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Audit Committee and Firm Performance During the Covid-19 Pandemic

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Abstract

The emphasis on the role of an audit committee is very essential in increasing business performance during a crisis. Therefore, this study aims to examine correlation between audit committee influencing performance of a company during the COVID-19 pandemic. This article employed the secondary data analysis emphasizing financial reports of companies listed on the Indonesia Stock Exchange from January 2019 to December 2022. The results obtained are expected to exhibit strong correlation between the qualities of audit committee with ROA (Return on Assets) and ROE (Return on Equity) of performance measures. The outputs of committee should also have little impact on Tobin's Q as a measure of business performance. Moreover, a total of 396 listed finance and nonfinance firm emphasizing the Indonesia Stock Exchange comprised the sample population for this study and were provided to 99 companies. The experimental sample was also selected through a purposive sampling technique, with PLS (Pooling Least Square), FE (Fixed Effect), and RE (Random Effect) models in STATA implemented to analyze the panel data. The results showed a strong correlation between the traits of audit committee with performance metrics ROA and ROE. In the interim, the outputs of audit committee did not appreciably affect Tobins Q as a metric of business performance.

***Kata kunci*:**
Jumlah komite audit; komite audit indeoenden; kinerja perusahaan

Abstrak

Penelitian ini bertujuan untuk menguji hubungan komite audit terhadap kinerja perusahaan di masa pandemi COVID-19. Di masa krisis, penting untuk berkonsentrasi pada peran komite audit dalam meningkatkan kinerja bisnis. Teknik penelitian yang digunakan adalah analisis data sekunder dari laporan keuangan perusahaan yang terdaftar di Bursa Efek Indonesia periode Januari 2019 sampai Desember 2022. Kesimpulan penelitian berkorelasi kuat antara kualitas komite audit dan ukuran kinerja dengan proxi Return on Assets (ROA) dan Return on Ekuitas (ROE). Namun, hasil komite audit memiliki pengaruh yang kecil terhadap Tobins Q sebagai ukuran kinerja bisnis. Penelitian ini menggunakan data sebanyak 396 perusahaan yang bergerak pada bidang keuangan dan non keuangan yang terdaftar di Bursa Efek Indonesia, yang diperoleh dari 99 perusahaan. Sampel dipilih dengan menggunakan cara purposive sampling. PLS (Pooling Least Square), Fixed Effect (FE), dan Random Effect (RE) dalam STATA digunakan sebagai alat untuk mengolah data. Temuan penelitian menunjukkan korelasi yang kuat antara komite audit dengan kinerja ROA dan ROE. Sementara itu, komite audit berpengaruh terhadap Tobin's Q sebagai metrik kinerja bisnis. Implikasi dari penelitian ini adalah komite audit memiliki peran yang sangat penting dalam mengawasi aktivitas bisnis dan membantu perusahaan mengatasi tantangan yang dihadapi selama pandemi COVID-19, terutama dalam peningkatan kinerja perusahaan.

1. Introduction

The COVID-19 pandemic is responsible for influencing global business activities, by forcing companies to implement swift actions and transform their organizational strategy in a short period. From this context, the involvement of audit committee is very vital, to assist businesses in overcoming the difficulties posed by pandemic. This committee is an independent body within a corporation, which possesses integrity and calibre of financial reporting, risk management, and peak business performance guarantee. The obligations also include the compliance of the business with accounting rules and the resolution of any adherence problems emphasizing the COVID-19 pandemic (Devi et al., 2020). In addition, audit committee is responsible for monitoring organizational operations and providing management recommendations, to enhance effectiveness and efficiency (Brahma et al., 2021).

The involvement of audit committee is essential in helping firm overcome the challenges caused by the COVID-19 crisis. As an independent party within the corporation, committee is responsible for overseeing the accuracy and quality of financial reporting and risk management, as well as ensuring optimal business performance (Usui et al., 2021). In other words, the audit committee determines the integrity of the financial reports prepared by the company (Yanti & Dewi, 2023). The importance of research on the effect of the audit committee on company performance during the COVID-19 pandemic is because this pandemic has caused significant disruption to global businesses and economies, thus posing unprecedented challenges and risks. The role and influence of the audit committee in managing risks and ensuring compliance in corporate financial reporting during the pandemic. This is important because the audit committee is considered an internal corporate oversight mechanism that has a key role in maintaining the integrity and transparency of financial reporting. The effect of the audit committee on firm performance during the pandemic has significant novelty and can make an important contribution to our understanding of risk management and internal corporate oversight during times of crisis. Other relevant duties include the encouragement of companies to comply with accounting regulations and resolving any compliance issues prioritizing pandemic. Committee is also accountable for monitoring the operations of the organization and advising management on the patterns of improving effectiveness and efficiency (Emanuel & Rasyid, 2019).

In several countries, the COVID-19 pandemic has reportedly caused significant changes in the business and economic environment, with many companies encountering increased risks, including financial, operational, and reputational uncertainties (Crovini et al., 2022). Based on audit committee, several major roles emphasize the necessity of overseeing the risk management of a country, identifying pandemic-oriented uncertainties, and assessing the adequacy of control measures. This indicates that committee is capable of identifying the best practices for overcoming risks during a pandemic and developing recommendations to strengthen risk management roles (Nguyen et al., 2021).

During the COVID-19 pandemic, it is important to understand how audit committees play their role in helping companies manage risks and maintain the company's financial performance amidst difficult situations. Risks include liquidity risk, operational risk, credit risk, and market risk, which require audit committees to assist companies in identifying and managing risks. In addition, it is important for audit committees to understand regulations and ensure the digital transformation that companies need. Committee is also essentially responsible for overseeing company management, including the development of strategic decisions during a pandemic. This shows that audit committee are capable of carrying out the following performance, (1) identifying the engagement patterns emphasizing the development of pandemic-oriented strategic decisions, (2) understanding the challenges encountered in developing informed and rational decisions in uncertain situations, and (3) providing recommendations for improving the effectiveness of management oversight during pandemic. Since business rules and regulations have been affected in many countries, audit committee needs to understand relevant regulatory changes, such as accounting, financial reporting, or internal control policy transformations. Indonesia has a large population and a rapidly growing economy. This huge market potential attracts many investors and encourages many companies to expand their business in Indonesia. Therefore, research on audit committees and company performance in Indonesia can provide useful insights for many investors and companies interested in investing or doing business in Indonesia. Thus, sampling research on audit committees and company performance in Indonesia can provide valuable insights for many investors and companies interested in investing or doing business in Indonesia. In addition, this research can also provide insight into how companies and audit committees face challenges and risks in Indonesia, including the risk of the COVID-19 pandemic and the risk of corruption.

During the COVID-19 pandemic, many companies are experiencing new challenges in maintaining business and financial sustainability. Conditions that cannot be face-to-face or communicated directly require technological media as a medium of communication. Research was conducted to answer the following questions: (1) Does Tobin's Q favourably correlate with audit committee traits during the COVID-19 pandemic? (2) Does number of audit committee characteristics beneficially correlate with ROA during the COVID-19 pandemic? (3) Does number of audit committee favourably associate with ROE during the COVID-19 pandemic?.

2. Literature Review

Audit committee is one of the key components of internal corporate governance systems. According to Pakpahan & Winar (2020), a company performance improved after the adoption of excellent corporate governance procedures, including the formation of an efficient audit committee. Several previous studies also demonstrated that committee favourably impacted firm performance (Shen et al., 2020). An efficient audit committee helped in increasing financial reporting standards and decreasing fraudulent activities. However, the COVID-19 pandemic had dramatically altered company operations and placed new demands on businesses. From this context, the analysis of the relationship between audit committee and firm performance during pandemic became increasingly significant (Khatib & Nour, 2021). Based on the various reports on pandemic and corporate governance, the function of audit committee is presently becoming more crucial.

Good Corporate Governance, especially an efficient audit committee, is capable of assisting and managing the business risks associated with the COVID-19 pandemic, according to Trisanti (2020). Oudat et al. (2021) also demonstrated the increasing significance of committee in monitoring and evaluating financial performance of an organization, as well as providing guidance to overcome the issues posed by pandemic. In (Pratama et al., 2021), an efficient audit committee improved firm performance, especially during the COVID-19 outbreak. This indicated that an efficient committee assisted several businesses in understanding risk management, leading to effective performance during the critical period (Foss, 2021). Carcello & Neal (2003) also proved that an efficient audit committee helped various businesses in enhancing risk management and organizational performance during the COVID-19 pandemic.

According to Yuliansyah & Irawan (2022), the patterns by which Indonesian audit committee features affected the calibre of financial reporting were investigated. This demonstrated that the size and independence of committee favourably influenced the quality of financial system (Yuliansyah & Irawan, 2022). (Yang et al., 2022) also emphasized the impact of corporate governance traits on aggressive company tax behaviour in China. From this context, corporate tax aggression was negatively impacted by the independence and size of the governance (Yang et al., 2022). In Oudat et al. (2021), emphases were placed on the patterns by which financial reporting quality in Bahrain was affected by the characteristics of audit committee. This proved that the independence of committee beneficially affected the accuracy of financial reporting (Fariha et al., 2022). Furthermore, the impact of audit committee features on firm performance was emphasized in Bangladesh, where independence and size favourably influenced organizational efficiency (Khondoker & Rana, 2021). Based on Rahmawati & Utami (2020), emphases were placed on the patterns by which Indonesian audit committee features affected the calibre of financial reporting. This confirmed that independence and size favourably impacted the accuracy of financial reporting (Rahmawati & Utami, 2020).

3. Method

Data were obtained from the 2019-2022 annual reports published on the Indonesian Stock Exchange, with a total of 150 companies in financial and industrial sectors. However, only 99 organizations provided complete data in financial statements and were implemented in the analysis. The purposive sampling technique was also used to select samples for data collection processes. A method of target sampling is used to be eligible for the sample, companies must meet each of the following requirements:

a. Must be listed on the Indonesian capital market between 2019 and 2022.
b. Must be categorized into financial and non-financial companies.
c. Must contain all required data from 2019 to 2022.

The Stata program was also employed for the analytical processes and used to test the relationship between audit committee and company performance as follows.

$$FV_t = \alpha + \beta_1 NAC_{it} + \beta_2 NACI_{it} + \beta_3 NACFE_{it} + \beta_{11} SIZE_{it} + \beta_{12} IND_{it} + U_{it} \tag{1}$$

(Tobin's Q, ROA, and ROE) = Firm performance

Where, NAC = a large number of audit committee members; NACI = number of independent audit committee; NACFE = number of audit committee with financial expert; SIZE = the size of firm; IND = the finance and non-finance companies; and U = error.

Based on the analysis, the measure of firm performance employed three proxies, namely Tobin’s Q, ROA (Return on Assets), and ROE (Return on Equity). Tobin's Q was a ratio emphasizing the proportion between the market value of a company and its total assets (Mardnly et al., 2018). This ratio prioritized the efficient level of an organization in generating market value from its assets. During the COVID-19 pandemic, this trading quality experienced significant fluctuations due to changes in market and economic conditions. This indicated that the measurements emphasizing Tobin's Q was capable of providing relevant information about performance constraints of a company during a pandemic. Furthermore, ROA was often implemented to measure the ability of an organization in generating profits from its assets (Shen et al., 2020), with ROE prioritizing the rate of return on shareholder equity (Shen et al., 2020). These two ratios were commonly used by investors, analysts, and other financial statement users, to assess the effectiveness of a company in generating profits, as well as managing its assets and equity. From this context, the use of ROA and ROE was considered relevant in measuring organizational performance, especially during the analysis of audit committee effects on company efficiency during a pandemic. By using a regression model, these hypotheses were analyzed through various designs, namely PLS (Pooling Least Square), FE (Fixed Effect), and RE (Random Effect).

4. Result and Discussion

In this study, the relationship between audit committee and performance of firm was tested and analyzed during the COVID-19 pandemic. Before the testing procedures, balanced data stages were initially assessed and confirmed from the information identification in the STATA program, as shown in **Figure 1** and **Table 1**.

```
. xtset idcode year
       panel variable:  idcode (strongly balanced)
        time variable:  year, 2019 to 2022
                delta:  1 unit
```

Figure 1. Strongly balanced

Table 1. The dependent and explanatory factors summary statistics

Variable	Obs	Mean	Std.Dev	Min	Max
tq	396	2.091946	2.73035	.0035	19.6208
roa	396	.5497763	4.097072	-.334	62.196
roe	396	2.220687	14.090141	-.2972	193.77
nac	396	3.257576	1.133748	1	7
naci	396	3.098485	1.042343	0	5
Nacfe	396	3.015152	1.131717	0	6
size	396	3.858404	.665938	2.433	5.4192
in	396	.3232323	.4683022	0	1

4.1. PLS

The relationship between audit committee attributes (**Table 2**) and company value was assessed by the PLS model, with the estimates used for subsequent regression outputs. When this model was disregarded by the p-value (Prob.>F) Alpha 0.05, the model functioned reasonably and inappropriately. This indicated that FE and RE models were best suitable for the analytical needs.

Since NACFE had a correlation value of -0.1088934, the NAC did not significantly correlate with Tobin's Q at 0.068301. Meanwhile, NACI strongly correlated with Tobin's Q at 0.3319662. Tobin's Q was also significantly associated with the control variables business size and industrial sector at 0.2120032 and -1.842411, respectively. From these results, FE estimator was used to estimate the coefficient in the regression model, with the PLS design being ignored.

Table 2. PLS assessment of audit committee features and firm value (Tobin's Q)

tq	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
Nac	.068301	.1251878	0.55	0.586	-.1778204	.3144285
Naci	.3319662	.1496805	2.22	0.027	.0376845	.626248
nacfe	-.1088934	.1438187	-0.76	0.449	-.3916504	.1738636
size	.2120032	.2056681	1.03	0.303	-.1923537	.61636
ind	-1.842411	.2923616	-6.30	0.000	-2.417213	-1.267609
_cons	.9467206	1.029716	0.92	0.358	-1.077768	2.971209

R Square = 0.1606 F Statistics = 10.69 Probability (F Statistics) = 0.000

4.2. FE Model

Based on **Table 3**, the outputs of FE estimator were different from those of the PLS model. This indicated that no relationship was observed between NAC and Tobin's Q, with NAC and NACFE having coefficients of -0.079294 and -.2336993, respectively. Meanwhile, NACI substantially correlated with Tobin's Q at 0.24941163. No bearing was also observed between the control variable firm size and Tobin's Q at -0.2891219, indicating that the business sector was missing.

Table 3. Firm value and audit committee characteristics (Tobin's Q), FE model

tq	Robust		t	P>|t|	[95% Conf. Interval]	
	Coef.	Std. Err.				
nac	-.079294	.1258934	-0.63	0.530	-.3291254	.1705374
naci	.2494163	.1976677	1.26	0.210	-.1428489	.6416815
nacfe	-.2336993	.1552744	-1.51	0.136	-.5418364	.0744377
size	.2891219	.2339531	1.24	0.219	-.1751504	.7533941
ind	0 (omitted)					
_cons	1.166529	1.319956	0.88	0.379	-1.45288	3.785939

R-Square is 0.0168, F-Statistic is 1.13, and Prob. (F-Statistic) is 0.3446.

According to **Table 4**, NAC, NACFE, and NACI were negligibly correlated with Tobin's Q at -0.0281459, -0.1825625, and 0.2916576, respectively. Meanwhile, Tobin's Q significantly correlated with the control variables company size and industrial sector at -0.2428806 and -1.935475, respectively.

The Hausman test was also implemented regarding **Table 2** and **Table 3**, to determine the selection of a fixed or RE as the appropriate model for the panel data regression. Based on **Table 4**, the test outputs were emphasized regarding correlation determinant. According to the outputs of the null hypothesis, FE model was preferable, with the model appropriate RE bigger than 0.

Table 4. The worth of the company and audit committee (Tobin's Q), using a RE model

tq	Robust	t	P>|t	[95% Conf. Interval]

	Coef.	Std. Err.				
nac	-.0281459	.1332659	-0.21	0.833	-.2893423	.2330505
naci	.2916576	.1862505	1.57	0.117	-.0733866	.6567018
nacfe	-.1825625	.1827484	-1.00	0.318	-.5407429	.1756179
size	.2428806	.2036613	1.19	0.233	-.1562883	.6420494
ind	-1.935475	.3360925	-5.76	0.000	-2.594204	-1.276746
_cons	1.518867	1.20954	1.26	0.209	-.8517876	3.889521

Wald: R-Square = 0.1151 Chi2= 0.2879 Prob. Chi2= 111.25

4.3. Post Estimate Test

Based on the Hausman test, the results obtained prioritized the comparisons between the random and FE models, as shown in **Table 5**. This proved that FE model was inconclusive, compared to RE design.

Table 5. Test by hausman on the regression model

	Coefficient			
	(b) fixed	(B) random	(b-B) (difference)	sqrt(diag(V_b-V_B)) S.E.
nac	-.2926254	.133966	-.4265914	.3781763
naci	.4626748	.2854017	.1772731	.3709401
nacfe	-.0226872	-.2967259	.2740386	.3982009
size	-.0694874	-.3710097	.3015222	.5001483

Where:

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4)=(b-B)'[(V_b-V_B)^(-1)](b-B)

= 1.81

Prob>chi2 = 0.7705

According to **Table 5**, a Prob>chi2 of 0.1974 was produced, indicating that chi2 had an occurrence chance higher than 0.05 or 5%. From this result, RE model was preferable to FE design. Furthermore, **Table 3** showed that RE model was more accurate, with Tobin's Q not significantly impacted by the NAC members. This proved that the duties of audit committee were limited to monitoring and control aspects during the COVID-19 pandemic, not to strategic decision-making processes. However, strategic decisions such as business restructuring or marketing strategy changes need to be applied during a pandemic, through the organizational management and the board of directors. Since the COVID-19 pandemic was a highly unpredictable and fast-evolving situation, the plans and procedures previously developed by audit committee were insufficiently relevant or effective.

Based on these results, company management should adapt to fast-occurring and continuous changes, as audit committee was likely not to be able to exercise effective monitoring and control in unforeseen situations. In this case, Hypothesis 1 was rejected because committee characteristic did not affect company performance through Tobin's Q implementation. This study has the same results as previous studies where the audit committee does not have a significant impact on firm performance (Nafisah et al., 2020). This indicated that Tobin's Q was a ratio used to measure performance of a company, regarding the organizational market value, compared to the value of its assets. However, audit committee was an independent team tasked with evaluating financial statements and business processes of the organization. Since audit committee improved company performance through the suggestions and recommendations for enhancing business processes and identifying risks, its influence was not directly related to Tobin's Q. This was because Tobin's Q was highly associated with various external factors, such as market value and the perceptions of investors about company performance. Meanwhile, audit committee highly emphasized internal factors, such as the quality of financial reports and risk management within the organization. From these results, audit committee improved company performance and did not directly affect Tobin's Q, which was more influenced by external variables, such as market sentiment and investor confidence.

Table 6. Result for reg ROA

roa	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
Nac	.133966	.1990105	0.67	0.501	-.2573015	.5252336
Naci	.2854017	.2379464	1.20	0.231	-.1824165	.7532199
nacfe	-.2967259	.2286279	-1.30	0.195	-.7462233	.1527716
size	-.3710097	.3269495	-1.13	0.257	-1.013814	.2717944
ind	.6924517	.4647659	1.49	0.137	-.2213084	1.606212
_cons	1.331415	1.636934	0.81	0.417	-1.886905	4.549734

Table 7. RE of ROA

roa	Robust		z	P>|z|	[95% Conf. Interval]	
	Coef.	Std. Err.				
nac	.133966	.1457321	0.92	0.358	-.1516637	.4195957
naci	.2854017	.1704064	1.67	0.094	-.0485886	.619392
nacfe	-.2967259	.140115	-2.12	0.034	-.5713461	-.0221056
size	-.3710097	.2381333	-1.56	0.119	-.8377423	.095723
ind	.6924517	.4344172	1.59	0.111	-.1589904	1.543894
_cons	1.331415	1.090095	1.22	0.222	-.805132	3.467961

Table 8. Hausman test ROA

	Coefficient			
	(b) fixed	(B) random	(b-B) (difference)	sqrt(diag(V_b-V_B)) S.E.
nac	-.2926254	-.2926254	0	0
naci	.4626748	.4626748	0	0
nacfe	-.0226872	-.0226872	0	0
size	-.0694874	-.0694874	0	0

Where:

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(0)=(b-B)’[(V_b-V_B)^(-1)](b-B)

= 0.00

Prob>chi2 = .(V_b-V_B is not positive definite)

Table 9. Result for reg ROE

roe	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
nac	1.329883	.6680219	1.99	0.047	.0165078	2.643257

naci	.9232131	.7987189	1.16	0.248	-.6471205	2.493547
nacfe	-1.279017	.7674394	-1.67	0.096	-2.787853	.2298185
size	-.1810917	1.097477	-0.17	0.869	-2.338803	1.97662
ind	6.780373	1.560088	4.35	0.000	3.713138	9.847607
_cons	-2.608548	5.494726	-0.47	0.635	-13.41154	8.194442

Table 10. RE of ROA

roe	Robust		z	P>|z|	[95% Conf. Interval]	
	Coef.	Std. Err.				
nac	1.095609	.7820206	1.40	0.161	-.4371232	2.628341
naci	.7073703	.4364264	1.62	0.105	-.1480096	1.56275
nacfe	-1.016424	.8570639	-1.19	0.236	-2.696238	.6633907
size	.037957	.9641533	0.04	0.969	-1.851749	1.927663
ind	6.638923	2.70779	2.45	0.014	-1.331752	11.94609
_cons	-2.767816	4.276068	-0.65	0.517	-11.14875	5.613123
sigma_u	6.0675824					
sigma_e	12.423599					
rho	.1925889 (fraction of variance due to u_i)					

Table 11. FE of ROA

roe	Robust		t	P>|t|	[95% Conf. Interval]	
	Coef.	Std. Err.				
nac	-.0591811	.1050545	-0.56	0.574	-.2676583	.1492961
naci	.0587934	.0631442	0.93	0.354	-.0665142	.184101
nacfe	.0643047	.0804829	0.80	0.426	-.095411	.2240204
size	.8218246	.7290354	1.13	0.262	-.6249223	2.268572
ind			0 (omitted)			
_cons	-1.133517	2.900249	-0.39	0.697	-6.888966	4.621932
sigma_u	9.2004045					
sigma_e	12.423599					
rho	.35418341 (fraction of variance due to u_i)					

Table 12. Hausman test ROE

	Coefficient			
	(b) fixed	(B) random	(b-B) (difference)	sqrt(diag(V_b-V_B)) S.E.
nac	-.0591811	1.095609	-1.15479	1.036693
naci	.0587934	.7073703	-.6485769	.9875864
nacfe	.0643047	1.016424	1.080728	1.081994
size	.8218246	-.037957	.7838676	1.326408

Where:
b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
chi2(0)=(b-B)'[(V_b-V_B)^(-1)](b-B)
= 0.00
Prob>chi2 = .(V_b-V_B is not positive definite)

From the Table 6 to Table 12, the following reasons were observed regarding the insignificant effects of audit committee on company performance during the COVID-19 pandemic,

a. The duties of committee were limited to internal monitoring and control aspects, not to strategic decision-making. However, strategic decisions, such as business restructuring or marketing strategy changes, should be emphasized during a pandemic, through the organizational management and board of directors.

b. Since the COVID-19 pandemic was a highly unpredictable and fast-evolving situation, the plans and procedures previously developed by audit committee were insufficiently relevant or effective. Therefore, company management needs to adapt to fast-occurring and continuous changes, as audit committee was likely not to be able to exercise effective monitoring and control in unforeseen situations.

During the COVID-19 pandemic, increased risks caused the difficulty of effective uncertainty identification and assessment. This was because pandemic was responsible for many rapid and unpredictable changes in the business environment, with risks emerging from various sources (Usui et al., 2021). From this context, audit committee experienced difficulties in assessing risk (Settembre-Blundo et al., 2021). Although committee did not directly influence performance of a company during the COVID-19 period, its existence was still important to provide effective organizational oversight and internal control (Oussii & Boulila Taktak, 2018).

Audit committee also assisted company management in identifying risks and providing recommendations for mitigating the uncertainties associated with a pandemic. Based on the regression analysis, a larger number of audit committee members positively affected ROA of the company, through the following reasons,

Better Oversight: Companies exercised better oversight of the policies and procedures related to finance and accounting with more audit committee. These committee closely examined financial reports, effectively identified risks and determined potential problems, as well as provided better recommendations to company management for challenge resolution.

Wider Expertise: Companies obtained wider and more diverse expertise with more audit committee. The different backgrounds and expertise of these committee enabled various contributions to maintain financial report quality and risk management. This led to the encouragement of companies toward more informed decision-making processes.

Higher Levels of Trust: Several organizations proved their seriousness with more audit committee, regarding the emphasis on the oversight of financial reports and risk management. This increased investor and creditor confidence in the company, leading to higher ROA.

Meet Regulatory Requirements: Some rules or regulations stipulated a minimum number of audit committee members. By meeting these requirements, companies demonstrated their compliance with relevant regulations and developed a better reputation among investors and creditors. Although number of committee members positively affected ROA, it was not still the only influential factor. This indicated that several determinants were capable of influencing ROA, including the operating performance, capital structure, and macroeconomic factors of an organization.

Based on the results, the existence and ability of an expert audit committee positively affected company performance, especially ROE, through the following reasons,

Better Oversight: Expert audit committee exercised better oversight of the policies and procedures related to finance and accounting. Financial reporting was also effectively evaluated and monitored, with risks and potential problems better identified. In addition, an expert audit committee provided better recommendations to company management toward problem resolution.

Better Quality of Financial Reports: An expert audit committee ensured that financial statements of a company met the most relevant and up-to-date accounting standards. This showed that various companies were capable of obtaining the trust of investors and creditors with more accurate and transparent financial reports, leading to increased ROE.

Broader Expertise: Audit committee expert often had different backgrounds and expertise, to provide different contributions in maintaining the quality of financial reports and risk management. Broader expertise also helped the companies to develop more informed decisions and reduce risk, causing higher ROE.

Meet Regulatory Requirements: Some rules or regulations stipulated relevant requirements, regarding the skills of audit committee members. By meeting these requirements, various organizations confirmed their compliance with regulations and developed a better reputation among investors and creditors.

From these results, audit committee relationship positively affected company performance during the COVID-19 pandemic. This was in line with (Naseem et al., 2020), where a positive correlation was observed between audit committee and company performance. According to the theory of agency by (Jensen & Meckling, 1976), the task of committee also reduced asymmetric information, leading to the improvement of company performance. Furthermore, the results were supported by (Kaur & Singh, 2019), where NAC influenced organizational performance. Alignments were also found in (Sanan, 2019), where the contribution of audit committee improved company performance, compared to external assistance. From this context, the COVID-19 pandemic impacted economic and organizational efficiency according to (Seto, 2021). Besides this, several reports also supported the association between board independence and sustainability performance (Hussain et al., 2018). These results were not in line with (Cucari et al., 2018), where board tenure had no bearing on firm performance.

5. Conclusion

Based on the results, an expert audit committee influenced performance of a company, regarding ROE. This was observed through better oversight and financial report quality, broader expertise, and compliance with regulatory requirements. However, committee expertise was not the only factor affecting ROE, indicating that several variables were capable of influencing organizational needs toward performance improvement.

Tobin's Q was also not affected by audit committee due to be an indicator used to measure the market value of a company, compared to its book quality. The results of this study are also supported by research conducted by (Widyaningrum, 2019) which explains that the audit committee has no effect on Tobin's q. Meanwhile, committee was tasked with supervising organizational activities, especially finance and accounting, which were related to performance. From this context, Tobin's Q was not directly impacted by audit committee for the following reasons,

a. Tobin's Q was more influenced by macroeconomic factors and broader market conditions, compared to internal company variables.
b. Economic factors such as interest rates, inflation, and government policies influenced the market value of the organization.
c. Market conditions such as competition, investor confidence level, and industry conditions also influenced Tobin's Q. This proved that committee were more focused on overseeing the internal policies and procedures of the company, while Tobin's Q was highly related to the overall financial and operational performance.
d. Although audit committee helped several companies to improve their financial performance, no impact was often observed on Tobin's Q.

Based on these results, other factors were capable of affecting Tobin's Q, such as company reputation, innovation, and risk management. These factors varied depending on the industry and market conditions, leading to the difficulty in indicating that committee directly affected Tobin's Q. From this context, audit committee did not directly influence Tobin's Q, which was more impacted by macroeconomic factors and broader market conditions. This was because the focus and responsibilities of committee members were different from Tobin's Q. Despite this, audit committee still had an important role in maintaining organizational financial performance and ensuring that the company complied with relevant regulations and accounting standards. The results also showed that number of independent audit committee affected ROA of a company. These independent parties often contained members with no business relationship or financial interest with the company, leading to the capability of providing more objective and transparent oversight of organizational activities. Several companies with more independent committee were also capable of avoiding conflicts of interest between members and management. In addition, accountability and transparency were also increased in managing company finances, causing fraud risk reduction and overall financial management improvement.

Independent audit committee also provided better input and suggestions regarding risk management, internal control, and company compliance with applicable accounting regulations and standards. Based on better supervision from these committee, various companies were capable of improving financial performance and increasing ROA. However, other external factors were able to influence ROA of a company, such as market conditions, industry competition, product innovation, operational management, etc. This showed that the effect of an independent audit committee on ROA was unable to be considered the only factor impacting financial performance of an organization. Number of expert committees also affected ROA of a company, due to commonly possessing sufficient knowledge and skills in accounting, finance, and auditing. This condition led to the increased, effective, and efficient supervision of organizational activities. The previous study also supported to the result

The company with an expert audit committee also ensured that financial and accounting management was appropriately carried out according to applicable standards. From this context, better input and suggestions were provided, regarding risk management, internal control, and organizational compliance with appropriate regulations and accounting standards. This condition helped fraud risk minimization and improved the overall financial management of a company. Moreover, an experienced committee greatly contributed to the encouragement of openness and transparency in financial reports of the organization. In this case, the role of an expert audit committee became very important in ensuring that financial statements were accurate, relevant, and reliable by stakeholders. Despite this, other factors still impacted ROA of a company, such as market conditions, industry competition, product innovation, operational management, etc. This showed that the influence of an experienced committee on ROA was not considered the only factor affecting the financial performance of an organization. Previous research also explains that ROA and ROE have no effect on firm performance (Bennouri et al., 2018).

Based on these results, several contributions were observed, firstly, the identification of the factors influencing the effectiveness of audit committee during a pandemic. This assisted in identifying the variables impacting the abilities of a committee, toward conducting various responsibilities such as composition, independence, member qualifications, as well as technology and effective communication implementation. Secondly, determining audit quality and transparency of financial reporting during a pandemic. This emphasized the patterns by which the role of audit committee reduced fraud risk, safeguarded assets, and disclosed inaccurate information. Thirdly, audit committee played a role in developing strategic decisions and corporate risk mitigation actions during a pandemic. This assisted the organizational management in overcoming several relevant challenges, such as saving revenue, market protection, and regulatory changes. It also aided the identification of the best practices in decision-making and risk-reduction actions. Fourthly, the development of input for regulators, regarding the establishment of relevant policies or guidelines in organizing audit committee during a pandemic.

Authors' Declaration

Authors' contributions and responsibilities

The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

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