

Do Political Connections Moderate Audit Committee Experts' Effect on Mandatory Disclosure Transparency? Evidence from Malaysian GLCs

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Abstract

Purpose: This study primarily analyses the relationship between audit committee experts and mandatory disclosure transparency of Malaysian Government Linked Companies. It also examines the moderating effect of audit committee with political connections on the relationship between audit committee experts and mandatory disclosure transparency.

Design/methodology/approach: To achieve these objectives, a quantitative-positivist approach has been utilized in this study wherein the mandatory disclosure index was constructed and corporate reports of ten Malaysian GLCs for the period of 2009–2017 were used to collect data. The panel data technique was employed, resulting a total of 90 firm-year observations

Findings: The results obtained stipulate that the audit committee accounting financial experts and audit committee advanced academic qualifications have a positive and significant impact on mandatory disclosure transparency of Malaysian GLCs. On the other hand, the results of the audit committee with political connections as a moderator variable suggest that it has a negatively moderating effect on the relationship between each type of audit committee experts and mandatory disclosure transparency. To be specific, the audit committee with political connections only have weaken the effective role played by audit committee with advanced academic qualifications and audit committee training as the interaction terms on these two types of expertise are statistically significant.

Research limitations/implications: First, this study is limited to G20 companies that listed on the Bursa Malaysia and only involved in GLCT. Second, this study is only relied on the corporate reports of the Malaysian GLCs as the source of collection of all relevant information without considering the other useful media. Third, this study is mainly focused on the mandatory disclosure for the purpose of measuring the level of corporate disclosure transparency.

Practical implications: The outcomes of this study may serve as an input for the Malaysian government and regulators in acknowledging expertise as a prerequisite for audit committee memberships and establishing a special provision on the appointment of directors with political interest. Moreover, it provides additional knowledge about the effect of expertise and political connections in audit committee in in shaping mandatory disclosure transparency, especially in an environment of which political influence is institutionalised.

Originality/value: This study is different from previous research in three aspects. First, it examines whether political connections in audit committee has a moderating effect on the association between audit committee experts and mandatory disclosure transparency. Second, this study is the first to analyse the nexus between audit committee experts and mandatory disclosure transparency as well as the political business environment in the context of Malaysian GLCs. Third, it uses a robust methodology by developing mandatory disclosure index and incorporating nine sample years that focused on Malaysian GLCs which are involved in GLC Transformation Program (GLCT), known as G20.

Keywords: Audit Committee, Expertise, Political Connections, Mandatory Disclosure Transparency, GLCs

Introduction

The issue of disclosure transparency has received immense attention from multiple researchers over the years (Haldar and Raithatha, 2017; Pivac, Vuko and Cular, 2017). The increasing nature of the corporate scandals and the occurrence of the financial crises are all rooted in the weakness of corporate governance (Othman, Ishak, Arif and Aris, 2014) and lack of transparency (Setiany, Hartoko, Suhardjanto and Honggowati, 2017). Thus, these incidences have compelled investors to provoke call for greater corporate disclosure transparency not just to corporations but also governments and supranational authorities around the world. Malaysia being no exception. According to Han, Kang and Yoo (2012), corporate disclosure transparency has been acknowledged as one of the tools which is more direct and observable to assess the quality of financial reporting. Basically, corporate disclosure transparency can be translated as the availability of relevant information particularly on firm specific information which is disseminated via several disclosure vehicles such as annual reports, interim and quarterly reports, prospectuses, press releases and websites. It can be further categorised into two natures of disclosure, namely, mandatory disclosure and voluntary disclosure (Gunawan and Lina, 2015). However, this study is mainly focused on aspects of mandatory disclosure in the corporate reports of Government Linked Companies (GLCs) in Malaysia. As such, this study defines corporate disclosure transparency as the mandatory disclosure that is governed by statutory laws, the stock exchange and accounting standards (Abdullah, Sapiei, Ismail and Sulaiman, 2013). In Malaysia, the mandatory disclosure requirement is prescribed by the relevant sections of the amended Companies Act, 1965, the revised Bursa Malaysia Listing Requirements (BMLR) and the accounting standards approved by the Malaysian Accounting Standards Board (MASB). The corporate reports are usually the main source being used by most of the companies to disseminate corporate information (Elfeky, 2017). As this main source has been considered as a major reporting document, it becomes the focus of disclosure index where a wide range of information, including mandatory disclosure information might be found therein. Accordingly, in the event of departure from the mandatory disclosure requirements or the lower level of mandatory disclosure are occurred, it may denote the existence of inexpert audit committee in companies as they failed in monitoring the compliance with the mandatory disclosure requirements.

The corporate disclosure has been regarded as a medium of communications between management and shareholders including market participants in general (Madi, Ishak and Manaf, 2014). Accordingly, it is viewed that better corporate disclosure is associated with an improvement in transparency which acts as a panacea to eradicate the information asymmetries problem between managers and shareholders, as explained in agency theory (Pivac et al., 2017). However, the managers cannot be expected to continuously maintain vigilance in ensuring the corporate disclosure transparency. Islam, Islam, Bhattacharjee and Islam (2010)

further suggested an effective tool to ensure the accountability of the managers and to act as an endeavour in minimising the agency costs, by undertaking increased monitoring activity through the role of the audit committee. In other words, the audit committee serves as an intermediary between the managers and shareholders. Indeed, the audit committee that consists of expert directors would be effective in promoting corporate disclosure transparency due to their hawk-eyed monitoring processes (Madi et al., 2014).

Nevertheless, other than the presence of inexpert audit committee, the effectiveness of audit committee in enhancing transparency of corporate information may deteriorate with the involvement of politicians in commercial business enterprises. The presence of politicians on corporate boards is a persistent issue in numerous countries, including Malaysia and has received widespread criticism from academic researchers (Hashmi, Brahmana and Lau, 2018; Mohammed, Ahmed and Ji, 2017; Mohammed, Sanusi, Noordin and Harjito, 2016, Al-Dhamari and Ismail, 2015). Extant research also suggests that the involvement of politicians in corporate boards, specifically audit committee could create a host of problems, inter alia, low financial reporting quality which was resulted from severe agency problems (Mohammed et al., 2017; Mohammed et al., 2016; Rahman and Ismail, 2016; Osazuwa, Che-Ahmad and Che-Adam, 2015). These inexpert and politically-affiliated audit committee members tend to divert managers from their fundamental objective of maximising shareholders' wealth and inhibit them from performing clearly defined performance goals. Consequently, there may be cases where their representations with their own interest and agenda could bring detrimental effects on shareholders' wealth, thereafter portray an indicative of dysfunctional boards (Rahman and Ismail, 2016). As highlighted by Yasin and Nelson (2012), Malaysia is unique and has its own institutional differences as compared to other countries where one of the differences is a significant government ownership in listed firms. By delving deeper into this issue, this government ownership especially in the GLCs would reflect a strong involvement of the government in the corporate level, including on the appointment of audit committee members. This invariably case leads to the existence of inexpert and politically-affiliated individuals on the GLCs boards who have been entrusted to run a business entity. The government intervention and existence of politicians who may not possess expertise in audit committee may beget serious repercussions on companies' decision making and business trajectory (Mohammed et al., 2016). Consequently, the intermingle between the role of political powers and business powers would further clarify on why the improvement of corporate disclosure transparency in GLCs does not appear to be priority. A prime example of the political tussle and financial failures in Malaysian GLCs is Felda Global Ventures Holdings Berhad (FGV), where it has been evidenced that such crisis was occurred due to a heavy political presence on GLCs boards (Ya'acob, Manap and Alrazi, 2018).

Literature Review and Hypothesis Development

Audit Committee Accounting Financial Experts

Audit committee members with adequate experience is essential in providing an effective means to perform vigilant monitoring on the financial reporting practices purposely to produce more transparent corporate disclosure (Kusnadi, Leong, Suwardy and Wang, 2016). It has been given considerable attention in the prior research as the audit committee members with relevant experiences, particularly in accounting or finance area have the ability to detect anomalies in corporate reporting compared to other members without such expertise (Appuhami and Tashakor, 2017). In the context of Malaysia, the BMLR obligates public companies including GLCs to be comprised of a minimum of one member of the audit committee who is either a financial expert, such as a member of the MIA, or with a related professional background. Besides, a specific part of the Green Book contains recommendations of best practices for

improving the audit committee effectiveness for GLCs. One of the recommendations specified that at least one of the audit committee members must be an MIA member or have at least three years working experience. The importance of this expertise is documented by Sellami and Fendri (2017), who find that having audit committee accounting financial experts is linked to a higher level of mandatory disclosure. A significant positive relationship is also found between audit committee accounting financial experts and voluntary disclosure (Al-shaer, Salama and Toms, 2017), suggesting that this expertise gives additional value to companies in improving audit committee effectiveness. In a similar view, Felo (2010) documented that audit committee members with relevant accounting expertise tend to practice greater discretion in disclosing corporate information, and thereby contributing to the transparency of disclosure. Based on the reviewed studies, it can be argued that the audit committee with accounting financial expertise is likely to improve their supervision errors and activities of corporate disclosure practice. Specifically, the following hypothesis is developed:

H1: There is a significant and positive relationship between audit committee accounting financial expertise and mandatory disclosure transparency.

Audit Committee Advanced Academic Qualifications

Prior literature has used academic qualifications as one of the proxies of audit committee expertise to explore on its ability in enhancing the audit committee effectiveness (see Nelson and Devi, 2013; Yasin and Nelson, 2012). The directors with academic qualifications are potentially unique due to their capacity for availability, independence and knowledge (White, Woidtke, Black and Schweitzer, 2014). Post, Rahman and Rubow (2011) has pointed out that these directors possess numerous qualities that the companies desire, namely, effective monitoring, expertise, social connections, network and reputation. Francis, Hasan and Wu (2016) documented that the academic directors who sit on audit committees exert a positive impact on earnings quality and information quality. With regard to the Malaysian evidence, Yasin and Nelson (2012) proposed that tertiary education academic qualifications as one of the audit committee expertise that could enhance its effectiveness. They postulated that this expertise is associated with financial reporting quality. Likewise, a study by Nelson and Devi (2013) on academic qualifications also found a positive impact between audit committee with advanced academic qualifications and earnings quality.

In light of the above discussion and the evidence reviewed therein, this study posits that the audit committee members in Malaysian GLCs with advanced academic qualifications would provide substantive monitoring on the financial accounting processes, as such, have a stronger effect towards more transparent mandatory disclosure. Specifically, the following hypothesis is developed:

H2: There is a significant and positive relationship between audit committee advanced academic qualifications and mandatory disclosure transparency.

Audit Committee Training

The BMLR details the training requirement for directors of which it highlights on the need of audit committee members to undertake continuous training to keep abreast of developments in relevant accounting and auditing knowledge as well as other related development of standard and practices. The firms should realise the experience and academic qualifications may not be the only measurements that constitute expertise. In fact, Azmi, Samat and Zakaria (2013) disentangle that these requirements are still insufficient to assure the effectiveness of the audit committee members. Thus, Azmi et al. (2013) has used audit committee training as another good indicator to measure expertise. Although there is no study that directly links the relationship between audit committee training and mandatory disclosure transparency, there

are several studies that have investigated the effect of training on the other areas, inter alia, level of firm performance, audit fees and board or audit committee effectiveness. A recent study by Borlea, Achim and Mare (2017) reported that board training does not have significant association on financial performances of Romanian companies. Yang (2009) also documented that board training could enhance director competencies and behaviour for board effectiveness. On the contrary, Wu (2013) reported a positive relationship between board training and financial performances of Taiwanese companies. Under the Malaysian context, Azmi et al. (2013) proved that the audit committee training could have an impact on the lower audit fees. Overall, there are mixed evidences as indicated from the above studies. By extrapolating these arguments into the current study, hence, this study proposes that as substantial trainings are provided to the audit committee members, it would expose them to accounting knowledge and other skills commensurate with the complexities of the firms and ultimately lead to improvement in mandatory disclosure transparency of Malaysian GLCs. Specifically, the following hypothesis is developed:

H3: There is a significant and positive relationship between audit committee training and mandatory disclosure transparency.

Audit Committee with Political Connections

Political influence in companies can arise through significant government ownership in firms (Mohammed et al., 2016; Al-Dhamari and Ismail, 2015), and in the case of Malaysia, in GLCs. Indirectly, it allows the government to involve in the decision-making process in the corporate level. For example, the government's involvement would influence on corporate governance especially in terms of board composition, where they tend appoint directors with background in politics, instead of relevant expertise (Rahman, Jamil and Ismail, 2019; Salleh, 2009). Accordingly, the quest on the need for more transparency in the corporate governance following the economic crises of 1997/1998 and 2008 as well as the incidences of corporate failures raised an issue on these politically-connected firms in Malaysia, including GLCs. This political influence has an adverse effect on the corporate disclosure transparency (Hashmi et al., 2018). The impact of political influence on the quality of disclosure has been investigated by several studies. A recent study under the Malaysian context by Rahman et al. (2019) found that the existence of politicians on boards is negatively related to corporate social responsibility (CSR) disclosure. The negative influence of political connection on corporate disclosure is further evidenced by Mohammed et al. (2017) and Al-Dhamari and Ismail, 2015. Going further with the studies conducted in other countries, Hashmi et al. (2018) contended that the politically connected firms in Pakistan have an incentive to distort earnings, thus concluding that these firms shall not have direct or indirect links with politicians. Based on the arguments outlined above, this study postulates that when there is a government influence in a company and politicians as audit committee members, it can induce managers to report selective information and to present the corporate reports in their best interests. As a result, it would lead to lower mandatory disclosure transparency of Malaysian GLCs. Specifically, the following hypothesis is developed:

H4: There is a significant and negative relationship between audit committee with political connections and mandatory disclosure transparency.

The Malaysian government has implemented various initiatives to reform the corporate governance framework in the country. Nevertheless, the appointment of incompetent directors with political connections on the board, specifically in the audit committee would undermine and create a catastrophic effect in the corporate governance (Mohammed et al., 2016). Al-Dhamari and Ismail (2015) further elucidated that under the influence of political connections

in the firms along with the presence of weak corporate governance system, it may encourage the senior management to rather stay passive and compliant to the will of politicians purposely to safeguard of their on-going appointment. As a result, severe agency problems occurred where the political pressures in a company would affect the decision-making process (Rahman et al., 2019; Hashmi et al., 2018). A study by Mohammed et al. (2016) found that the political connections has a negatively moderating on the relationship between board independence and accounting conservatism. Another study by Rahman et al. (2019) also revealed that the politicians on boards negatively moderates on the relationship between women directors and CSR disclosure. Both studies proved that the politically connected directors on board have weakened the effective role played by independence directors and women directors, respectively. Although a positive association has been empirically found between corporate governance mechanisms and corporate disclosure transparency in Malaysia (see Rahman et al., 2019; Madi, Ishak and Manaf, 2014; Othman, Ishak, Arif and Aris, 2014) and in other countries (see Appuhami and Tashakor, 2017; Ferchichi and Skanji, 2017; Sellami and Fendri, 2017), the way in which politically connected directors on the corporate boards affect the corporate disclosure transparency after strengthening the corporate governance, specifically appointing audit committee members with relevant expertise, is worth exploring. The presence of political influence in audit committee would induce managers and the other audit committee members to selectively disclose information in the corporate reports, which ultimately leads to murkiness in mandatory disclosure transparency of Malaysian GLCs. Specifically, the following hypotheses are developed:

- H5a:** Audit committee with political connections moderates the association between audit committee accounting financial expertise and mandatory disclosure transparency.
- H5b:** Audit committee with political connections moderates the association between audit committee advanced academic qualifications and mandatory disclosure transparency.
- H5c:** Audit committee with political connections moderates the association between audit committee training and mandatory disclosure transparency.

Theoretical Framework

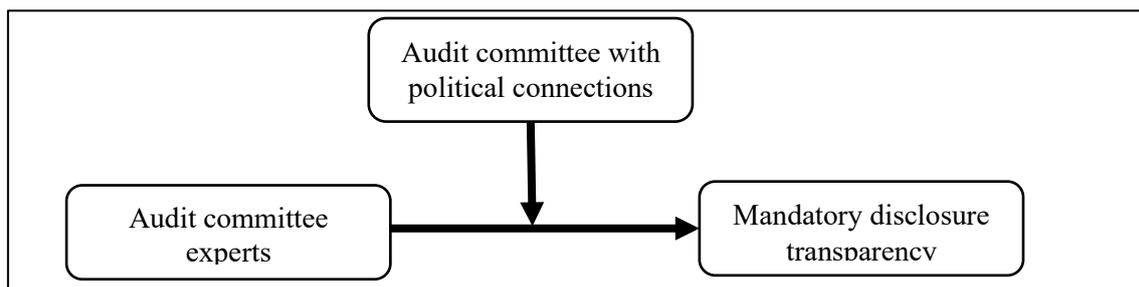


Figure 1: Theoretical Framework

Method

Population, Sample and Data Collection

A quantitative-positivist research philosophy has been utilised purposely to achieve the objectives of this study (Dana and Dumez, 2015). The sample of this study is focused only on the Malaysian GLCs that were fully listed on the Bursa Malaysia and involved in GLCT. The list of companies involved in the GLCT is obtained from Menon (2017) of which the list is initially encompassed of top 20 listed GLCs, known as G20. Currently, G20 is a group of 17 GLCs due to the wake of mergers, demergers and other corporate restructuring exercises. Out

of 17, two GLCs are eliminated from the study sample due to unavailability of information. Next, five GLCs in the finance industry are also excluded due to the fact that they are governed by special regulations pertaining to financial reporting and are under close supervision from the Central Bank of Malaysia. Thus, the remaining 10 GLCs became the final sample of this study. The timeframe was nine years, covering the year 2009 until 2017. The panel data technique is employed, resulting a total of 90 firm-year observations. For data collection process, this study used secondary data from the GLC's corporate reports, consisting of integrated annual reports, annual reports and sustainability reports. Year 2009 is chosen as it is the period after the global financial crisis occurred during 2007-2008.

Construction of Mandatory Disclosure Index

The construction of mandatory disclosure index begins with the selection of reliable mandatory items, by referring to the existing disclosure indices from the previous studies (see Mohamad and Sulong, 2010; Hossain, 2008; Akhtaruddin, 2005), the established checklist instrument from a Big-4 accounting firm (Ernst & Young and KPMG) as well as legal requirements from BMLR and Companies Act 2016. The selection of mandatory items also covers the whole content of the corporate reports by considering the availability and relevancy of information. Following these criteria, a complete list of 110 mandatory items is identified and, for convenience, it has been classified into five categories according to their nature. Table 1 below shows the distribution of 110 mandatory items across the corporate reports.

Table 1: Distribution of mandatory disclosure index items

	Category Title	No. of Item	Percentage (%)
(A)	General corporate disclosure	11	10
(B)	Statement of financial position information	35	32
(C)	Statement of profit and loss information	19	17
(D)	Corporate governance	30	27
(E)	Accounting policies	15	14
	Grand Total	110	100

*The disclosure index is available upon request from the corresponding author.

The items of mandatory information are numerically scored on an unweighted and a dichotomous basis. The unweighted approach is applied based on the assumption that each item in the disclosure index is considered equally important, thus given the same scores (Jaffar, Mardinah and Ahmad, 2013). The items of information are numerically scored on a dichotomous basis either by assigning one (1) score if an item is present in the corporate reports, or zero (0) score if otherwise. If a particular item is non-applicable or irrelevant to a sample company, a non-applicable (NA) score is given. Next, disclosure scores for each sample firm is computed as follows and it is expressed in ratio: $MADTRA = ACTD / MXTD$

Where:

- MADTRA = The value of the mandatory disclosure transparency score for each firm.
- ACTD = The number of items each firm actually disclosed.
- MXTD = The expected maximum number of items disclosed by each firm.

Regression Model and Variables Defined

The Ordinary Least Squares (OLS) regression model is employed to examine the relationship between audit committee experts, political connections and mandatory disclosure transparency. The regression equation is presented as follows:

$$MADTRA = \beta_0 + \beta_1 ACCEX + \beta_2 ADVAQ + \beta_3 TRAIN + \beta_4 POLCO + \beta_5 POLCO * ACCEX + \beta_6 POLCO * ADVAQ + \beta_7 POLCO * TRAIN + \beta_8 INDEP + \beta_9 MEFRE + \beta_{10} FIRPE + \beta_{11} FILEV + \beta_{12} FISIZ + \epsilon$$

Table 2 below summarises all variables used in the model above:

Table 2: Measurement of variables

Variable (Notation)	Measurement of Variable
<i>Dependent Variable</i>	
Mandatory disclosure transparency score (MADTRA)	The ratio of the total actual disclosure scores to the maximum expected disclosure scores.
<i>Independent Variables</i>	
Audit committee accounting financial experts (ACCEX)	The proportion of audit committee members who are accounting financial experts (has working experience as Certified Public Accountant (CPA), Chief Financial Officer (CFO), Chief Accounting Officer (CAO), auditors, vice presidents of finance, financial controller or any other positions in accounting or auditing field, or a member of professional accounting body) to total number of audit committee members.
Audit committee advanced academic qualifications (ADVAQ)	The proportion of audit committee members with advanced academic qualifications (has master's degree or doctorates) to total numbers of audit committee members.
Audit committee training (TRAIN)	The average of all trainings attended during the financial year by audit committee members.
Audit committee with political connections (POLCO)	Proportion of politically connected audit committee members on the board. A politically connected audit committee members may be a member of parliament, a minister, a head of state or a state assemblyman or a person who is either currently or was formerly a government bureaucrat. The list of cabinet members and parliamentarians and state legislators were also reviewed (www.pilihanraya.com.my/melayu/parliamentlist.asp)
<i>Control Variables</i>	
Audit committee independence (INDEP)	The proportion of independent directors that occupy positions on the audit committee to total numbers of audit committee members.
Audit committee meeting frequency (MEFRE)	The total number of audit committee meetings held during the financial year.
Firm performance (FIRPE)	ROA, the ratio of earnings before interest and taxes to total assets.
Firm financial leverage (FILEV)	The ratio of total liabilities to total assets.

Variable (Notation)	Measurement of Variable
Firm size (FISIZ)	The natural logarithm of book value of total assets.

Results and Discussions

Descriptive Statistics and Correlation

Table 3: Descriptive statistics for all variables

Variable	Mean	Minimum	Maximum
MADTRA	0.934	0.869	0.973
ACCEX	0.431	0.200	0.800
ADVAQ	0.346	0.000	1.000
TRAIN	7.663	0.000	20.000
POLCO	0.216	0.000	1.000
INDEP	0.810	0.667	1.000
MEFRE	7.760	3.000	16.000
FIRPE	0.059	-0.134	0.159
FILEV	0.544	0.225	0.779
FISIZ	10.148	8.935	11.452

All independent variables, control variables and dependent variable are defined in Table 2.

Table 3 presents the summary of descriptive statistics for all variables. The results for mandatory disclosure transparency show the highest score achieved by Malaysian GLC is 97.3% and the lowest score is 86.9% with the mean of 93.4%. The mean value stipulates that the score achieved is reasonably high and the Malaysian GLCs have an excellent transparency level. In terms of independent variables, the proportion of audit committee with accounting financial expertise is between 20% and 80%, with the average being 43.1%. Meanwhile, the proportion of audit committee with advanced academic qualifications is between 0% and 100%, with the average being 34.6%. In relation to audit committee training, the average number of trainings attended 8, with the range being 0 to 20. The mean of the proportion of audit committee with political connections is 21.6% with minimum and maximum values ranging from 0% to 100%.

Table 4: Pearson correlation analysis results

Variable	1	2	3	4	5	6	7	8	9	10	
1. ACCEX	1										
2. ADVAQ	-.109	1									
3. TRAIN	.231*	.144	1								
4. POLCO	-.198	-.034	.052	1							
5. INDEP	-	.037	-.016	.660**	1						
6. MEFRE	.301**	-.047	-.136	-.060	.448**	.239*	1				
7. FIRPE	.080	.040	-.056	-.190	-.141	-.043	1				
8. FILEV	-.020	-.053	.012	-.042	.046	.001	-	1			
9. FISIZ							.398**		1		
10. MADTRA	.197	-.162	.054	.128	-.046	.245*	.062	-.004		1	
	.375**	.096	-.281**	.005	-.124	.039	.058	.068	.406**		1

All independent variables, control variables and dependent variable are defined in Table 2. The sign * and ** represent significance levels (two-tailed) at 5 percent and 1 percent, respectively.

Table 4 displays the results of the correlation analysis. The mandatory disclosure transparency is positively and significantly correlated with two variables, namely, audit committee accounting financial experts and firm size. Five variables are positively correlated with mandatory disclosure transparency, but not significant. These variables are audit committee

advanced academic qualifications, audit committee political connections, audit committee meeting frequency, firm leverage and firm size. Meanwhile, audit committee training and audit committee independence have a negative association with mandatory disclosure transparency.

Regression Results

Table 5 presents the results of the OLS regression analysis for the full sample. As reported in the table, it is apparent that the F-value is 8.716 ($P = 0.000$), which specifies that the estimated study model is statistically significant. The R-square of 49.5% and the adjusted R-square of 43.8% indicate that the variations in *MADTRA* explained by the variables are quite moderate. Prior to performing the OLS regression, this study has performed several diagnostics tests pertaining to the underlying assumptions of OLS regression. The results (unreported) revealed that the underlying assumptions of OLS regression were met, which include normality, sample size, linearity, multicollinearity, homoscedasticity and outliers. Thus, the results from the regression analysis can be interpreted with a high degree of confidence.

In respect of expertise variables, the results indicate that the audit committee accounting financial experts is found to be significantly and positively correlated to the extent of mandatory disclosure transparency. This finding leads to a conclusion that the audit committee members with accounting financial expertise are associated with higher level of mandatory disclosure transparency. Hence, the hypothesis 1 is accepted. This result reinforces the findings from prior relevant studies such as Sellami and Fendri (2017), Al-shaer et al. (2017) and Felo (2010). This finding implies that the audit committee members are capable in recognising potentially misleading transactions and probing questions to management and auditors, as they are equipped with a high degree of accounting sophistication. Next, the findings also show that the audit committee advanced academic qualifications is significantly and positively associated with mandatory disclosure transparency. This result appears to suggest that audit committee which includes members with advanced academic qualifications are more likely to encourage management to enhance the mandatory disclosure transparency. Hence, the hypothesis 2 is accepted. This result is interpreted as being in line with the findings of Francis et al. (2016), Nelson and Devi (2013) and Yasin and Nelson (2012). In detail, this finding provides evidence on how such expertise could assist the audit committee to promote transparency in corporate reports as they may apply their elements of uniqueness in terms of their capacity for availability, independence and knowledge to this role. On the other hand, the audit committee training is significantly correlated with mandatory disclosure transparency, but the sign of the coefficient is not as predicted. Hence, the hypothesis 3 is could not be accepted.

Further, table 5 demonstrates that the presence of more politically connected directors in the audit committee is positively related to mandatory disclosure transparency. Nonetheless, the relationship is not significant. Hence, the hypothesis 4 is could not be accepted. This outcome suggests that although the existence of audit committee with political connections have the ability to induce managers in enhancing mandatory disclosure transparency, these politicians seem not be able to influence companies to provide more transparent mandatory disclosure. In other words, they should not be considered as one of the contributing factors towards enhancing mandatory disclosure transparency. This situation may happen as they need to adhere to the decisions made by the audit committee accounting financial experts as well as to voluntarily follow the mandatory disclosure requirements that have been prescribed in the Companies Act, 1965, the BMLR and the accounting standards approved by the Malaysian Accounting Standards Board (MASB). Their low representation in this case may cause their voice to be hardly heard, thus refraining them from achieving their own interest and agenda. When the interaction terms, namely, audit committee with political connections are tested, the overall results in Table 5 suggest that the audit committee with political connections has a negatively

moderating effect on the association between audit committee experts and mandatory disclosure transparency of Malaysian GLCs. In detail, however, the interaction terms on audit committee accounting financial experts is insignificant. Hence, the hypothesis 5a is could not be accepted. It concludes that although the presence of audit committee with political connections have the ability to diminish the role of the audit committee accounting financial experts in enhancing mandatory disclosure transparency, their representation and ability in influencing decision making seems to be harmless to the firms. A plausible reason for this insignificant is due a precautionary step taken by the audit committee members with accounting financial expertise to prevent them from executing any actions that may violate their main roles and responsibilities, and ultimately may affect their on-going appointment.

For the next interaction terms on audit committee advanced academic qualifications and audit committee training, both results are statistically significant as shown in Table 5, providing support to the hypothesis 5b and hypothesis 5c. The negative and significant moderating effects for both cases imply that the audit committee advanced academic qualifications' and audit committee training' influence to provide more transparent mandatory disclosure of Malaysian GLCs are weaken when there are politicians in audit committee. In this circumstance, these audit committee members with relevant expertise may need to abide to the directions imposed by the politicians. The audit committee members and managers probably will be pressured by these politicians, particularly on the decision-making process and corporate reporting. Both results corroborate the findings of the previous studies by Rahman et al. (2019) and Mohammed et al. (2016). In terms of the control variables, the statistical result shows that only firm size has significant association with mandatory disclosure transparency. Meanwhile, audit committee independence, audit committee meeting frequency, firm performance and firm leverage show an insignificant influence on mandatory disclosure transparency.

Table 5: OLS regression results

	Coefficient	Beta t values	Significance
Intercept	-0.188	-0.605	0.547
ACCEX (+)	0.467	4.995	0.000***
ADVAQ (+)	0.189	3.332	0.001***
TRAIN (+)	-0.016	-5.467	0.000***
POLCO (-)	0.134	1.585	0.117
POLCO*ACCEX (-)	-0.410	-0.790	0.432
POLCO*ADVAQ (-)	-0.488	-1.901	0.061*
POLCO*TRAIN (-)	-0.023	-1.820	0.072*
INDEP	-0.134	-0.893	0.374
MEFRE	-0.005	-0.901	0.370
FIRPE	0.145	0.339	0.735
FILEV	0.214	1.397	0.166
FISIZ	0.120	4.430	0.000***
R-Squared		0.495	
Adjusted R-Squared		0.438	
F		8.716	
Sig		0.000	

Notes: All independent variables, moderating variable, control variables and dependent variable are defined in Table 2. The expected signs for each of the independent variables are presented in parentheses. Unstandardised coefficients are reported. The sign *, ** and *** represent significance levels at 10 percent, 5 percent and 1 percent, respectively.

Conclusion

This study primarily analyses the relationship between audit committee experts and mandatory disclosure transparency of Malaysian Government Linked Companies. The expertise includes

accounting financial experts, advanced academic qualifications and training as well as representation of politicians in audit committee. Besides, this study also examines the moderating effect of representation of politicians in audit committee on the relationship between audit committee experts and mandatory disclosure transparency. Furthermore, this study also controls for the variables suggested in previous literature purposely to avoid a spurious relationship between dependent and independent variables. This study has constructed the mandatory disclosure index that consists 110 mandatory items in order to calculate the mandatory disclosure transparency score on a sample of 10 Malaysian GLCs for the period from 2009 until 2017. The results obtained stipulate that the audit committee accounting financial experts and audit committee advanced academic qualifications have a positive and significant impact on mandatory disclosure transparency of Malaysian GLCs. On the other hand, the results of the audit committee with political connections as a moderator variable suggest that it has a negatively moderating effect on the relationship between each type of audit committee experts and mandatory disclosure transparency. To be specific, the audit committee with political connections only have weakened the effective role played by audit committee with advanced academic qualifications and audit committee training as the interaction terms on these two types of expertise are statistically significant. These results support the agency theory and are in line with the existing studies. The outcomes of this study may assist the Malaysian government and regulators in acknowledging expertise as a prerequisite for audit committee memberships as well as establishing a special provision on the appointment of directors with political interest. Moreover, it provides additional knowledge about the effect of expertise and political connections in audit committee in enhancing mandatory disclosure transparency, especially in an environment of which political influence is institutionalised.

Like any other research, this study has a number of limitations. First, this study is limited to G20 companies that listed on the Bursa Malaysia and only involved in GLCT. As the sample can be seen relatively small, the generalisation of the findings should be made with careful consideration. Second, this study is only relied on the corporate reports of the Malaysian GLCs as the source of collection of all relevant information without considering the other useful media. Third, this study is mainly focused on the mandatory disclosure for the purpose of measuring the level of corporate disclosure transparency. Therefore, the aforementioned limitations could have uncovered the path for further investigations. First, future researchers may focus on all GLCs regardless whether they are categorised under listed or non-listed on the Bursa Malaysia. Second, future researchers are encouraged to examine the extent of corporate disclosure transparency published in other media, namely, quarterly financial reports or information provided through the GLCs' websites. Third, future researchers may consider to consider the level of aggregate disclosure transparency as a whole. It covers two nature of disclosures, namely, mandatory disclosure and voluntary disclosure.

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