

# A RESEARCH ON THE EFFECTIVENESS OF AUDIT COMMITTEES OF PUBLIC LISTED COMPANIES IN MALAYSIA

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## ABSTRACT

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In Malaysia, the need to form audit committees in the public listed companies could not have come at a better time. The recent years have seen the proliferation of white-collar crime in the nation's corporate sector and the demand by the public for the directors and management in these companies to be more accountable. Nevertheless, it has to be understood that the audit committee alone, no matter how effective and responsible it could be, would never be the panacea for all the alleged ills in the listed companies, which handle public funds. Since the audit committee plays a very important role in the listed companies, it is prudent that the audit committee is effective in all ways. The ultimate value of the audit committee depends on how well it actually functions rather than, whether it simply exists in theory. The mandatory requirement for audit committees in public listed companies is still very much at an infancy stage. It would probably take a few more years before the actual value of the audit committee and its effectiveness is looked into as topics for major research papers. This research was conducted to determine the effectiveness of the audit committees in public listed companies in Malaysia from the viewpoint of the internal auditors of the company. Generally, it was found that most of the audit committees were efficient in fulfilling their functions. Nevertheless, there were areas, which needed improvement to steer the audit committees towards greater effectiveness. Audit committees are assuming an increasingly important role in the governance of many corporations. Among their responsibilities are overseeing the financial reporting process and ensuring the objectivity of the external audit by providing a channel of communication between the board of directors and the firm's auditors. Ideally the audit committee should be independent of management, allowing internal and external auditors to remain free of undue influence and interference by corporate insider. An effective audit committee can greatly enhance the credibility and integrity of a company's financial reporting and control systems. Even though the Kuala Lumpur stock exchange has made it a mandatory requirement that all public listed companies have to established audit committees, it cannot legislate its effectiveness. Total commitment and combined efforts from the board members, top management and other employees, external and internal auditors, and individual audit committee members are a must to ensure the success of an effectiveness audit committee.