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Financial Performance and Audit Committee Characteristics: An Empirical Study on Bahrain Services Sector

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Abstract: Purpose: The main purpose of this research paper is to investigate the association of audit committee characteristics and financial performance among services sector corporation-listed in Bahrain Stock Exchange.
Design/methodology/approach: In this research paper, the corporations listed on the Bahrain Stock Exchange for the period from 2012 to 2019 are examined. To fulfill the current purpose of the research paper, the linear panel regression method is employed. However, the audit committee characteristics represented by expertise, board independence, board size and frequently meetings are the independent variables of the current study, and return on equity and earning per share a proxy of financial performance are the dependent variables. Corporation's size, leverage and age are examined as control variables.
Findings: There is significant relationship between ACID, ACMEET, FSIZE and the performance (ROA, ROE and EPS). there is no statistical significance between the ACFE, ACS, FAGE and performance (ROA, ROE and EPS), the LVRGE have an impact on EPS but not on ROA, ROE.
Practical implications: The findings of the current research paper expected to be important for government and corporations policymakers in constructing an appropriate set of governance mechanisms related to the audit committee characteristics, and for current and potential investors in shaping their understanding of corporate governance code and it's principles in Bahrain context.

Keywords: Board characteristics, financial performance, Corporate Governance Code in Bahrain.

INTRODUCTION

Corporate governance introduced by various scholars for the last few decades as a reaction of agency problem consequences in corporations around the world in order to alleviate this problem in corporations. Jensen and Meckling (1976) argued that corporate governance can be defined as a group of mechanisms, processes, and principles that used to managing and controlling the relationships among company's parties like; shareholders, managers, board of directors, creditors, and auditors. The experiences of using corporate governance code internationally evidences that the corporation with a good compliance to corporate governance principles has been sustained growth and development. Also, (Fama and Jensen, 1983; Zgarni et al., 2016; Puni and Anlesinya, 2020) debated that corporation with adhere to best corporate governance practices could reflect that positively on the value of shareholder as a results of decreasing the cost and increasing the cash flow. Furthermore, Akbar (2015) discussed that the corporate governance is considered as a critical part of increasing corporation's performances and leading to success of corporations from different aspects. In contrast, corporation with inefficient corporate governance constructions cannot guarantee the sustainability shareholders wealth as a consequences of agency problem existence in most cases. (Fama and Jensen, 1983; Zgarni et al., 2016; Puni and Anlesinya, 2020).

Different countries have been paid more attention to the importance of corporate governance, and they attempted to issue a best corporate governance practices, guideline and recommendations to foster their economy efficiency. Accordingly, in order to enhance investor confidence and promote economic development, the government of Bahrain represented by Central Bank and Ministry of Industry and Commerce spent a dedicated efforts to establish the code of corporate governance to be implemented by all joint stock companies under company law, the code is considered as supplementary the Company Law. The government imposed those companies to implement the code on January 2011. The main purpose of this code is to build best-practice corporate governance principles in the country, to offers the protection of current and potential investors and all companies' stakeholders, also to organize their relationships through adhere to code principles. However, one of the main important principles under the code is that the board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law. This principle includes different directives and characters;

such as the committee shall be established from at least three members with strict conditions to carry out their duties. The qualifications is one of those conditions which stated that majority of the audit committee should have the financial literacy qualifications to help them easily review the firm's accounting and financial practices, and ability to read and understand firm's financial reporting (Ali, & Oudat (2020); Oudat, & Ali, (2021). Another condition is that the majority of the committee shall be independent directors with no conflict of interest. In regarding of the number of meetings during the year, the condition specified that the committee shall conduct at least four meetings yearly (Corporate Governance Code Bahrain Report, 2010). However, leaving the determining the exact number of committee members, number of its meetings and the qualifications of the members might make differentiation and variation of the performance among corporations.

The current research paper tries to contribute to the existence inconclusive literature in regard to the audit committee characteristics in one of Gulf countries. Bahrain attempts to attract more investors in order to achieve its Economic Vision 2030 (Oudat and Ali, 2020) as the current research paper will help regulators and decision makers to reach the vision in various aspects. The results of current research paper will add an advantages to current and potential investors by explaining the relationship between audit committee characteristics and financial performance in one effective sector, services sector as most previous studies conducted on Bahrain have been considered to examine the nature relationship between board characteristic and financial performance in finance sector as this sector has been rapidly grow in the country (Hakimi et al., 2018; Aktan et al., 2018; Buallay and Al-Ajmi, 2018) which indicates that there is still critical gap in Bahrain literature context. The services sector in the country that will be analyzed in this paper is considering as a one of the most important non-oil sectors as the sector contribute by 6.3% from the country GDP with 2.9% growth rate for the year 2019 (Bahrain Economic Report, 2019), this sector contains a different types of corporations such as telecommunications, real state, ship preparing and entertainment corporations like Bahrain Cinema Company. The diversification of services operation provided by these corporations expect to add a good contribution of the current study as will be more realistic findings, which might be more popularize than other sectors like financial sector. Also, the findings of this research paper will be very helpful for Bahraini corporation's decision makers regarding to their commitment to the good corporate governance practices, strategies, boards, and financial reporting. Moreover, this paper used a collective of different variables are not usually and frequently used together by other scholars before, especially in Bahrain context for recent length of time after 10 years from implementing the code of corporate governance in Bahrain.

In the remaining parts of this research paper; firstly, empirical literature and proposed hypotheses are revealed. Secondly, methodology includes conceptual framework, research sample, selection procedure, and descriptive statistics for the current study are elaborated, which is followed by data analysis. The study completed with the discussion of findings, and lastly concludes the research.

LITERATURE REVIEW AND PROPOSED HYPOTHESES

The audit committee is the first important directive under the third principle in Bahrain corporate governance code 2010 which updated 2018. Corporations pay more attention to this directive as considered the mechanism and the quality reflecting of financial reporting for the corporation which directly linked with committee member's expertise, effectiveness and creativity (Ghafran and O'Sullivan, 2017: Chaudhry et al., 2020; Ali, & Wan,2016;Oudat, & Ali, 2021). The audit committee provides the most important final financial information for the investors and stakeholder through its role in monitoring and evaluating the financial reporting for the corporation with highly secure to maximize shareholder's wealth without any conflict of interest (Salehi et al., 2017). Whereas the main task of this committee is to review the financial reports and ensure their integrity and adhere the highest standards of credibility, transparency and commitment to apply the legal requirements which must be in line with the goal of maximizing the shareholders wealth. Therefore, this committee must have several important characteristics to obtain the investors interest and their confidence toward the corporation, including the qualifications and experience of the committee members, the independence of the members, the size of committee and the number of meetings during the year. Previous studies found that there is significant relationship between each character of the committee and the financial performance for the corporation wither a positive nor negative.

The audit committee characteristics have been widely explained and examined their influence on the corporation's performance. In the current part, various empirical previous studies will be discussed, and accordingly the hypotheses will be formulated for the current study.

Audit committee expertise

One of the main characteristics must be existence in audit committee member is expertise in accounting, audit and finance. Agency theory proposed that committee members with accounting, auditing and finance qualification and expertise improve the quality of committee's works as the main duties for this committee as written in Bahrain corporate governance code (2018) are review and read the financial reporting, ability to assess and examine the financial statements, understand applicable principles accounting of the financial

statements of the corporation other duties that related to accounting and finance field. Audit committee with expertise it help them to take the right judgment and decision with quality, transparency efficient report which will enhance the corporation performance and profitability (Davidson et al., 2004; Baxter and Cotter, 2009; Badolato et al., 2014; Ahmad et al., 2015; Kipkoech and Rono, 2016; Salehi et al., 2017; Sánchez et al., 2017; Al-Okaily and Naueihed, 2019; Musallam, 2020). In contrast, (Li et al. (2012; Buallay and Al-Ajmi, 2018) reported a negative relationship between sustainability report and committees expertise. Thus, the current study proposed the first hypothesis which formulated as follows:
H1. Audit committee member expertise positively affect the financial performance Bahrain services companies-listed.

Audit committee board independence
Most previous related studies found that there is a significant and positive linkage between independence of audit committee members and corporations financial performance like; [Rouf, 2011; Tornyeva and Wereko, 2012; Shorvarzi et al., 2015; Neifar and Jarboui, 2018; Buallay and Al-Ajmi, 2018]. Accordingly, Saleh et al., (2007) found that among audit committee characteristics, the independence members is the most important factor that influence the corporation performance. Meanwhile, Baxter and Cotter (2009) and Mustafa and Ben Youssef (2010) stated that independency of the committee's members plays a critical role in reducing the misappropriation of corporation's assets and is considered as the effectiveness factor in managing financial reporting. In the other hand, [Bédard, et al., 2004; Lin and Hwang, 2010; Al Farooque et al., 2019]. Therefore, the study formulated the second hypothesis as follows:
H2. Audit committee member Independence positively affect the financial performance Bahrain services companies-listed.

Audit committee board size
The resources dependency theories stated that when the size of the committee increases in audit committee, the more experiences diversity are existence in the committee meetings, that will enhance audit committee performance and that positively affected the corporation's financial performance as a results of member ability to define and resolve the problems in financial reporting (Sultana et al., 2015). Anderson et al ., (2004) argued that grater size of committees might be a good factor to contribute to control and protect financial and accounting processes which comparing with small committees size, that will presenting a better transparency with respect stockholder and creditors which has a positive effect on the corporation's financial performance. Consequently, numerous previous studies have been witness on positive association between audit committee size and financial performance such as; [Al-Mamun et al., 2014; Farouk and Hassa 2014; Alqatamin, 2018; Zraiq and Fadzil, 2018; Al-Okaily and Naueihed, 2019]. In contrast, the following scholers found in their studies that there is a negative association between audit committee size and financial performance [Vafeas, 1999; Sharma et al., 2009; Kipkoech and Rono, 2016; Gurusamy, 2017; Juhmani, 2017]. In Regards of previous literature, the study formulated the third hypothesis as follows:
H3. Audit committee member size positively affect the financial performance Bahrain services companies-listed.

4 Audit committee frequently meeting
To review and ensure the financial reporting quality and its compliance to corporate governance principles code, and other international accounting and financial standards for the operational corporation, and assess other related major issues such as internal control, the committee has to frequently conducting a meeting during the year (Agrawal and Chadha, 2005; Buallay and Al-Ajmi, 2018). Despite, there is no specify number of committee meetings in the corporate governance code in Bahrain (2010, 2018) but the report emphasize on the importance of the time allocated to committee meetings to be well able to exercise their duties and responsibilities with high quality management and performance. Therefore, the increasing of number of committee meetings might influence the mechanism of monitoring and that will encourage executives to well perform in their duties which will directly affects and improves the financial performance for the corporation and protecting the stockholder wealth (Al Farooque et al., 2019). The findings of previous studies have been carried mixed results regarding to the linkage of number of audit committee meetings and financial performance. For instance, (Buallay and Al-Ajmi, 2018; Al Farooque et al., 2019) found that the frequency of committee meetings positively affect the financial performance. Meanwhile, (Salleh et al., 2014; Rahman et al., 2019). Thus, the current study proposed the fourth hypothesis which formulated as follows:
H4. Audit committee member meetings positively affect the financial performance Bahrain services companies-listed.

RESEARCH METHODOLOGY

Data collection

In this analysis, all service firms listed on the Bahrain Bourse are the community. This analysis uses secondary data from annual reports of service companies listed on the Bahrain Stock Exchange for the period 2012 to 2019. This time was viewed as a consequence of the creation of the Corporate Governance Code and all organizations are expected to implement it as of 1 January 2011, where full implementation is required by the end of 2011. (Kukreja, 2013). According to data obtained from the Bahrain Stock Exchange, the number of listed service companies trading on the market at the end of December 2012 was five. As a result, 5 of the service companies were included in the survey for review. The survey is projected to be 100 per cent of the utility companies listed on the Bahrain Stock Exchange, which make up the entire population. The cumulative number of findings for eight service companies over eight consecutive years is 64. (2012-2019).Figure 1 elucidates the associations between audit committee characteristics and financial performance among Bahrain services sector corporations.

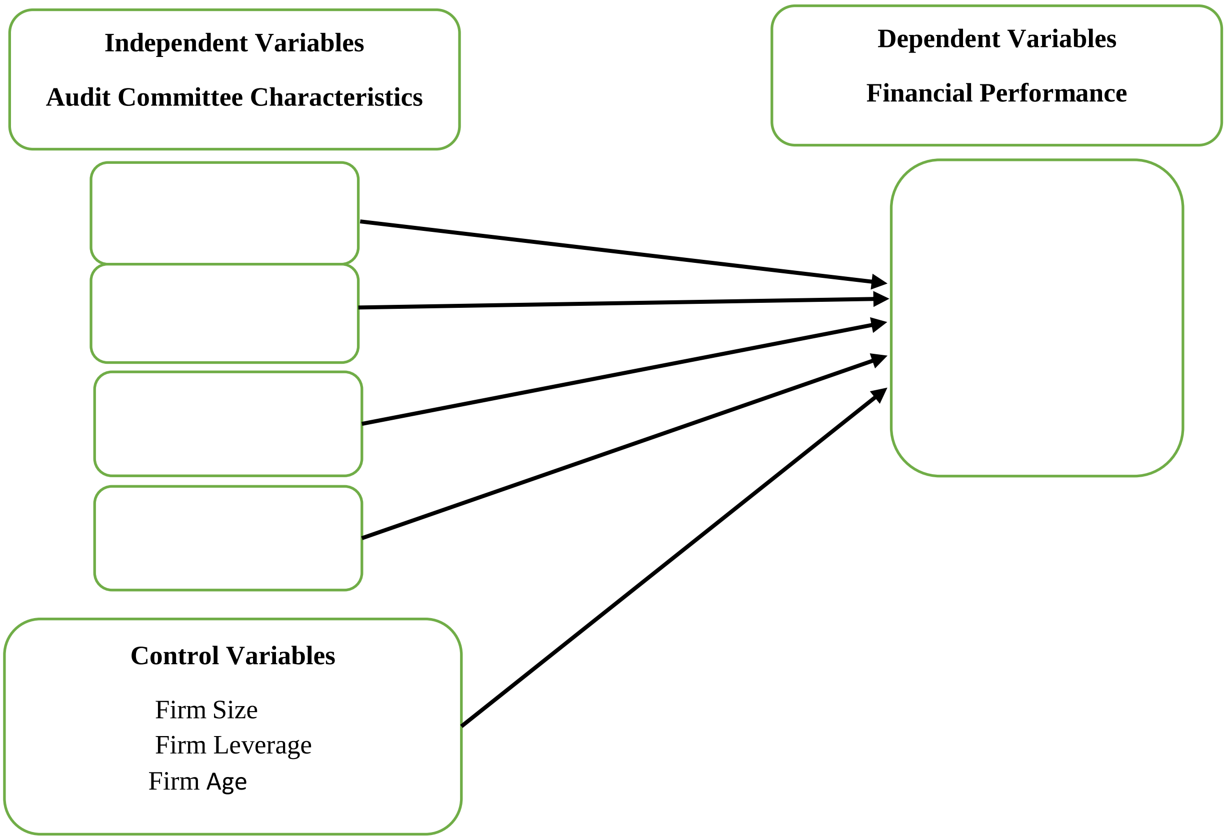

Fig.1: Conceptual framework

Variable measurement

Control variables

The company's size is used as the first control variable in terms of overall assets, as well as debt and firm age. This is in accordance with previous research such as AL Nasser (2019);Al-Matari (2019) in GCC nations. It is assumed in the above studies that size has a beneficial effect on the company's results for different purposes, such as diversification, economies of scale and access to cheaper sources of funds. We also used the natural logarithm of total assets in this research as Fsize.

Table I: The Labels and Measurement of the Variable		
Labe	Variables	Definition and Measurement
Firm performance variables		
ROA	Return on assets	-ROA measured by expressing net profit as a proportion of total assets
ROE	Return on Equity	-ROE measured by expressing net profit as a proportion to total equity value
EPS	Earnings per share	-It is the ratio of net profit after taxes and preference

		divided by the number of outstanding equity shares.
Audit committee variables		
ACS	Audit committee size	Total number of directors on the audit committee.
ACID	Audit committee independence	The proportion of independent directors on the audit committee to the total audit committee directors.
ACFE	Audit committee financial expertise	The proportion of audit committee members with accounting or financial expertise.
ACMEET	Audit committee meetings	The number of audit committee meetings held within the financial year of the annual report.
Control variables		
FSIZ	Firm size	The natural logarithm of book value of assets
LVRGE	Leverage	The ratio of total liabilities to total assets.
FAGE	Firm age	Calculated as the number of years since a particular firm's incorporation to the 2019 year-end

Specification of the model

This report incorporates panel statistics for a variety of years to provide reliable details on several statistical events. In economic analysis, this approach has many advantages over cross-sectional or time-series data in terms of increasing freedom levels and minimizing collinearity, which would increase the econometric figures (Shah & Khan, 2007). The regression study evaluated both fixed- and random-effect approaches. For all success indicators (ROA, ROE and EPS), this research utilizes generalized least square (GLS) regression analysis to analyze the association between firm performance and the features and control variables of the audit committees. The GLS approach offers a solution for any omitted variable prejudice that results from variability, which applies to unnoticed and time-invariant variables. It also offers therapy for time-invariant endogenetic origins. The models to evaluate the study's hypotheses are shown below:

$ROA = \beta_0 + \beta_1$ ACS + β_2 ACID + β_3 ACEF + β_4 ACMEET + β_5 FISIZ + β_6 LVRGE + β_7 FAGE +e

$ROE = \beta_0 + \beta_1$ ACS + β_2 ACID + β_3 ACEF + β_4 ACMEET + β_5 FISIZ + β_6 LVRGE + β_7 FAGE +e

$EPS = \beta_0 + \beta_1$ ACS + β_2 ACID + β_3 ACEF + β_4 ACMEET + β_5 FISIZ + β_6 LVRGE + β_7 FAGE +e

In this analysis, ROE, ROA and EPS are used as proxies of firm results. Where the return on equity (ROE) is determined by the ratio of net benefit to overall equity valuation, the return on assets (ROA) is estimated by the ratio of total assets to net profit. EPS is determined by the amount of outstanding stock securities by net earnings after taxation and option dividends. ACS is the total number of directors on a firm's audit committee, measured by ACID as the proportion of independent directors on the audit committee to the total directors of the audit committee. The frequency of board meetings (BODM) is measured as the amount of board meetings over the accounting year. Audit Committee Financial Experience (ACFE) is measured as the percentage of representatives of the audit committee with accounting or financial expertise, and ultimately, Audit Committee Meetings (ACMEET) is the amount of meetings of the audit committee conducted during the annual report's financial year. Firm scale (FSIZ), leverage (LVRGE) and firm age (FAGE) also act as restraints. Table II contains all associated variables and each variable's calculation.

Empirical Results

The results of validity data checks, descriptive statistics, and the results of regression analysis are discussed in this section. At the outset, the quality of data for statistical analysis needs to be checked. We used the normal distribution test and the Multicollinearity test for this reason. The validity of the research model reflecting the association between the features and results of the audit committee was ensured. We may then assume that the research models are precise. Not-random variables are represented by all the variables on the right side. The findings revealed no issues with the linearity, normality, and independence of the terms of error. It was concluded, in other words, that all the statistical assumptions required for multivariate statistical techniques were met. The fulfillment of these assumptions assures that the results obtained are true and accurate.

The descriptive statistics for the continuous variables represent the influence of independent variables on results, as defined in the model. As independent factors, the experience of the audit committee, board independence, board size and board meeting show the effect of the audit committee on results either favorably or negatively. The findings reveal that the ACS average is 3,328, which means that the size of the audit committee has an influence on performance. Bahrain's service industry, one of the potential reasons for this, needs a range of participants to incorporate accounting conservatism in the financial results. On the other hand, as set out in Table 1, the ACFE as the independent variable demonstrates .746 that the average level is standard, thereby raising the knowledge that the expertise of the audit committee has been needed to demonstrate its effect on financial reporting efficiency and quality. Table 1 also demonstrates how the ROE, ROA and EPS have an effect on financial results, and the ACID as mentioned are 691 and ACMEET 4.781. The ROE ratio confirms the favorable effect of financial statements on results and efficiency. The mean of one ratio is positive and the other negative in Table 1. Perhaps this represents the low conservatism of these businesses' financial results. Moreover, EPS ratios are positive for this. This finding represents the substantial significance of these variables in the degree of output in the previous studies; for example, we observe that the two variables as the controlling variables match the usual mean for scale, but the value is below normal.

Table IV	**Descriptive statistics (n = 64)**					
Variables	**Obs**	**Mean**	**Median**	**Min**	**Max**	**Std. Dev.**
ROA	64	.079	.065	.004	.419	.06
ROE	64	.104	.074	.008	.465	.065
EPS	64	.044	.024	.002	.438	.057
ACS	64	3.328	3	3	5	.506
ACID	64	.691	.667	.2	1	.269
ACFE	64	.746	.708	.333	1	.16
ACMEET	64	4.781	4	4	8	1.031
FSIZE(000)	64	185001.63	81138	12724	1042164	291779.32
LVRGE	64	9.055	3.686	.548	62.965	12.253
FAGE	64	30.5	33.5	7	52	11.862
Note: dependent and independent variables are defined in Table I						

Pearson correlation

Table II shows the Pearson interaction matrix between all the analysis variables. The board composition, number of board meetings, board meeting participation, organization size and age have a favorable association with the success of the service companies, as seen in Table II. However, the board's independence and influence have a detrimental connection with the service companies' results. The table indicates that there is a lack of substantial correlation between independent variables, and that they have a maximum coefficient of correlation of 0.55 (Table II), which is less than 0.80, suggesting no multicollinearity problem. The Variance Inflation Factor (VIF) was calculated by this analysis and the findings are presented in Table III, suggesting that the values varied between 1.38 and 2.49, both below 10, confirming the non-existence of the problem of multicollinearity. (2010) (Hair et al.).

Table: II	**Pearson correlation (n = 64)**									
Variables	ROA	ROE	EPS	ACS	ACID	ACFE	ACMEET	FSIZE	LVRGE	FAGE
ROA	1.000									
ROE	0.962*	1.000								
EPS	0.911*	0.919*	1.000							
ACS	0.056	0.092	0.010	1.000						
ACID	-0.390*	-0.298*	-0.142	0.105	1.000					
ACFE	-0.258*	-0.199	-0.150	0.005	0.233*	1.000				
ACMEET	-0.325*	-0.211*	-0.210*	0.231*	0.237*	0.050	1.000			
FSIZE	-0.225*	-0.119	-0.124	0.449*	0.470*	0.181	0.625*	1.000		
LVRGE	-0.005	-0.184	-0.130	-0.267*	-0.357*	-0.463*	-0.110	-0.293*	1.000	
FAGE	0.268*	0.265*	0.375*	0.237*	0.009	-0.513*	0.083	0.036	0.058	1.000
*** p<0.01, ** p<0.05, * p<0.1										
Notes: ROA is Return on Assets, ROE is Return on Equity,, EPS is Earnings Per Shares, ACS is Audit committee size, ACID is Audit committee independence, ACFE is Audit committee financial expertise, ACMEET is Audit committee meetings, FSIZ is firm size, LVRGE is Leverage, FAGE is firm age.										

The variance inflation factor (VIF) of the variables was explored for both models. Table 2 indicates the spectrum of VIFs between 1.55 and 4.61 for all variables. Thus, the VIF value for three models is 1,55 to 4,61, which is below 10, as Hair indicates (2006;2010). Multicolinearity is also unlikely to influence the study of regression.

Table III:	Testing for variance inflation factor	
Variable	VIF	1/VIF
ACS	1.55	0.645942
ACID	2.19	0.456015
ACFE	2.46	0.406440

ACMEET	1.79	0.560104
FSIZE	2.55	0.391606
LVRGE	2.16	0.462142
FAGE	2.28	0.438073
Mean VIF	4.61	
Notes: ACS is Audit committee size, ACID is Audit committee independence , ACFE is Audit committee financial expertise, ACMEET is Audit committee meetings, FSIZ is firm size, LVRGE is Leverage, FAGE is firm age.		

Selecting between Pool regression and random effects

The three types of panel analytic models used are as follows: (1) Pooled regression model (2) Fixed model of effect and (3) Random model of effect. The Pooled regression pattern is a type of model with a constant coefficient that refers to all paths and intercepts (Vijayamohanan (2016). Researchers will pool all the data for this model and operate an ordinary least square regression model. The convention also involves modeling the clustered regression model, fixed effects, and random effects and using the R-squared, modified R-sq and Wu and Hausman tests to statistically evaluate the optimal model. Regression effect is acceptable according to this sample pool.

	Pool regression Coefficient (p-value)		
DV Variables	ROA	ROE	EPS
IV Variables			
ACS	0.039	0.054	-0.05
	(0.780)	(0.719)	(0.786)
ACID	-1.093	-1.231	-1.424
	(0.000)***	(0.000)***	(0.000)***
ACFE	-0.862	-0.868	-0.586
	(0.110)	(0.133)	(0.415)
ACMEET	-0.244	-0.311	-0.462
	(0.001)***	(0.001)***	(0.000)***
FSIZE	0.194	0.238	0.371
	(0.019)**	(0.008)***	(0.001)***
LVRGE	-0.132	0.072	-0.206
	(0.068)*	(0.345)	(0.034)**
FAGE	0.01	0.013	0.036
	(0.141)	(0.068)*	(0.000)***
_cons	-2.297	-3.161	-4.719
	(0.022)**	(0.004)***	(0.001)***
R^2	0.339	0.486	0.470
Prob > F	0.0010	0.0000	0.0000
Wald chi2			
Prob > chi2	46.32	45.12	45.12
Breusch-Pagan Pool/ random/ Prob>chi2	0.0000	0.0000	0.0000
***, **, and * indicate a level of significance at the 1, 5 and 10% level, respectively			
Notes: ROA is Return on Assets, ROE is Return on Equity,, EPS is Earnings Per Shares, ACS is Audit committee size, ACID is Audit committee independence, ACFE is Audit committee financial expertise, ACMEET is Audit committee meetings, FSIZ is firm size, LVRGE is Leverage, FAGE is firm age.			

The finding indicates an insignificant effect with respect to ACFE with respect to ROA,ROE and EPS (0.110), (0.133), (0.415), respectively. H1 is not supported by this result. This suggests that the financial experience of the Audit Committee would not generally boost the efficiency of the company. Several previous research, such as; (Sánchez et al., 2017; Al-Okaily and Naueihed, 2019; Musallam, 2020), have witnessed a strong correlation between financial success of the competence band. In addition, a negative association between the sustainability study and committee skills was identified (Buallay and Al-Ajmi, 2018).

The relation between ACID and ROA, ROE and EPS (0.000), (0.000), (0.000), (0.000) is considered to be important. H2 is, therefore, supported. The optimistic trend suggests that firm efficiency is actually improved by audit committees with greater freedom. In fact, the members of the audit committee were independent enough to play a serious oversight role and make a substantial contribution to the firm's results. This result is consistent with previous studies that showed that the association between the independence of AC and the success of the company is important. Al Farooque, et al., (2019.

As far as AC size is concerned, ROA, ROE and EPS (0.780), (0.719), (0.786) have negligible impact on the outcome. H3 does not accept this result. The broad audit committee would not generally boost the efficiency of the company. Many previous research have also shown that there are positive linkages between the size of the audit committee and financial results, for example; (Alqatamin, 2018; Zraiq and Fadzil, 2018; Al-Okaily and Naueihed, 2019). In comparison, the following researchers find that the audit committee's scale and financial results was negatively related to their studies (Kipkoech and Rono, 2016; Gurusamy, 2017; Juhmani, 2017).

Similarly, the effect of the AC meeting on the ROA, ROE and EPS results (0.001), (0.001), and (0.000), respectively, is illustrated by this study. For instance, the number of meetings of the committees (Buallay and Al-Ajmi, 2018; Al Farooque et al., 2019) had a positive effect on the financial results. In the meantime (Salleh et al., 2014; Rahman et al., 2019).

This analysis consists of three control variables, namely business size, leverage and FAGE. The first is the size of the company. The use of the organization size as the control variable is explained by observations of businesses with different features. It was stressed by Patron, Lehn and Zhao that development and business size were critical determinants of the board size and composition (2003). In this case, FSIZE has also been shown to have a significant effect in ROA, ROE, EPS (0.019), (0.008), (0.001) In comparison, leverage was found to be negligible with ROA, ROE, (0.068), (0.345), but important with EPS (0.034). In this situation, Hence, with leverage, the company's efficiency improves. In comparison, FAGE was observed to have an insignificant impact with ROA (0.141), but substantial influence with (0.004), (0.004) ROE and EPS.

CONCLUSION

The audit committee is a corporate governance tool composed of a body of individuals chosen from the members of the board of directors who are responsible for ensuring the auditor's integrity, enhancing the consistency of the audit and questioning of the board of directors. The key objective of this analysis is to evaluate the relationship between the characteristics of the audit committee (namely: size of the audit committee, financial expertise, independence of the audit committee and meeting of the audit committee) and the performance of the service sector listed in the Bahrain Burse.

The financial experience of audit committee members plays an important role in maintaining monitoring of financial reporting, thereby enhancing the company's output according to the Agency's theories and the resource-dependence theories. This analysis assumed that the financial experience of the members of the Audit Committee had a good association with financial results. The association between the financial experience of Audit Committee representatives in service firms and profitability is focused on statistical results. This outcome is not compatible with the theory of resource dependency that managers' experience, especially non-executives, has the potential to raise resources and thereby have a positive effect on profitability.

The study analyzed these regulations in connection with audit committees to ensure their application by service providers in Bahrain and checked the role of the audit committee in enhancing their performance. The research sample featured five companies of the service industry identified in the Bahrain Burse with a total of 64 sample years from 2012 to 2019.

In terms of the theoretical and functional examination of the investigations, first, the independence of the Audit Committee is influenced by the features of the performance (ROA, ROE and EPS). Secondly, the impact of the audit committee meetings over the year on profitability is influenced by firm results (ROA, ROE and EPS). Thirdly, there is no statistical significance between the financial experience of the participants and performance; fourthly, the size of the industrial company does not have an impact on the relationship between the characteristics of the audit committee and the profitability of the company.

Study limitations and Future Research:

The results of this analysis include a wide variety of perspectives that may be of concern to government, academics, policy-makers, organizations, researchers, and other related stakeholders. First, this analysis is limited to only the service companies listed on the Bahrain Stock Exchange. It is proposed that future studies have an emphasis on contrasting BAhrain's characteristics and firm efficiency of the audit committee with counterparts of the GCC nation such as Saudi, UAE, Qatar, Oman and Kuwait.

Second, this analysis considered just years, i.e. from 2012 to 2019. Over this brief period of time, the analysis does not represent all the transactions of the sample firms. Future study should consider expanding this span and including all fields, including financial ones. Third, this analysis analyzed the influence of several factors relevant to the characteristics of the audit committee, namely: the expertise of the audit committee, the independence of the board, the size of the board and the AC meeting. Future studies may, however, suggest taking into account a range of other factors, such as foreign audit committee representatives and AC chairman independence and AC diligence, which may have a major role to play in enhancing firm results.

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