoiding the costs associated with manager-owner conflict. As a result, the agency cost theory provides a means for a business to exercise influence over its management and achieve its goals by using greater leverage to fund its assets and operations. Jensen and Meckling (1976) described, agency cost to include monitoring, bonding, and residual costs. In order to lower agency costs, the corporate governance system must untangle the origins of these conflicts, thus the necessity to comprehend "agency theory.

Agency theory may be used to construct incentives by considering the agent's interests. Incentives for bad conduct must be eradicated, and moral hazard regulations must be implemented. Businesses may design better corporate policy by understanding issue processes. So, if agency costs are correctly handled, it may assist boost share value and the firm's financial performance. The agency theory discusses the independent variables corporate governance and audit committee effectiveness and seeks to create and monitor the relationship between shareholders and mangers so as to achieve firm’s objectives which is maximization of shareholders’ wealth. Again, the theory is significant because it explains how conflicts of interest arise among various stakeholders, especially shareholders and managers. This theory elaborates on how this trade-off between agency costs contributes to the establishment of an optimal structure that balances the interests of all stakeholders.

This research uses an agency theory (AT) framework to examine the impact of audit committee effectiveness, representing the interest of corporate owners as a counter to the potential self-interest of management. According to agency theory, separation between the owner and manager, which results in the separation between ownership and control, subsequently leads to agency costs. In order to mitigate the agency costs, contracts are written between the parties that Payne & Petrenko (2019) referred to as the agency relationship. They define the agency relationship as a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on behalf, which involves delegating some decision-making authority to the agent. Perez & Agafonow (2022) conjecture that the stockholders‟ delegation of responsibility for internal control to the board of directors makes the board the apex of decision control within both large and small corporations. Therefore, they suggest that the composition of individuals who serve on the board of directors is an important factor in creating a board that is an effective monitor of management actions. In relation to the existing study, the board of directors represents the agent, and the shareholders are the principals.

Whilst, the audit committee, as part of the board of directors, is viewed as a monitoring device and used to prevent opportunistic behavior and strengthen the quality of financial reporting, so as to mitigate agency conflicts between preparers of financial statements and outside shareholders (Ayedi et al., 2019). Monitoring decisions and actions of management is a principal responsibility of the board of directors. Alsayani et al (2023), use the agency theory perspective to examine the argument that firms with high agency costs will attempt to mitigate these costs by undertaking increased monitoring activity through the audit committee. According to Bernhold & Wiesweg (2021), the agency theory is most relevant in

situations where substantial goal conflict exists between the principal and agent, and opportunism by the agent is likely.

Thus, the agency theory attempts to overcome the principal-agent conflicts where the principal may have to face the cost of monitoring the agent. Payne & Petrenko (2019) mentions that the agency theory dictates that principals will try to bridge the informational asymmetries by installing information systems and monitoring agents. Finally, the agency relationship theories that the presence of independent directors with specific financial training and experience will reduce the incidence of management irregularities or fraud in the company (Kassem, 2022).

Methodology

Research Design

This study adopted both cross sectional and time series analysis obtained from the annual reports of the listed firms on Amman Stock Exchange, Egypt Stock Exchange and Saudi Arabia Stock Exchange of nonfinancial companies. As part of the design, the study used descriptive statistic techniques of mean variance and standard deviation to describe the effect of audit committee effectiveness on board characteristics on voluntary disclosure quality in (MENA) countries.

Population

The population structure is the total number of non-financial companies in listed on the floor of Amman Stock Exchange, Egypt Stock Exchange and Saudi Arabia Stock Exchange between 2013 to 2022. However, the population of this study is 687 and the total sample size for the three countries in the study is 128 with the annual observations of 1280 for ten years. Therefore, the annual reports of the companies listed during the period from 2013 to 2022. The content analysis approach was used to determine the relationship between audit committee effectiveness and board characteristics on voluntary disclosure quality in (MENA) countries.

Data Collection

This study used data on firms listed on Amman Stock Exchange, Egypt Stock Exchange and Saudi Arabia Stock Exchange between 2013 to 2022. The secondary data was used in this empirical analysis, the data that was collected mainly from selected published statistics on corporate information available from Bloomberg's Database. Gujerati (2003) observed that the research results are as good as the quality of the data; therefore, data for the study was obtained from the Amman Stock Exchange, Egypt Stock Exchange and Saudi Arabia Stock Exchange database. Furthermore, this research excludes financial and insurance sectors due to their distinct disclosure and financial reporting norms, differing from sectors like industry and services. It utilizes non-probability sampling for data collection from the Stock Exchange, meaning the selection of industrial companies for the sample is an active choice rather than random.

Model Specification

Model Specification Using the regression analysis, the model adopted to carry out the analysis is as follows:

$VDQit = \beta 0 + \beta 1\ ACSCOREit + \beta 2\ FSZit + + \beta 3\ ROAit + \beta 4\ LEVit + \beta 5\ CRit + \varepsilon it$

$VDQit = β0 + β1\ ACSCOREit + β2\ ACSCOREit*AUDFSZit + β3\ FSZit ++ β4\ ROAit + β5\ LEVit + β6\ CRit + εit$

$VDQit = β0 + β1\ BDSCOREit + β2\ FSZit ++ β3\ ROAit + β4\ LEVit + β5\ CRit + εit$

$VDQit = β0 + β1\ BDSCOREit + β2\ BDSCOREit*AUDFSZit + β3\ FSZit ++ β4\ ROAit + β5\ LEVit + β6\ CRit + εit$

Table 4.1
Descriptive table, Combined Countries

	Voluntary disclosure quality	Audit committee effectiveness score	Audit firm size	Audit fee	Audit tenure	Firm size	Current ratio	Return on asset	leverage
Voluntary disclosure quality	1.0000								
Audit committee effectiveness score	0.0658	1.0000							
Audit firm size	0.0192	0.2415	1.0000						
Audit fee	0.0085	-0.1121	0.0608	1.0000					
Audit tenure	0.0627	-0.0499	-0.0061	0.1742	1.0000				
Firm size	0.0245	0.0728	0.1967	-0.0000	0.0545	1.0000			
Current ratio	0.0302	0.0493	0.0583	-0.0168	0.0436	0.1869	1.0000		
Return on asset	0.0142	-0.1030	-0.1605	0.1886	0.0681	-0.1178	0.0194	1.0000	
leverage	0.0263	0.0225	-0.0489	0.1162	-0.0084	0.0281	0.0055	-0.0126	1.0000

Source: Author's Analysis (2024)

Table 4.2 presents a correlation matrix which is part of an econometric model investigating the impact of Audit Committee Effectiveness on Voluntary Disclosure Quality. The table encapsulates nine variables, with correlation coefficients that offer insights into the interrelations among these variables. The correlation coefficient between Voluntary Disclosure Quality and Audit Committee Effectiveness is 0.0658, indicating a positive but weak relationship. This suggests that higher effectiveness in audit committees might be associated with better voluntary disclosure quality, albeit the association is not strongly pronounced.

The relationship between Audit Firm Size and Audit Committee Effectiveness shows a more substantial positive correlation (0.2415), implying that larger audit firms might be associated with more effective audit committees. However, the correlation between Audit Firm Size and Voluntary Disclosure Quality is relatively weaker (0.0192), suggesting that the size of the audit firm has a minimal direct impact on disclosure quality. An intriguing aspect is the negative correlation between Audit Fee and Audit Committee Effectiveness (-0.1121). This could suggest that higher audit fees do not necessarily correlate with higher effectiveness of audit committees, challenging conventional expectations. Audit Tenure shows a weak positive correlation with Voluntary Disclosure Quality (0.0627) and a slight negative correlation with Audit Committee Effectiveness (-0.0499). This indicates that longer audit tenures might slightly improve voluntary disclosure quality but don't necessarily enhance the effectiveness

of audit committees. Firm Size shows a positive correlation with Audit Committee Effectiveness (0.0728) and a very weak positive correlation with Voluntary Disclosure Quality (0.0245).

This suggests that larger firms may have slightly more effective audit committees and marginally better disclosure quality. The Current Ratio shows a positive but weak correlation with both Voluntary Disclosure Quality (0.0302) and Audit Committee Effectiveness (0.0493), implying a slight association of financial liquidity with both higher disclosure quality and more effective audit committees. Return on Assets presents a weak negative correlation with Audit Committee Effectiveness (-0.1030) and a very weak positive correlation with Voluntary Disclosure Quality (0.0142), suggesting that higher profitability does not necessarily correlate with more effective audit committees or significantly better disclosure quality.

Finally, Leverage shows a very weak positive correlation with both Voluntary Disclosure Quality (0.0263) and Audit Committee Effectiveness (0.0225), indicating that debt levels have a negligible direct impact on these aspects. Therefore, the correlation matrix in Table 4.2 reveals a complex interplay of financial and auditing variables with Voluntary Disclosure Quality and Audit Committee Effectiveness. While some correlations are intuitive, others are counterintuitive, indicating a nuanced and multifaceted relationship among these variables. It's crucial to note that these correlations, while indicative of associations, do not imply causation. The mixed nature of these correlations, both positive and negative, highlights the intricate dynamics within the financial and governance structures of the firms under study.

Table 4.2
Regression table, Combined Countries

Voluntary disclosure quality	Coefficient	P>z
Lag_y_b	-.2323447	0.000
Audit committee effectiveness score _b	.0009562	0.013
Firm size _b	.0003929	0.806
Current ratio _b	.0001206	0.085
Return on asset _b	-.0017447	0.407
leverage_b	.0341755	0.000
cons_d	-.2481396	0.000
Lag_y_d	.4122539	0.000
Audit committee effectiveness score _d	.0007728	0.204
Firm size _d	-.0075359	0.000
Current ratio _d	.0000963	0.264
Return on asset _d	-.0082083	0.050
leverage_d	-.0471734	0.000
r	12	0.000

Source: Author's Analysis (2024)

Given direct model of the impact of the Audit committee effectiveness on the Voluntary disclosure quality. As for the impact of the Voluntary disclosure quality lag, the coefficient for Lag_y_b is -0.2323447 with a p-value of 0.000, indicating a statistically significant negative relationship. This negative coefficient implies that in region 'b', higher levels of voluntary

disclosure quality in the past are associated with lower levels in the present. This could reflect a pattern where firms that previously had high levels of disclosure might reduce their transparency in subsequent periods, possibly due to changing strategic priorities, market conditions, or regulatory environments. This finding resonates with the idea of dynamic disclosure practices, where firms adjust their disclosure levels based on past experiences and future expectations (Fields et al., 2001). The significant negative impact of the lagged variable suggests that maintaining consistent disclosure standards is challenging. Regulatory bodies and firms should focus on understanding the reasons behind this variability and strive to promote consistent and high-quality disclosure practices over time.
The coefficient for Lag_y_d is 0.4122539 with a p-value of 0.000, indicating a significant positive relationship. Contrary to region 'b', in region 'd', higher past voluntary disclosure quality positively influences current disclosure quality.

This pattern suggests a reinforcing cycle where good disclosure practices are sustained over time. Firms with a history of high-quality disclosures may continue to prioritize transparency, possibly due to established corporate governance norms, positive stakeholder feedback, or regulatory incentives (Lang and Lundholm, 1996). The positive relationship in region 'd' highlights the importance of establishing a culture of transparency within firms. It suggests that once firms achieve a high standard of disclosure, they are likely to maintain it. Efforts to improve disclosure quality should, therefore, focus on long-term strategies to embed good practices in corporate culture. The divergent impacts of the lagged variable of voluntary disclosure quality in different regions highlight the complex nature of disclosure practices and their dependence on past performance. In region 'b', previous high disclosure quality leads to a reduction in current disclosure levels, while in region 'd', there is a positive reinforcement effect.

These findings indicate that disclosure practices are not static and are influenced by a variety of factors including past disclosure decisions, market dynamics, and regulatory environments. Policymakers and corporate governance bodies should consider these dynamics when developing guidelines and regulations aimed at enhancing and sustaining high-quality disclosure practices.
As for the Audit Committee Effectiveness, the coefficient for the Audit Committee Effectiveness Score in region 'b' is 0.0009562 with a p-value of 0.013. This indicates a statistically significant positive relationship. The positive coefficient suggests that in region 'b', more effective audit committees are associated with higher voluntary disclosure quality. This relationship underscores the role of audit committees in enhancing transparency and accountability in financial reporting. Effective audit committees, as suggested by Vafeas (2005), often result in more rigorous oversight of the financial reporting process, leading to higher-quality disclosures. This finding aligns with the view that strong internal governance mechanisms are crucial for ensuring accurate and comprehensive disclosures (Krishnan and Visvanathan, 2008). The significant positive impact implies that firms in region 'b' should focus on strengthening their audit committees to enhance disclosure quality. This could involve ensuring that audit committees have the necessary expertise, independence, and resources. For regulators, this finding supports policies and guidelines that promote the effectiveness of audit committees as a means to improve overall corporate governance and transparency. In region 'd', the coefficient is 0.0007728, but it is not statistically significant with a p-value of 0.204.

The positive yet non-significant coefficient in region 'd' suggests a potential positive relationship between audit committee effectiveness and voluntary disclosure quality, though this relationship is not strong or consistent enough to be deemed significant. This variability could be attributed to differing corporate governance structures, regulatory environments, or the nature of industries predominant in this region (Carcello et al., 2011). For region 'd', while the importance of audit committee effectiveness cannot be discounted, it should not be the sole focus. Companies and regulators should also consider other factors that might influence disclosure quality, such as the overall corporate governance framework, company culture, and external regulatory pressures.

The analysis reveals that the impact of audit committee effectiveness on voluntary disclosure quality varies across regions. In region 'b', there is a clear positive and significant relationship, highlighting the importance of effective audit committees in enhancing disclosure quality. In contrast, region 'd' shows a positive but non-significant relationship, suggesting that while audit committee effectiveness is important, it might be influenced by other regional factors. These findings imply that enhancing audit committee effectiveness can be a valuable strategy for improving disclosure quality, but its impact is contingent upon the specific corporate and regulatory environment.

In terms of the influence of Firm Size, the coefficient for Firm Size in region 'b' is 0.0003929, with a p-value of 0.806. This suggests a very weak and statistically insignificant relationship between firm size and voluntary disclosure quality. The insignificance of the coefficient implies that in region 'b', firm size does not play a substantial role in influencing voluntary disclosure quality. This might indicate that factors other than size, such as corporate governance mechanisms, industry-specific factors, or regulatory environment, are more determinant in shaping disclosure practices in this region. This observation aligns with the findings of prior research which suggest that the relationship between firm size and disclosure quality is not always straightforward (Hossain et al., 1994; Watts and Zimmerman, 1986).

Given the non-significant relationship in region 'b', it would be prudent for policymakers and corporate managers not to prioritize firm size as a key factor in shaping disclosure practices. Instead, focus should be on other aspects such as enhancing the quality of corporate governance and adapting to industry-specific disclosure norms. In region 'd', the coefficient for Firm Size is -0.0075359, with a significant p-value of 0.000, indicating a substantial and statistically significant negative relationship. The negative coefficient in this region suggests that larger firms tend to have lower voluntary disclosure quality compared to smaller firms. This could be attributed to larger firms possibly having more complex operations and structures, which can lead to difficulties in maintaining high-quality disclosures, or a tendency to withhold information to maintain competitive advantage.

This finding is in line with some previous studies that highlight the challenges larger firms face in maintaining transparency (Lang and Lundholm, 1993). The significant negative impact in region 'd' suggests a need for enhanced scrutiny and regulatory frameworks targeting larger firms' disclosure practices. It may be beneficial for regulators to develop more stringent disclosure requirements for larger companies and for these firms to focus on improving their internal processes to enhance transparency. The analysis reveals a nuanced relationship between firm size and voluntary disclosure quality, which varies significantly across different

regions. In region 'b', firm size does not significantly influence disclosure quality, while in region 'd', larger firm size is associated with lower disclosure quality. These findings suggest that the impact of firm size on disclosure practices is contingent on various regional factors, including regulatory environment and industry characteristics. Policymakers and corporate governance experts should consider these regional differences when developing disclosure-related guidelines and regulations.
Considering the influence of the current ratio, the coefficient for the current ratio in region 'b' is 0.0001206, with a p-value of 0.085. This indicates a positive, but not statistically significant, relationship at conventional levels (typically $p < 0.05$). The positive coefficient suggests a trend where firms with higher liquidity (as indicated by a higher current ratio) tend to have better voluntary disclosure quality.

This could be because more liquid firms are possibly less financially stressed and more willing to share information transparently. However, the lack of statistical significance suggests that while there is a positive trend, the current ratio is not a strong determinant of disclosure quality in this region. This aligns with the findings in some financial reporting literature, which propose that liquidity measures are only one of several factors influencing disclosure practices (Diamond and Verrecchia, 1991). Given the non-significant result in region 'b', it would be prudent for regulators and corporate governance bodies not to overemphasize liquidity as a key driver of disclosure quality. Instead, a more holistic approach considering various financial and non-financial factors should be adopted. In region 'd', the coefficient is 0.0000963, with a p-value of 0.264, indicating a positive but statistically insignificant relationship. Similar to region 'b', the positive direction of the coefficient suggests that higher liquidity might be associated with better voluntary disclosure quality. However, the insignificance implies that other factors are likely more influential in determining disclosure quality in this region.

This observation is consistent with broader corporate finance theories that suggest liquidity is just one aspect of a firm's financial health and operational stability impacting its disclosure practices (Healy and Palepu, 2001). For region 'd', firms should consider that while maintaining a healthy liquidity position is important, it does not necessarily translate into improved disclosure quality. Focus should also be given to other aspects of corporate governance and financial management that can more directly influence disclosure practices.

The analysis of the current ratio's impact on voluntary disclosure quality across different regions highlights that while there is a positive trend, liquidity as measured by the current ratio is not a decisive factor in influencing disclosure practices. These findings suggest that disclosure quality is a multifaceted issue influenced by a variety of financial and non-financial factors. Policymakers and corporate managers should therefore not rely solely on liquidity measures as indicators of disclosure quality but should consider a broader range of factors that can affect a firm's transparency and information sharing with stakeholders. Regarding the impact of the Return on asset, in region 'b', the coefficient for ROA is -0.0017447, with a p-value of 0.407. This indicates a negative relationship, although it's not statistically significant at conventional levels. The negative coefficient suggests that, in region 'b', higher profitability might be associated with lower voluntary disclosure quality. However, the lack of statistical significance implies that this relationship is not robust in this region. This could mean that factors other than ROA are more influential in determining voluntary disclosure quality here.

This finding contributes to the ongoing debate in financial literature about the impact of financial performance on disclosure practices, with some studies suggesting that more profitable firms might be less motivated to disclose information comprehensively (Watson et al., 2002). Given the non-significant relationship, it's recommended that policymakers and companies in region 'b' should not rely solely on ROA as a predictor of disclosure quality. Instead, a broader range of factors should be considered in efforts to enhance transparency and disclosure practices. In region 'd', the coefficient is -0.0082083, with a p-value of 0.050, indicating a negative relationship at the borderline of conventional significance levels.

The negative and marginally significant coefficient in this region implies that higher profitability could be associated with lower disclosure quality. This might be due to profitable firms having more complex operations, making it challenging to maintain high-quality disclosures, or a strategic choice to withhold certain information that might be sensitive or proprietary. This finding is in line with the agency theory, which posits that managers in more profitable firms might have greater incentives to withhold information (Jensen and Meckling, 1976). The findings suggest that in region 'd', regulators and corporate governance bodies should pay closer attention to the disclosure practices of highly profitable firms. Enhanced regulatory oversight or guidelines may be necessary to ensure that profitability does not come at the expense of transparency. The analysis of ROA's impact on voluntary disclosure quality presents a complex picture. In region 'b', there's no significant relationship, whereas in region 'd', a higher ROA marginally correlates with lower disclosure quality. These findings indicate that the influence of profitability on disclosure practices is context-dependent and influenced by regional factors. Policymakers and corporate governance experts should consider these nuances when formulating regulations and best practices. Finally, given the impact of the leverage, The coefficient for leverage in region 'b' is 0.0341755, with a p-value of 0.000, indicating a statistically significant positive relationship. The positive coefficient suggests that, in region 'b', higher leverage is associated with better voluntary disclosure quality. This relationship could be due to the fact that firms with higher debt levels face greater scrutiny from creditors and the market, compelling them to provide more transparent and comprehensive information. This finding aligns with the disclosure theory, which posits that increased debt leads to higher demand for information by external stakeholders (Jensen and Meckling, 1976; Watts and Zimmerman, 1986). The significant positive impact of leverage in region 'b' suggests that firms with higher leverage should be particularly attentive to the quality of their disclosures. Regulators and market participants might also use leverage as an indicator of potential disclosure quality, focusing on high-leverage firms for more rigorous analysis.

In region 'd', the coefficient for leverage is -0.0471734, significant at a p-value of 0.000, indicating a significant negative relationship. Contrary to region 'b', in region 'd', higher leverage correlates with poorer voluntary disclosure quality. This could be indicative of highly leveraged firms in this region engaging in less transparent disclosure practices, possibly to obscure financial distress or operational risks. This negative relationship resonates with the agency theory perspective, suggesting that management in leveraged firms may have incentives to withhold or manipulate information (Myers and Majluf, 1984). For region 'd', the findings suggest a need for enhanced scrutiny of disclosure practices among highly leveraged firms. Regulatory bodies may need to enforce stricter disclosure requirements for these firms to ensure transparency and protect stakeholders' interests.

The analysis reveals that the impact of leverage on voluntary disclosure quality is region-specific. In region 'b', increased leverage is associated with higher disclosure quality, likely due to greater market and creditor scrutiny. In contrast, in region 'd', higher leverage is linked to lower disclosure quality, possibly due to motivations to conceal financial risks or distress. These findings highlight the complex relationship between a firm's capital structure and its disclosure practices. Policymakers and corporate governance bodies should consider these regional differences when developing regulations and best practices.

Conclusion

The research is set against the backdrop of three pivotal Middle Eastern economies: Jordan, Saudi Arabia, and Egypt. The time frame for the study spans from 2013 to 2022, a period marked by significant economic and regulatory changes in these countries, making it an ideal setting for this investigation. The choice of these specific nations provides a rich, diverse, and yet comparably relevant context to explore the nuances of audit committee operations and their influence on disclosure practices in emerging markets. In the pursuit of robust and insightful findings, the study employs a dynamic panel threshold model. This advanced econometric technique is particularly suited to capture the complexities and dynamics of the relationship between audit committee effectiveness and voluntary disclosure quality.

However, to utilizing this model, the research aims to unearth the thresholds or critical points at which the effectiveness of audit committees begins to significantly influence the quality of voluntary disclosures. The summary of findings presented in this section not only reveals the intricate dynamics between the studied variables but also provides valuable insights into the broader implications of effective audit committees in enhancing transparency and trust in financial reporting. Finally, this study contributes significantly to the understanding of corporate governance and auditing practices in emerging markets, particularly in the Middle Eastern context. It highlights the complex, multifaceted relationships between various governance mechanisms and voluntary disclosure quality, emphasizing the importance of regional nuances and the need for context-specific approaches in corporate governance and auditing practices.

Theoretical and Contextual Contribution

The theoretical and Contextual Contribution of this study described, agency cost to include monitoring, bonding, and residual costs. In order to lower agency costs, the corporate governance system must untangle the origins of these conflicts, thus the necessity to comprehend "agency theory. Agency theory may be used to construct incentives by considering the agent's interests. Incentives for bad conduct must be eradicated, and moral hazard regulations must be implemented. Businesses may design better corporate policy by understanding issue processes. Therefore, if agency costs are correctly handled, it may assist boost share value and the firm's financial performance. The agency theory discusses the independent variables corporate governance and audit committee effectiveness and seeks to create and monitor the relationship between shareholders and mangers so as to achieve firm’s objectives which is maximization of shareholders’ wealth. Again, the theory is significant because it explains how conflicts of interest arise among various stakeholders, especially shareholders and managers.

This theory elaborates on how this trade-off between agency costs contributes to the establishment of an optimal structure that balances the interests of all stakeholders. This research uses an agency theory (AT) framework to examine the impact of audit committee effectiveness, representing the interest of corporate owners as a counter to the potential self-interest of management. According to agency theory, separation between the owner and manager, which results in the separation between ownership and control, subsequently leads to agency costs. In order to mitigate the agency costs, contracts were written between the parties that Payne & Petrenko (2019) referred to as the agency relationship.

They define the agency relationship as a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on behalf, which involves delegating some decision-making authority to the agent. Perez & Agafonow (2022) conjecture that the stockholders‟ delegation of responsibility for internal control to the board of directors makes the board the apex of decision control within both large and small corporations. In relation to the existing study, the agent is represented by the board of directors, and the shareholders are the principals. Whilst, the audit committee, as part of the board of directors, is viewed as a monitoring device and used to prevent opportunistic behavior and strengthen the quality of financial reporting, so as to mitigate agency conflicts between preparers of financial statements and outside shareholders (Ayedi et al., 2019).

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