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The Impact of Ownership Concentration on Audit Committee Effectiveness: Evidence from Firms Listed on the Egyptian Stock Exchange

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Abstract

Purpose- **This study examines the relationship between audit committee effectiveness and ownership concentration in non-financial firms listed on the Egyptian Stock Exchange. It aims to provide insights into how different types of ownership structures influence the quality of corporate governance.**

Research Methodology- **The sample consists of 56 non-financial firm listed on the Egyptian Stock Exchange during the period 2020-2023. An index that encompasses the audit committee's independence, size, expertise, diligence, and gender diversity is used to gauge how effective an audit committee is. Multiple regression analysis and correlation analysis were conducted.**

Findings- **The study's findings reveal that institutional ownership has a significant and positive impact on the audit committee's effectiveness. Meanwhile, managerial ownership has a significant negative impact on the effectiveness of the audit committee. No statistically significant relationship was found between family ownership, foreign ownership, and the effectiveness of audit committees. Additionally, the research indicates a significant positive correlation between the audit committee's effectiveness and the firm's potential for future growth.**

Originality/value- **The research provides valuable insights for regulators and policymakers, highlighting which concentrated ownership structures enhance corporate governance quality. These insights can guide the development of policies aimed at enhancing audit committee performance, ultimately leading to more robust financial reporting and greater investor confidence. By fostering ownership structures that support effective governance, firms can better position themselves for sustainable growth and accountability.**

Keywords- **Audit Committee Effectiveness, Institutional Ownership, Family Ownership, Foreign Ownership, Managerial Ownership, Corporate Governance, Egypt.**

1. Introduction

Corporate governance is a set of rules and measures that outline the responsibilities of the firm's management and provide assurance that the best interests of the shareholders are pursued (Abdeljawad et al., 2020); corporate governance is not a value in itself; nevertheless, it is expected to assist firms in generating sustainable growth and long-term value (Badawy, 2020). The corporate governance system integrates different internal and external mechanisms that are interconnected in achieving the goal of monitoring management and protecting shareholders' interests (Al-Musali et al., 2019; Abdeljawad et al., 2020).

Establishing an audit committee has become a matter of compliance for listed firms (Wu et al., 2012). At the firm level, audit committees are more common in weak legal environments to appear as substitutes for a lack of strong external governance structures, while audit committees appear to complement other forms of good corporate governance (Cai et al., 2015). In a country where audit committee formation is mandatory for listed firms, audit committee formation alone would not give impact to the effectiveness of the audit committee. One of the main factors contributing to the effectiveness of an audit committee is its independence; thus, the committee shall have the resources and authority necessary for its duties and responsibilities without seeking the approval of the board or management; nevertheless, the fact that the audit committee is a sub-committee of the board could hinder its effectiveness, as it cannot bypass the board (Ramadhan, 2014). Moreover, audit committees are not always effective, and their existence may not be sufficient, as mere presence does not guarantee that it will function as an effective monitoring body. The audit committee procedure may become comparable by imitating other firms to increase their legitimacy or by adhering to best practices by firms (Beasley et al., 2009; Galal et al., 2022).

The need for additional mechanisms decreases when one mechanism is sufficiently effective in reducing the agency problem, and vice versa (Abdeljawad et al., 2020). By including substantial shareholders in the oversight or management of potentially problematic activities, agency issues can be minimized; different ownership structures give rise to different control mechanisms that shareholders employ to keep an eye on the firm's daily operations and financial reporting standards (Musah et al., 2021). Moreover, ownership concentration in the hands of a particular type of owner

could influence how the firm's activities are managed, as each type of ownership may have different incentives and objectives (Almasri & Ramli, 2024).

Thus, the question at hand is: How do concentrated ownership structures affect audit committee effectiveness? In order to respond to this question, the aim of the study is to gain insight into the conditions that enable the audit committee mechanism to function efficiently in Egypt and determine if the audit committee is controlled by the ownership structure of the firm and was formed merely as a symbol of conformity with Egyptian regulations, rather than a as substitute or complement for the oversight of financial reporting. As the marginal effects of the audit committee mechanism may be substituted by the existence of another potentially effective concentrated ownership structure mechanism, or the audit committee mechanism becomes more effective through mutual enhancement when it is combined with an effective concentrated ownership structure mechanism (Al-Musali et al., 2019). The study is concerned with the way in which the concentrated ownership structures impact the audit committee mechanism in the Egyptian environment. Additionally, according to the adoption of the sustainable development strategy in Egypt's new vision 2020–2030, there is a pressing need to increase the audit committee's effectiveness (ElHawary, 2021).

Consequently, given that every country has different legal frameworks, cultures, and political situations, it becomes increasingly important to examine the relationship between ownership concentration identities and audit committee effectiveness in developing countries like Egypt, where corporate governance practices may be evolving and market inefficiencies may exist.

The remainder of this study will be organized as follows: The second section examines the audit committee, ownership concentration, and the quality of financial reporting. The third section reviews the existing literature in this area and outlines the research hypotheses. The fourth section discusses the research design and methodology, while the fifth section interprets the results of the statistical analysis. Finally, the sixth section presents the study's conclusions, including the findings, recommendations, and limitations.

2. Audit Committees, Ownership Concentration, and Financial Reporting Quality

The corporate failures and accounting scandals have created a wide recognition of the need for a regulation or mechanism to enhance corporate governance practices to reduce corporate risks and to achieve transparency between firm management and shareholders (Al-Musali et al., 2019). In general, the audit committee is regarded as a crucial part of the firm's overall corporate governance framework, overseeing both financial and non-financial reporting, particularly in relation to the audit quality (Ika & Ghazali, 2012; Qaderi et al., 2024) and ensuring the quality of the firm's financial reporting (Almasri & Ramli, 2024; Sulimany, 2024).

Agency theory stated that internal corporate governance mechanisms play a critical role in supervising an organization's sustainability practice and ensuring the firm's accountability to a diverse range of stakeholders (Qaderi et al., 2024). Moreover, one of the pillars of corporate governance is the audit committee, which is a subcommittee of the board. The audit committee is an essential internal governance tool that supports the board of directors and lowers agency costs between shareholders and management through playing a dynamic oversight role that allows it to hold the firm accountable (Almasri & Ramli, 2024). It also works to ensure the objectivity and independence of the external audit process by monitoring and mitigating management pressure on the external auditors; additionally, the audit committee is expected to improve the flow of information between stakeholders and firm managers, reduce information asymmetry, mitigate agency costs, and ensure the accuracy and quality of financial information disclosed by the board (Al-Musali et al., 2019; Shan et al., 2021; Komal et al., 2022; Qaderi et al., 2024).

The expectation that the audit committee actively monitor the firm's financial reporting process is widely recognized, and this role has been confirmed by numerous corporate governance codes and professional pronouncements for decades (Ika & Ghazali, 2012). Furthermore, the audit committee is essential in shaping a firm's social, ethical, and environmental responsibility and strategic decision-making (Qaderi et al., 2024). As well, the role of the audit committees has come under higher levels of scrutiny, and considerable pressures have been intensified to enhance their effectiveness and improve their oversight over various corporate issues (Abu Braik and Al-Thuneibat,

2023). A lack of appropriate audit committee oversight can ultimately contribute to corporate failure and diminish public confidence in the mechanism (Afify, 2009). According to Al-Musali et al. (2019), improving the efficacy of audit committees has emerged as a key concern in corporate governance. Furthermore, any problem in the committee’s efficiency will be reflected in corporate governance effectiveness in general (Abu Braik and Al-Thuneibat, 2023).

The composition and operational characteristics of the audit committee are what define its effectiveness. These include the following: at least three members, meetings held at least four times a year, at least one member with a background in accounting and finance, authority and resources to safeguard stakeholder interests by ensuring accurate financial reporting, risk management through diligent oversight efforts, and disclosure of the audit committee in firm annual reports (Ika & Ghazali, 2012; Al-Musali et al., 2019; Shan et al., 2021).

According to Cai et al. (2015), audit committees are value relevant, particularly in firms with severe agency relationships. The audit committee can be one of the ways to reduce the agency cost through internal control, which is carried out by the audit committee (Badawy, 2020; Januarti et al., 2020). As stakeholders expect that the audit committee provides effective monitoring and oversight that protect their different interests (Badawy, 2020). Therefore, given the different agency relationships that can prevail within a firm, an audit committee may be an important signaling mechanism to external stakeholders that management is serious about financial accuracy and accountability (Cai et al., 2015). The audit committee plays a crucial role in decreasing information asymmetry and consequently reducing the agency cost (Chariri & Januarti, 2017). Moreover, an audit committee is a governance mechanism that can align the interests of shareholders and managers and resolve agency conflicts (Almasri & Ramli, 2024).

Assuring the quality of financial reporting and corporate accountability is a major responsibility of the audit committee (Soliman & Ragab, 2014). Furthermore, the audit committee is now at the center of any successful corporate governance system due to regulatory bodies all over the world placing it in charge of oversight duties related to corporate reporting, risk management, internal control, and improving managerial accountability (Cai et al., 2015). In light of this, the audit committee increases security market

transparency, which is crucial for strengthening shareholder protection, raising an organization's book value (Waked & Aljaaidi, 2021), as well as boosting the confidence of other shareholders in the financial results (Almasri & Ramli, 2024). Additionally, the audit committee helps businesses strengthen their corporate governance practices and provide high data quality (Galal et al., 2022). Furthermore, committee control mechanisms may help businesses identify internal control weaknesses and create conservative accounting systems, which would increase external auditors' trust in the firms' internal control systems (Sulimany, 2024).

An audit committee is now required in more nations than ever before thanks to the USA's Sarbanes-Oxley Act of 2002, which mandates that audit committees serve crucial roles in guaranteeing the quality and transparency of financial reporting. Similar to this, few countries, including the UK and Germany, enforce an audit committee requirement on a "comply or explain" basis; in addition, audit committees are voluntary in China, France, and Japan (Komal et al., 2022). In Egypt, although it was previously optional, the establishment of an audit committee became mandatory for all businesses listed on the Egyptian Stock Exchange in 2000. This shift aimed to enhance corporate governance practices and improve investor confidence in the financial markets. As a result, firms in Egypt have been compelled to strengthen their internal controls and ensure greater accountability in their financial reporting processes. Meaning that an audit committee is necessary for each firm that plans to go public. It normally comprises three members at minimum, with the possibility to add members from outside the firm, including at least one person with financial experience.

2.1 Determinants of the audit committee's effectiveness

2.1.1 Diligence

One of the factors influencing the effectiveness of the audit committee is the frequency of its meetings. Regular meetings facilitate timely discussions on financial reporting, risk management, and internal controls, ensuring that all critical issues are addressed promptly and that the committee remains informed and engaged in its oversight responsibilities (Al-Musali et al., 2019; Badawy, 2020).

The meetings of the audit committee help monitor accounting records and the internal control system (Chariri & Januarti, 2017); and ensure that the financial reporting process operates effectively, which helps prevent earnings management (Soliman & Ragab, 2014). They also enhance the quality of audits (Januarti et al., 2020); raise the transparency and dependability of financial statements (Badawy, 2020); and mitigate information asymmetry and agency problems by providing investors with consistent communication (ElHawary, 2021). Furthermore, the frequency of these meetings has a significant impact on earnings management (Galal et al., 2022).

2.1.2 Independence

An independent director is one who has no material financial connections to the firm, and effective audit committees are built on their independence (Chariri & Januarti, 2017; Galal et al., 2022); since it stands for the essential quality that determines a committee's ability and efficacy in carrying out its responsibilities (Al-Musali et al., 2019). According to Badawy (2020) and Galal et al. (2022), the inclusion of independent members is expected to enhance the committee's objectivity in overseeing the financial reporting process and mitigate agency issues that may arise between shareholders and executives. In addition to, enhancing financial reporting's credibility and quality (Soliman & Ragab, 2014). Also, it increases the confidence that users of financial statements have in the financial reporting process and ensures that fraudulent activity within the firm is managed and reduced (ElHawary, 2021). Moreover, independent directors act as a safeguard against unjustified influence by dominant owners in firms with high ownership concentration (Al Lawati & Sanad, 2023).

The Egyptian corporate governance code mandates that the audit committee consist of at least three non-executive directors (ElHawary, 2021); although the audit committee might not be able to access the accounting records if every member is independent (Ramadhan, 2014). However, audit committee independent directors positively affect the relationship between ownership concentration and audit quality due to their ability to enhance oversight and accountability, mitigate conflicts of interest, foster auditor independence, align with regulatory standards, and build stakeholder confidence (Al Lawati & Sanad, 2023).

Ramadhan (2014) demonstrated that there is no correlation between the degree of voluntary disclosure and audit committee

independence. Additionally, the independent audit committee has no effect on integrated reporting (Chariri & Januarti, 2017); and shows an insignificant relationship with ROA or ROE (ElHawary, 2021). However, Wu et al. (2012) found that audit committee independence performs better as a process monitor for financial reporting and guarantees improved financial reporting standards (Chariri & Januarti, 2017). It also results in a notable level of audit quality (Al-Hajaya, 2019); correlates positively and significantly with the rate of corporate sustainable growth (Badawy, 2020); and is strongly associated with reduced levels of earnings management (Soliman & Ragab, 2014; Galal et al., 2022). Furthermore, it mitigates the negative influence of ownership concentration on audit quality (Al Lawati & Sanad, 2023).

2.1.3 Experience

Expertise in accounting, finance, and auditing is seen as crucial to audit committee members (Chariri & Januarti, 2017). To effectively monitor management's financial reporting practices and lower agency costs, the audit committee must possess experience in finance, accounting, and auditing. That enhances the committee's effectiveness as a corporate governance mechanism (Dewayanto et al., 2020). Effective monitoring not only relies on the frequency of meetings but also on the quality of the discussions held during these sessions. A well-structured agenda that prioritizes key issues can greatly enhance the committee's ability to make informed decisions and provide valuable oversight.

SOX adapts a broader definition of financial experience, whereby an audit committee member can be deemed to be a financial expert if the member has either accounting, financial, or supervisory expertise. While regulating bodies in Egypt pay greater attention to the characteristics of the audit committee and recommend that the audit committee must have at least one member who has recent and relevant financial experience. However, the code does not define a financial expert as someone who has experience with investment banks and financial analysts or has formal accounting education or has experience as external auditors at a public accounting firm (FRA, 2023).

According to the majority of prior research, having an audit committee member with experience in finance, accounting, or supervision improves the firm's information environment, financial

reporting quality, understanding of risks, and auditor opinions (Kamolsakulchai, 2015; ElHawary, 2021; Nehme et al., 2021). This experience increases the likelihood that material misstatements will be reported to the audit committee and promptly rectified, thereby deterring management from manipulating earnings figures in annual reports (Soliman and Ragab, 2014; Dewayanto et al., 2020). Additionally, the experience of audit committee members allows them to understand the auditing process and resolve disagreements between management and external auditors, positively affecting the scope of integrated reporting (Chariri & Januarti, 2017).

Furthermore, Galal et al. (2022) confirm that the relationship between audit committee expertise and earnings management is negative and significant. It also reduces agency costs in monitoring activities, positively impacts the handling of internal control issues, and reduces audit report lag (Dewayanto et al., 2020; Sulimany, 2024), addressing the firm's internal control lapses through effective monitoring and guidance from experienced directors (Sulimany, 2024).

2.1.4 Size

The number of the audit committee members is used as an indicator of resources available to this committee (Soliman & Ragab, 2014). The Blue-Ribbon committee in 1999 recommended regarding the audit committee that an effective audit committee should be made up of at least three directors. Moreover, the Egyptian corporate governance codes require there should be at least three non-executive members of the board of directors within the audit committee.

A too-small audit committee is likely to fail, while an audit committee should be of the right size so as to fulfill its roles efficiently, as it is expected that an audit committee with many members will be able to fulfill its monitoring role more efficiently, as the authority it possesses with a wider knowledge, views, and expertise and greater resources makes the audit committee more likely to discover potential problems in financial reporting and provide high-quality financial reporting and internal control (Kamolsakulchai, 2015; Al-Musali et al., 2019; Nehme et al., 2020; Badawy, 2020; Galal et al., 2022). In addition, the proper size of the audit committee mitigates earnings management and reduces the likelihood of errors, manipulations, and illegal acts (Badawy, 2020); and results in diversity and breadth of expertise that may enrich the decision-making ability of the committee (Sulimany, 2024).

Although, in accordance with agency theory, audit committee effectiveness may experience problems as a large audit committee may generate more losses, process, and workload distribution is immoderate (Kamolsakulchai, 2015); and it may suffer from communication problems and might lose focus and participate less than smaller ones, which might have a negative impact on audit quality and effectiveness (Badawy, 2020; ElHawary, 2021). However, Galal et al. (2022) confirmed a negative and significant relationship between audit committee size and earning management. In addition, Badawy (2020) found no significant positive association with corporate sustainable growth rate in Egypt. ElHawary (2021) showed a positive impact for the audit size on the ROA. Furthermore, too small audit committee will suffer from lack of expertise, skills and knowledge and will not fulfill their roles in the best interest of stakeholders (Badawy, 2020).

2.1.5 Gender Diversity

ElHawary (2021) claimed that because women are better at monitoring than men are, boards may be held to higher standards of accountability. Furthermore, Galal et al. (2022) verified that female members of the audit committee are more inclined than male directors to offer feedback and take actions to enhance board oversight. Al Sharawi (2022) added that female board members are more moral and law-abiding than male board members and have essentially distinct methods of monitoring and responding quickly to fraud.

Furthermore, according to Saleh & Abouelela (2023), female managers typically have stronger interpersonal skills to deal with others, and their communication style is defined by inclusion and participation in discussing issues, which leads to a density of information exchanged between audit committee members and external parties, generating an information-rich environment that limits attempts to exchange information of a confidential nature, which in turn reduces the problem of information asymmetry and enhances the auditor's experience in improving the quality of judgments.

Numerous corporate governance guides worldwide call for the inclusion of women in corporate strategic decision-making to enrich entities (Al Sharawi, 2022). As gender diversity on audit committees enhances monitoring and the quality of financial reporting, it improves transparency in the financial information, lessens aggressive tax practices, and is more likely to avoid risks (Al Sharawi, 2022; Galal et al., 2022). In Egypt, although the rules for the registration and

delisting of securities have been amended to increase the representation of women on the boards of directors of firms listed on the Egyptian Stock Exchange, ensuring that it is no less than 25% or at least two female members (FRA, 2021); Article 37 of the listing rules issued in January 2023 does not specify the percentage of females who should be included in the audit committee (FRA, 2023).

According to ElHawary's (2021), there is no significant relationship between gender diversity and ROA and ROE. Furthermore, a significant and negative relationship has been shown between the gender of the audit committee members and earnings management (Galal et al., 2022).

2.2 The Role of Ownership Concentration on Audit Committee Effectiveness

According to literature, ownership structure may have significant consequences for corporate governance (Afify, 2009). The researcher needs to comprehend how ownership structure affects other governance mechanisms, particularly the audit committee in Egypt, where the establishment of audit committees is required for listed firms. The formation of an audit committee by itself would not affect the committee's efficacy (Ika & Ghazali, 2012). It is thought that the way many governance mechanisms interact in a given economy is essential to figuring out the best combination of mechanisms that offers the greatest degree of managerial oversight at the lowest feasible cost (Abdeljawad et al., 2020); thus, many governance mechanisms have the potential to either supplement or replace one another (Hassan et al., 2017).

A functional audit committee is more likely to exist in one of two scenarios: either as a substitutive association wherein a corporate governance mechanism's deficiency is offset by the presence of a functional audit committee or conversely, as a complementary association whereby the presence of an operational audit committee strengthens the effectiveness of a corporate governance structure (Abdel-Meguid et al., 2011). An increase in the first mechanism will partially replace the control offered by the second mechanism when it functions as a substitute, without raising the total amount of control that the governance system as a whole exercise, while increases in the first mechanism will also enhance the control that the second mechanism exerts, resulting in a higher degree of total control when the mechanisms work as a complement (Abdeljawad et al., 2020).

Furthermore, it is argued by Al-Musali et al. (2019) that the efficacy of audit committees will be impacted differentially by various types of ownership concentration.

Corporate governance comprises a set of guidelines and policies that define the responsibilities of a firm's management while ensuring that shareholder interests are upheld (Abdeljawad et al., 2020). Although it is not a value in itself, corporate governance supports businesses in achieving sustainable growth and long-term value (Badawy, 2020). Additionally, the interaction of governance processes fosters both efficiency and effectiveness across corporate activities, as well as enhances the reliability of financial reporting (Abu Braik and Al-Thuneibat, 2023). Furthermore, firms with a relatively high level of corporate governance tend to experience favorable market reactions (Galal et al., 2022).

3- Literature Review and Hypotheses

One essential component of business governance is ownership structure (Almasri & Ramli, 2024). Ownership structures significantly impact corporate governance, as they are considered fundamental controls on agency costs, minimizing conflicts of interest between business management and external stakeholders (Abu Braik and Al-Thuneibat, 2023). Therefore, understanding the different ownership structures can provide insights into their influence on decision-making processes and overall firm performance.

According to Ramadhan (2014), a firm's ownership structure is associated with varying degrees of control, and the number of shareholders indicates how evenly these controls are distributed. Keeping ownership identities constant, firms with higher levels of corporate governance are more likely to have audit committees (Cai et al., 2015). Given their financial stake in the firm's success, large shareholders are generally more motivated to monitor management (Ramadhan, 2014). The objectives of shareholders will inevitably influence the performance and goals of corporate managers (Cai et al., 2015). Furthermore, a stronger governance mechanism reduces the need for other mechanisms when it alleviates agency issues (Abdeljawad et al., 2020).

While the majority of shares in emerging capital markets are concentrated in the hands of a small number of owners, in developed countries, a firm's shares are distributed among a large number of shareholders, making it challenging to find individuals who can

effectively manage the business (Almasri & Ramli, 2024). Concentrated owners in MENA countries tend to prioritize their own interests over those of the firm (Almasri & Ramli, 2024). Additionally, in organizations with highly concentrated ownership, owners or their representatives may have more power to influence various aspects of the firm; however, an independent audit committee serves as a counterbalance to this influence (Al Lawati & Sanad, 2023).

3.1 Family Ownership

The relationship between family ownership and the effectiveness of the audit committee can be understood through the convergence of interest theory (Waked & Aljaaidi, 2021). This theory posits that family ownership serves as a significant internal governance mechanism, reducing conflicts of interest between management and shareholders, which in turn correlates with lower agency costs in family-owned enterprises (Bazhair & Alshareef, 2022). Thus, Family control helps other shareholders by reducing agency costs when directors are overseen by family members (Ananda et al., 2022). Consequently, family ownership is recognized as an important form of business control present in both developed and emerging markets (Bazhair & Alshareef, 2022; Bosnak, 2023).

Family members serving on the board of directors tend to have a strong motivation to invest time and resources in managing the firm, thereby enhancing internal monitoring, reducing agency costs, and improving overall firm performance. Additionally, family members are often inclined to participate actively in the audit committee (Al-Musali et al., 2019; Waked & Aljaaidi, 2021). Research by Al-Musali et al. (2019) and AL Lawati and Sanned (2023) indicates that family shareholders have a vested interest in supporting audit directors who can effectively safeguard their family's financial interests, reputation, and public image, given their visibility in society.

On the other hand, Qaderi et al. (2024) argue that family members in management positions may prioritize their oversight duties less, which could diminish the effectiveness of governance monitoring. Moreover, an increase in family ownership might negatively impact firm performance (Bosnak, 2023); and potentially lead to the exploitation of minority shareholders, as family members seek to maximize their own benefits (Qaderi et al., 2024).

Family ownership takes the place of the audit committee's activities in the Saudi context as a way to oversee corporate governance (Waked

& Aljaaidi, 2021). Nevertheless, within the framework of the GCC family ownership, it supports the audit committee activity as a corporate governance monitoring (Al-Musali et al., 2019). Thus, the subsequent hypothesis is proposed:

H_1: ***Family ownership is associated with the audit committee's effectiveness.***

3.2 Foreign Ownership

In emerging countries, foreign ownership is a major source of resources, offering both finance and technology (Boshnak, 2023). Foreign shareholders have the ability to keep an eye on management decisions as part of internal corporate governance mechanisms, which makes it essential for improving and developing corporate governance, consequently improving the operation of the firm and reducing agency issues (Shubita & Shubita, 2019; Boshnak, 2023).

Foreign board membership also plays a monitoring role that enhances the quality of corporate governance by boosting the growth possibility. Foreign investors from nations with extremely strict investor rights are more likely to support sound governance; the increasing percentage of foreign ownership has given shareholders a strong position to manage the firm; therefore, it is essential to improve corporate governance practices in order to counteract these legal environment weaknesses in developing countries (Shubita & Shubita, 2019; Al Lawati & Sanad, 2023). Furthermore, foreign shareholders with substantial ownership placed additional pressure on management by requesting improved audit quality in an effort to mitigate information gaps and get more accurate financial data (Al Lawati & Sanad, 2023). Abu Braik and Al-Thuneibat (2023) assert that the presence of foreign ownership would promote both internal and external control mechanisms, such as the audit committee. Furthermore, Al Lawati and Sanad (2023) demonstrate that foreign ownership may be seen as an indication of increased monitoring and scrutiny, which results in the establishment of strict and strong corporate governance. The following hypothesis is proposed:

H_2: ***Foreign ownership is associated with the audit committee's effectiveness.***

3.3 Institutional Ownership

It is commonly accepted that institutional investors control the majority of voting rights, have access to management through

privileged information channels, and play a major role in supervision; thus, institutional investors are widely seen as having a significant impact on the improvement of corporate governance practices worldwide (Al-Musali et al., 2019; Dewayanto et al., 2020). In addition to, being an essential component of many nations' external corporate governance (Boshnak, 2023). Institutional investors have fiduciary responsibilities, significant voting rights, superior business experience, and an intense desire to maximize their investment value. Institutional investors considerably enhance firms' governance, mitigate internal control lapses, and improve the quality of internal control (Bazhair & Alshareef, 2022; Al Lawati & Sanad, 2023; Sulimany, 2024).

According to Al-Musali et al. (2019), institutional investors are more motivated to actively monitor management by enacting the audit committee role, providing it with resources and experience, and encouraging it to carry out its responsibilities as an important corporate governance tool. As a result, institutional investors may enhance the board of directors' oversight function due to their knowledge and financial expertise, especially in a situation when there are no efficient markets for corporate control; additionally, institutional investors may influence the internal governance framework of the firm (Sulimany, 2024).

Moreover, institutional investors are more likely to demand high-quality audits as a reliable monitoring mechanism, either independently or by pressuring management to ensure this (Al Lawati & Sanad, 2023). Additionally, significant institutional ownership enhances corporate performance in Middle Eastern countries (Boshnak, 2023). Agency theory posits that institutional investors can complement the oversight responsibilities of audit committees, particularly in nations where corporate control markets are weak and institutional monitoring is actively involved, thereby increasing the likelihood of effective audit committee oversight (Sulimany, 2024). Accordingly, this finding leads to the development of the following hypothesis:

H_3: *Institutional ownership is associated with the audit committee’s effectiveness.*

3.4 Managerial Ownership

Aligning management's interests with shareholders' is accomplished by managerial ownership (Shan et al., 2021). Furthermore, according to Bazhair & Alshareef (2022), managerial

ownership is considered one of the corporate governance monitoring tools. As increased managerial shareholding reduces agency issues and aligns manager-shareholder interests, directors and senior managers who are also shareholders are in a good position to boost business success, which in turn boosts corporate performance (Boshnak, 2023).

Nevertheless, managerial ownership must be limited since managers with high levels of managerial ownership have strong personal interests, which means that they behave not in the firm's best interests but rather their own (Dewayanto et al., 2020). Additionally, Shan et al. (2021) noted that at a larger level of inside ownership, managers may become more entrenched and have more freedom to pursue their own interests, which could result in an increase in agency costs. Furthermore, managerial ownership activates agency conflicts and constitutes a power base that, in turn, weakens firm performance (Abdeljawad et al., 2020; Bazhair & Alshareef, 2022).

As well, it is anticipated that managerial ownership will have a substitutive relationship with the establishment of an audit committee. This is because it may be argued that the more managerial ownership, the less incentive the board will have to compel management to provide high-quality information and employ procedures like the audit committee's creation to ensure efficient decision-making (Abdeljawad et al., 2020).

The formation of an audit committee was found to have a strong and negative correlation with managerial ownership by Abdeljawad et al. in (2020). And according to Shan et al. (2021), audit committee strength, regardless of management style, is adversely correlated with non-audit services fees. In light of the discussion above and the different opinions, the following hypothesis is developed.

H_4: ***Managerial ownership is associated with the audit committee's effectiveness.***

4. Research Design and Methodology

4.1 Sampling and data collection

The study population consists of joint-stock firms listed on the Egyptian Stock Exchange in 2024, which total 226 firm according to the statistical report issued by the Egyptian Stock Exchange. The following criteria were considered when selecting the study sample:

1- Availability of financial statements, reports, board of directors' reports, and audit committee reports for firms during the period from 2020 to 2023.

2- Not to be affiliated with the banking, investment, finance, or insurance sectors, due to their compliance with particular laws and their characteristics that distinguish them from other sectors.

Based on the above, and using random statistical sampling, 56 firms covering 13 sectors in the Egyptian stock market were selected; our sample covers a total of 224 firm-years (56 firms x 4 observations for each firm). This leaves us with 224 firm-year observations across 13 sectors of activity, as shown in Table No. (1), and Appendix No. (1) Includes the names of these firms.

Table No. (1) Sample firms

Sector	Number of firms
Food and beverages	13
Chemicals	9
Healthcare and Pharmaceuticals	6
Industrial goods, Services and Automobiles	6
Construction and Building Materials	5
Real estate	4
Home and personal products	4
Basic resources	3
Travel & Leisure	2
Utilities	1
communications	1
Media	1
Technology	1
Total	56

The data of the financial statements, board of directors' reports, and audit committee's reports of the study firms were manually collected through the Egyptian Stock Exchange website, Mubasher Info website and the firms' websites.

4.2 Study variables

4.2.1 Dependent variable

The dependent variable of the study is audit committee effectiveness. By reviewing previous studies (Al-Musali et al. 2019; Abu and Jaffar, 2020; Simanjuntak and Sinag, 2021; Abu Braik and Al-Thuneibat, 2023; Qaderi et al., 2024), the researcher found agreement on using an index to measure the effectiveness of an audit committee, and this is what the current study relied on in measuring the dependent variable.

Based on the methods of measuring the characteristics of the audit committee in previous studies (Soliman & Ragab, 2014; Hassan et al., 2017; Badawy, 2020; ElHawary, 2021; Al Sharawi, 2022; Galal et al., 2022; Alani & Makhlouf, 2023; Boshnak, 2023; Saleh & Abouelela, 2023; Qaderi et al., 2024;Sulimany, 2024), five variables were used to constitute the audit committee effectiveness index, namely: size, independence, diligence, knowledge of financial and accounting matters, and gender diversity.

4.2.2 Independent variables

The study relied on four independent variables to measure the impact of ownership concentration on audit committee effectiveness. These variables were selected by reviewing previous studies in this field (Akhtaruddin & Haron, 2010; Al Najjar, 2015; Hassan et al., 2017; Al-Musali et al., 2019; Ananda et al., 2022; Bazhair & Alshareef, 2022; Al Lawati and Sanad, 2023; Boshnak, 2023; Qaderi et al., 2024), namely: institutional ownership, managerial ownership, foreign ownership, and family ownership. Table No. (2) Shows the method of measuring these variables.

4.2.3 Control variables

Audit committee effectiveness is affected by factors other than the concentrated ownerships, which were identified within the independent variables. Previous studies have proven the existence of a relationship between the effectiveness of the audit committee and each of the Firm Size, Tobins'Q which gauges a business's potential for future expansion, Return on Equity and Return on Assets (Akhtaruddin & Haron, 2010); Al Najjar, 2015; ElHawary, 2021; Bazhair & Alshareef, 2022; Galal et al., 2022; Alani & Makhlouf, 2023; Boshnak, 2023). Table No. (2) Shows how the control variables are measured.

Table No. (2) Dependent; Independents and Control Variables

Variables	Abbreviation	Measurement
Dependent Variable		
Audit committee effectiveness index	ACEINDEX	Audit committee effectiveness is quantified by the total values of five dummy variables; a higher score indicates greater effectiveness. 1- Audit Committee Size: This dummy variable is assigned a value of "1" if the firm's audit committee size exceeds the median, and "0" otherwise. 2- Audit Committee Independence: This variable is marked "1" if the firm's audit committee independence is above the median, and "0" if not. 3- Audit Committee Members' Expertise: This dummy variable equals "1" if at least one member of the audit committee is a financial expert, and "0" otherwise. 4- Audit Committee Diligence: This variable is "1" if the committee holds at least four meetings annually; otherwise, it is "0". 5- Gender Diversity: This dummy variable takes the value of "1" if there is at least one female member on the committee, and "0" if there are none.
Independent variables		
Family ownership	FAMOWN	The proportion of ordinary shares owned by family members who hold 5% or more of the stock.
Foreign ownership	FOROWN	The proportion of ordinary shares owned by foreign parties who hold 5% or more of the stock.
Institutional ownership	INSOWN	The proportion of ordinary shares owned by institutional investors who hold 5% or more of the stock.
Managerial ownership	MANOWN	The proportion of ordinary shares owned by board of directors who hold

		5% or more of the stock.
Control variables		
Firm size	FSIZE	Is measured as the natural logarithm of the firm's total assets
Tobin's Q	TOQ	Is measured as (the market value of equity +book value of short-term liabilities) to book value of total assets.
Return on assets	ROA	Is measured as net income after taxes divided by total assets.
Return on equity	ROE	Is measured as percentage of the net income after taxes to common equity

4.3 Statistical data processing

The data was processed by collecting and entering it into Excel to perform calculations, and then the extracted data was input into SPSS for Windows to conduct the following statistical analyses:

Descriptive Statistics: Descriptive statistics were used to describe the data, such as mean, standard deviation, highest value, and lowest value.

Empirical statistics: Linear correlation analysis and multiple linear regression analysis were used to construct the study model to establish a relationship between the audit committee effectiveness as a dependent variable and the concentrated ownerships as independent variables, in addition to the control variables. To assess the association between the variables, the study employed a multiple regression model, which provides insight into how changes in one independent variable affect the dependent variable's typical value while holding the other variables constant. The model takes the following form:

$$ACE = \beta_0 + \beta_1\ FAMOWN + \beta_2\ FOROWN + \beta_3\ INSOWN + \beta_4\ MANOWN + \beta_5\ FSIZE + \beta_6\ TobinQ + \beta_7\ ROA + \beta_8\ ROE + \varepsilon$$

Where:

ACE: Audit committee effectiveness;

β_0: Sample axis cut point;

β_1, β_2, β_3, β_4, β_5, β_6, β_7, β_8: Regression model coefficients;

FAMOWN: Family Ownership

FOROWN: Foreign Ownership

INSOWN: Institutional Ownership

MANOWN: Managerial Ownership

FSIZE: Firm Size

TobinQ: Tobin's Q

ROA: Return on Assets

ROE: Return on Equity

ε: the error term

5. Interpretation of statistical analysis results:

5.1 Descriptive statistics results:

5.1.1 ACE components' descriptive statistics

Table No. (3) The ACE components' means

year	Audit committee size	Audit committee independence	Audit committee members' expertise	Audit committee diligence	Gender diversity
2020	3.5758	0.5923	1.3750	5.5588	0.6061
2021	3.7500	0.7042	1.2917	5.5484	0.6563
2022	3.6000	0.7040	1.5000	5.4000	0.6000
2023	4.0312	0.6817	1.2917	6.0313	0.7500

Table No. (3) Shows the mean score for each of the ACE components from 2020 to 2023. The table indicates that from 2020 to 2023, there was a substantial increase in the audit committee size, audit committee meeting frequency, and the percentage of females in the audit committee. This implies that during the course of our four-year study period, three of the AC attributes (audit committee size, audit committee meeting frequency, and gender diversity) have increased in activity. The increase in meeting frequency reflects that it increases the activity of the committee and increases its effectiveness in performing the tasks assigned to it; similarly, the increase in the audit committee size indicates that in light of the many tasks assigned to the audit committee (e.g., overseeing the preparation of financial statements and reports, coordinating with the external auditor, and ensuring the effectiveness of internal control and internal audit), increasing the size of the committee means a better distribution of tasks among the members, which increases its effectiveness. Additionally, the rise in the

percentage of female reflects compliance with Decision 109 of 2021 by the financial supervisory authority, which mandates increased female representation on the boards of directors of firms listed on the Egyptian Stock Exchange.

In order to demonstrate the study variables' distinctive characteristics at the level of the sample firms, these statistics include the mean, standard deviation, minimum value, and maximum value. The findings of the descriptive statistics are shown below:

Table No. (4) Descriptive statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
ACEindex2020	1.00	5.00	2.4545	1.39398
ACEindex2021	1.00	5.00	2.7222	1.01782
ACEindex2022	1.00	5.00	2.7576	1.14647
ACEindex2023	1.00	5.00	2.8438	1.05063
FAMOWN	27.94	75.80	57.1004	12.47546
FOROWN	5.12	96.16	40.1938	27.58987
INSOWN	5.19	80.15	30.2116	21.84746
MANOWN	5.03	95.00	58.1127	20.15986
FSize	7.35	10.74	9.1793	.72573
TobinQ	.45	27.06	2.8530	4.43943
ROA	-.12-	3.34	.4597	.54048
ROE	-.74-	.60	.1326	.22161

Table No. (4) Shows descriptive statistics for the model variables: The dependent variable, ACINDEX, represents the audit committee effectiveness index and has mean values of 2.4545, 2.7222, 2.7576, and 2.8438, respectively, and standard deviations of 1.39398, 1.01782, 1.14647, and 1.05063, respectively, for the four years study period, with a minimum value of 1 and a maximum of 5, respectively. The average audit committee index reported for the four-year period indicated that there is a considerably increase of 15.8% in the audit committee effectiveness. Concerning the independent variables, the mean of family ownership is 57.1004, which means 57.15% of the firms' ownership come from the family members. Family ownership has a maximum value of 75.80 and a minimum value of 27.94, which implies that the highest percentage of family ownership in firms from 2020 to 2023 was 75.8%. The mean of institutional ownership is

30.2116, which means 30.21% of the firms' ownership come from the institutional investors. Institutional ownership has a maximum value of 80.15 and a minimum value of 5.19, which implies that the highest percentage of institutional ownership in firms from 2020 to 2023 was 80.15%. The foreign ownership mean is 40.1938, meaning that foreign investors hold 40.2% of the firms. From 2020 to 2023, the largest proportion of foreign ownership in firms was 96.16%, as indicated by the foreign ownership minimum value of 5.12 and the maximum value of 96.16. The average managerial ownership is 58.1127, meaning that managers hold 58.11% of the business. With a maximum value of 95 and a minimum value of 5.03, managerial ownership suggests that the largest percentage of enterprises owned by managers between 2020 and 2023 was 95%.

5.2 Empirical statistics

5.2.1 Correlation matrix

The correlation matrix represents the relationship between the independent variables using Pearson's linear correlation coefficient. The following table displays the recorded correlation coefficients among the independent variables:

Table No. (5) Correlation Matrix

	FamOwn	InsOwn	ForOwn	ManOwn	TobinQ	Fsize	RAO	ROE
FamOwn	1							
InsOwn	-.108-	1						
ForOwn	-.078-	-.271*	1					
ManOwn	-.143-	.050	.250	1				
TobinQ	-.141-	-.102-	.080	.211	1			
Fsize	.262*	-.008-	.219*	.205	-.288**	1		
ROA	-.196-	-.207*	-.200*	.217*	.278**	-.046-	1	
ROE	-.040-	-.177-	.049	.343**	.036	.062	.095	1

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

The correlation coefficients recorded in Table No. (5) Indicate the absence of strong correlations that may cause the problem of multiple

correlations when constructing the regression model. All coefficients indicate weak relationships, and some observations were recorded that indicate the presence of a significant relationship between some variables approaching the degree of moderate correlation, where the correlation coefficient recorded a positive and significant correlation between family ownership and firm size of 0.262, indicating that an increase in family ownership is associated with an increase in firm size; there is a negative and significant correlation between institutional ownership and foreign ownership with a correlation coefficient of -0.271, meaning that an increase in institutional ownership ratio in the firm is associated with a decrease in foreign ownership ratio; and a positive and significant correlation was recorded between foreign ownership and managerial ownership, managerial ownership and return on equity with correlation coefficients of 0.250 and 0.343, respectively, indicating that the increase in managerial ownership ratio is associated with an increase in the return on equity of the firm; The study also found an inverse and significant relationship between Tobin's Q and firm size with a correlation coefficient of -0.288, and positive and significant correlation between Tobin's Q and return on assets with a correlation coefficient of 0.278. According to Asteriou and Hall (2007) and Musah et al. (2021), however, correlations below 0.8 do not result in a significant multicollinearity problem in regression analysis.

5.2.2 Verifying Multi-Collinearity:

There are several ways to detect the problem of multicollinearity, the most important of which is the Variance Inflation Factor (VIF), where the extent of the multicollinearity problem between the independent variables included in the regression model is evaluated by estimating the VIF value as well as the Tolerance value, where a VIF value of less than 10 and a Tolerance value of greater than 0.1 indicate the absence of a multi-collinearity problem between the independent study variables (Al Hajaya, 2019; Almasri & Ramli, 2024; Sulimany, **2024); Based on the values presented in Table 6, it can be concluded that there is no issue of multicollinearity among the independent variables of the study.**

Table No. (6) Multi-Collinearity test

Variables	VIF	Tolerance
FAMOWN	0.600	1.667
FOROWN	0.355	2.816
INSOWN	0.362	2.760
MANOWN	0.571	1.751
FSize	0.490	2.040
TobinQ	0.355	2.817
ROA	0.246	4.059
ROE	0.443	2.257

5.2.3 Autocorrelation verification

Autocorrelation arises when consecutive observations over time are correlated with one another. This issue occurs because the residuals are not independent from one observation to the next. The Durbin-Watson test is one of the most commonly used tests due to its ease of application (Afify, 2009). Table 7 presents the results of the Durbin-Watson test conducted to detect autocorrelation.

Table No. (7) Autocorrelation

Durbin-Watson test value	Model
2.074	1

Table No. (7) Shows that the value of the Durbin-Watson test reached 2.074, which falls between 1.5 and 2.5. This indicates that there is no severe autocorrelation in the model.

5.2.4 Verifying the Model's Explanatory Power

The value of the coefficient of determination (R^2) determines the explanatory power of the model; this value indicates the proportion of variance in the dependent variable that is explained by the independent variables in the regression model. Table No. (7) Presents the ability of the independent variables to explain the audit committee effectiveness.

Table No. (7) Explanatory power of the model

Model	Multiple Correlation Coefficient	Coefficient of Determination	Adjusted Coefficient of Determination
1	0.796	0.634	0.487

It can be observed from Table (7) that the adjusted coefficient of determination (R^2_adj.) is 0.487, indicating that the model explains 48.7% of the variations occurring in the audit committee effectiveness. The remaining variations are attributed to other variables not included in the current model.

5.2.5 Verifying the significance of the model

The purpose of testing the significance of the model through the F value is to measure whether all the independent variables included in the model together affect the dependent variable. Table No. (8) Shows the result of this test.

Table No. (8) The significance of the overall model

Model	F-value	P-value Significance
1	4.326	0.004

Based on the outputs presented in Table (8), it can be concluded that the model is significant, indicating that all the independent variables within the model collectively influence the audit committee's effectiveness. The F-value is 4.326, with a significance level of 0.004.

5.2.6 Verifying the significance of the independent variable

Verifying the significance of independent variables through the T-test value aims to measure the extent of the impact of each individual independent variable in explaining the changes that occur in the dependent variable represented by the audit committee effectiveness, and the outputs included in Table No. (9) Show the result of this test.

Table No. (9) Regression model coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T-value	P- value
		B	Std. Error	Beta		
1	(Constant)	-.598-	2.338		-.256-	.801
	FAMOWN	.014	.008	.308	1.734	.098
	FOROWN	.012	.008	.327	1.438	.166
	INSOWN	.098	.027	.826	3.673	.002
	MANOWN	-.036-	.009	-.713-	-3.979-	.001
	FSize	.471	.261	.349	1.806	.086
	TobinQ	.001	.000	.558	2.458	.023
	ROA	.097	.493	.054	.197	.846
	ROE	-1.205-	.913	-.268-	-1.319-	.202
a. Dependent Variable: ACEindex						

Table No. (9) Shows the following:

- **The family ownership beta coefficient is 0.014, and the p-value is 0.098 ($p > 0.05$), indicating that it is not statistically significant. As a result, family ownership has insignificant impact on the audit committee's effectiveness. Therefore, H_1 is not supported. The study's finding indicates that family ownership has a positive but not significant impact on audit committee effectiveness. This research reveals that family ownership mitigates agency issues, and the desire to protect the family name is a key characteristic of family members in family-owned businesses. And the sustained presence of family members in the firm's board provides strong incentives for family directors to monitor firm performance, maximize profitability, and effectively implement governance mechanisms to ensure future growth. It reinforces a prior result that firms with higher levels of family ownership had more effective audit committees (Al Musali et al., 2019; Ananda et al., 2022). However, Waked & Aljaaidi (2021) assert that it is negatively associated with audit committee activity. Similar to this, family ownership negatively moderates the favorable**

impact of audit committee effectiveness on the quality of integrated reports driven by board inefficiency (Qarderi et al., 2024).

- The beta coefficient for foreign ownership is 0.012, and the p-value is 0.166. Not statistically significant, as indicated by the values of ($p > 0.05$). Therefore, foreign ownership has a positive but insignificant effect on the effectiveness of the audit committee. Consequently, H_2 is not supported. It differs from Ananda et al. (2022), who confirm that foreign ownership has a negative and significant impact on audit quality since the geographical distance is too far, resulting in the absence of the supervisory role in foreign ownership. The research finding is in line with Abu Braik and Al-Thuneibat's (2023) research, which shows that foreign ownership is positively related but has no significant impact on audit committee effectiveness, justifying that by non-financial enterprises in Jordan having lower levels of foreign ownership.

- The value of the beta coefficient of institutional ownership is 0.098, with a p-value of 0.002 ($p < 0.05$), which means that the beta coefficient of institutional ownership is significant. Therefore, H_3 is supported. Institutional ownership has a significant impact on audit committee effectiveness. The findings of this research show that institutional ownership contributes significantly to the audit committee effectiveness of the firms. This result is due to the fact that institutional ownership plays a more effective role in overseeing all the firm's activities and has sufficient expertise and skills that increase the quality of control, governance, and financial reporting. This finding differs from those of Hassan et al. (2017), who found a negative and significant correlation between institutional ownership and audit committee effectiveness. And Abu Braik and Al-Thuneibat (2023) showed that institutional ownership is negatively and insignificantly affecting the audit committee's effectiveness. Likewise, Al Lawati and Sanad (2023) discover that audit quality is adversely impacted by institutional ownership. Nonetheless, these results are consistent with Al-Musali et al. (2019), Ananda et al. (2022).

- The beta coefficient of managerial ownership is -0.036, with p-value = 0.001 ($p < 0.05$). The direction is negative, which means the beta coefficient of managerial ownership is significantly negative. Therefore, H_4 is supported. This result concludes that managerial ownership has a significant negative effect on the audit committee's effectiveness. This research shows that managerial ownership

typically exploits their high-level influence on the firms they manage through board involvement to extract private advantage; Consequently, there is minimal incentive for them to create a robust audit committee, as they do not prioritize effective corporate governance to retain control and access to private advantages. This is consistent with Abu Braik and Al-Thuneibat's (2023) findings, which reveal a negative and significant influence of managerial ownership on audit committee effectiveness. Also, Ananda et al. (2022) demonstrate that managerial ownership has a significantly negative effect on audit quality.

- Regarding the control variables, the P-value corresponding to firm size, return on assets, and return on equity recorded values greater than 0.05 with 0.086, 0.846, and 0.202, respectively, which means that there is no statistically significant relationship between the firm size, return on equity, return on assets, and the audit committee effectiveness. While the corresponding P-value for the Tobin's Q variable is 0.023, which means that there is a statistically significant relationship between audit committee effectiveness and the firm's future growth prospects. The positive sign of the regression coefficient means that an increase in the firm's future growth prospects leads to an increase in the audit committee's effectiveness, and vice versa, in firms listed on the Egyptian Stock Exchange.

6. Results, Recommendations, Study Limitations, and Future Proposed Topics

6.1 Results

This study examined the impact of ownership concentration on audit committee effectiveness, applying it to non-financial firms listed on the Egyptian stock market. The sample consisted of 56 firms, whose financial reports and board of directors' reports were obtained during the period from 2020 to 2023. The following conclusions were drawn from the study:

- Family ownership has a positive and insignificant impact on the audit committee's effectiveness; this can be explained through that Family members often prioritize long-term stability and legacy over short-term financial gains, which can lead to a distinct approach to governance.
- Foreign ownership has a positive and insignificant impact on the audit committee's effectiveness; this finding indicates that foreign investors have more experience and qualifications than local

investors. Therefore, they place great importance on corporate governance mechanisms.

- Institutional ownership is positively and significantly contributing to the audit committee's effectiveness. Which can be explained according to the agency literature, institutional investors may influence a firm's internal governance structure because of their managerial and financial skills; they typically establish careful investing strategies and regularly monitor to ensure that their plans are carried out (Sulimany, 2024). Furthermore, Al-Musali et al. (2019) noted that institutional investors have incentives to monitor management by activating the audit committee and supporting it with their resources and skills. The agency hypothesis stated that institutional investors can complement audit committee supervision tasks, especially in countries with inadequate corporate control markets (Sulimany, 2024).

- Managerial ownership negatively and significantly impacts the audit committee's effectiveness. This can be outlined through the fact that managers may resist controlling mechanisms that limit their power and operate as a barrier to any management activity that aims to maximize their benefit on behalf of shareholders (Abu Braik and Al-Thuneibat, 2023). According to managerial hegemony theory, the audit committee will be ineffective and heavily influenced by management. The board plays a merely symbolic role and consistently backs management, which holds complete power over the audit committee, resulting in minimal oversight (Beasley et al., 2009). In addition, Abdeljawad et al. (2020) and Abu Braik and Al-Thuneibat (2023) argued that higher managerial ownership enhances managerial power, which can undermine the effectiveness of audit committees. As a result, managerial ownership acts as an alternative mechanism to the audit committee, incentivizing the formation of committees that do not seek to restrict managerial decision-making authority.

- For the model's control variables, the positive relationship between Tobin's Q and audit committee effectiveness is shown to be statistically significant, although firm size and return on assets are both found to be positively insignificant. However, unlike earlier findings, return on equity has an insignificant negative relationship with audit committee effectiveness.

6.2 Recommendations

The study has a number of practical implications in addition to its theoretical ones. First, regulatory bodies and policymakers may find the research findings valuable; they should create regulations that could encourage firm to accept more institutional ownership in order to improve the firm's performance and fortify corporate governance in general and the audit committee in particular, in order to keep audit committees from taking on the role of just establishing legitimacy. Specifically, the efficacy of the audit committee evaluates the efficacy of the rules that regulate audit committee matters. However, managerial ownership diminishes the efficacy of audit committees; policymakers and regulators should not support managerial ownership in businesses. Additionally, increasing firms' understanding of the significance of improving audit committee effectiveness. Second, firms should strengthen their internal governance mechanisms by taking specific actions, like increasing the number of audit committee members who must be independent and have financial and accounting competence, as well as increasing the proportion of women on the audit committee, as audit committee effectiveness is crucial to bolstering corporate governance practices. Lastly, research findings help develop investors' decision-making skills. Furthermore, to improve portfolio performance, investors should consider investing in firms with a high degree of institutional ownership.

6.3 Study Limitations

The study examined the effect of ownership concentration on audit committee effectiveness in non-financial firms listed on the Egyptian Stock Exchange, utilizing data from published financial, board, and audit committee reports. However, it has several limitations: it did not address the banking sector or financial firms, nor did it consider whether the chairman of the audit committee also holds the position of chairman of the board of directors. Additionally, the effects of board independence and size were not accounted for, and the influences of other ownership structures on audit committee effectiveness were excluded from the effectiveness indicator. These limitations arise from the researcher’s intent to focus the investigation on specific variables, making it challenging to handle all relevant factors in a single study.

6.4 Future Proposed Topics

The remaining variables not addressed in this study present opportunities for future research. Researchers can explore the impact

of ownership structures in the banking sector and financial firms on audit committee effectiveness, as well as the implications of having the same individual serve as both the chairman of the audit committee and the board of directors. Additionally, examining the relationship between board independence, size, and audit committee effectiveness would be valuable. A comprehensive analysis of various ownership structures and their effects on corporate governance could also provide deeper insights into the dynamics of audit committee performance.

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Appendix No. (1)

Firm Name	EGX Code
General Company for Ceramic and Porcelain Products	PRCL
Minapharm Pharmaceuticals	MIPH
Industrial Engineering Company for Construction and Development	ENGC
Egyptian Media Production City Co SAE	MPRC
Asec Company for Mining	ASCM
Telecom Egypt	ETEL
Ismailia Misr Poultry	ISMA
Sharkia National Food	SNFC
Al Ezz Dekheila Steel - Alexandria	IRAX
10- Middle East Glass Manufacturing Co SAE	MEGM
Glaxo SmithKline	BIOC
Abu Qir Fertilizers	ABUK
Obour Land for Food Industries	OLF

Egyptian Chemical Industries	EGCH
Egyptian Financial and Industrial SAE	EFIC
Kafr El Zayat Pesticides	KZPC
Orascom Development Egypt	ORHD
Al-Shams Company for Housing and Urban Development	ELSH
Nasr Company for Civil Works	NCCW
Cleopatra Hospital Co	CLHO
Arabian Food Industries Co	DOMT
Elsewedy Electric Co SAE	SWDY
Edita Food Industries SAE	EFID
The Arab Dairy Products Co. Arab Dairy - Panda	ADPC
The Arab Ceramic Co.-Ceramica Remas	CERA
Eastern Co SAE	EAST
Misr Fertilizers Production Co SAE	MFPC
Misr Chemical Industries	MICH
Six of October Development and Investment	OCDI
Oriental Weavers Carpet	ORWE
Egyptian International Pharmaceutical Industries	PHAR
Tenth Of Ramadan Pharmaceutical Industries&Diagnostic	RMDA
Delta Sugar	SUGR
Alexandria Container and Cargo Handling Co	ALCN
Arab Polvara Spinning and Weaving	APSW
Arab Valves Co SAE	ARVA
Cairo Oils and Soap	COSG
Egypt for Poultry	EPCO
Samad Misr- EGYFERT	SMFR
Acrow Misr for Scaffolding and Formwork	ACRO
Alexandria Flour Mills	AFMC
East Delta Flour Mills	EDFM
South Valley Cement Co SAE	SVCE
United Arab Stevedoring	UASG
Arab Aluminum	ALUM
International Company for Medical Industries	ICMI
Electro Cable Co SAE - Egypt	ELEC
Ferchem Misr for Fertilizers and Chemicals	FERC
El Dawlia Fertilizers and Chemicals	ICFC
New Ismailia Urban Development	IDRE
Ismailia National Food Industries	INFI
Egypt Gas	EGAS
Northern Upper Egypt Development and Agricultural Production	NEDA
United for Housing& Development	UNIT
Egyptian Resorts Co SAE	EGTS
El Kahera Housing	ELKA