

Effect of Audit Committee Attributes on the Disclosure of Related Party Transactions

Zaharaddeen Salisu Maigoshi

Department of Accounting, Bayero University, Kano
zsmagoshi.acc@buk.edu.ng

Abstract

The objective of the study is to investigate the relationship between audit committee attributes and related party transaction (RPT) disclosures. Sample firms are collected from all companies listed on Bursa Malaysia with sufficient related party transactions from 2009-2015. The findings reveal that audit committee size and audit committee expertise have a positive and significant relationship with RPT disclosure. These indicate that by having large audit committee and large number of financial expert on audit committee can significantly improve companies RPT disclosure. However, having board chairman in the audit committee weakens its disclosure monitoring role. It is recommended that security commission should restrain the firms from appointing the board chairman as a member of the audit committee.

Keywords: Audit committee, Disclosure, Related party transaction.

Introduction

Corporate monitoring, financial transparency and reporting quality have been among the major concerns of policymakers in many nations across the globe (Sierra García, Ruiz Barbadillo, & Orta Pérez, 2012). The collapse of giant corporations like WorldCom and Enron in the United State, Nortel in Canada, Equitable Life Assurance Society in the United Kingdom, Parmalat in Europe, China Aviation Oil in Singapore and alike have pushed political and business leaders to put much interest in regaining and sustaining public trust in capital market (Bauwhede & Willekens, 2008). Since the collapse of

these giant corporations, many studies were conducted to find the tool and incentives behind the earnings management practices by the firm and provide possible solution accordingly (Xiao 2015). Abusive related party transactions are identified as the key issues that led to the collapse of many multinational corporations such as Adelphia, Enron and Tyco (Munir, Saleh, Jaffar, & Yatim, 2013). Organization for Economic Co-operation and Development (OECD, 2009) claims that the biggest corporate governance challenge facing Asian business landscape is the abusive RPTs which can take the form one- off

material expropriations of wealth or the slow expropriation of wealth through continuous operational transactions. Abusive RPTs is defined as a situation where a party in control of a company enters into a transaction to the detriment of non-controlling shareholders (OECD, 2009).

The extant of literature provides many instances in which controlling shareholders expropriate corporate resources in various forms at the detriment of minority shareholders in RPTs (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008; Jameson, Prevost, & Puthenpurackal, 2014; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). These necessitate the need for of RPTs regulation. The regulations will protect minority shareholders from the devious transactions that may lead to the expropriation of the firm and also let the firm enjoys the benefits attributable to the transactions. Hence, disclosure regulation through accounting standards can be used to contain these unwanted activities.

The effect on corporate governance mechanisms on the firm's disclosure behavior has received the enormous attention of the researchers. This is due to the importance of information transparency to the activities of the capital market. Capital market requires relevant, reliable and timely information to assess the profitability, agency issues and financial health of the firm. The management uses the

financial statement to communicate the result of the operations, financial status and other important information to the stakeholders. However, the extent and the quality of the reported information depends on the quality of the governance mechanisms (Grigoris, 2014; Wang, O, & Claiborne, 2008).

Norwani, Mohamad and Chek (2011) document many practical corporate scandals in Malaysia with a direct link with corporate governance failure. Abdul Wahab et al. (2011) and Black, Kim, Jang and Park (2015) document that RPTs are detrimental to firm performance. They also find that good corporate governance mitigates the negative effect of RPTs on the performance. Previous studies investigate the effect of corporate governance mechanisms on RPTs (Almeida, Park, Subrahmanyam, & Wolfenzon, 2011; Cai, Hillier, Tian, & Wu, 2015; Chen, Wang, & Lin, 2014; Kang, Lee, Lee, & Park, 2014). Many of these studies relate prejudicial RPTs with corporate governance failure. Pizzo (2011) argues that RPTs cannot be analyzed independently from corporate governance mechanisms because most RPTs have to be approved by the board of directors (Kohlbeck & Mayhew, 2010).

Based on the above, both internal and external corporate governance mechanisms such as board composition, audit committee attributes, chief executive officer (CEO) attributes, ownership structure

can be seen to have explaining power in determining the level of compliance with mandatory disclosure requirements on RPTs in financial reports. In view of the above, this study using the data collected from all companies listed on Bursa Malaysia with sufficient related party transactions from 2009-2015 investigates the relationship between audit committee and RPT disclosure. It is argued that audit committee members are required to exhibit a high degree of oversight function on accounting and disclosure issues.

Literature Review

Related Party Transactions Regulations

It is established that RPTs disclosure can be used to curtail the menace of abusive RPTs. In view of this, International financial reporting standard (IFRS) 24 has made specific disclosure requirements on RPTs with a view to mitigating the abusive RPTs and furnish the users of the financial statement with relevant information for decision making. RPTs have now turned out to be subject to vigorous scrutiny by many regulators (Gallery, Gallery, & Supranowicz, 2008). The aim is to avoid the possibility of siphoning firms' assets by insiders at the detriment of outsiders. In view of this, detail disclosure of RPTs can be said to be crucial for users of the financial report to understand, analyze the implications of those transactions on the firm and make appropriate economic decisions therefrom

(Kohlbeck & Mayhew, 2010). National accounting standard boards and other relevant regulatory bodies are responsible for enforcing compliance with this standard.

Similarly, many corporate governance codes require the audit committee to ensure full compliance with the relevant disclosure requirements. The audit committee should among others scrutinize all RPTs and endorse only those that are beneficial to the firm. Based on agency and resource dependency theories, audit committee plays important role in explaining firms' disclosure practice. audit committee has a fiduciary duty of monitoring compliance with all related financial requirements (Al-Akra, Eddie, & Ali, 2010; Brochet & Srinivasan, 2014). Generally, the presence of audit committee is found to increase the firm disclosure behavior and mitigates agency costs (Al-Najjar & Abed, 2014; Cai, Hillier, Tian, & Wu, 2015; Cheung, Qi, et al., 2009; Gao & Kling, 2012; Ho & Shun Wong, 2001).

Based on agency theory, the existence of audit committee improves the firm disclosure behavior. Several studies establish that audit committee mitigates agency problems and improves the firm disclosure (Cai et al., 2015; Gao & Kling, 2012). However, the effectiveness of the audit committee in monitoring the firm disclosure depends on the size, independence, expertise, meeting and

composition (Black & Kim, 2012; Li et al., 2012). Based resource dependency theories, audit committee members use their diverse knowledge and experience to monitor and advise management. This provides that audit committee members with financial expertise will assist the committee to work effectively (Dhaliwal, Naiker, & Navissi, 2010). Lack of requisite expertise by audit committee members may trigger fraudulent reporting (Abbott et al., 2004), reduces investors ability in making wise economic decisions and consequently increases agency costs (Dhaliwal et al., 2010).

Audit Committee Size

Based on agency theory, many regulators and stock exchanges stipulate that the audit committee should constitute at least three members. This implies that regulators consider audit committee size as an integral part of governance mechanisms (Aldamen, Duncan, Kelly, McNamara, & Nagel, 2012; Campbell, Hansen, Simon, & Smith, 2011; MCCG, 2000) and can be used to minimize the agency problem (Cornett, McNutt, & Tehranian, 2009). Be'dard et al. (2004) suggest that the committee should be large enough to conduct its monitoring responsibility effectively. Large size will enable the committee to generate substantial discussion on relevant issues, engage management and appraise internal control system (Goh, 2009). Pucheta-Martínez and De Fuentes (2007)

postulate that size of the audit committee affects its effectiveness in improving the financial reporting quality. However, the authors emphasize that the committee should not be oversized as it may lead to coordination and process problems. Correspondingly, Cornett, McNutt and Tehranian (2009) document that the audit committee size relates to its monitoring role. Similarly, Li et al. (2012) believe that as the membership of the committee increases, each member will feel comforted and be free to express his independent mind. In contrast, Aldamen, Duncan, Kelly, McNamara and Nagel (2012) find that small audit committee size is more effective and positively associated with firm performance. Bédard and Gendron (2010) in their review paper conclude that existing literature has not frequently established a positive link between size and audit committee and the effectiveness of its monitoring role. In view of these, this study hypothesized that:

H₁ There is a significant positive relationship between audit committee size and RPT disclosure.

Audit Committee Expertize

Based on resource dependency theories, audit committee members use their diverse knowledge and experience to monitor the management's financial reporting process. Members of audit committee are required to exhibit a high degree of oversight function on accounting and

disclosure issues. These functions cannot be handled effectively without requisite financial knowledge. Most corporate governance studies defined professional accountants and auditors, bankers, investment advisors, accounting academics, and chief financial officers as financial experts (Bédard & Gendron, 2010). Defond, Hann and Hu (2005) document positive reaction of the capital market after the appointment of a financial expert in audit committee. Financial experts in audit committee help in explaining and interpreting the implications of auditor reports to the committee members in particular and the board in general (Carcello & Neal, 2003). Firms with less financial experts in its audit committee have a large tendency of having a weak system of internal control (Zhang, Zhou, & Zhou, 2007). Similarly, Goh (2009) reveals that audit committee financial expert can easily identify internal control material weaknesses and force management to rectify it within the shortest possible time. Similarly, Davidson III et al. (2004) documents a negative relationship between high proportion of financial expert in audit committee and transfer price manipulation. Consistent with this, Abbott et al. (2004) provide evidence for the negative relationship between audit committee financial expertise and occurrence of restatement. In view of these, this study hypothesized that:

H₂ There is a significant positive relationship between audit committee financial expertise and RPT disclosure.

Frequency of Audit Committee Meeting

The frequency of meeting of the board or its committee is in most cases regarded as synonymous with the effectiveness. Kamardin, Abdul Latif, Taufil Mohd and Che Adam (2015) state that the role of board becomes more important during the crises period, hence, the need for more meetings to address the issues. Coining from this, audit committee that meets regularly are expected to be more effective and vigilant in financial reporting oversight and improve the firm disclosure practice. Consistently, Karamanou and Vafeas (2005) find that audit committee members that meet frequently have more time to discuss and monitor the financial reporting process of the firm effectively. High audit committee monitoring role measured by the frequency of the committee's meeting is associated with the low level of earnings management (Xie, Davidson III, & DaDalt, 2003). Abbott, Parker and Peters (2004) document that high frequency of meeting of audit committee improves the financial reporting transparency and enhances the quality of reported earnings and influences the firm's disclosure behavior and quality of the reported earnings (Zhang et al., 2007). Similarly, Li, Mangena and Pike (2012) document that audit committee

meeting is associated with the higher intellectual capital disclosure. However, (V. Sharma, Naiker, & Lee, 2009) find that audit committee meets frequently when the tendency of financial is higher. In view of these, this study hypothesized that:

H₃ There is a significant positive relationship between the frequency of audit committee meeting and RPT disclosure.

Methodology

The data for this study were generated from the list of firms quoted on Bursa Malaysia for both Main and ACE market from 2009 to 2015. Based on the information gathered from the Thompson Reuters DataStream, there are 996 firms during the period under review. Firms from banks and other financial service, closed-end, REIT and SPAC firms were excluded from the study. Table 1 presents the detailed procedure adopted in arriving at the final sample for the study.

Table 1: Sample selection procedure

Details	No.	Observations
Total firm-year observation.	996	6972
Banks, other financial service, closed-end, REIT and SPAC.	141	(987)
Non-highly regulated firm years.	855	5985
Dead, delisted and non-equity firms.	39	273
Firm years with continuing operations	816	5712
Firms without intention or actual RPT	461	3227
Firms-years with actual RPT	335	1094
Firms-year with less 20% or multiple RPT	170	649
Firms-years available for the study	185	665
Firms without complete data	6	21
Final firm- year observations	179	644

Variables and Measurement

There is no consensus about the process that must be followed to establish disclosure quality indices or model (Beretta & Bozzolan, 2008; Botosan, 2004; Urquiza, Abad Navarro, & Trombetta, 2009). The issue of narrative or non-quantitative information that has gained more

prominence in recent times has compounded the long-standing disagreement as to whether the quantity of disclosed information represents the quality of disclosure. In most of the disclosure studies, measures of the disclosure are classified into two broad categories:

namely subjective analysts' rating and semi-objective studies (Beattie et al., 2004; Beretta & Bozzolan, 2008; Urquiza et al., 2009).

Under disclosure index studies, researchers construct disclosure indices with the assumption that a certain amount of disclosure stands as a proxy for disclosure quality. Disclosure index studies are categorized into un-weighted and weighted disclosure indices. In most of the unweighted index studies, disclosures are scored using dummy variable in which one represents the disclosure of an item while zero for otherwise. Therefore, it measures only the quantity of disclosure (Beretta & Bozzolan, 2008; Yeoh, 2005).

Although un-weighted index studies have gained widespread acceptance in disclosure studies (see Tsalavoutas, 2011), the approach is criticized by many researchers. The approach may contain some items of disclosure that are not applicable to some companies. Additionally, the assumption that more disclosure represents more quality may not stand (Yeoh, 2005) and variation in the requirements of standards can make one standard to dominate other (Tsalavoutas, 2011). The extent (level) of compliance with the disclosure requirements of the accounting standard on RPTs was measured using weighted disclosure index. The selection of weighted disclosure index is merited to overcome the drawbacks associated with un-weighted disclosure

index (see for example Beretta & Bozzolan, 2008; Tsalavoutas, 2011; Yeoh, 2005). The disclosure index used by Cheung et al. (2010) was adopted and modified for this study. Under this approach, 0, 1, 2 and 3 points were given to the absent, partial, full and excellent level of compliance respectively. Absent compliance indicates none compliance while partial compliance represents incomplete compliance with the disclosure requirements of the accounting standard on RPTs.

$$CS_{it} = \frac{\sum_{i=1}^{n_{jt}} Xi_{it}}{n_{it}} \dots\dots\dots 1$$

Where:

CS_J = total compliance score for each company.

Σ = Summation or addition

N_{jt} = Number of expected variables to be complied

X_i = Actual number of variables complied by sampled firms

n_{it} = Maximum number of variables expected to be comply by sample firms

Multiple regression was run to test the effect of audit committee attributes on RPTs disclosure. The following model was developed and used in this study.

$$Dscore_{it} = \beta_0 + \beta_1 ACS_{it} + \beta_2 ACExp_{it} + \beta_3 ACMeet_{it} + \beta_4 MTB_{it} + \beta_5 Size_{it} + \varepsilon$$

Where:

$Dscore_{it}$ = Points scored by a firm divided by the maximum obtainable points.

$ACSize_{it}$ = Audit committee size

$ACExp_{it}$ = audit committee Financial expertise

ACMeet_{it} = Frequency of audit committee meeting
 MTB_{it} = Market-to-book value
 Size_{it} = Natural logarithms of total assets.

Results and Discussion

Descriptive Analyses

Table 2 presents the summary statistics of the research variables. The mean, minimum and maximum score for the dependent variable was 70%, 44% and 94% respectively. This implies that firms listed on Bursa Malaysia on average complied with the 70% disclosure requirements on RPTs.

Table 2. Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Dscore	644	0.70469	0.08936	0.44118	0.94118
ACSize	644	3	0.62038	2	6
ACExp	644	0.8243	0.24261	0.25	1.0000
ACMeet	644	5	1.35155	1	13
MTB	644	1.56082	2.61632	-2.468	24.024
Size	644	13.2478	1.52498	9.317	17.673

Dscore_{it} = Points scored by a firm divided by the maximum obtainable points;
ACSize_{it} = Audit committee size; **ACExp_{it}** = audit committee Financial expertise;
ACMeet_{it} = Frequency of audit committee meeting; **MTB_{it}** = Market-to-book value;
Size_{it} = Natural logarithms of total assets.

The weakest level of compliance during the period under review was 44%, indicating weak compliance. Since accounting standard are made to be complied with in totality, weak compliance should be sanctioned by relevant authorities. The highest level of compliance was 94%, indicating that some firms record substantial level of compliance with the RPT disclosure requirements. The mean, minimum and maximum number for the AC size was 3, 2 and 6 respectively. The minimum size of two (2) members of the audit committee size indicates that some firms fail to comply with the requirement of MCCG (2007) that the

committee should constitute a minimum of the three (3) members. The mean, minimum and maximum score for the AC expertise was 82%, 25% and 100% respectively. This indicates that audit committees are dominated by financial expert. The maximum number audit committee meeting is 13 with the average meeting of 5 times per year. The minimum of 1 meeting indicates that some firms fail to comply with the tradition of at least one meeting in every quarter.

Correlation Results

The Pearson correlation results among the research variables were presented in table 3 below.

Table 3. Pearson Correlation Matrix

	Dscore	ACSize	ACExp	ACMeet
Dscore	1.0000			
ACSize	0.1832***	1.0000		
ACExp	0.1351***	-0.2117***	1.0000	
ACMeet	0.1127***	0.0100	0.1888***	1.0000

Variables as defined above. *, **, * indicate that the parameter estimates are statistical significance at the 1%, 5% and 10% levels respectively.**

The correlation matrix reveals the absence of severe multicollinearity among the variables as none of the coefficients was greater than 0.80. The dependent variable (Dscore) has a significant positive relationship with the ACSize, ACExp and ACMeet at 1% statistical level of significance. This signifies a strong positive associations between RPT disclosure and audit committee variables. The correlation between audit committee

size and Audit committee financial expertise was negative, weak and statistically significant at 1%. However, the association between audit committee size and audit committee meeting was positively weak.

Regression Analysis

Table 4 presents the results of the regression of the research model.

Table 4. Model Parameters

Dscore	B	Std. Error.	t	Sig.	
(Constant)	0.392	0.039	10.06	0.00***	Constant
ACSize	0.018	0.006	2.85	0.00***	Supported
ACExp	0.060	0.018	3.3	0.00***	Supported
ACMeet	-0.005	0.003	-1.56	0.12	Not Supported
MTB	0.000	0.001	-0.04	0.97	Control
Size	0.018	0.002	8.13	0.00***	Control
$R^2 = 0.209$		Adjusted $R^2 = 0.1926$		F value = 12.80	
				Sig $F = 0.000$	

Variables as defined above. *, **, * indicate that the parameter estimates are statistical significance at the 1%, 5% and 10% levels respectively.**

The coefficient of audit committee Size is positive (0.018) and statistically significant at 1%. This implies that audit committee size has a positive relationship with the RPT disclosure. This supports the posited hypothesis

that audit committee size has significant positive relationship with RPT disclosure. This result is in line with the resource dependency theory which believes that the more the members on the board, better the

quality of decisions of the board. This is because, each member will bring his intellectual contribution towards the betterment of the firm. The results is consistent with the results reported by Goh (2009) and Pucheta-Martínez and De Fuentes (2007). The results on the regression analyses on the relationship between audit committee financial expertise and firms' RPT disclosure is positive (0.060) and statistically significant at 1%. This signifies that audit committee financial expertise improves firms RPT disclosure level. This supports the posited hypothesis that audit committee financial expertise has significant positive relationship with RPT disclosure. The result is in line with the resource dependency theory which believes that audit committee members use their diverse knowledge and experience to monitor the management's financial reporting process. However, the results on the relationship between audit committee meeting and RPT disclosure was negative (-0.005) and statistically insignificant. This contradicts the posited hypothesis that audit committee meeting has significant positive relationship with RPT disclosure. The possible explanation to the above finding may be related to the fact that some members of the committee are discussing some issues during their social interaction.

Conclusion

This study investigates the relationship between audit

committee attributes and RPT disclosures among Malaysian listed companies for the period of 2009 to 2015. Audit committee size and audit committee expertise have positive and significant relationship with RPT disclosure. These indicate that by having large audit committee size and high audit committee expertise can significantly improve companies RPT disclosure. However, having more meeting of audit committee may not necessarily improve RPT disclosures. This study establishes that audit committee play important role in RPT disclosure. This is because members of audit committee in those firm exercise their duties with caution and due care to constrain the dominant shareholder from expropriation and ensure that the interest of all stakeholders is protected. Therefore, it is recommended that firms should strengthens their audit committee to reap the benefits attributable to good governance through effective monitoring activities of audit committee.

References

- Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit committee characteristics and restatements. *AUDITING: A Journal of Practice & Theory*, 23(1), 69–87.
- Aldamen, H., Duncan, K., Kelly, S., McNamara, R., & Nagel, S. (2012). Audit committee characteristics and firm performance during the global financial crisis. *Accounting &*

- Finance*, 52(4), 971–1000.
- Ali, M., Ng, Y., & Kulik, C. (2014). Board age and gender diversity: a test of competing linear and curvilinear predictions. *Journal of Business Ethics*, 125(3), 497–512.
- Almeida, H., Park, S. Y., Subrahmanyam, M. G., & Wolfenzon, D. (2011). The structure and formation of business groups: Evidence from Korean chaebols. *Journal of Financial Economics*, 99(2), 447–475.
- Anderson, R. C., Mansi, S. A., & Reeb, D. M. (2004). Board characteristics, accounting report integrity, and the cost of debt. *Journal of Accounting and Economics*, 37(3), 315–342.
- Be´dard, J., Chtourou, S. M., & Courteau, L. (2004). The effect of audit committee expertise, independence, and activity on aggressive earnings management. *AUDITING: A Journal of Practice & Theory*, 23(2), 13–35.
- Bédard, J., & Gendron, Y. (2010). Strengthening the financial reporting system: can audit committees deliver? *International Journal of Auditing*, 14(2), 174–210.
- Ben-Amar, W., Chang, M., & McIlkenny, P. (2015). Board gender diversity and corporate response to sustainability initiatives: Evidence from the carbon disclosure project. *Journal of Business Ethics*, 1–15.
- Beretta, S., & Bozzolan, S. (2008). Quality versus Quantity: The case of forward-looking disclosure. *Journal of Accounting, Auditing & Finance*, 23(3), 333–376.
- Black, B., & Kim, W. (2012). The effect of board structure on firm value: A multiple identification strategies approach using Korean data. *Journal of Financial Economics*, 104(1), 203–226.
- Black, B. S., Kim, W., Jang, H., & Park, K.-S. (2015). How corporate governance affect firm value? Evidence on a self-dealing channel from a natural experiment in Korea. *Journal of Banking & Finance*, 51, 131–150.
- BMLR. Bursa Malaysia Listing requirement (2015).
- Cai, C. X., Hillier, D., Tian, G., & Wu, Q. (2015). Do audit committee s reduce the agency costs of ownership structure? *Pacific-Basin Finance Journal*.
- Campbell, J. L., Hansen, J., Simon, C. A., & Smith, J. L. (2011). Are audit committee stock options, non-option equity and compensation mix associated with

- financial reporting quality. In *Working paper—University of Georgia*.
- Carcello, J. V., & Neal, T. L. (2003). Audit committee . *The Accounting Review*, 78(1), 95–117. characteristics and auditor dismissals following “new” going-concern reports
- Carter, D. A., D’Souza, F., Simkins, B. J., & Simpson, W. G. (2010). The gender and ethnic diversity of us boards and board committees and firm financial performance. *Corporate Governance: An International Review*, 18(5), 396–414.
- Chen, C.-W., Lin, J. B., & Yi, B. (2008). CEO duality and firm performance: An endogenous issue. *Corporate Ownership and Control*, 6(1), 58–65.
- Chen, Y., Wang, Y., & Lin, L. (2014). Independent directors’ board networks and controlling shareholders’ tunneling behavior. *China Journal of Accounting Research*, 7(71202126), 101–118.
- Cheung, Y. L., Jiang, P., & Tan, W. (2010). A transparency disclosure index measuring disclosures: Chinese listed companies. *Journal of Accounting and Public Policy*, 29(3), 259–280.
- Cornett, M. M., McNutt, J. J., & Tehranian, H. (2009). Corporate governance and earnings management at large U.S. bank holding companies. *Journal of Corporate Finance*, 15(4), 412–430.
- Davidson III, W. N., Xie, B., & Xu, W. (2004). Market reaction to voluntary announcements of audit committee appointments: The effect of financial expertise. *Journal of Accounting and Public Policy*, 23(4), 279–293.
- Defond, M. L., Hann, R. N., & Hu, X. (2005). Does the market value financial expertise on audit committee s of boards of directors? *Journal of Accounting Research*, 43(2), 153–193.
- Di Carlo, E. (2014). Related party transactions and separation between control and direction in business groups : the Italian case. *Corporate Governance*, 14(1), 58–85.
- Dobbin, F., & Jung, J. (2011). Corporate board gender diversity and stock performance: The competence gap or institutional investor bias? *North Carolina Law Review*, 89.
- Gallery, G., Gallery, N., & Supranowicz, M. (2008). Cash-based related party transactions in new economy firms. *Accounting Research Journal*, 21(2), 147–

- 166.
- Gao, L., & Kling, G. (2012). The impact of corporate governance and external audit on compliance to mandatory disclosure requirements in China. *Journal of International Accounting, Auditing and Taxation*, 21(1), 17–31.
- Goh, B. W. (2009). Audit committees, boards of directors, and remediation of material weaknesses in internal control. *Contemporary Accounting Research*, 26(2), 549–579.
- Grigoris, G. (2014). The determinants influencing the extent of CSR disclosure. *International Journal of Law and Management*, 56(5), 393–416.
<http://doi.org/10.1108/IJLMA-05-2013-0021>
- Jhunjhunwala, S., & Mishra, R. K. (2012). Board diversity and corporate performance: The Indian evidence. *IUP Journal of Corporate Governance*, 11(3), 71.
- Kalbers, L. P., & Fogarty, T. J. (1993). Audit committee effectiveness: An empirical investigation of the contribution of power. *Auditing: A Journal of Practice & Theory*, 12(1), 24–49.
- Kamardin, H., Abdul Latif, R., Taufil Mohd, K. N., & Che Adam, N. (2015). Multiple directorships and the monitoring role of the board of directors: Evidence from Malaysia. *Jurnal Pengurusan*, 42.
- Kang, M., Lee, H. Y., Lee, M. G., & Park, J. C. (2014). The association between related-party transactions and control-ownership wedge: Evidence from Korea. *Pacific Basin Finance Journal*, 29, 272–296.
- Karamanou, I., & Vafeas, N. (2005). The association between corporate boards, audit committee s, and management earnings forecasts: An empirical analysis. *Journal of Accounting Research*, 43(3), 453–486.
<http://doi.org/10.2307/3542292>
- Klein, A. (2002). Audit committee , board of director characteristics, and earnings management. *Journal of Accounting and Economics*, 33, 375–400.
- Kohlbeck, M., & Mayhew, B. W. (2010). Valuation of firms that disclose related party transactions. *Journal of Accounting and Public Policy*, 29(2), 115–137.
- Li, J., Mangena, M., & Pike, R. (2012). The effect of audit committee characteristics on intellectual capital disclosure. *The British Accounting Review*, 44(2), 98–110.

- Liao, L., Luo, L., & Tang, Q. (2014). Gender diversity, board independence, environmental committee and greenhouse gas disclosure. *The British Accounting Review*, 17(2), 309–330. <http://doi.org/10.1007/s10997-011-9178-1>
- MCCG. Malaysian code on corporate governance 2000, Securities commission: Kuala Lumpur 1–59 (2000).
- MCCG. (2007). Malaysian code on corporate governance 2007. *Securities Commission: Kuala Lumpur*.
- Nguyen, T., Locke, S., & Reddy, K. (2014). Does boardroom gender diversity matter? Evidence from a transitional economy. *International Review of Economics & Finance*.
- Norwani, N. M., Mohamad, Z. Z., & Chek, I. T. (2011). Corporate governance failure and its impact on financial reporting within selected companies. *International Journal of Business and Social Science*, 2(21), 205–213.
- OECD. (2009). Guide on fighting abusive related party transactions in Asia. *Corporate Government Series*.
- Pizzo, M. (2011). Related party transactions under a contingency perspective. *Journal of Management and Governance*, 17(2), 309–330.
- Pucheta-Martínez, M. C., & De Fuentes, C. (2007). The impact of audit committee characteristics on the enhancement of the quality of financial reporting: An empirical study in the Spanish context. *Corporate Governance: An International Review*, 15(6), 1394–1412.
- Rose, C., Munch-Madsen, P., & Funch, M. (2013). Does board diversity really matter? Gender does not, but citizenship does. *International Journal of Business Science and Applied Management*, 8(1), 15–27.
- Sharma, V. D., & Iselin, E. R. (2012). The association between audit committee multiple-directorships, tenure, and financial misstatements. *AUDITING: A Journal of Practice & Theory*, 31(3), 149–175.
- Sharma, V., Naiker, V., & Lee, B. (2009). Determinants of audit committee meeting frequency: evidence from a voluntary governance system. *Accounting Horizons*, 23(3), 245–263.
- Tsalavoutas, I. (2011). Transition to IFRS and compliance with mandatory disclosure

- requirements: What is the signal? *Advances in Accounting*, 27(2), 390–405.
- Wahab, A. E. A., Haron, H., Lok, C. L., & Yahya, S. (2011). Does corporate governance matter? Evidence from related party transactions in Malaysia. *Advances in Climate Change Research*, 14, 131–164.
- Wang, K., O, S., & Claiborne, M. C. (2008). Determinants and consequences of voluntary disclosure in an emerging market: Evidence from China. *Journal of International Accounting, Auditing and Taxation*, 17(1), 14–30.
- Wong, R. M. K., & Kim, J. (2015). Are related-party sales value-adding or value-destroying? Evidence from China. *Journal of International Financial Management & Accounting*, 26(1), 1–38.
- Xie, B., Davidson III, W. N., & DaDalt, P. J. (2003). Earnings management and corporate governance: the role of the board and the audit committee. *Journal of Corporate Finance*, 9(3), 295–316.
- Yeoh, J. (2005). Compliance with mandatory disclosure requirements by new zealand listed companies. *Advances in International Accounting*, 18(0), 245–262.
- Zainal, D., Zulkifli, N., & Saleh, Z. (2013). Corporate board diversity in Malaysia: A longitudinal analysis of gender and nationality diversity. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 3(1), 136–148.
- Zhang, Y., Zhou, J., & Zhou, N. (2007). Audit committee quality, auditor independence, and internal control weaknesses. *Journal of Accounting and Public Policy*, 26(3), 300–327.