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**AUDIT COMMITTEE INDEPENDENCE, FINANCIAL
EXPERTISE AND FINANCIAL RESTATEMENTS:
EMPIRICAL EVIDENCE IN MALAYSIA**



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FINANCIAL RESTATEMENTS:
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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business
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(International Accounting)**



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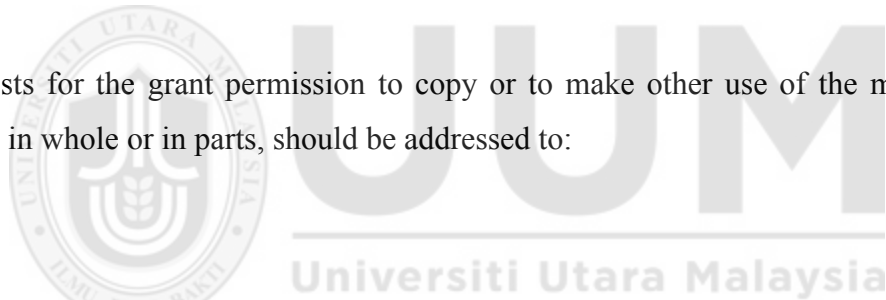
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ABSTRACT

This study examines the effect of audit committee characteristics namely audit committee independence, accounting background of the chairman of audit committee and financial expertise of audit committee members on the financial restatements of the public listed companies in Malaysia. Many studies that investigated the relationship between audit committee characteristics and financial restatements were done in foreign countries. Therefore, this study contributes to the literature in this field of study in Malaysia. The theoretical foundation of this relationship was supported by agency theory. The main source of information for this study was obtained from the annual reports for the fiscal year 2014. By using the logistic regression analysis, the results show that there is negative relationship between the audit committee independence and financial restatements. However, with regards the results for the accounting background of the chairman of audit committee and the financial expertise of audit committee members show that the relationship are not statistically significant. In order to get better understanding of the relationship between audit committee characteristics and financial restatements, this study also has discussed the implications and suggestions for future research.

Keywords: corporate governance, financial restatements, audit committee independence, accounting background of the chairman of audit committee, and financial expertise of audit committee members.

ABSTRAK

Kajian ini mengkaji kesan ciri-ciri jawatankuasa audit iaitu kebebasan jawatankuasa audit, latar belakang perakaunan pengerusi jawatankuasa audit dan kepakaran kewangan dalam kalangan ahli-ahli jawatankuasa audit, terhadap pernyataan semula kewangan syarikat-syarikat senaraian awam di Malaysia. Banyak kajian yang dijalankan di luar Negara telah mengkaji hubungan antara ciri-ciri jawatankuasa audit dan pernyataan semula kewangan. Oleh itu, kajian ini memberi sumbangan kepada kesusasteraan dalam bidang pengajian ini di Malaysia. Asas teori hubungan ini disokong oleh teori agensi. Sumber utama maklumat untuk kajian ini diperoleh daripada laporan tahunan bagi tahun fiskal 2014. Dengan menggunakan analisis regresi logistik, keputusan menunjukkan bahawa terdapat hubungan negatif antara kebebasan jawatankuasa audit dan pernyataan semula kewangan. Namun, untuk dapatan latar belakang perakaunan bagi pengerusi jawatankuasa audit dan kepakaran kewangan ahli jawatankuasa audit menunjukkan bahawa tiada hubungan yang signifikan secara statistik. Dalam usaha untuk mendapatkan pemahaman yang lebih baik mengenai hubungan antara ciri-ciri jawatankuasa audit dan pernyataan semula kewangan, kajian ini juga membincangkan implikasi dan cadangan untuk kajian pada masa hadapan.

Kata kunci: tadbir urus korporat, penyata semula kewangan, kebebasan jawatankuasa audit, latar belakang pengerusi jawatankuasa audit dan kepakaran kewangan ahli jawatankuasa audit.

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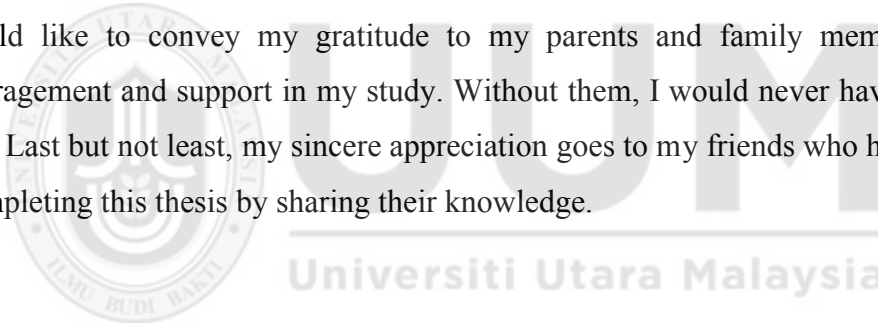


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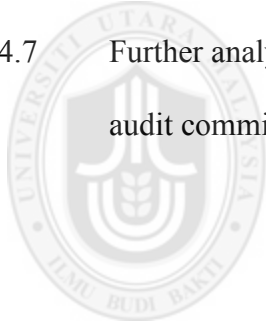
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LIST OF ABBREVIATIONS

AC	Audit Committee
CCM	Companies Commission Malaysia
CSRC	China Securities Supervisory Commission
FPLC	Federation of Public Listed Companies
HLFC	Level Finance Committee on Corporate Governance
IFRS	International Financial Reporting Standards
JSX	Jakarta Stock Exchange
MAICSA	Malaysian Association of The Institute of Chartered Secretaries and Administrators
MCCG	Malaysia Code on Corporate Governance
MIA	Malaysian Institute of Accountants
MICG	Malaysian Institute of Corporate Governance
MICPA	Malaysian Institute of Certified Public Accountants
MID	Malaysian Institute of Directors
MSWG	Minority Shareholder Watch-dog Group
SCM	Securities Commission of Malaysia
SEC	Securities Exchange Commission

CHAPTER 1

INTRODUCTION

1.1 Research Interest

Financial restatements issue has received considerable attention from the regulators in Malaysia. In 2007, cases involving The Maxbiz Corp Bhd., Transmile Bhd., and Megan Media Holdings Bhd. signaled accounting irregularities cases in Malaysia. As the financial restatements issue affects the investors' confidence in Malaysia companies, therefore it should be addressed. According to Abbott, Parker & Peters, (2010), audit committee is seen as an independent body to an organization that provides the assurance that the company is practicing good governance to the external parties. The audit committee liaises much with the external and internal auditors Abbott et. al. (2010), as these two parties are the frontlines to ensure that good governance practices are in place, thus the likelihood of errors in the financial statement is reduced.

The audit committee establishment is to protect the interests of the stakeholders, especially the minority shareholders in addition to monitor and to fulfill the governance structure of a public company. Raghunandan & Rama (2003) found that the tasks and roles of the audit committee members are increasingly important, over the years. Companies nowadays operate under greater risk environment and are subjected to higher level of public scrutiny. With the increase in public's awareness on financial restatement issues, audit committee members have to be diligent in discharging their duties.

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