

UNIVERSITI TEKNOLOGI MARA

**A STUDY ON THE RELATIONSHIP
BETWEEN AUDIT COMMITTEE
CHARACTERISTICS AND RISK
MANAGEMENT DISCLOSURE IN
MALAYSIAN CONSUMER
INDUSTRY**

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ABSTRACT

Failure in risk management faced by giant corporations has captured the headlines for many years, not only in financial industry but in other industries as well such as Enron, WorldCom, Siemens and others. Commonly, these failures occurred when the boards are not fully concentrating on the risks faced by the company. The aim of this study is to investigate the relationship between audit committee characteristics and risk management disclosure in Malaysian consumer industry. Since the nature of consumer industry is associated with many risk such as fraud, security, competition and others, this industry has been chosen to measure their risk management disclosure. This research is based on secondary data obtained from 2016 annual report of 127 of Public Listed Companies (PLCs) in the consumer industry. In this study, the audit committee characteristics such as audit committee independence, audit committee size, the frequency of meeting, audit committee expertise and audit committee tenure have been tested. The results of the study suggest that audit committee size have a positive significant relationship with risk management disclosure whereas other audit committee characteristics were found not to have any influence towards risk management disclosure. This study serves to assist the stakeholders in putting greater emphasis on audit committee in determining risk management disclosure of companies in the consumer industry.

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CHAPTER ONE

INTRODUCTION

1.1 PREAMBLE

This chapter describes the outline of the study. The background of this study is explained together with the problem statement, research questions and objectives, scope of the study, significance of the study and the definition of terms that are used in the remaining chapters.

1.2 BACKGROUND OF THE STUDY

Previously, it has been noted that many organizations around the world have been tied to corporate failures and scandals. In the U.S. for example, financial crisis and unanticipated failure of many corporations and banks have led to the adverse outcome such as the decline of economic activity, loss of public confidence especially valuable investor and unstable financial system (Ng, Chong & Ismail, 2012). Malaysian corporations also face the same issues and battling to fight such adverse outcomes. Thus, in responding to this problem, investors have become more interested and concentrated on the risk and uncertainty of the company (Subramaniam, McManus & Zhang, 2008). In addition, nowadays in a competitive environment and globalization era, there are many challenges that drive the changes in the market and as a result, the companies need to undertake even more risks. For the above reasons, it has become critically important to cultivate a continuous risk monitoring and assessment for corporate accountability (Brown, Foreman & Steen, 2009).

According to regulations and good corporate governance principles, there are three committees that should or encouraged to be established by the company which is audit committee, nomination committee and remuneration committee. As far as the risk is concerned, risk management has become more significant to the committees especially for audit and risk management committees which most consider the risk management as their first priority. Hence, this study will focus on the audit committee