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Influence of audit committee characteristics on voluntary ethics disclosure

Rohana Othman^{a*}, Ili Farhana Ishak^b, Siti Maznah Mohd Arif^b, and Nooraslinda Abdul Aris^b

^aAccounting Research Institute, Universiti Teknologi MARA, Shah Alam 40450, Malaysia.

^bFaculty of Accountancy, Universiti Teknologi MARA, Shah Alam 40450, Malaysia.

Abstract

This study examines the influence of audit committee characteristics on voluntary ethics disclosures of the top 94 companies listed on Bursa Malaysia. The study employs content analysis of company's annual report and multiple linear regressions to look at the relationships between voluntary ethics disclosure and audit committee characteristics. The result from the study suggests that only two audit committee characteristics (tenure and multiple directorships) are associated with the voluntary ethics disclosure, whilst independence, expertise, meeting frequency and size were inconsistent. This study serves to assist the stakeholders in putting greater emphasis on audit committee in determining ethics disclosure of companies.

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1. Introduction

Ethics is a key aspect in conducting business in accordance to and within the lawful limits as designated by regulations and acknowledged codes. The downfall of previously exemplary corporate giants such as Enron, WorldCom

* Corresponding author. Tel.: +6-0355444987; fax: +6-0355444992.

E-mail address: rohana799@salam.uitm.edu.my.

and Parmalat demonstrated the extreme consequences threatening organizations that chose to embrace unethical means to conduct business (Muhammad, Shahimi, Yahya and Mahzan, 2009). The code of ethics is essential to help steer the business away from contradicting established rules of engagement and fraudulent manoeuvres. According to Bealing and Baker (2006), corporate scandals have adversely impacted numerous economic institutions including among others, the markets, investors, business reporting regulations and prescribed taskmasters who protect interest groups such as customers, regulators and legislative bodies.

Due to numerous corporate failures and scandals, it is essential to take earlier action to correct unethical behavior before it escalates. Leftkowitz (2006, p.247) reiterated Witmerr's (2001) meaning of unethical behavior as 'a particular action—or decision to not act—has ethical implications if the potential consequences of a person's choice(s) are expected to have significant impact on the welfare of others and may violate one or more traditional ethical principles...'. Leone (2010) and Persons (2011) further highlighted that unethical conduct has negative impacts on companies. It tarnishes companies' image and reputation; affects firm's profitability and market value; costly to the firm and its shareholders and create mistrust from public. Friedman (2008) stated that not only financial bailout is needed for the companies, but it also needs an ethical bailout.

According to Sullivan and Shkolnikov (2006), ethics disclosure is a voluntary disclosure made by certain companies to enhance their corporate governance. Voluntary disclosures are disclosures made by companies in excess of mandated disclosure requirements (Qu, Cooper, Wise and Leung, 2012). Voluntary disclosure, classified into strategic information, financial information and non-financial information (Eng and Mak, 2003), is a significant concern in developing countries with emerging markets such as Malaysia where the development and sustainability of capital market rely heavily on reducing the information gap between management and investors. Ling and Lee (2012) observed that Malaysia is one of the countries in South East Asia that has experienced rapid growth in market capitalization where voluntary disclosure may lead to higher market capitalization that creates potential value for sustainability reporting as a management and investor relations tool. Rouf (2011) found the extent of voluntary disclosure is influenced by several factors; economic factors, changes in society's attitudes and behavioral factors like corporate culture. Previous studies have shown that firm's value can be improved by increasing voluntary disclosures (Barry and Brown, 1985; Fishman and Hagerty, 1989; Diamond and Verrecchia, 1991; Peters, Abbott and Parker, 2000).

The issue of poor governance has received great attention from researchers, regulators and investors (Akhtaruddin, Hossain, Hossain, Yao, 2009; Akhtaruddin and Haron, 2010; Hussain Alkdai, 2012). Numerous corporate scandals occur as a result of poor governance and it erodes the investor's confidence. A corporate governance mechanism to ensure companies implement ethical practices and are responsible towards ethics is the audit committee. The role of the audit committee in corporate governance is a subject of increasing regulatory interest (Abbott, Parker and Peters, 2003). Audit committees help in improving ethics disclosure in firms and effectively monitor management. This study focuses on audit committees since most companies have assigned the duty of overseeing ethics to this committee. It is thus incumbent on the Board of Directors, policy makers and investors to give greater emphasis on audit committee characteristics in determining ethics disclosure of the companies. Yuen, Liu, Zhang and Lu (2009) found the presence of an audit committee is significantly associated to the extent of voluntary disclosures such as board structure and stakeholder interests whereas Forker (1992) argued that the audit committee is one of the most effective monitoring mechanisms to improve the quality of disclosure and internal control system while helping reduce agency costs.

Hussain Alkdai (2012) stated while the duty and responsibility of the audit committee towards financial reporting have not changed, the challenge is in selecting the right people with the right mind to be on the audit committee. In Malaysia, most public listed companies have assigned audit committees to play an important role in overseeing, analyzing, monitoring, and advising the management and external auditors in preparing financial statements, conducting audits, and implementing internal accounting control systems (Liu and Sun, 2010). In particular, audit committee characteristics such as audit committee independence, size, frequency of meeting and expertise are important to ensure the effectiveness of the audit committee. Previous studies have stated that the right audit committee characteristics are crucial to give impact to the audit committee in carrying out its duties rather than just maintaining a presence (Abbott and Parker, 2000; Beasley, Carcello, Hermanson and Lapedes, 2000; Carcello and Neal 2003; Raghunandan, Read and Rama, 2001). Hence this study endeavours to examine if audit committee characteristics have a positive or negative influence on ethics disclosure. The following research question forms the basis for this study; what is the influence of audit committee characteristics on voluntary ethics disclosure? In getting an answer to the research question, this study

aims to examine the influence of audit committee characteristics on voluntary ethics disclosure.

This introduction will be followed by review on literature pertinent to audit committee and voluntary disclosure, conceptual framework and hypotheses development, methodology, analyses and results, discussion and finally conclusions.

2. Literature Review

There is a limited study done specifically in voluntary ethics disclosure. According to Akhtaruddin et al. (2009), there is very little research to examine corporate governance mechanism with voluntary disclosure. Persons (2009; 2010) indicated some studies about voluntary ethics disclosures with audit committee and fraudulent financial reporting in public companies in the United States.

Ethical codes represent the values and principles provided by the companies to ensure that the entire organizations adhere and comply with the codes and act ethically. According to Marnburg (2000) and Preuss (2009), code of ethics, ethical policy, ethical guidelines, business conduct, operating principles and statement of business practice and principle, all of these terms refer to ethical codes. Furthermore, it is a code that specializes the standards, guidance and behaviour for professional conduct of employees (Schwartz, 2001; Cleeck and Leonard, 1998), managers (Myers, 2003; Braswell; Foster and Poe, 2009) and the organisation as a whole (Marnburg, 2000; Schwartz, 2001). Ethical codes also include the core values of the companies and guidelines for matters such as relationship with customer and suppliers, employee relations, confidential information, conflicts of interest, competition and others. Moreover, based on Preuss (2009), the study included the responsibilities of the corporation towards its stakeholders and/or the conduct of the corporation's expectation towards its employees. Code of ethics as defined by Valentine and Barnett (2002) is a written and formal document consisting morally oriented policies that are portrayed as moral standards, primary values and guidelines or as a general statement of organization's ethic and comprises certain guidelines to employee's behavior (Pater and Gils, 2003).

The determinants of voluntary disclosure most often and consistently identified in the literature are audit size or quality (DeAngelo, 1981; Hashim and Mohd Saleh, 2007), leverage (Hossain, Perera and Rahman, 1995; Hashim and Mohd Saleh, 2007), types of industry (Cooke, 1989; Meek, Roberts and Gray, 1995; Watson, Shrivies and Martson, 2002; Hashim and Mohd Saleh, 2007), profitability (Haniffa and Cooke, 2002; Hashim and Mohd Saleh, 2007), size of company (Chow and Wong-Boren, 1987; Cooke, 1989; Hossain et al., 1995; Meek et al., 1995; Raffournier, 1995; Belkaoui, 2001; Watson et al., 2002; Hashim and Mohd Saleh, 2007), ownership concentration (Chau & Gray, 2002; Haniffa & Cooke, 2002; Mohd Ghazali & Weetman, 2006; Hashim and Mohd Saleh, 2007) and level of multi nationality or internationality (Cooke, 1989; Raffournier, 1995; Belkaoui, 2001; Hashim and Mohd Saleh, 2007).

Literature abounds on audit committee characteristics that focus on different characteristics and different variables. The study of Akhtaruddin et al. (2009) has determined the relationship between proportion of audit committee members to total members on the board and the level of voluntary disclosure. Hayek and Hayek (2012) examined how audit committee characteristics (independence; financial expertise and compensation structure) give effect on moral awareness of fraudulent financial reporting. Zhou and Chen (2004) investigated the association between audit committee characteristics (governance expertise, meetings, size, financial expertise and independent) with earning's management through loan loss provisions by commercial banks. However, as the matters are concerned, there are a few studies on the relationship between audit committee characteristics and voluntary disclosure. This study adds new evidence to the audit committee characteristics literature. It focuses on six audit committee characteristics that are; audit committee independence, expertise, frequency of meeting, size, tenure and directorship with its relationship towards ethics disclosure.

3. Hypotheses Development

There are six hypotheses developed for the purpose of this study.

3.1 Audit Committee Independence

The Public Oversight Board (POB, 1994); Blue Ribbon Committee (BRC, 1999a), National Association of Corporate Directors (NACD, 1999) and Pricewaterhouse Coopers (2000) stated high quality of audit committee performance is when the members are independent and it will lead to the effectiveness in protecting the credibility of financial reporting. According to Persons (2005) someone who has no financial and personal relationships with the company and its executives is called independent committee member.

According to Persons (2005), fraud is less likely to happen when audit committee is independent. Klein (2002) discovered that there is a negative relationship between independent audit committee with earnings management practices. It shows that an independent audit committee is more effective in controlling earnings management (Bedard, Chtourou and Courteau, 2004). A previous study (Abbott et al., 2002; 2004) discovered that there is a negative association between audit committee independence and financial reporting fraud and misstatement. Persons (2009) emphasized that audit committee independence is essential in measuring the effectiveness of ethics disclosure. However, Bronson, Carcello and Raghunandan (2006) indicated that audit committee independence has no significant relationship with higher levels of audit committee effectiveness. Based on Persons (2005, 2009), this study postulates that an independent audit committee is positively influencing the effectiveness of financial reporting process and they may perform their duties ethically and this would lead to ethics disclosure.

H1: There is a positive relationship between audit committee independence and voluntary ethics disclosure.

3.2 Expertise of Audit Committee Members

The Public Oversight Board (POB, 1993) found that audit committee members will be more effective in doing their work if the proportions of members have the expertise in accounting, auditing, internal control and financial reporting areas. The Malaysian Code of Corporate Governance (MCCG, 2002) required at least one member of the audit committee to have professional affiliations in accounting or financial expertise. Persons (2005) provided that audit committee expertise is not associated with the fraud occurrence. According to Defond, Hann and Hu (2005), companies would improve their corporate governance if the audit committee members have financial expertise in discharging their duties. McMullen and Raghunathan (1996) stated in their study that financial problems are unlikely to happen to companies that have audit committee members with financial expertise.

However, Hussain Alkdai (2012) highlighted that accounting expert's role is not significantly related in mitigating earnings management practice. According to Bedard et al. (2004) earnings management is negatively associated with audit committee member's expertise. Similarly, Xie, Davidson and Dadalt (2003) and Felo, Krishnamurthy and Solieri (2003) also found that there are smaller discretionary accruals when audit committee members have financial expertise.

Persons (2009) mentioned that independent members of an audit committee with financial or accounting expertise are more likely to detect any financial misstatements or improper business transactions because they need to comply with their own professional codes of ethics to maintain their reputation. Therefore, this study postulates that the audit committee with expertise should be more effective as he or she will be monitoring the companies. They can also perform their duties ethically and would lead to ethics disclosure.

H2: There is a positive relationship between expertise of audit committee members and voluntary ethics disclosure.

3.3 Frequency of Meeting of Audit Committee

Abdul Rahman and Mohamed Ali (2006) and Mohd Saleh, Mohd Iskandar and Rahmat (2007) provided no evidence that the number of audit committee meetings is related to the reducing number of discretionary accruals. On the other hand, Raghunandan et al. 2001 highlighted that an audit committee that meet more frequently is more likely to be well-informed, more diligent and knowledgeable about the current accounting and auditing issues to carry out their duties. Similarly, Abbott et al. (2003; 2004) provided that an audit committee that has at least four times meetings annually would be less likely to restate their financial statements. Persons (2009) found that the more frequent an audit committee meets, the more likely companies will make voluntary ethics disclosure. Other than that, Xie et al. (2003)

stated that there is a negative association between the number of meeting and discretionary accruals.

Based on Persons (2009) and Xie et al. (2003), this study expects that more frequent audit committee meetings should be more effective in monitoring the company and would lead to ethics disclosure. Therefore, the following hypothesis is proposed:

H3: There is a positive relationship between frequency of meeting of an audit committee and voluntary ethics disclosure.

3.4 Audit Committee Size

MCCG (2012) stated that an audit committee shall consist of at least three directors. Prior studies showed that the larger size of an audit committee would lead to unnecessary debate and delay in making decision, as well as poorer communication and decision-making process (Lin, Xiao and Tang, 2008; Steiner, 1972; Hackman, 1990).

However, there is an argument that a larger audit committee is conducive to ethics disclosure because there is a higher possibility that an audit committee will include highly ethical members who could influence ethics disclosure (Persons, 2009). Previous studies (Dalton, Daily, Johnson and Ellstrand., 1999) found that there is a positive relationship between size and monitoring function of the board that results in higher performance. According to Yang and Krishnan (2005), there is a negative association between audit committee size and earnings management. Xie et al. (2003) and Hussain Alkdai (2012) stated that there is no significant relationship between size of an audit committee and discretionary accruals. Hence, this study expects that the larger the size of audit committee members, the more effective he or she will be in monitoring the company and will lead to ethics disclosure. Therefore, the following hypothesis is proposed:

H4: There is a positive relationship between audit committee size and voluntary ethics disclosure.

3.5 Audit Committee Tenure

Longer tenure of audit committee members will lead to higher performance, effectiveness, monitoring, knowledge and experience to handle the firm's operation (Bedard et al., 2004; Thoopsamut and Jiakengkit, 2009). SET (1999) highlighted that the term of service of audit committee members must be fixed and cover a reasonable period of two to five years in order to ensure the stability of the audit committee's work. Persons (2005) examined about the audit committee tenure which when audit committee members have longer tenure; the likelihood of fraud is lower. Yang and Krishan (2005) and Liu and Sun (2010) stated that there is a negative relationship between average tenure of audit committee members with earnings management. Thus, in this study it is postulated that the longer the tenure of audit committee members, the more effective he or she will be in monitoring the company and will lead to ethics disclosure.

H5: There is a positive relationship between audit committee tenure and voluntary ethics disclosure.

3.6 Multiple Directorships of Audit Committee Member

Directorships describe the membership of directors' serving on many boards. Multiple directorships require more time and effort to effectively monitor the management (Morck, Shleifer and Vishny, 1988; Persons, 2005). Shivdasani and Yermack (1999) stated that directors with multiple directorships are effective in monitoring the management. Core et al. (1999), Fich and Shivdasani (2006) and Liu and Sun (2010) found that directors holding too many directorships did not have enough time and too busy to monitor the management and this causes low effectiveness in monitoring. Core, Holthausen and Larcker (1999) stated that directors with multiple directorships have inadequate check on management. Therefore, in this study, it is postulated that the more directorships held by audit committee members, the less effective he or she will be and it is less likely the company will make ethics disclosure.

H6: There is a negative relationship between multiple directorships of audit committee members and voluntary ethics disclosure.

4. Research Methodology

The sample for this study comprises the top 100 public listed companies in Bursa Malaysia. The list of top 100 companies is obtained from Bursa Malaysia website. The companies are ranked based on market capitalization. The top 100 companies were chosen because they represent the largest listed companies and, therefore, they are more likely to report voluntary disclosure than the smaller companies. It is supported by Persons (2011) that larger companies are more likely to adopt a code of ethics than a smaller company because they are more likely to be an investor's choice due to its well-known brand name and greater information of disclosures. Six companies are excluded from the analysis since they do not have annual reports for the year 2011 and are newly listed companies. Thus, the final sample derived a total of 94 companies. Table 1 below summarizes the sample selection of public listed companies and categorized them based on their industries respectively. This study uses annual reports and content analysis as the main sources in collecting all relevant information.

Table 1. Sample selection public listed companies

Industry	Sample Data	Missing/ Unavailable	Final Sample
Closed/Fund	-	-	-
Construction	4	-	4
Consumer Products	13	-	13
Finance	13	-	13
Hotel	-	-	-
Industry products	8	-	8
IPC	3	-	3
Mining	-	-	-
Plantation	11	1	10
Properties	7	-	7
Reits	4	2	2
SPAC	-	-	-
Technology	-	-	-
Trading and Services	37	3	34
Total	100	6	94

4.1 Variables

This study uses voluntary ethics disclosure as dependent variable and audit committee characteristics as independent variable. The chosen measurement for voluntary ethics disclosure is the company labeled as "1." If the company does not have ethics disclosure it is labeled as "0." The 18 aspects of ethics disclosure used in this study were adapted from Persons (2009). According to Persons (2009), these aspects are the common aspects on ethics disclosure disclosed in annual reports by public companies in United States.

Additional independent variables used in this study comprise audit committee characteristics; audit committee independence, audit committee expertise, frequency of meeting of an audit committee, audit committee size, audit committee tenure and directorships of audit committee members. Previous studies focused on certain characteristics of an audit committee. For example, Hayek and Hayek (2012) examined the audit committee independence and expertise of an audit committee. In addition, Xie et al. (2003) studied on audit committee independence, expertise, size and frequency of meeting. Hussain Alkdai (2012) only described audit committee size, expertise and independence. A study

conducted by Bedard et al. (2004) examined audit committee independence, expertise and tenure of an audit committee. Liu and Sun (2010) studied audit committee tenure and directorship of an audit committee. It can thus be inferred that there are limited studies focusing on all six audit committee characteristics. Thus, this study chose to examine all the six characteristics for firm and better results.

The summary of measurements used is provided in Table 2 as below:-

Table 2. Measurement of dependent and independent variables

Dependent Variables	Definition	Measurement
ETHICS DISCLOSURE	Voluntary ethics disclosure	- 1 for ethics disclosure, 0 otherwise - 18 aspects of ethics disclosure
Independent Variables		
Audit Committee Characteristics		
INDAUD	Audit Committee Independence	Percentage of independent directors of audit committee
AUDACC	Expertise of Audit Committee	Percentage of independent audit committee members with accounting or financial expertise
AUDMET	Frequency of Meeting of Audit Committee	Number of audit committee meetings in a year
AUDSIZE	Audit Committee Size	Number of audit committee members
AUDTEN	Audit Committee Tenure	Average tenure of independent audit committee members
DIRSHIP	Multiple Directorship of audit committee members	Average number of multiple directorship of independent audit committee members

In this study, content analysis and multiple linear regression analysis are used to address the research question. Data collected from the annual report will be analyzed using voluntary disclosures index (Hashim and Mohd Saleh, 2007). The relationship between voluntary ethics disclosure and audit committee characteristics is analyzed using regression analysis. The model is as follow:

$$ETHICS\ DISCLOSURE = \beta_0 + \beta_1INDAUD + \beta_2AUDACC + \beta_3AUDMET + \beta_4AUDSIZE + \beta_5AUDTEN + \beta_6DIRSHIP + \epsilon$$

5. Results and Discussion

Table 3 shows the overall mean of ethics disclosure is 0.65 indicating most of the companies have ethics disclosure. 64.9% (61 companies) of the companies practice ethics disclosure, while 35.1% (33 companies) of the companies do not disclose about ethics.

Table 3. Descriptive analysis of voluntary ethics disclosure

Voluntary Ethics Disclosure	
Mean Score	0.65
Non Ethics Disclosure	64.9%
Ethics Disclosure	35.1%

Table 3 presents the number of public listed companies that made certain types of ethics disclosure. A high majority of companies (61 out of 94, or 64.9 percent) disclosed that they had written code of ethics and indicated that they have a board of director (BOD) committee with oversight responsibility related to ethics. Such a committee is an audit committee for most companies (61 out of 61, 100 percent). 13 out of 94 companies (13.8 per cent) had a corporate ethics or compliance officer. Only three out of 94 companies (3.2 per cent) consider ethics in hiring a director or executive. None of the companies had linked executive compensation to the ethical conduct of the company. 39 out of 94 (41.5 percent) companies provided ethics training to employees or required their employees to sign a letter of acknowledgment that they have read and would abide to the code of ethics.

Out of the 12 ethics areas, the top three disclosures were compliant with applicable laws and regulations (60 out of 94 companies, 63.8 percent). It is consistent with the study of Persons (2009) that compliance with the laws is the most ethical areas that had been disclosed by the companies. This is followed by reporting of accounting complaints and illegal behavior (51 out of 94 companies, 54.3 per cent) and conflict of interest between personal and professional relationships (49 out of 94 companies, 52.1 percent). These results suggest that even though most companies mentioned that they had written code of business conduct and ethics stated in their annual report or website, most of them, however, did not disclose details about the areas of ethics applied (Persons, 2009).

The maintenance of accurate company records is tied with communication with the public (44 out of 94 companies, 46.8 percent). In addition, 42 out of 94 (44.7 percent) companies disclosed about the treatment of confidential information. 34 out of 94 (36.2 percent) companies disclosed the ethic area on the use of company assets. None of the companies had mentioned about anti-nepotism. Other ethics areas disclosed by the companies are commercial bribery (37 out 94 companies, 39.4 per cent), competition and fair dealing (25 out of 94 companies, 26.6 per cent), insider trading of the firm's stock (24 out of 94 companies, 25.5 per cent) and disciplinary action for violation of the code (35 out of 94 companies, 37.2 percent).

5.1 Descriptive Analysis of Audit Committee Characteristics

The audit committee characteristics comprise of audit committee independence, expertise, frequency of meeting, size, tenure and multiple directorships. Table 4 shows the mean score of audit committee members independence is at 87.05% (SD=0.14318). The result shows the mean score audit committee with financial expertise is 39.83% (SD=0.20989). The mean score for audit committee meeting frequency is five to six times (5.60) a year. The mean score for audit committee size is three to four members (3.64). The mean score for audit committee tenure is seven years (7.17). Meanwhile, mean score for directorship of audit committee members is three (3.09). This result indicates that multiple directorships for audit committee members are three directorships for every company.

Table 4. Descriptive analysis of audit committee characteristics

Audit Committee Characteristics	Mean Score	Minimum	Maximum	Std. Deviation
Audit Committee Independence	87.05%	60%	100%	0.14318
Expertise of Audit Committee Members	39.83%	0%	100%	0.20989
Audit Committee Meeting Frequency	5.60	2	16	2.402
Audit Committee Size	3.64	3	6	0.701
Audit Committee Tenure	7.17	1	22	4.389
Directorship of Audit Committee	3.09	0	9	1.870

5.2 Correlation Coefficient

Correlation analysis is used as a preliminary test to measure the relationship between the variables and their strength of the association (Pallant, 2001). From Table 5, the only negative significant relationship can be seen between audit committee independence and audit committee size (27.6 percent). Other than that, there is positive significant relationship between audit committee independence and audit committee tenure (21 per cent). In addition, negative significant relationship exists between expertise of audit committee member and audit committee size (26.9 percent). The bigger the size of the audit committee, the lower is the audit committee independence. The bigger the audit

committee tenure, the lower is the audit committee independence. Next, the bigger the audit committee size, the lower is the expertise of audit committee member.

Table 5. Pearson Correlation Coefficient

	Audit Committee Independence	Expertise of Audit Committee Members	Audit Committee Meeting Frequency	Audit Committee Size	Audit Committee Tenure	Directorship of Audit Committee
Audit Committee Independence	1.000					
Expertise of Audit Committee Members	-0.001	1.000				
Audit Committee Meeting Frequency	0.093	0.155	1.000			
Audit Committee Size	-0.276**	-0.269**	0.091	1.000		
Audit Committee Tenure	0.210*	-0.152	-0.038	0.017	1.000	
Directorship of Audit Committee	-0.021	0.039	0.137	0.163	0.125	1.000

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

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

5.5 Multiple Regressions

Regression analysis helps in estimating the relationship between both dependent and independent variables (Pallant, 2001). The tests used include the F-test, coefficient of determination, and test on regression coefficients.

Table 6. Multiple linear regression analysis

Model	Coefficient	t-value	p-value
CONSTANT	0.196	0.625	0.534
Audit Committee Independence	-0.204	-0.886	0.378
Expertise of Audit Committee Members	-0.097	-0.619	0.538
Audit Committee Meeting Frequency	0.016	1.241	0.218
Audit Committee Size	0.067	1.383	0.170
Audit Committee Tenure	-0.014	-1.980	0.051
Directorship of Audit Committee	0.050	2.997	0.004
R ²		0.202	
Adjusted R ²		0.147	
F-statistics		3.678	
p-value		0.003	
Durbin-Watson		1.909	
N		94	

Table 6 reports the Multiple Linear Regression Analysis for all companies in the sample. The R-squared (R²) value indicates the percentage of the variation can be explained by the regression model on the group of indicator variable (Field, 2009). In this study, the value of R² is 0.202. Thus, the statistical result shows that 20.2 % of the changes in voluntary ethics disclosure are explained by the variation of audit committee characteristics (Audit Committee Independence, Expertise of Audit Committee Members, Audit Committee meeting frequency, Audit Committee Size, Audit Committee Tenure and Directorship of Audit Committee).

According to Field (2009), adjusted R-squared (R²) can be explained as the amount of variance in the outcome that the model explains in the population. In addition, the adjusted R² value of 0.147 indicates that, on an adjusted basis, the independent variables are collectively 14.7% related to voluntary ethics disclosure. The F-statistics value at 3.678

shows a significant linear relationship between all independent variable (audit committee independence; expertise of audit committee members; frequency of meeting of audit committee; audit committee size; audit committee tenure and multiple directorships of audit committee) and voluntary ethics disclosure. Furthermore, the 1.909 value for Durbin-Watson shows that there is no auto-correlation, thus showing data independence between the independent variables to voluntary ethics disclosure. The outcomes showed all independent variables are not correlated which might otherwise have influenced the outcome of the analysis.

In this study, hypothesis H1 is proposed to test whether there is a positive relationship between audit committee independence and voluntary ethics disclosure. The findings showed that, for hypothesis H1, audit committee independence does not have significant positive relationship with voluntary ethics disclosure where the t-value for audit committee independence is 0.886 with p-value of 0.378. This indicates that even though the audit committee is effective and independent, it does not ensure that the company will do voluntary ethics disclosure. Hence, the hypothesis H1 is rejected as it can be concluded that audit committee independence did not have influence on the voluntary ethics disclosure.

Similarly, results evidenced that expertise of audit committee members does not have significant positive relationship with voluntary ethics disclosure where the t-value for audit committee members' expertise is 0.619 with p-value of 0.538. The findings indicate that when the audit committee has financial expertise; it does not ensure ethics disclosure among the companies due to the audit committee members themselves probably not upholding ethics in carrying out their responsibility. Thus, hypothesis H2 is rejected and as a result, it shows that audit committee member's expertise did not have influence on voluntary ethics disclosure.

Findings from the study showed that the frequency of meeting of audit committee does not have significantly positive relationship with voluntary ethics disclosure where the t-value for frequency of meeting is 1.241 with p-value of 0.218. Menon and Williams (1994) found that the number of meeting does not provide any evidence about the accomplishment of work. Thus, hypothesis H3 is also rejected, with the conclusion that meeting frequency of audit committee did not have influence on the voluntary ethics disclosure.

Conversely, analysis of the data showed that there is no significant positive relationship between audit committee size and voluntary ethics disclosure where the t-value for audit committee size is 1.383 with p-value of 0.170. This finding supports the arguments of Lin et al. (2008); Steiner (1972) and Hackman (1990) who found that larger sized audit committee would just lead to unnecessary debate and delay in making decision as well as poorer communication and decision-making process. This indicates that even though the audit committee size is small or large, it does not ensure whether the committee may disclose about ethics in the companies. It may be bound to the decision and influence from board of directors in order to make such disclosure or not. Hence, hypothesis H4 is rejected, where it can be concluded that audit committee size did not have influence on the voluntary ethics disclosure.

There is a significant positive relationship between audit committee tenure and voluntary ethics disclosure where the t-value for audit committee size is 1.980 with p-value of 0.051. Studies by Bedard et al. (2004) and Thoopsamut and Jiakengkit (2009) found that when members of an audit committee possess longer tenure, it will lead to higher performance and effectiveness of the committee. Thus, hypothesis H5 is accepted and it can be concluded that audit committee tenure have an influence on the voluntary ethics disclosure.

The results showed that there is significant negative relationship between multiple directorships of audit committee members and voluntary ethics disclosure where the t-value for audit committee size is 2.997 with p-value of 0.004. This indicates that when audit committee members hold too many directorships in other companies, it will give negative impact in their effectiveness and efficiency in monitoring the management. The result is consistent with the findings of Core et al. (1999); Fich and Shivdasani (2006) and Liu and Sun (2010). They found that directors holding too many directorships were too busy to monitor the management. Hence, hypothesis H6 is accepted as it can be concluded that multiple directorships of audit committee members may require extra time, more attention and effort in managing their duties and this would lead to less voluntary ethics disclosure.

6. Conclusion

This study examined the influence of audit committee characteristics on voluntary ethics disclosure. Findings from the study rejected hypothesis H1 which means that there is no significantly positive relationship between audit committee independence and voluntary ethics disclosure. The study also rejected hypothesis H2 that claimed that there

is no significant positive relationship between expertise of audit committee members and voluntary ethics disclosure. Hypothesis H3 was also rejected. Hence there is no significant positive relationship between frequency of meeting of the audit committee and voluntary ethics disclosure. The study rejected hypothesis H4 that points to no significant positive relationship between audit committee size and voluntary ethics disclosure. Hypothesis H5 is accepted showing there is a significant positive relationship between audit committee tenure and voluntary ethics disclosure. Finally, hypothesis H6 is accepted, which means that there is a significant negative relationship between multiple directorships of audit committee members and voluntary ethics disclosure. A survey done by Korn/Ferry International (1998) emphasized agreement among many directors that too many board directorships required more time and attention, so it affects their ability to monitor management. Moreover, Persons (2005) surmised that the likelihood of fraud is lower when the number of directorships of audit committee members is smaller. Thus, it is likely that audit committee members with multiple directorships would lead to fewer ethics disclosure.

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