International Research Journal of Finance and Economics
ISSN 1450-2887 Issue 159 January, 2017
http://www.internationalresearchjournaloffinanceandeconomics.com

Audit Committee and Board Effectiveness against Voluntary Disclosure in the Pre and Post Enactment of the Tunisian Central Bank Circular n°2011-06 of Good Governance Practices

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Abstract

The main objective of this study is to examine the board and audit committee effectiveness and their impact on voluntary disclosure in annual reports of banks listed on the Stock Exchange Securities of Tunisia especially after the promulgation of Circular of good governance practices n° 2011-06, of May 20, 2011 related to good governance practices.

Since the Arab Spring 2011, reinforcement of good governance practices remains a key concern of the Central Bank in 2011 which saw the completion of several actions including the creation of the Permanent Audit Committee and the Renewal of the board composition.

It seems interesting to us to study the effectiveness of this law in the improvement of the corporate disclosure. To achievethis, we conducted our statistical analysis on a sample of listed Tunisian banks of 80 observations (firm-years) during the period 2008-2015.

The empirical results of multiple regression showed an increase in the extent of voluntary disclosure along the period following the promulgation of the CBT circular compared to the period prior to this one. The enactment of this circular to banks has effectively fulfilled its role in improving financial transparency. In addition, our findings indicate that board and audit committee characteristics (board size, board independance, proportion of foreign directors in the board, separation of the CEO and Chairman positions, independence audit committee) play a vital and significant role in improving corporate disclosure. However, we find that the impacts of the proportion of family members on the board, its gender diversity, and its meeting frequency on corporate voluntary disclosure are not statistically significant. This insignifiacant result could be explained by the specificity of the Tunisian context where banks are not in the majority family and on the other hand they are characterized by boards which are in nature masculine and therefore it becomes difficult that a woman can convince administrators and influence their disclosure strategies.

We contribute to disclosure studies by being the first study to compare the board and audit committee effectiveness and their impact on voluntary disclosure (both quantity and quality) in annual reports in the pre and post enactment of CBTCircular n° 2011-06 of good governance practices in Tunisia.

Keywords: Governance, Board Characteristics, audit committee, Voluntary Disclosure, Central Bank Tunis

Jel Classification: M4 Accounting and Auditing.

1. Introduction

The capital market theory has expanded the aim of accounting and we moved from accounting which its main purpose to evaluate the accounting income to an accounting leaving his major concerns to an informational role (Loukil and Triki, 2010).Indeed, in an economic environment where the capital market is considered the main source of funding, the voluntary disclosure has taken an increasing interest since it allows to assess the real firm value by reducing the asymmetry of information and help, therefore, to maintain confidence in the financial market.

Therefore, listed companies are adopting active disclosure strategies that go beyond legal obligations. However, voluntary disclosure of information contrary to the mandatory one, is subject to the managers'discretion which can be opportunistic by taking profits through managing the disclosure processto the detriment of the outsiders'interests(Chakroun and Mattoussi, 2012). Corporate governance is supposed to limit the managerial opportunistic behavior and increase transparency in the financial market (Charreaux 1997).

The Board, as an internal governance mechanism, is the first decision making body, generating a very high added value for the company.Indeed, the presence of directors on the board, is not limited to a simple role to approve the accounts. Rather, the Board seeks to ensure the reliability of financial information, appoints executive directors, evaluate and control their work. The support and management control are among the main roles of the board. The boards do not work alone, specialized committees are often created to support their work and to ensure its effectiveness. The most widespread committee is the audit committee.

If the roles and prerogatives of the board are quite clear by the laws, the fact remains that the boards have failed several times in their duty. The financial scandals remind us the shallowness of some boards, like the Enron scandal, Woldcom, Parmalat abroad or in some cases in Tunisia namely Batamcase. Immediate consequence of these scandals, enactment in the US of federal Sarbanes-Oxley Act in 2002, on the reform of the accounting for listed companies and investor protection, by imposing new rules on transparency financial. Sarbanes-Oxley, strongly inspired Tunisia wich has enacted in 2005 a law on financial security.

The functioning of the Board in Tunisia, is subject to strict legal clauses. Several laws have been enacted in recent years to ensure more transparency and to protect outsiders in financial market. The last major one, concerning the strengthening of good governance rules in credit institutions, which is the circular of the Governor of the Central Bank of Tunisia No. 2011-06, of May 20, 2011.This circular of the CBT was drawn first to present the missions and prerogatives of the Board of credit institutions. A board that establishes the strategy that ensures effective monitoring of management in making judgments on decisions relating to its profitability, its financial soundness and the implementation of a governance system.

As part of the implementation of the good governance system, the circular imposes credit institutions to establish committees in the board to ensure that it functions effectively and efficiently. These executive committees namely credit committee, risk committee and permanent audit committee, are created to assist the board and ensure its effectiveness; to update the statutes and internal regulations of the company; to conduct regular assessments at the board. The roles of the various committees have been particularly defined. The committees that should be created, have clearly defined roles, they have to work in perfect harmony with the board.More particularly, and on a technical level, the main new features of the CBT circular No. 2011-06 regarding the good governance of credit institutions. Mainlyconcern:

- The obligation of separation of dualities as CEO and those of Chairman of the Board.
- The prohibition to CEOof financial institutions to be member of the Board.
- The obligation to appoint anindependentdirectorin the board representing minority shareholders for banks and financial institutions listed on the Tunisian Stock Exchange.
- The establishment of anaudit committee, a nomination and remuneration committee, and the risk committee.
- The obligation of the appointment of the head of internal audit by the Board on proposal of the CEO.

Therefore, the objective of the circular central bank is to push banks to better surveillance and monitoring of risks which preserves optimally the users' interests. This circular would be a real roadmap on the way to efficiency and the guarantee of a well-established corporate governance, effective and efficient can protect all creative relationships and determine the strategic choices including those relating to disclosure policies.

It is interesting, then, to examine the board and audit committeeeffectiveness after the promulgation of Circular of good governance practices n° 2011-06, of May 20, 2011 and their impact on voluntary disclosure in annual reports of banks listed on the Stock Exchange Securities of Tunisia.

In particulary our research question is: To what extent does the audit commitee and board effectiveness to determine the extent of voluntary disclosure in the annual reports of the banks listed in Tunis Stock Exchange especially after the promulgation of Circular of good governance practices n° 2011-06 of CBT?

Several studies have examined the association between board and audit committee characteristics and voluntary disclosure (Khlif and Samaha, 2014; Chau and Gray, 2010; Abeysekera, 2010; Allegrini and Greco, 2013; Garciaand Sanchez, 2010; Samaha and al, 2012; García and Sánchez, 2010; Khlif and Souissi, 2010). The majority of these studies were conducted in French or Anglo-Saxon contexts that are different compared to the Tunisian context. Therefore, results can not be generalizedto other accounting environments such as that of an emerging country. This motivated us to study this relationship in the Tunisian context and examine the effectiveness of the board and the audit committee and its ability to influence the voluntary disclosure.Thus, we tested our model on the banks listed on the Tunisian Stock Exchange, because we believe that this sector would provide an appropriate environment to examine this relationship especially after the reforms carried out by the Central Bank of Tunisia namely circular n°2011-06 aimed at strengthening good governance in Tunisian banks.

This research contributes to the analysis of the voluntary disclosure determinants, as well as that of the link between board and audit committee effectiveness and the extent of voluntary disclosure especially after the reforms related to good governance in Tunisian banks of 2011.

This will enrich and complement the previous studies still limited in this context since most of them examined the relationship between voluntary disclosure and its determinantswithout considering the effect of regulation on this relationship. The objective of this research is threefold, it is about:

1. Analysingthe evolution of board and audit committee effectveness between the periods before and after the promulgation of circular n°2011-06 related to strengthening good governance in Tunisian banks;
2. Analysing the evolution of the extent of the voluntary disclosure in the annual reports between the periods before and after the promulgation of circular n°2011-06 related to strengthening good governance in Tunisian banks;

3. Analyzing the association between board and audit committee effectiveness and the extent of voluntary disclosure in the annual reports.

To achieve our objectives, we rely on a sample of companies of the banks listed on the Tunisian Stock Exchange and observed over the period 2008-2015. Through The content analysis of the bank's annual reports, we noted an increase in the extent of voluntary disclosure in the period after the establishment of the circular n°2011-06 related to strengthening good governance in Tunisian banks compared to the period prior to the establishment of this circular. Indeed, the multiple regression shows that board and audit commiteeare effective significantly in determining the extent of voluntary disclosureespecially after the promulgation of the CBT circular.

The remainder of this paper is organized as follows. The development of the hypothesis on the basis of a synthesis of the literature review is conducted in the secondsection. The methodology and study design are discussed in the third section. The fifth section presents the test results and the final section of the paper summarizes the conclusions, describes limitations, and discusses implications for future research.

2. Literature Review and Hypothesis Development

According to the agency theory, shareholders do not have the means to manage their own business, so they will delegate this task to managers. This delegation gives them the privilege of transmitting useful information to manage the company: This is the information asymmetry which is the origin of the conflictual relationship between shareholders and managers.This occurs when the shareholders (or principal) does not have enough information about the company. Thus, the manager (or agent) is trying to maximize its own utility function at the expense of the shareholder (or principal). Therefore, information asymmetry is a managerial opportunism source. In this context, voluntary disclosure is one of the solutions to this problem of asymmetric information.

Indeed, the adoption of an active voluntary disclosure strategy plays a very important role in the context of managing shareholder-executives contracts. On the one hand, managers will try to disclose additional information to defend their own interests and demonstrate to shareholders that management is performing. In addition, shareholders will increase their information on the managerial action.

This theory has mobilized several studies in the accounting literature that have invested to analyze the determinants that lead managers to voluntarily disclose despite the costs they will bear. The majority of this research agree that effective corporate governance improves the level of voluntary disclosure and increases transparency in financial markets (Charreaux 1997).

In this perspective, board and audit committee characteristics, as an internal governance mechanisms, are key determinants of corporate reportingpolicy (Khlif and Samaha, 2014; Chau and Gray, 2010; Chen and Jaggi, 2000). Since these are devices that assist the management and control strategic decisions to align the interests of shareholders and managers. It is argued that board and audit committee plays a key role in monitoring management disclosure practices (Madi and al, 2014). In thissection, we review the theoretical foundations for the association between board and audit committee characteristics and voluntary disclosure.

2.1 Board Characteristics

2.1.1 Board Size

Several empirical research studied the relationship between board size and voluntarydisclosure.Most of these studies have agreed on a significant association between its. However, they did not agree on the sign of this relationship. Some authors have supported the idea of Pfeffer (1972) and Hidalgo and al (2011), that the large boardsize can increase the potential of expertise and the control effectiveness of the organization including its disclosure policy. Thus, the results found by Donnelly and Mulcahy (2008) among a sample of Irish companies have found that a large board increases the level of information voluntarily disclosed by management in their annual reports. Loukil and Triki (2008) found, also, a positive and significant relationship between the board size and the level of voluntary disclosure in annual reports of Tunisian firms. This result is confirmed by Kent and Stewart (2008)and Sartawi and al (2014) respectively in the Australian and Jordanian context.Another view advanced by Lakhal (2006) suggests that the increased size of the board reduces its performance through: (1) the increase in communication and coordination problems (2) the decline in the ability of administrators control managers (Jensen , 1993) (3) and the lack of involvement in strategic decisions (Maati, 1999). Finally, according to Ginglinger (2002) , the presence of many directors on the board amplifies the conflicts between directors which affects its performance.Some other empirical studies (Arcay and Vazquez, 2005 and Lakhal, 2006) find an insignificant association between board size and voluntary disclosure.In the presence of contradictory arguments, and mixed results on the impact of increased Board size on the disclosure policy, the following non-directional hypothesis is formulated:

H1: There is an association between board size and voluntary disclosure.

2.1.2 The Proportion of Non-Executive Directors on the Board

According to the agency theory, internal administrators do not have the sufficient authority to challenge the leadership selection. However, outside directors are supposed to be more competent. Indeed, these administrators are often leaders, representatives of financial institutions. Their experience and their situation would allow them to oppose the most questionable and therefore to exercise more effective control decisions. Another view suggests that outside directors do not have sufficient power to oppose the strategies used by leaders to increase their power over the partners including the development of information asymmetry. Furthermore, diversification of human capital outside directors can reduce their incentives to engage effective supervision, besides the lack of time it will allocate for each position.Several empirical studies focus on the relationship between the independence of board members and the disclosure quality. Their results did not lead to a consensus on the nature of the relationship between two variables.

Some studies based on the argument of agency theory that having more non-executive directors on the board provides more power to monitor management to disclose more information, found a positive association between the proportion of non-executive directors and voluntary disclosure (Forker, 1992), Donnelly and Mulcahy (2008), Gul and Leung (2004), Arcay and Vazquez (2005), Boujenoui and Ben Amar (2006), Ben Ali (2007) and Baek and al. (2009). Nevertheless, Eng and Mak (2003), Haniffa and Cooke (2002),Barakoand al. (2006) and more recentlyKoubaa (2011) find a negative and significant relationship between the presence of outside directors on the board and disclosure quality respectively on Singaporean, Malaysian, Kenyan and Tunisian context . This could be explained by the lack of real independence of these directors.

After this literature review, the independence of the board seems to influence the voluntary disclosure. However, the results allow not confirming the sign of this relationship. Therefore, we formulate the following non-directional hypothesis:

H2: There is an association between the proportion of non-executive directors and voluntarydisclosure.

2.1.3 The Proportion of Family Members on the Board

The dominance of the board by a family members seems to affect the disclosure policy. Thus, it can be predicted that the presence of family members on the board is related to lower disclosure because they have access to information and they are not ready to disclose this information to others.Marisela (2005), and Jaggi, Leung, &Gul, (2009) confirmed this idea by findinga negative and significant association between the proportion of family members on the board and voluntary disclosure. Therefore, we formulate the following hypothesis:

H3: There is a negative association between the proportion of family members on the board andvoluntary disclosure.

2.1.4 The Proportion of Women on the Board

The review of the earlier literature is marked by the absence of studies addressing the impact of the existence of women in the board on voluntary disclosure. However, many researchers have studied the impact of the presence of women directors on the performance of the board and governance. Adams and Ferreira (2009); Bernardi and al, (2009). Nielsen and Huse, (2010) analyzed the relationship between the feminization of the boards and their performance. Their results showed that women administrators are more likely than men to steer discussions on difficult issues and play a key role in the proceedings by challenging some traditions and bringing a differentiated perspective. Similarly, they have argued that women administrators seem to join the committees with a monitoring mission and that the feminization of the boards improves the directors' attendance at meetings and increases the rate of CEO departures at the head of organizations with poor performance. Finally, they noted that companies with a board that has one or more women register more reliable financial results and less subject to executive manipulation (Srinidhi and al., 2011). After this literature review, We can predict on the positive and significant impact of the feminization of the Board on its performance especially in the control of the organization's disclosure policy.

Therefore, we formulate the following hypothesis:

H4: There is a positive association between the proportion of women on the board and voluntary disclosure.

2.1.5 The Proportion of Foreign Directors on the Board

Several studies analysed the impact of foreign directors on the board as a governance mechanism on voluntary disclosure. They argue that foreign directors may enhance the corporate disclosure (Claessens and Laeven, 2004, Bonaccorsi and Hardy, 2005 and Iaad and al, 2014). Due to their risk aversion and their ignorance of the economic context of the host country, foreign directors on the board have demand greater financial transparency in the market. In this context, Singhvi and Desai (1971) argue that the presence of foreign directors on the board may significantly influence the firm's financial reporting system to meet the market requirements. Throught their power and voting rights, foreign directors may require to manager to publish more information (Adam and Ferreira, 2007). Empirically, Haniffa and Cooke (2002) report a significan tpositive relationship between foreign owner ship and the level of voluntary disclosure. Similar results are reported bySartawi and al (2014) in the Jordanian context. The previous discussion leads to the following hypothesis:

H5: There is a positive association between the proportion of foreign directors on the board and voluntary disclosure.

2.1.6 Board Meeting Frequency

Besides the independence and composition of the board, the effectiveness of this body depends on its activity, measured mostly by the number of meetings of its members. The legislation gives the bank regulations to clarify the rules regarding the board meeting frequency and the duration of each meeting. However, the meeting duration should be sufficient so that they can discuss the agenda, and board directors chould meet when circumstances require. An active board appears to favor stricter control especially regarding the disclosure policy. Empirically very few studies have investigated the impact of the number boar meeting on the quality of financial disclosure. Lipton andLorsch(1992) provide evidence that a lower board meeting frequency is associated with both a higher bank performance and a higher disclosure level. On their side, Kent and Stewart (2008) show that the most active boards are those who publish more. This view is confirmed by Brick and Chidambaran (2010), who suggest that frequent board meetings are a pledge to continuously share information with managers.However, Karamanou and Vafeas (2005), have not confirmed the positive effect of the number of board meetings members on the announcement of provisional results.In the presence of inconclusive results on the impact of board meeting number on voluntary disclosure, the following non-directional hypothesis is formulated:

H6: There is an association between the board meeting frequency and voluntary disclosure.

2.1.7 Separation of the CEO and Chair Positions

Combining the functions of CEO and Chairman of the Board is considered by agency theory as a potential source of conflict. Indeed, when the leader combines the two functions, its ability to influence decisions within the board increases. Combine the functions enables managers to easily defend their projects even if they do not create value for shareholders. Similarly, the presence of the latter to the Chairman of the Board, because of the power it confers makes dismissal of underperforming managers difficult (Morckand al, 1989). « The separation of functions can be a positive step in that it allows for a genuine balance of power and thereby promotes an objective evaluation by the Board of Directors of the performance of the manager and his team » (Maati 1999). Therefore, the separation of powers improves quality control and reduces benefits associated with information retention and thereby the quality of the communication should therefore be improved (Forker 1992). Despite the arguments, the review of the previous literature has not reached a consensus to the existence of a positive impact either combine or separate the functions of the CEO and Chair Positions on the quality disclosure.Forker (1992) and Gul and Leung (2004) showed that the accumulation of functions is associated with a lower level of voluntary disclosure in the annual report. For his part, Lakhal (2006) found that the probability of voluntary publication of results increases in the presence of a duality of structure in the board. However, more recently, a number of researchers have not confirmed the negative effect of combining the functions of CEO and Chair Position on the quality of financial reporting (Arcay and Vazquez, 2005; Barako and al ., 2006; Boujenoui and Ben Amar, 2006. Ben Ali, 2007; Donnelly and Mulcahy, 2008; and Kent and Stewart, 2008).In the presence of mixed results on the impact of Separation of the CEO and Chair Positions on the disclosure policy, the following non-directional hypothesis is formulated:

H7: There is an association between Separation of the CEO and Chair Positions and voluntary disclosure.

2.2 Audit Committee Characteristics

2.2.1 Audit Committee Size

The audit committee size is considered one of the most important characteristics that contribute to its effectiveness. Resource dependency theory stipulates that a large audit committee has sufficient resources to effectively exercise its monitoring role (Allegrini and Greco, 2011). Indeed, an audit committee with more directors is more efficient. It is because, more directorswill share their knowledge, skills and expertise to improve audit committee performance (Bedard and Gendron, 2010). Empirically, previous studies (Abbott and al, 2004; Baxter and Cotter, 2009; Persons, 2009; Li and al., 2012; Hisham and al 2014)found a significant and positive association between audit committee size and voluntary disclosure. They suggested that the larger the size of audit committee members, the more effective he will be in monitoring the company and will enhance voluntary disclosure. In this context, Yang and Krishnan (2005) found a negative association between audit committee size and earnings management and thereforethe large size of audit committee impacts positively the disclosure quality . Based on the previous studies, we formulate the following hypothesis:

Hypothesis 8. There is a positive association between audit committee size and voluntary disclosure.

2.2.2 Independent Audit Committee Members

The Audit Committee aims to improve the relevance and credibility of financial information, to assist the Board in its mission in ensuring the quality of financial reporting.The effectiveness of the audit committee, including the oversight of accounting choices and defense of the interests of investors depends mainly on the independence of its members (Abbott and al., 2004). Empirically, several studies (Bedard & Gendron, 2010; Allegrini and Greco, 2011; Li and al., 2012) have focused recently the positive and significant relationship between the financial reporting and the independence of the Audit Committee members. They noted that the effective monitoring of management's behavior is more likely to be influenced by the presence of independent members. This is because the independent members on audit committee have no link with manager andcan not easily be influenced by him. Consequently they are more likely to work objectively (Bedard & Gendron, 2010). Indeed, an audit committee with independent directorswillcreates more transparency and restore confidence on the financial markets (Li and al., 2012). Based on these studies, we formulate the following hypothesis:

Hypothesis 9. There is a positive association between the independence of audit committee membersandvoluntary disclosure.

2.2.3 Audit Committee Financial Expertise

The composition of the audit committee has a direct impact on its operation. Indeed, the Audit Committee must have both the skills necessary to understand the specifics of the company's business and those needed for missions entrusted to it. Thus, skills are essential to effectively communicate accounting and financial topics and to understand and interpret financial statements (Dhaliwaland al., 2010). Therefore, an audit committee with skilled directorswill enhance transparency of corporate reporting and therefore reduce information asymmetry in favor of outsiders. Previous empirical research havefound a positive relation between audit committee financial expertise and voluntary disclosure (Kent, Routledge, and Stewart, 2010).Therefore, and based on these studies, we formulate the following hypothesis:

Hypothesis 10. There is a positive association between audit committeewithfinancial expertisedirectorsand voluntary disclosure.

2.2.4 Audit Committee Meeting Frequency

Besides the independence and skills of its directors, the effectiveness of the audit committee depends on its activity, measured mostly by the number of meetings of its members during the year.Karamanou and Vafeas (2005), Greco (2011) and Li and al(2012) noted that an active audit committee is able to effectively perform its control role. This is because, frequent meetings allow them to be aware of all accounting and financial problems and therefore, the meetings offer them the opportunity to discuss and resolve these topics.Empirically, Allegrini and Greco (2011) and Li and al., (2012) suggest that four meeting of audit committee during the year are positively and significantly associated with the voluntary corporate reporting and intellectual capital disclosure, respectively. Therefore, and based on these studies, we formulate the following hypothesis:

Hypothesis 11. There is a positive association between audit committee meetingfrequencyand voluntary disclosure.

2.3 Variable Related to the Enactment of the Tunisian Central Bank Circular n°2011-06 of Good Governance Practices

Several empirical studies have tested the effectiveness of laws and revises codes on the corporate governance as the Law about the strengthening of the security of financial relations (enacted in 2005) in Tunisia and Sarbanes-Oxley Act of 2002 in the United States and their impact on quality disclosure.

Chang and Sun (2009) indicated that Sarbanes-Oxley mechanisms increases the effectiveness firms corporate governance which in turn enhances the corporate disclosure quality.

Moreover, Arping and Zacharias (2010) stated that firms are more transparent in corporate governance disclosure after Sarbanes-Oxley Act in American context.

In Tunisian context, Chakroun (2013) found that the extent of voluntary disclosure increased during the period following the promulgation of the Law on the strengthening of the security of financial relations compared to the period prior to the enactment of this Law.

Most of these studies have linked improved corporate disclosure quality to the enactment of law and code on good governance.

Therefore, and based on these studies, we formulate the following hypothesis:

Hypothesis 12. There is a positive association between the enactment of the Tunisian Central Bank Circular n°2011-06 of good governance practicesand voluntary disclosure.

3. Investigation Method

3.1 Sample Selection

Our sample consists of banks listed on the Tunisian Stock exchange. We're interested only on banks given our research topic, which aims to examine the effectiveness of board and audit committee and their impact on voluntary disclosure especially after the introduction of the CBT Circular n°2011-06 of good governance practices. It should be noted that this circular concerns only banks. The study period was: 2008 - 2015 and our sample is composed of 80 observations. Banks are observed over a period of 8 years: four years before emission of the CBT circular n°2011-06 of good governance practices and four years after.We chose this period in order to compare the effectiveness of board and audit committee and their impact on voluntary disclosure between this period.Our data were extracted from the companies'annual reports and the Tunisian Stock Exchange website and organized in the form of panel data.

3.2 Voluntary Disclosure Measure

Previous research was based on the indexes as a proxy to measure the voluntary disclosure whether dichotomous indexes or weighted ones. According to Urquiza and al. (2009), there is no a better design of these indexes. We constructed an index of voluntary disclosure by applying the index of Botosan (1997), which is structured around fivecategories of information, to the Tunisian context :background information, summary of historical results, key non-financial statistics, projected information and management discussion and analysis.

Our approach is to search for items defined by Botosan (1997) in the annual reports of companies. Thus, it is to read carefully the annual reports of the sample banks and, as you read this, compare the information presented by each bank to those who are part of the list of items defined by Botoson (1997). In practice, an analysis grid was created to carry out the analysis of publications of each bank.

After completing the content analysis, we calculate a disclosure index for each bank. The method of awarding points is done taking account both the quantity and quality dimension.The computational procedureused is as follows: an item takes «0 » if the information is not disclosed, « 1 » if the information is partially disclosed, and « 2 » if the information is fully disclosed. Finally, the total score is divided by 86 to get voluntary disclosure score.Thus, the « proxy » of the voluntary disclosure in the annual reports is calculated as follows:

$$\mathbf{VDSCORE_{i,t}} = \sum_{j=1}^{86.} Xij * Pj \,/ \sum_{j=1}^{Mi\,.} Xij * 2$$

With:

$VDSCORE_{i,t}$: voluntary disclosure score of company « i » for t year;

Mi: number of maximum items whose disclosure is possible for company « i »;

xij = « 1 » If the jth item is disclosed and = « 0 » otherwise;

Pj: jth item weight, it is equal to « 1 » if the information is partially disclosed, and « 2 » if the information is fully disclosed.

3.3 Presentation of the Empirical Model

Multiple regression analysis is employed to examine the relationship between corporate voluntary disclosure and the board and audit committee characteristics especially after the introduction of the CBT Circular n°2011-06 of good governance practices. Multiple regression assumptions including normality, multicollinearity and heteroskedasticity were met. The following regression model is estimated for this study:

$$VDSCORE_{i,t} = \beta_{0} + \beta_1 BSIZ_{i,t} + \beta_2 PNEDB_{i,t} + \beta_3 BFAMIL_{i,t} + \beta_4 BWOM_{i,t} + \beta_5 BFOR_{i,t} + \beta_6 BFREQ_{i,t} + \beta_7 CEO_{i,t} + \beta_8 ACSIZ_{i,t} + \beta_9 ACIND_{i,t} + \beta_{10} ACEXP_{i,t} + \beta_{11} ACFREQ_{i,t} + \beta_{12} SIZE_{i,t} + \beta_{13} ROA_{i,t} + \beta_{14} LEV_{i,t} + \beta_{15} CIR_{i,t} + \beta_{16} BINDINTER_{i,t} + \beta_{17} ACINDINTER_{i,t} + \varepsilon$$

Where VDSCORE is the voluntary disclosure score measured by the sum of all disclosure scores awarded to the company divided by maximum possible potential score applicable to the company; BSIZ is the board size measured by total number of directors on the board; $PNEDB_{i,t}$ is the The proportion of nonexecutive directors on the board measured by the number of non executive directors on the board divided by the total number of directors on the board; BFAMILi,t is the proportion of familymembers on the board measured by the ratio of family members on the board to the total number of directors; $BWOM_{i,t}$ is the proportion of women on the board measured bythe ratio of women on the board to the total number of directors; $BFOR_{i,t}$ is the proportion of foreign directorsonthe board measured bythe ratio of foreign directors on the board to the total number of directors; $BFREQ_{i,t}$ is the board meeting frequency is measured by the number of board meetings for the year; $CEO_{i,t}$ is the separation of the CEO and Chair Positions and it is coded 1 if there is separation betweenthe CEO and Chairman position and 0 otherwise; $ACSIZ_{i,t}$ is the audit committee size measured by total number of directors on the audit committee; $ACIND_{i,t}$ is the proportion of independent directors on the audit committee to the total auditmembers; $ACEXP_{i,t}$ is the proportion of financial expertise on the audit committee to the total audit members; $ACFREQ_{i,t}$ is the number of audit committee meetings for the year; $SIZE_{i,t}$is the firm size measured by thenatural log of total assets; $ROA_{i,t}$ is the firm return on assets measured by the ratio of net income after tax divided by total assets; $LEV_{i,t}$ is is ratio of total liabilities to total assets; $CIR_{i,t}$ is the adoption of Circular No. 2011-6 of CBT and it's coded 1 for years after the enactment of this circular and 0 otherwise; $BINDINTER_{i,t}$is the interaction between $BIND_{i,t}$ and $CIR_{i,t;}$ and finally$ACINDINTER_{i,t}$ is the intercation between $ACIND_{i,t}$ and $CIR_{i,t.}$

4. Empirical Results and Discussion

4.1 Descriptive Statistics

We first present the evolution of the VDSCORE variable during the years to compare the sensitivity of the voluntary disclosure level against the enactment of CBT Circular n°2011-06 on good governance practices (Table 1). Then, we present a summary of the descriptive statistics of the study variables (Table 2).

Table 1: Evolution of the voluntary disclosure index VDSCORE over the period(2008-2015)

	2008	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*
Mean (%)	***35.47***	***35.82***	***37.09***	***37.58***	***52.07***	***52.13***	***52.19***	***53.06***
Min (%)	***17.28***	***17.43***	***19.45***	***20.03***	***24.34***	***24.12***	***25.42***	***25.42***
Max (%)	***53.57***	***53.86***	***52.98***	***51.23***	***68.13***	***68.87***	***75.61***	***78.32***

Based on the means values of the VDSCORE variable, we notice that the extent of voluntary disclosure is low. These values are similar to those found in other countries of the MENA zone. As an illustration, Chakroun (2013) and Hassan and al. (2006) argue that companies disclose, on average, 48% of a set of voluntary information in a predefined list respectively in the tunisian and egyptian context. The minimums of the VDSCORE variable have risen from 17% in 2008 to about 25% in 2015. Likewise, the maximums of this variable have risen from 53% in 2008 to 78% in 2015. These values show an increase in the extent of voluntary disclosure between 2008 and 2015. This increase in the level of voluntary disclosure is remarkable between 2011 and 2012.Therefore, it may be explained, a priori,bythe enactment ofCBT Circular n°2011-06 on good governance practiceswhich promotes financial transparency.

Table 2: Summary of the variables descriptive statistics

	Observations	*Mean*	*Minimum*	*Maximum*	*Standard deviation*
VDSCORE	*80*	*0.443*	*0.254*	*0.783*	*0.058*
BSIZ	*80*	*10.95*	*8*	*13*	*1.320*
PNEDB	*80*	*0.112*	*0*	*0.444*	*0.115*
BFAMIL	*80*	*0.032*	*0*	*0.333*	*0.097*
BWOM	*80*	*0.091*	*0*	*O.25*	*0.078*
BFOR	*80*	*0.214*	*0*	*0.583*	*0.210*
BFREQ	*80*	*4.362*	*3*	*6*	*0.917*
ACSIZ	*80*	*3.175*	*3*	*4*	*0.382*
ACIND	*80*	*0.282*	*0*	*1*	*0.341*
ACEXP	*80*	*1*	*1*	*1*	*0*
ACFREQ	*80*	*4.162*	*2*	*6*	*1.13*
SIZE	*80*	*6.847*	*0.452*	*9.824*	*1.395*
ROA	*80*	*-3.337*	*-268*	*0.039*	*29.96*
LEV	*80*	*0.895*	*0.709*	*1.039*	*0.059*

From the table above, we notice that the overall voluntary disclosure in Tunisian listed banks is low with an average of about 44%. Its extent is considered a little but not very low compared with the level of voluntary disclosure in other countries. As an illustartion, Al-Janadi, Abdul Rahman and Haj Omar (2013), using the same method to measure the voluntarydisclosure, found that overall voluntary disclosure in Saudi listed companies is very low with an average of 31.73%.

Regarding the board characteristics,the results show thatthe average size of the board is about 10 members, and it ranges between 8 to 13. These results are consistent with the recommendations of the code of commercial firms in Tunisia Corporate which indicates that the number of board members must be between 3 to 12 members. The proportion of non executive directors is about 11%. This proportion allows us to conclude that the boardsof the Tunisian banks are not generally independent.While, the average proportion of family members on the board is only 3% of the total number of directors.Moreover, the proportion of women on board is, on average, only 9%.This value indicates Tunisian banks are dominated by men board directors. Furthermore, the presence of foreign directors on boards is low and its equal to about 21%. This proportion indicates that there is no great board diversity in Tunisian banks. On average, board meeting frequency is 4.This frequency is considered by Godard and Schatt (2004) as the ideal for an effective board.

Regarding the audit committee characteristics, results from table 2alsoshow that audit committee size is ranging from 3 to 4 members with mean of approximately 3 members.The mean proportion of independent audit committee members is 28%, indicating majority of audit committees of banks are composed with no independent directors. We notice that some banks do not have any independent directors on their audit committee as this variable is ranging from 0 to 1member. The resultdiverges with the recommandation of the CBT Circular n°2011-06 on good governance practices which imposes to banks at least one independent director in their audit committee. The mean of directors with financial expertise is 100%, indicating majority of banks are composed of members with financial expertise.On average, audit committee meeting frequencyis4, indicating there is the same board meeting frequency.

Interms of control variables, the mean size of the bank is 6.84 and the average profitability is-3%, whilst the average leverage is 89%, indicating the high debt level of Tunisian banks.

4.2 Multivariate Regression Analysis

The regression results of the association between board and audit committeecharacteristics and voluntary disclosure are presented in Table 3.

Table 3: Multiple regression results

Variable	Coefficient	T-test	P-value
Constante	0.2439	3.13	0.002
BSIZ	-0.0468	-3.22	0.001***
PNEDB	0.0690	2.65	0.008***
BFAMIL	0.0189	0.37	0.711
BWOM	-0.0598	-0.91	0.365
BFOR	0.1346	5.78	0.000***
BFREQ	0.0003	0.07	0.946
CEO	-0.073	-2.874	0.007***
ACSIZ	0.0061	1.51	0.132
ACIND	0.1978	2.06	0.039**
ACEXP	0.064	1.342	0.345
ACFREQ	-0.002	-0.35	0.727
CIR	0.040	2.13	0.033**
BINDINTER	0.1978	2.06	0.004***
ACINDINTER	0.0132	4.07	0.000***
SIZE	-0.0038	-1.27	0.206
ROA	0.0001	1.71	0.087*
LEV	0.2439	3.13	0.002***
R^2	0.8025		
Adjusted R^2	0.7652		
F	264.19		
Sig	0.0000		

***Significantat 1%, **Significantat 5%.

In respect to Board characteristics variables, the results show that there is a highly negative significant (p >0.001) relationshipbetween boardsizeand corporate voluntary disclosure,thus H1 is supported. This is consistent with the previous studies reporting a negative association betweenboard size and corporate voluntary disclosure (Iaad I. S. Mustafa Sartawi, Riyad M. Hindawi, Ruba Bsoul and Ala'eddin Jamil Ali, 2014; Lakhal, 2006;Ginglinger, 2002).As it was developed in the prior literaturerevue,the increased board size reduces its performance through: (1) the increase in communication and coordination problems (2) the decline in the ability of administrators control managers (3) and the lack of involvement in strategic decisions. Finally, according to Ginglinger (2002), the presence of many directors on the board amplifies the conflicts between directors which affects its performance and there fore financial transparency.

The results show also that there is a highly positive significant (p >0.001) relationship between the proportion of non-executive directors on the board (PNEDB) and corporate voluntary disclosure. The hypothesis H2 is supported. This is consistent with the findings of prior studies reporting that board independence affecte positively corporate disclosure (Iaad I. S. Mustafa Sartawi, Riyad M. Hindawi, RubaBsoul and Ala'eddinJamil Ali, 2014; Al-Janadi, Abdul Rahman and Haj Omar, 2013; Forker, 1992; Donnelly and Mulcahy, 2008; Gul and Leung, 2004; Arcay and Vazquez, 2005; Boujenoui and Ben Amar, 2006; Ben Ali, 2007; and Baek and al, 2009). This result support arguments of agency theory that the outside directors are able to exercise more effective control decisions and more power to monitor management to disclose more information in order to reduce information asymmetry.

Hypothesis 3 which states that the proportion of family members on the board has a negative impact on corporate voluntary disclosure is not confirmed. This result joins the one found byAl-Janadi, Abdul Rahman and Haj Omar (2013). A possible explanation for the insignificant result might be due to the absence of family members in the board in the majority of Tunisian banks and therefore their impact is insignificant on the corporate disclosure policy.

Table 3 shows that the relationship between the proportion of women on the board and voluntary disclosure is negative and statistically insignificant, thus H4 which predict a positive one is not supported.This result could be explained by the specificity of the Tunisian society which is masculine in nature and therefore it becomes difficult or even impossible that a woman can convince administrators and influence their disclosure strategies. This result supports Wellalage and Locke's (2013) finding indicating negative and insignificant association with corporate performance in Sri Lankan context.

The results show that the proportion of foreign directors on the Board is significantly and positively associated with corporate voluntary disclosure at the 1%. Thus, the H5 is supported. This is consistent with the findings of previous studies reporting that foreign directors can improve the corporatedisclosure strategy (Oxelheim and Randoy, 2003, Claessens and Laeven, 2004, Bonaccorsi and Hardy, 2005 and Iaad and al, 2014). They argue that foreign directors on the board have demand greater financial transparency in the market because of their risk aversionandtheir ignorance of the economic context of the host country.

The frequency of meetings of board members is not significantly associated with corporate voluntary disclosure, thus H6 is not supported. This result confirms findings of the Karamanouand Vafeas (2005) study. This indicates that the board activity does not enhance its supervisory role and in particular in the voluntary disclosure.

The result in Table 3 indicates that the separation of the CEO and Chairman positions is negatively and significantly associated with corporate voluntary disclosure at the level of 1%.This finding is contrary to the assumption of the study, thus H7 is rejected. However, our result joins the Al-Janadi, Abdul Rahman and Haj Omar (2013) study. These authors explained this finding by the fact that the combination of the two positions in one person offers more power and ability to achieve its strategiesparticularly concerning disclosure, because there is no pressure and intervention from another member occuping the second position.

In respect to audit committee characteristics variables, audit committee size is positively butnot significantly associated with corporate voluntary disclosure, thus H7 is not supported. This result is contrary to the prior studies based on the resource dependency theory reporting that a large audit committee has sufficient resources and a variety of qualified directors to effectively exercise its monitoring role(Baxter and Cotter, 2009; Persons, 2009; Allegrini andGreco, 2011; Li and al., 2012; Madi and al, 2014). A possible explanation for the insignificant result might be due to the number of director in audit committee which ranging between 3 and at most 4 directors in the majority of Tunisian banks and therefore they could not influence the managers decision especially regarding the corporate disclosure policy.

The results show that audit committee independence issignificantly and positively associated with corporate voluntary disclosure at the 1%. Thus, the H8 is supported.This is consistent with the findings from Bedard and Gendron (2010); Akhtaruddin and Haron (2010); Allegrini and Greco (2011); Li and al (2012); Hishamand al (2014)on voluntarydisclosure.This finding is in the line with the notion that the effective monitoring of management's behavior is more likely to be influenced by the presence of independent members.

Hypothesis 10 considers a positive association between audit committee with financial expertise directors and voluntary disclosure. The results in Table 3 show that the relationship between this two variables is statistically insignificant, thus, rejecting H10.This result supports Madi and al's (2014) finding indicating insignificant association with corporatevoluntary disclosure. However, the results do not support the previous empirical researches which found a positive association between audit committee with financial expertise directors and voluntary disclosure(Kent, Routledge, and Stewart, 2010 and Miko and Kamardin, 2014).A possible explanation for our insignificant result might be due that the monitoring of disclosure strategies requires accounting and auditing skillsand may be the audit committee members of our sample are unskilled and unable to effectively reduce the asymmetryinformation and thereforeto improve disclosure.

The frequency of meetings of audit committee members is not significantly associated with corporate voluntary disclosure,thus H11 is rejected. This means that although the audit committee is theoretically active given the number of meeting annually (4 meetings on average), it is ineffective and unable to improve the corporate disclosure practices.

In terms of the dummy variable related to the enactment ofCBT Circular n°2011-06 on good governance practices, the results show that it issignificantly and positively associated with corporate voluntary disclosure at the 1%. Thus, the H12 is supported.This means that the enactment of this circular to banks has effectively fulfilled its role in improving financial transparency.This is also why this circular was enacted in 2011, namely improving corporate disclosure in order to protect shareholders from managerial opportunism that is caused by information asymmetry. Our result is consistent with previous studies which have been carried out on the association between disclosure quality in the pre-corporate governance code periods and how corporate governance code affects corporate disclosure in the post periods. Chang and Sun (2009) find that SOX mechanisms improve the effectiveness of foreign firms corporate governance improves the quality of accounting earnings. Furthermore, Arping and Zacharias (2010) find that firms are more transparent in corporate governance disclosure after SOX.

In order to confirm the contribution of this circular of good governance in improving the corporate disclosure quality and to explain the cause of this effect, we introduced in our model an interaction variable that measures the influence of the Boardindependence following the enactment of the circular on corporate disclosure. The result showed that this variable impacts positively and significantly disclosure practices. Moreover, the coefficient of the boardindependence was 0.069 and after the interaction effect with this circular thisimpact has increased to about 0.2.This means that the significant effect of this circular on voluntary disclosureis explained that this one has strengthened the independence on the board which enhance the monitoring of management decisions especially related to disclosure practices.The same explanation may be proposed for the interaction variable that measures the influence of the Audit Committee independence following the enactment of the CBT circular n° 2011-06 on corporate disclosure. Indeed, the results showed that this variable impacts positively and significantly disclosure practices at a level of 1%. While, audit committee independence variable without this interaction effect was significant but at a higher risk level, which is 5%.

These results further confirm the effectiveness of the CBT circularn° 2011-06 in establishing good governance of banks and thusin improving the corporated isclosure and the financial transparency in the financial market.

In terms of the control variables, we introduced some variables specific to banks to control their effect on our empirical model namely bank size, profitability and leverage. The statistical result shows that there is an insignificant association between bank size and voluntary disclosure. This insignificant result is consistent with Madi and al's (2014) finding. A possible explanation for the insignificant result might be due to the bank size in Tuinisa which could not influence managerial decisione specially those concerning the corporated isclosure policy.

The statistical result also shows that bank profitability have a significant positive relationship with voluntary disclosure. This finding means that profitable banks have a greater ability to provide and to enhance corporate disclosur equalityfor financial markets. This result support arguments of signal theory that profitable banks are trying to signal their performance to financial markets through an active disclosure policy.

Finally, the result indicates that there is a highly positive significant ($p > 0.001$) relationship between lever age and corporate disclosure. This findings means that the most lever aged banks discloses more information than the others. This resultis not consistent with Madi and al's (2014) findings which indicated insignifiant association between leverage and corporate disclosure. Our results could be explained by the will of in debted banks to show to their creditors that they are transparent in the financial markets and are able to honor their commitments.

5. Conclusion and Implication

This study examines the board and audit committee effectiveness in enhancing corporate voluntary disclosure in the annual reports of Tunisian listed bankse specially after the enactment of Central Bank Circular of good governance practices N° 2011-06.

More specifically, this research analyses the evolution of voluntary disclosure between the periods before and after the promulgation of Central Bank Circular N°2011-06 and investigates the association between board and audit committee characteristics and corporate voluntary disclosure. To achieve this, we conducted statistical analysis on a sample of listed Tunisian banks in the years 2008-2015.

The empirical results showe dan increase in the extent of voluntary disclosure a long the period following the promulgation of the CBT circular compared to the period prior to this one. The enactment of this circular to banks has effectively fulfilled its role in improving financial transparency. In addition, our findings indicate that board and audit committee characteristics (size, independance, gender diversity, expertise, meeting frequency and separation of the CEO and Chairman positions)play a vital and significant role in improving corporate disclosure.

This research contributes to the literature on voluntary disclosure and on corporate governance in the emerging countries.These contributions are contextual and methodological. Firstly, we studied the board and audit committee effectiveness and their impact on voluntary corporate disclosure in the pre and post enactment of the Tunisian central bank circular n°2011-06 of good governance practices. Secondly, we applied the disclosure Botosan index to the Tunisian context.

The findings of this research are interesting for all company operators including investors, managers and standard setters. This study could help investors and managers to assess the effectiveness of their board and its audit committee, and can confirm that these latter play a crucial role in financial transparency. Besides, given the importance of board and audit committee and their effect on disclosure policy, this study could encourage setters to expand the fields of application of Tunisian central bank circular n°2011-06 of good governance practices to the energy sector companies and public companies which are characterized by high information asymmetry giving way to corruption.

Despite these contributions, our research has some limitations. These limits are mainly methodological and contextual order. Firstly, we mobilized the content analysis of annual reports to assign scores to sample banks. The consideration of a single source of information (annual reports) might not reflect the real disclosure level. Thus, it would be interesting to explore this subject using other publication tools including the companies' websites and press releases.

Then a second limit concerns the external validity of the research. The results presented are specific to the case of Tunisia and have no general explanatory scope. Therefore, our results are not transferable to other economic environments. Only an international and comparative study lead to a generalization of our results.

Many perspectives that make us aware that this study is far from an end forming a debate, but the starting point for further research.

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