UNIVERSITI TEKNOLOGI MARA

THE RELATIONSHIP BETWEEN THE CHIEF RISK OFFICER AND THE LEVEL OF IMPLEMENTATION OF ENTERPRISE RISK MANAGEMENT WITH MODERATING EFFECT OF INTERNAL AUDIT AMONG MALAYSIAN PUBLIC LISTED COMPANIES

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ABSTRACT

Enterprise Risk Management has been receiving lots of attention from the company as well as various groups of potential stakeholders recently. Most of the Public Listed Companies in Malaysia had acknowledged the importance of Enterprise Risk Management in creating values to the company. This is because Enterprise Risk Management had provided framework which can be adopted by the company in analyzing and mitigating the potential risks that they might encounter in the future. The company was said to adopt Enterprise Risk Management framework within their company when they made an announcement on the appointment of Chief Risk Officer publicly. By having a Chief Risk Officer in the company, the company would be able to have guidance required on the implementation of the Enterprise Risk Management framework that suits the organizational structure of the company. The objective of this study is to seek the effects of Chief Risk Officer in enhancing the level of Enterprise Risk Management implemented among the Malaysian Public Listed Companies with the moderating effect of internal audit. In this study, 150 out of 175 respondents had participated in answering the questionnaires that had been distributed to the risk management department in the Public Listed Companies in Malaysia. Based on the findings, it could be concluded that there is a significant relationship between Chief Risk Officer and the level of level of Enterprise Risk Management implemented among the Malaysian Public Listed Companies with the moderating effect of internal audit.

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CHAPTER 1
INTRODUCTION

1.1 PREAMBLE

This chapter provides the outline of the study. The background of this study will be illustrated together with the problem statement, research objectives and question, scope of the study, significance of the study and the definition of terms that will be used in the remaining chapters.

1.2 BACKGROUND OF THE STUDY

Corporate governance has become one of the key policy issues confronting many Southeast Asian countries, including Malaysia ever since the Southeast Asian financial crisis in 1997 until 1998. Previous study conducted in 1998 by the Asian Development Bank (ADB) had highlighted on several factors led Malaysia and other Southeast Asian countries to face severe problems with their economies and corporate sectors during financial crisis that includes ineffective board of directors, weak internal controls, poor audits and lack of inadequate disclosure in corporate governance in many Southeast Asian countries. It shows that the standards of corporate governance in the Southeast Asian countries were poor. Not only those, the businesses conducted were also not being governed by sound legal systems in which it did not really follow the rules and regulations sets by the government and authorities as well as have poor investor protection that tends to have more personal connections and relationships. The investors' decisions are not solely independent as their decisions will be influenced by personal interests and relationship that they have towards the company. For example, one of the investors decides to invest with the company as one of the directors of the company is his family members. If the respective director does not disclose on the relationship that he has with the investor, he could be violating his duty for non-disclosure of information as governed in the Acts that requires any directors or officers to disclose on the relationship that he has with the investor as it may incur conflict of interest on the parts of the director in performing his duty as an officer of the company.