The Moderating Effect of Enterprise Risk Management on the Relationship between Audit Committee Characteristics and Corporate Performance: A Conceptual Case of Jordan

Saddam Shatnawi, Mustafa Hanefah, Abdelhakhem Adaa, Monther Eldaia

Received: 20 March 2019, Revised: 01 April 2019, Accepted: 30 April 2019

Published Online: 23 May 2019

In-Text Citation: (Shatnawi, Hanefah, Adaa, & Eldaia, 2019)


Copyright: © 2019 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: http://creativecommons.org/licenses/by/4.0/legalcode

Vol. 9, No. 5, 2019, Pg. 177 - 194

http://hrmars.com/index.php/pages/detail/IJARBSS  JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
http://hrmars.com/index.php/pages/detail/publication-ethics
The Moderating Effect of Enterprise Risk Management on the Relationship between Audit Committee Characteristics and Corporate Performance: A Conceptual Case of Jordan

Saddam Shatnawi¹, Mustafa Hanefah¹, Abdelhakhem Adaa¹, Monther Eldaia¹
¹PhD candidate, Accounting Department, Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia [USIM]
Bandar Baru Nilai, 71800, Nilai, Negeri Sembilan, Malaysia
Email: saddamshatnawiusim@yahoo.com
¹Professor of Accounting, ¹Assistant Professor of Accounting, ¹PhD Candidate

Abstract
The moderating effect of Enterprise Risk Management (ERM) on the relationship between Audit Committee (AC) characteristics and corporate performance under Jordanian context remains a challenge that is yet to be resolved. Jordan plays a significant role on Middle East economy, and recently attracted the attention of the investors. Audit committee characteristics have a significant effect on corporate financial and risk decision-making practices in Jordan. The fundamental AC role is to supervise the corporate’s financial reporting practice, review of financial reports, auditing practice, internal accounting controls, and risk management practices. Hence, the risk management committee (RMC) and AC can potentially moderate the relationship between risk management disclosure and firm performance. Several results of the previous literature were found fraternized, unclear, and inconsistent regarding the ERM effect on firm performance or its effect on AC characteristics in general context, while the literature on Jordan context remain very scarce inaccessible. Therefore, this paper, with regards to existing literature, conceptualized that ‘ERM’ moderates the relationship between AC size, number of AC meeting, AC independence, accounting expertise in the AC, Muslim directors in the AC, and corporate performance.

Keywords: Audit Committee Characteristic, ERM, Corporate Performance, Jordan, Moderating.

Introduction
The Jordanian Kingdom is attracting the attention of global investors as a result of its relative security, political stability, safety, educational status, economic and technological advancement (Alabdullah et al., 2014; Alqadi, 2017). Jordan inclined to adopt corporate governance (CG) protocols similar to those
adopted by developed countries such as the UK, and the USA, which the feature of CG systems and ERM in their firms is very different (Abdullatif et al., 2015). Because the Jordanian firms are significantly smaller than those found in developed countries, and many Jordanian firms are strictly-held family businesses (Abbadi et al., 2016). Following the Jordanian corporate sectors speedily increasing in numbers, growing in technology, and size, they need better monitoring and control in term of auditing. The AC is the key advisory committee of the corporate body because of its role in safeguarding stakeholders’ interests in conjunction with financial management and control (Alqadi, 2017). Further, it plays a fundamental role in CG as a value creator through guaranteeing financial reporting transparency by structuring and maintaining the confidence of shareholders and the general public as well (Abbadi et al., 2016; Velte, 2017; Darwish, 2015).

Audit committees have been in forefront of public attention for decades now since they are the primary decision-making teams with responsibility to supervise the internal control and financial reporting of firms particularly in Jordan (Al Daoud et al., 2015; Al-Dalahmeh et al., 2017). The quality of AC services may be affected by auditors’ capability to carry out required audit processes and the approaches helping in identifying failures in the corporate’s accounting and thus, reporting freely on these closures or bankruptcies (Al-Dalahmeh et al., 2017). The AC independence (i.e. unhindered function), the size, number of meeting, accounting expertise are important in this case (Toumeh & Yahya, 2017; Suprianto et al., 2017).

The key characteristics of AC serve as a giant step in risk management strategy in organizations and audit quality (Hamdan et al., 2013; Alareeni, 2017). The ACs’ activities may make the board of directors or manager to take risk mitigating strategies to safeguard the operating effectiveness of the corporate (Allini et al., 2016). Hence, the RMC and AC can potentially moderate the relationship between voluntary risk management disclosure and firm performance (Abdullah & Shukor, 2017). Therefore, the current study encompasses the relationship between corporate performance and AC characteristics as moderated by ERM in the context of Jordan as one of the first countries in its territory to adopt ACs in its guidelines to public listed companies (Siam et al., 2014; Abdullatif et al., 2015). Though the public listed companies in Jordan are in many instance strictly-held and family businesses, the need for effective AC for an effective performance may be restricted because of low agency costs between the managers and firm owners. Thus, this study aims to investigate the moderating effect of ERM on the relationship between AC characteristic and corporate performance in Jordan.

Theoretical Background

The implication of the efficiency of ACs has increased in the awakening of the global financial scandals that resulted within past two decades, which saw the legislation of regulations in developed countries that encompasses CG problems, including ACs (Carson, 2003). The development towards regulating CG has seen an increase in developing and developed countries, in an effort to moderate the likelihoods of financial scandals and corporate failures, particularly the negative impacts of such incidences have on the general economies of developing countries (Giroux, 2008; Aldamen et al., 2012). In keeping with Shehata (2015), Jordan is an early reformer with regards to adopting CG regulations in the Middle East.

Furthermore, studies have exhibited that internal AC size and meeting frequency have their influence on performance, while the AC independence, qualification, and experience have significant effect on firm performance (Zain et al., 2006; Salameh et al., 2011; Yin et al., 2012; Alzeban & Sawan, 2015; Almagdoub, 2016). It was debated that AC size and independence plays an important role in
enhancing the corporate performance. Some researchers report that small AC is more effective in supervise the financial reporting practice and cutting internal risks while others claimed that larger size and independence of the ACs have more impact (Chow, 1982; Palmrose, 1986; Al-Najjar, 2011; Anderson et al., 2012; PVVS & Palaniappan, 2016; Velte & Stiglbauer, 2018). However, other studies reported a negative or no significant effect of AC characteristics on firm performance. Hamdan et al. (2013) review the impact of AC characteristics on the performance using the Amman Stock Exchange listed companies in Jordan. These authors reported no significant relationship between AC size and frequency of AC meetings on corporate performance. Others reported that firm performance is negatively linked with the frequency of AC meeting (Stewart & Munro, 2007; Greco, 2011).

Numerous tests have been carried out in order to resolve the relationship between variables, including AC size, the frequency of AC meeting, AC independence, and accounting expertise in the AC (Yin et al., 2012; Alzeban & Sawan, 2015; Almagdoub, 2016; PVVS & Palaniappan, 2016; Velte & Stiglbauer, 2018). The findings revealed that the relationship between AC characteristics and firm performance is positive in term of CG context, especially in Jordan. Conversely, there was a negative relationship between these variables, excluding AC frequency of meetings and AC independence which exhibited a positive relationship with firm performance (Salameh et al., 2011; Yin et al., 2012; Alzeban & Sawan, 2015). General negative relationship noted in this literature may be as a result of the fact that AC characteristics have no impact on financial information disclosure through risks. Moreover, several studies used various AC characteristics to moderate different variables effect on firm performance. Such as Ershaid et al. (2017) studied the moderating effect of the internal control system on the relationship between environmental turbulence and firm performance in Jordanian listed companies, found its positive impact on firm performance. Suprianto et al. (2017) investigated the AC accounting expert and earnings management with “status” AC as a moderating variable, found a positive influence on firm performance. Abdullah & Shukor (2017) investigated the comparative moderating effect of risk management committee and AC on the association between voluntary risk management disclosure and firm performance. The authors found that risk management committee significantly impacts the voluntary risk management disclosure and firm performance. Ismail & Witarno (2016) examined the analysis of the effect of company's fundamental characteristics and real earnings management to stock return moderated by audit quality and found that significantly affect the performance of real earnings management to stock return. Similarly, Sharma et al. (2011) examined the client importance and earnings management while ACs act as moderator, and found that ACs significantly affect the performance of earnings management. Further, stock market segmentations, free cash flow, and earnings management as moderated by independent AC and audit quality were studied by Toumeh & Yahya (2017). The authors showed that independent AC and audit quality positively moderated free cash flow and earnings management. Shahanif (2017) studied the moderating effect of audit quality on AC and financial reporting quality in Malaysia, with a positive and negative effect reported. However, none of these studies employ ERM as a moderating variable between AC characteristics and firm performance. Additionally, the literature on the relationship between AC characteristics and corporate performance is consecrated with divergent results and inconclusiveness. Some researchers found positive associations, whereas other studies reported a negative relationship and other investigators found no relationship. These blend findings make the direction of this relationship to be unclear. These facts coupled with Jordanian CG situations, and firm performance, warrant that the moderating effect ERM between AC characteristics and firm performance will be worth investigating particularly in Jordanian context.
The prerequisite to investigate the effect of AC characteristics on corporate performance is becoming a major emphasis amongst scholars, stakeholders, accountants, and financial institutions. The importance of this study is to investigate the moderating effect of ERM on the relationship between AC characteristic and corporate performance within specific firms in the Hashemite Kingdom of Jordan. The role of AC characteristics is of high interest to both managers and the public in CG especially on the issues on what moderates it for an effective corporate performance. This distinguishes this investigation from previously studies for introducing and focusing on the moderating effect of ERM and Jordan.

### Audit Committee Characteristic
Audit committee characteristics have a significant effect on corporate financial and risk decision-making practices in Jordan (Kikhia, 2014; Siam et al., 2014; Alqatamin, 2018). The AC is the sole crucial board sub-committee attributing its precise role of safeguarding the interest of stakeholders with respect to financial oversight and control (Hamdan et al., 2013). The fundamental AC role is to supervise the corporate’s financial reporting practice, review of financial reports, auditing practice, internal accounting controls, and more currently its risk management processes (Abdullah & Shukor, 2017; Cohen et al., 2017). Therefore, AC characteristics including AC size, the frequency of AC meeting, AC independence, accounting expertise in the AC, and Muslim directors in the AC are explained under the following subheadings.

### Audit Committee Size
The amount of the AC committee is the total members of a team selected by the corporate governing body to oversee the financial management and disclosure (Moses, 2016). The size of the AC is taken as an indication of means to access and justify the team activity and effectiveness (Palmrose, 1986). This depends on the context where a substantial number of the committee size increase justification for the quality of its activity and control (Aryan, 2015; Inaam & Khamoussi, 2016; Christensen et al., 2016). It has been reported that the AC size affects corporate disclosures and performance (Allini et al., 2016; Dewayanto et al., 2017; Darwish, 2015). Abbott et al. (2004) studied 41 firms that presented a fraudulent financial statement and 88 firms with annually restated results for nine years (1991 to 1999). The study showed that AC size has no significant impact on quality of financial reporting. Similarly, Moses (2016) also showed AC size has no significant influence on financial reporting.

The precise number of AC members is very vital as this affects the dedication of the members to the monitoring of management and identifying fraudulent behaviors. A larger size of the AC can improve factual differences throughout the equity compliances. Anderson et al. (2012) stated that the capability of the AC oversight task arises when the number of its members grow. Chow (1982) indicated that small sized AC improves firm oversight, control, and performance. However, Aryan (2015) observed that an AC size large spends up a significant period and processes to monitor the financial reporting practice and board internal control mechanism. All these findings indicate that size composes a significant factor in the efficient performance of AC teams. Thus, the size of these committees should be properly determined. The common reported AC sizes are comprised of three to five or occasionally seven members who are not a part of corporate management (Alleyne et al., 2006; Alleyne et al., 2009). An effective AC size is crucial if effective firm financial performance is to be achieved. This is because substantial AC members may offer a valuable expertise and experience in improving quality of financial disclosure. In this regard, there is no obtainable information on the size of AC in term of Jordanian firm context.
Number of Audit Committee Meeting
Audit committee meeting is crucial to carry out a successful oversight tasks in supervising the performance of managers and firms (Stewart & Munro, 2007). The existence of AC does not give assurance that the committee will be efficient, thus focus has been redirected on the composition and activities of ACs. Many of the suggestions made have concentrated on the independence and the frequency of AC meetings (Méndez & García, 2007; Alzeban & Sawan, 2015). Conversely, studies indicate that there is a significant difference in the recommended structure and function of ACs across different controls (Greco, 2011).

Beasley et al. (2000) revealed that AC meetings should at least be held once periodical to review the short-term report. This is because, high frequency of AC meeting tend to reduce the financial problem (Bédard & Gendron, 2010). Likewise, based on agency theory viewpoint, the findings of earlier reports have displayed that frequency of AC meeting can increase firm performance (Sharma et al., 2009).

Moreover, AC meetings have constantly been found to be linked with superior quality of financial reporting (Al-Daoud et al., 2015). Financial reporting in term of adequate ERM as a result of a frequent number of the meeting is associated with high quality performance (Alaswad & Stanišić, 2016; Cohen et al., 2017). Australian report indicates a positive relationship between AC and the frequency of AC meetings (Shahanif, 2017).

The AC commitment has been operationalized as the number of AC meetings took placed during the financial period (Alaswad & Stanišić, 2016), with the anticipation that the more frequently AC meets, the more probably it carry out its responsibilities. However, researches have established that the number of AC meetings is negatively linked with financial management and performance (Baxter & Cotter, 2009; Aldamen et al., 2012). These results show that an active and dedicated AC plays a vital role in enhancing the quality of financial reporting and performance. However, both AC and firm size were discovered to be positively linked with the number of meetings as well as negatively relationship between the fraction of independent directors and the number of AC meetings held (Yin et al., 2011).

Stewart & Munro (2007) demonstrated that the number of AC meetings with the presence of auditors at meetings is significantly connected with a decrease in the perceived level of audit risks. Directors, managers, and other corporate workers hours are likely to boost when an AC is in place, specifically when meetings are more recurrently, the auditor is mandated to appear in all meetings (Stewart & Munro, 2007; Sharma et al., 2009; Greco, 2011). It is worth noting that none of these studies reported the relationship between the AC characteristics and firm performance as moderated by ERM in Jordan.

Audit Committee Independence
Independence can be considered as one of the bases of AC effectiveness (Inaam & Khamoussi, 2016; Amoush, 2017) and firm performance (Alqatamin, 2018) since such independence permits AC members more self-sufficient and free from consigned interests (Al-Najjar, 2011) in reviewing firms’ performance. Al-Najjar (2011) studied the determinants of AC independence and activity: evidence from the UK. The author found a positive relationship between AC independence and activity. In the same way, Bala et al (2015) reported a positively and significantly relationship between AC independence to
earnings quality. However, Velte & Stiglbauer (2018) found independent AC who are not managers in other corporates is negatively linked to both the positive and absolute levels of accounting quality. Abbott et al. (2000) contended that higher AC independence is associated with higher-quality auditors and more effectiveness. The investigators exhibited that AC independence and audit fees are associated not only with the proficiency factor but also with an effective firm structure and CG. Independent auditors have more incentive than internal auditors for supervising as they give attention on corporate’s reputational capital (Buallay, 2018). The firm having more independent auditors moderates agency cost which can result in a better reporting quality and create smaller gap with internal auditors (Zain et al., 2006). Therefore, the contribution of AC independence to the corporate performance cannot be over emphasized. However, the moderating effect of ERM has not been examined for corporate performance, especially in Jordan.

**Accounting Expertise in the Audit Committee**

Accounting expertise of AC is crucial for optimum efficiency in financial management and reporting (Ghafran & O'Sullivan, 2017). The AC members with expertise in accounting skills can expedite the committee in supervising the financial reporting practice more successfully (Sun et al., 2014). They are more efficient in reviewing the financial reporting practice for having appropriate skills, knowledge, and experience to identify earnings management malpractice and frauds (Giroux, 2008; Salameh et al., 2011; Liu et al., 2013). They provide recommendations to the board of directors regarding financial information made by the managers prior to being presented to stakeholders for decision-making process (Honggowati et al., 2017). The AC is responsible for monitoring the financial reporting practice and per se, thus AC with accounting and finance experience meet more frequently to iron issues of financial reporting so as to endure effective practice for financial management (Giroux, 2008). Concisely, the efficacy of AC can guarantee financial reporting that is free from misstating, reduce information irregularity and improved earnings or financial quality, and finally build better stakeholders’ confidence.

Since AC supervises financial reporting and disclosure, thus, AC member with accounting education can help in efficient monitoring of management and the review of financial reports and accounts of a corporate (Sultana et al., 2015) in addition to supervising risk operations such as ERM (Walker et al., 2003). The present of AC accounting expertise can restrict opportunistic management and safeguard the interests of stakeholders and shareholders thus reducing agency issues and improve earnings quality (Sultana et al., 2015). Many researchers have established significant positive relationships between AC expertise and financial quality and performance (Hamdan et al., 2013; Sultana et al., 2015; Velte, 2017). However, some scholars found insignificant relationships between AC accounting expertise and financial quality and performance (PVVS & Palaniappan, 2016; Abdullah & Shukor, 2017). Though, none of the studies use ERM as a moderator variable.

**Muslim Directors in the Audit Committee**

The prompt expansion of Sharia Financial Institutions (SFI) recently is becoming an area of high interest to the stakeholders in Finance sectors (Raman & Bukair, 2013). As an organization, SFI is established on the principles of Islam, certainly, has a social accountability to the name of Islam it possesses (Baydoun et al., 2018). The SFI mandated to operate in accordance with the guidelines and codes of Sharia. With respect to social roles it plays, SFI provide Islamic Social Responsibility (ISR) information to exhibit their duty of accountability to the public and firms, and provide relevant evidence in compliance with the religious requirements of Muslim decision-makers as a indicator of
accountability to Allah SWT as the corporates not only function for the benefit of stakeholders but also for social wellbeing and safety (Raman & Bukair, 2013; Ali et al., 2018; Yenti, 2018).

Ali et al. (2018) explored knowledge, skills, and characteristics requirements for Shari’ah Muslim auditors. The results showed that Shari’ah knowledge is the important knowledge constituent, then the knowledge of Islamic banking process and knowledge of Fiqh Muamalat. Auditing is indicated as the major skill required of qualified Shari’ah auditors (SAR) to be considered as proficient. The authors also found that SAR must be the willing to learn attitude as a complementing feature to the skill and knowledge elements recognized, as a set of requirement for a competent Shari’ah auditor. The contribution of these authors is significance for proficiency practice among Islamic banking Muslim workers (i.e. the Muslim directors) as well as management policy in the employment or training of Shari’ah auditing experts (i.e. Muslim auditors).

Involvement of Muslim directors in the AC in the financial management and reporting may be attributed to the ability of the Muslim auditors to resist management pressure that commonly comes with fraudulence managers in trying to cover-up their misdeed. The credit of the attributes of Muslim directors in the AC goes back to the Shari’ah principles and laws. Tsui and Gul (1996) revealed that ethical reasoning moderated the relationship between the control locus and ability of auditors to resist management pressure. Alternatively, in accordance with these authors, both character and ethical reasoning are significant influences of auditors’ behavior and activity in the context of ethical problems. Particularly, the findings showed that ethical mediation may be more suitable for external auditors because they showed different ethical behavior than internal ones. Exploring this parameter or area may enhance financial managements and corporate performance.

Moderating Variable
A variable can be term moderator when it impacts the strength of a relationship between independent and dependent variables in a test (Matthew & Ann, 2017). The moderating variable is introduced to determine the strength or weakness of a relationship that can be qualitatively and quantitatively measure (Baron and Kenny, 1986; Fairchild et al., 2009). In this present investigation, the ERM is used as a moderating variable between the AC characteristics (i.e. AC size, number of AC meeting, AC independence, accounting expertise in the AC, Muslim directors in the AC) and corporate performance in Jordan.

Justification for a Moderator
Enterprise risk management comprises of integrated management of threat, operational, financial, and strategic risks along with the orientation of risk management based on corporate policies (Walker et al., 2003). Corporates commonly adopt good ERM tactics to connect ERM with their policies, cost, accounting, guidelines, and long-term projection with aim of regulating assets and interest in an effective manner (Cohen et al. 2017). Further, Nair et al. (2014) described ERM as a process, created by the board of directors, management, and other employees, operated in a strategy situation and across the enterprise, developed to identify potential incidents that may affect the corporate, and regulate risk to be within its risk appetite, to provide practical assurance concerning the realization of corporate objectives.

Acharyya, (2008) debated that the empirical impact of ERM has remained untested as a result of lack of appropriate frameworks. Based on the significant effect of ERM on AC roles and activities in corporate management disclosure, it will be very significant to consider it impact on firm
performance. According to Abdullah & Shukor (2017), the risk management committee and AC can potentially moderate the relationship between voluntary risk management disclosure and firm performance. Therefore, this justify the use of ERM as a moderating variable between AC characteristics and corporate performance in this current study.

Moreover, based on its roles and activities, AC is a supervising division in CG and the major rationale of its existence is to safeguard the interests of stakeholders and to assume its tasks in monitoring internal control, and financial disclosure in a corporate (Stewart & Munro, 2007; Asiriuwa et al., 2018). The agency theory postulate that the characteristics of the AC are comprised of supervising of the financial reporting criteria of an organization to improve efficiency and thereby lower the information asymmetry and agency cost (Adams, 1994; Safieddine, 2009). The AC characteristics include size, accounting expertise, meeting, and independence (Bala & Kumai, 2015; Surbakti et al., 2017). AC is responsible for maximizing the value of a corporate through monitoring, control, trustworthiness, dependability, and management of risk and finance of the corporate in order to avert any gaining of a personal advantage by the managers (Bédard & Gendron, 2010; Velte, 2017; Buallay, 2018).

Firm Performance
There is positive relationships between performance and AC size, independence, committees’ structure, number of AC meetings, accounting expertise, and Muslim directors in the AC as earlier explained under appropriate sections in this present study. Though negative relationship also reported.

Studies have examined the impact of ERM practices on AC characteristics and firm performance (Abdullah & Shukor, 2017; Cohen et al., 2017). Furthermore, Hamdan et al. (2013) found that AC has an effect on financial and stock performance, but has no effect on operating performance. Similarly, studies have further added that the discrepancies in the relationship between ERM and firm performance were because of the insufficient measurement of ERM frameworks (Lundqvist, 2014; Sprčić et al., 2017). Indeed, there is comparatively little empirical report substantiating direct benefits of ERM moderating role on firm performance. The empirical findings reported to date do not make a direct account regard the benefits of ERM adoption (Farrell et al., 2014). Nevertheless, the results have fraternized and inconsistent regarding the proposed ERM effect on firm performance (Nair et al., 2014; Lundqvist, 2015). The finding reported by Coetzee & Lubbe, (2014) as well as Gramling & Myers (2006) showed that the characteristics of organizations vary in their level of ERM implementation. Similarly, Annamalah et al. (2018) indicated that the board and highest management support have a moderating influence on the relationship between the level of ERM implementation and business performances in the oil and gas sector.

An effective ERM moderation can help to protect again unexpected dangers by ensuring an efficient AC structure within the organization (Annamalah et al., 2018). It is almost certainly that organizations with risk-related implementations can reduce their earnings instability and cut the financial crises influence thereby improve their performance (Gramling & Myers, 2006; Alaswad & Stanišić, 2016).
Propositions
The current investigation is proposing a research framework (Figure 1) employing main ERM realization factors (i.e. risk culture, policy compliance, risk knowledge sharing, risk information system, fraudulence practice, financial crisis, AC competence, and leadership) as a moderating variable in the framework to further improve the robustness of risk management in the corporate in Jordan. Based on the review of the available literature in this study, and the inconsistencies found as well as the justifications for ERM introduction as a moderator, the following propositions are hence proposed;

Figure 1: The Conceptual Framework
H1: The effect of Audit Committee Size on Corporate Performance is moderated by Enterprise Risk Management.
H2: The effect of Number of Audit Committee Meeting on Corporate Performance is moderated by Enterprise Risk Management.
H3: The effect of Audit Committee Independence on Corporate Performance is moderated by Enterprise Risk Management.
H4: The effect of Accounting Expertise in the Audit Committee in the Board on Corporate Performance is moderated by Enterprise Risk Management.
H5: The effect of Muslim directors in the Audit committee on the Board on Corporate Performance is moderated by Enterprise Risk Management.

Conclusion
The findings of this investigation are expected to add enormously to the existing body of the literature. The findings demonstrated that the ERM as a moderating variable plays a significant role on the relationship between the AC characteristics and corporate performance in Jordan. The study also found that the combination of AC existence and activities, adequate AC size and independence,
internal and external accounting expertise, as well as Muslim directors, considerably reduce the fraudulence reporting, crises, misstatement, and financial disclosure in Jordan. The study is contributing to the research pool by extending the existing literature about moderating effect of ERM on corporate performance in Jordanian firms. The present study offers a unique contribution to the firm performance, and to the best knowledge of this investigator, is the first study to examine the moderating role of ERM on the firm performance and audit committee. It will also contribute hugely in enhancing the responsibilities and roles of the BODs and AC in Jordanian firms. It will effectively add value to the emerging Jordanian market by adding value to the firm economic, structure, and legal system. Finally, firm with more effective ERM implementation in Jordan can be able to moderates agency cost and information asymmetry which can result in a better reporting quality, reducing agency issues, and leave very small gap between controlling shareholders and the managers.

References


