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THE RELATIONSHIP BETWEEN THE AUDIT COMMITTEE'S CHARACTERISTICS AND THE LEVEL OF DISCLOSURE OF RISK MANAGEMENT PRACTICES IN THE LISTED PALESTINIAN BANKS.

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Abstract. Purpose - Audit committees are considered one of the most important mechanisms of banking governance and most related to the disclosure and financial reporting process for banks. This explains the agency theory, which considers those committees an independent oversight body that aims to verify the validity of bank disclosures. In light of this, he should verify the correctness and adequacy of the bank's financial and non-financial disclosures regarding their risk management practices.

Design / Methodology / Approach - The study was applied to all 6 local banks listed on the Palestine Exchange during the period (2014-2019). The study relied on using the content analysis method to collect data and determine the level of disclosure of risk management practices by calculating the number of sentences related to risks in the annual reports. The study uses a generalized regression model (GLM) to conduct the current investigation.

Main results: The results indicate that the characteristics of the audit committee (including the experience and independence of the committee members) have a statistically positive effect on the disclosure practices of risk management (RD), while this was not the case with (audit committee size). Moreover, the results showed that the experience and independence of audit committee members had a

significant positive impact on risk management disclosure (RD) practices, thus improving asset quality. Finally, the results show that asset quality, loan provisions, and return on assets are among the determinants of research and development.

Keywords: Audit Committee, Disclosure, Risk Management Practices, Financial Stability, Palestine.

1. Introduction:

The stability of the financial sector and the sustainability of the economy depend on the effectiveness of corporate governance in banks (Mortlock, 2002). Moreover, weak corporate governance in banks may increase risks. This is a result of a loss of confidence in the bank's ability to manage its assets and liabilities properly. This scenario could lead to an economic crisis (Baten, Amadi, 2020); (Cebenoyan, Strahan, 2001); (Wood, Wood, 2005); (García-Marco, Robles-Fernandez, 2008); (Malik, et, al., 2020). In light of this, the recent financial crisis has highlighted several weaknesses in corporate governance and management practices. Risk in banking in both advanced and emerging economies Haque, (2019), which has not served its purpose of shielding from excessive risk in many financial services firms. Likewise, banking governance has occupied pivotal importance recently, especially when the Global financial crisis caused the collapse of many banks due to ineffective implementation of corporate governance rules and principles, which requires reforms to properly manage risks and strengthen corporate governance. Weak that threatens financial stability (Al-Masry, et, al., 2016); (Palestine Monetary Authority, 2017); (Malik, et, al., 2020), indicated that ineffective risk management practices are one of the main causes of the mortgage meltdown and global recession.

This has become a major risk for stakeholders, depositors and investors. Hence, greater confidence, transparency and verification are required that sound risk management practices are implemented. This comes through increasing the disclosure of acceptable practices and the influential role that the audit committee can play in disclosing the bank's risk management and control. In addition, the formation of risk committees at the audit committee level is vital to strengthening the risk control function, through the role played by the systems and governance processes applied in an emerging economy such as Palestine.

Likewise, (Sironi, Resti, 2007) state that one way to implement a risk management system is to ensure that risk is communicated through financial reports to regulators and shareholders. In contrast, International Accounting Standards (IAS) emphasize the importance of disclosure as a fundamental accounting function. All information that may benefit users of financial statements must be disclosed, either in the body of the financial statements or in their attachments. This includes clarifying the true financial position of the facility

and what is related to it. International accounting standards also took into account the nature of the activity of banks and similar financial institutions. These standards define a special standard for disclosure of financial statements for banks and financial institutions. Besides, IFRS 7 addresses quantitative and qualitative risk disclosure requirements. Since the banking sector is exposed to more risks than other business sectors, audit committees play an essential role in monitoring the bank's business. Besides, that committee should be fully responsible for disclosure of risk management. Likewise, the importance of disclosure of the level of information will be highlighted in the annual reports as an essential aspect of good corporate governance. According to (Levy-Yevati, Cordella, 1998), disclosure is a fundamental and effective way to protect shareholders, and governance is an integral part of its principles. Measuring risks, disclosing them and how to manage them is one of the accounting practices that must be applied, and Palestine was also suffering from the same problems and gaps in corporate governance that appeared when many of the financial failures of companies were recorded in 2010.

In contrast, the problem was also exacerbating at the organizational level in Palestine, as evidenced by the measure of financial stability in Palestine (Palestinian Monetary Authority, 2019), and despite the efforts made by the government, the problems still prevail in Palestine.

In addition to the above, the political and economic risks over the past years have caused a series of crises and shocks, the most recent of which was the Palestinian clearance revenue crisis with the Israeli side in 2019.

On the other hand, this negatively affected banks' performance due to the increase in loan defaults (Palestinian Monetary Authority, 2020). This has become a major threat to Palestinian banks, in light of the review of the reports on the Palestinian banking sector (PMA, MSR, 2019). However, previous studies indicate that higher-risk companies will disclose less information to the public. They believe that a higher level of risk disclosure will highlight their actual level of risk (Anderson, Agarwal, 2011). According to (Probohudono, et, al., 2013), higher risk disclosure is found in companies with sound corporate governance systems. It is essential to understand the characteristics of the audit committee that affect the level of risk management practices in Palestinian banks.

Therefore, this study will examine the relationship between the characteristics of the audit committee and the disclosure of risk management practices in the listed Palestinian banks. By focusing on the role of the audit committee in the disclosure of bank risk management, the effectiveness of the audit committee was chosen because one of its functions is to enhance the operations and the sustainability of the banks. For this reason, it is imperative that there is a sound audit committee in the organization that ensures the quality and reliability of financial reports (Nelson, Davy, 2013).

The study aims to examine the relationship between the effectiveness of audit committees and the level of disclosure of sound risk management practices in the listed Palestinian banks. Therefore, the objectives of this research are twofold, first, to provide a greater understanding of the characteristics of the audit committee that may affect the level of compliance with risk disclosure as stipulated in the Palestinian Bank Governance Manual. Second, determining the impact of audit committees' effectiveness in monitoring the level of disclosure of sound risk management of the bank. The results of this research will be useful in understanding the factors that affect the disclosure of risk management practices in the financial reports of the listed local Palestinian banks, both Islamic and non-Islamic. The remainder of this research is organized as follows: Literature review and hypothesis development, Research design and methodology, Conclusion, Limitations and Future Research.

2. Literature Review and Hypothesis Development

2.1 Audit Committee expertise

Financial expertise of audit committee means that audit committee has deep understanding regarding corporate financial reporting so that they can give assessment and evaluation regarding the fairness of corporate financial statement to protect shareholders and do supervision function (Sagitaria, Mita, 2019); (Kalbers, Fogarty, 1993); (Defond, et, al., 2005). Beside on financial expertise status is an essential element that will help to increase audit committee effectiveness in monitoring (Badolato, et, al., 2014). According to the opinion of the (Lin, et, al., 2009). requires “at least one member of the audit committee must be a financial expert” with finance-related work and educational background.

Similarly, (Xie, et, al., 2003) state that the main function of the audit committee is to evaluate and monitor the financial and accounting figures to ensure the reliability of the financial information. Therefore, the educational background of the internal auditors in the audit committee has an important role to increase the efficiency of the audit committee. (Bédard, Gendron, 2010) opined that members of the financial expertise will not allow management to manipulate the financial statements or to conceal important information from the accounts that the board of directors or shareholders must know. As (Kehinde, Osifo, 2017) finds a strong association between effective whistle blowing mechanism in Nigerian banking sector, audit committee financial expertise. Also, (GarcíaSánche,

CuadradoBallesteros, 2017) found that the presence of financial experts on audit committees is useful to reduce insolvency risk. This contributes to the effectiveness of risk management by having the experience and knowledge of the audit committee members in risk disclosure.

Based on agency theory, the previous empirical findings, that Audit Committee expertise can be an effective mechanism to monitor a bank's, improve the risk disclosure. by the board of directors, including monitor the level of the disclosure of risk management practices. by having the experience and knowledge of the audit committee members in risk disclosure. including monitor the level of the disclosure of risk management practices. Based on this argument, the first hypothesis is proposed:

H1: There is a positive relationship between the audit Committee expertise and the disclosure of risk management practices.

2.2 Audit Committee Independence.

The existence of more independent audit committees will give stronger risk governance, increased cooperation between the RMC and the audit committee will give the audit committee broader risk knowledge within the entity (Ratri, et, al., 2019). In addition to (Swamy, 2011), argues that audit committee independence often plays an important role to ensure the practices of governance in the auditing process. (Mohd, et, al., 2009), contend that an audit committee group that involves more non-executive directors is considered more independent than one that has more official executives. And an independent audit committee can also eliminate agency problems (Erickson, et, al., 2005). The independent characteristic of the audit committee will increase their objectivity in responding to the risk, they could perform better monitoring mechanisms since they are not strained by any conflict of interest with management and it makes them able to question management when they consider it necessary, thus increasing their monitoring capacity (Ratri, et, al., 2019); (Carcello, Neal, 2003). Furthermore, agency theory and autonomy can help in making the right decisions without barriers and the determination of errors because of the independence of reviewers. (Abdullah, et, al., 2008), indicates that a company with the most executive directors and absent audit committee independence is more expected to play a role in committing financial fraud compared to its controlled counterparts in the same industries and with the same size.

Based on prior research, we argue that the existence of RMC and more independent audit committees will give stronger risk governance (Ratri, et, al., 2019). Thus, improving the level of the disclosure of risk management practices. However, previous research

on the relationship between the audit committee size and the level of the disclosure of risk management practices presented inconclusive results. (Ibrahim, et, al., 2019), found that audit committee independence has a positive impact by CEO-Chairperson separation positively affect risk disclosure. In addition, (Kehinde, Osifo, 2017), finds a strong association between effective whistle blowing mechanism in Nigerian banking sector, audit committee independence.

In contrast, where an inverse relationship was detected between audit committee independence and corporate risk disclosure (Saari, et, al., 2020). Based on agency theory, the previous empirical findings, that Audit Committee independence can be an effective mechanism to monitor a bank, improve the decision-making process by the board of directors, including monitor the level of the disclosure of risk management practices. Based on this argument, the second hypothesis is proposed:

H2: There is a positive relationship between the audit committee independence and the disclosure of risk management practices.

2.3 Audit Committee Size

The audit committee must have enough members to fulfil its responsibilities so that it may become useful in managing and monitoring the activities of top management (Vinten, Lee, 1993). There seems to be a lack of diversity of skills and knowledge in an audit committee with a small number of members. As a result, the committee becomes ineffective, (Blue-Ribbon Committee, 1999) states that in order to effectively full fill the responsibilities in handling complex and challenging accounting and financial matters, the audit committee needs to have relatively larger number of directors in the audit committee. (Rahmat, Iskandar, 2009). In addition to (Hsu, Petchsakulwong, 2010); (Obiyo, Lenee, 2011), argue that the size of an audit committee is gauged through the number of existing audit committee members. According to the (Cadbury Committee in 1992), the size of the audit committee is more relevant to the successful release of its duties. (Braiotta, 2000); (Kalbers, Fogarty, 1993), indicate that a larger size of the audit committee leads to greater organizational status and authority. (Pearce, Zahra, 1992), argue that the ideal size of the audit committee enables directors to use experiences and expertise to fill the shareholder's interests. However, the audit committee is a subset of the main board. Therefore, from an agency theory perspective, the main board plays a vital role in determining audit committee structure in terms of size and composition. A bigger audit committee is also linked to a higher quality of financial reporting as they are able to enforce a better oversight function and improve the earning quality by lowering the chances of financial statements restatement (Adelopo, et, al., 2012). Furthermore, previous research on the relationship between the audit committee size and the level of the disclosure of risk management

practices presented inconclusive results. For instance, many researchers have found that audit committee size does matter in assisting the revelation of corporate risk disclosure (Saari, et, al., 2020). In contrast, other researchers indicates the Impact of audit committee attributes on financial distress (Abbott, et, al., 2000); (Klein, 2002); (Carcello, Neal, 2003). also documented a significant negative relationship between the number of audit committee members and the quality of financial reporting.

Consequently, the findings by some researches have suggested that the audit committee size is insignificantly linked with the level of risk disclosure. Hence, the current research, based on the related theories, anticipates a positive relationship between the audit Committee Size and the level of the disclosure of risk management practices. Given that previous research has indicated that audit committee size is more efficient in disclosing more information about risk. Based on this argument, the third hypothesis is proposed:

H3: There is a positive relationship between the audit committee size and the disclosure of risk management practices.

3. Research design and methodology

3.1 Research model

This study is based on positivist paradigm. As "problems studied by positivists are commonly deterministic in which causes determine effects". The deductive method is used in this study via implementation of quantitative approach to analyses secondary data. The data is collected from published reports and other related published documents related to the sample of the study. The study tests a major question through three hypotheses.

3.2 The study samples

The study depends on the selected sample which is 36 observations derived from 6 listed banks on the Palestine stock exchange for 6 years from 2014 to 2019.

3.3 The study variables model

To measure the relationship between the audit committee's characteristics and the level of disclosure of risk management practices, The study's regression model is developed as the following: $LDRM = \partial + \beta_1\ AudComSiz + \beta_2\ AudComExp + \beta_3\ AudComIndep + \beta_4\ AudSiz + \beta_5\ ROA + \beta_6\ Liqu + \beta_7\ AssQua + \beta_8\ RatofGro + \beta_9\ Lev + \beta_{10}\ BSiz + \beta_{11}\ BTyp + \beta_{12}\ loanProv + \varepsilon.$

Table (1) delimits independent, dependent and control variables cross-referenced by metric.

Label	Variable
$LDRM$	Dependent variables: the level of disclosure of risk management practices
$AudComSiz$	Audit Committee Size
$AudComExp$	Audit Committee Experience
$AudComIndep$	Audit Committee Independence
	Control variables:
ROA	Retune on assets
$Liqu$	Liquidity
$AssQua$	Assets quality
$RatofGro$	Rate of growth
Lev	Financial leverage
$BSiz$	Bank size
$BTyp$	Bank type
$loanProv$	loan provision
∂	Constant
β_{1-11}	Model coefficients
ε	Error

3.4 First Stage: Testing the Validity of Data for Statistical Analysis

Models of this study belong to the General Linear Model (GLM) that requires many conditions before being practiced. Therefore, the data of this study must be tested to make sure that they meet the conditions of the GLM. What follows is testing data credibility for statistical analysis. Tables 2, 3, and 4 show the necessary tests needed to test data validity of statistical analysis.

3.5 Normal-Distribution Test

To secure approximation of data to normal distribution, Jarque Bera (J-B), a parametric test, was used. The decision basis was to accept the null hypothesis that the data follow normal distribution if the probability of the J-B test was more than 0.05 (Gujarati, Porter, 2003). The proximity of the testing data from the normal distribution for all continuous variables was related to the study (level of disclosure of risk management practices, audit committee experience, audit committee size, assets quality, bank size, financial leverage, liquidity, loan previsions, rate of growth, ROA). From Table (2), which is related to the normal distribution to the study variables, the study has found from the Jarque-Bera test that the statistical value is low, and significant value (probability) is less than 5% for ((level of disclosure of risk management practices, assets quality, financial leverage, liquidity, rate of growth, ROA) variables, which means that it's not closes to its normal distribution. To overcome this problem, the natural logarithm for these variables was considered.

Table (2): Tests for Normal Distribution of the Continuous Variables: Jarque-Bera Test

Variables	J-B	Prob
LEVEL_OF_DISCLOSURE_OF_RISK_MANAGEMENT_PRACTICES	10.36	0.01
AUDIT_COMMITTEE_EXPERIENCE	2.20	0.33
AUDIT_COMMITTEE_SIZE	2.25	0.32
ASSETS_QUALITY	1417.19	0.00
BANK_SIZE	2.96	0.23
FINANCIAL_LEVERAGE	35.63	0.00
LIQUIDITY	1325.07	0.00
LOAN_PREV	1.46	0.48
RATE_OF_GROWTH	76.94	0.00
ROA	1122.73	0.00

3.6 Multicollinearity Problem Test

The strength of the General Linear Model (GLM) basically depends on the hypothesis that every variable from the independent ones is by itself independent. If this condition is not realized, the GLM will then be not applicable. It can never be considered good for parameters' evaluation. To actualize this, the correlation matrix among independent variables was used, and the Collinearity Diagnostics Standard used an incessant tolerance quotient for every variable of the independent ones. The Variance Inflation Factor (VIF) has to be found afterwards.

This test is the standard that measures the effect of independent variables (Gujarati, Porter, 2003). stated that getting a VIF higher than 10 indicates that there is a multicollinearity problem for the independent variable of concern.

Table 3 shows the results of Pearson's correlation matrix between each pair of independent variables of the sample companies, and we note that there is multicollinearity between these variables. The correlation among them is weak but has significant statistical association relationship at the 1% and 5% levels, which means that the study model is effective in explaining and determining the effect on the dependent variable. certify the previous result, the study uses the Collinearity Diagnostics test to support the credibility of the results. ***Table (3) Pearson Correlations Matrix between the Independent Variables***

Correlation	AUDIT_COMMITTEE_EXPERIENCE	AUDIT_COMMITTEE_INDEPENDENCE	AUDIT_COMMITTEE_SIZE	ASSETS_QUALITY	BANK_SIZE	BANK_TYPE	FINANCIAL_LEVERAGE	LIQUIDITY	LOAN_PREV	RATE_OF_GROWTH	ROA
AUDIT_COMMITTEE_EXPERIENCE	1										
AUDIT_COMMITTEE_INDEPENDENCE	-0.13	1									
AUDIT_COMMITTEE_SIZE	0.12	-0.48	1								
ASSETS_QUALITY	0.28	0.11	-0.06	1							
BANK_SIZE	-0.10	0.09	0.00	0.19	1						
BANK_TYPE	0.25	-0.63	0. 48	-0.06	-0.14	1					
FINANCIAL_LEVERAGE	0.15	0.34	-0.40	0.54	0.52	-0.51	1				
LIQUIDITY	-0.30	0.09	-0.17	-0.06	-0.19	-0.17	0.12	1			
LOAN_PREV	-0.36	-0.04	-0.20	-0.27	0.53	-0.38	0.31	0.41	1		
RATE_OF_GROWTH	0.29	0.04	-0.04	0.00	0.24	0.01	0.21	-0.67	-0.25	1	
ROA	-0.29	-0.10	-0.04	-0.11	-0.05	-0.07	0.13	0. 49	0.51	-0.67	1

Significant at **1%; *5% levels (2-tailed)

From Table 4, one can notice that the VIF value for all independent variables is less than 10, which means that we do not have any Collinearity problem in the models of the study.

Table (4) Variance Inflation Factor test

Variables	Multicollinearity Test VIF
AUDIT_COMMITTEE_EXPERIENCE	3.152
AUDIT_COMMITTEE_INDEPENDENCE	7.343
AUDIT_COMMITTEE_SIZE	7.748
ASSETS_QUALITY	2.256
BANK_SIZE	1.272
BANK_TYPE	1.175
FINANCIAL_LEVERAGE	1.302
LIQUIDITY	1.806
LOAN_PREV	1.633
RATE_OF_GROWTH	3.206
ROA	1.259

3.7 Autocorrelation Problem Test

To test the autocorrelation problem in the study models, we used the Durbin Watson (DW) test. Table (5) shows that the D-W values of the model are within the 1.5-2.5 range. This indicates that there is no autocorrelation in this model.

3.8 Second Stage: Descriptive Statistics

Table 5 reports descriptive statistics for continuous study variables. From this table, the data can be described as follows: in the dependent variable level of disclosure of risk management practices and independent variable (audit committee experience, audit committee independence, audit committee size, assets quality, bank size, financial leverage, liquidity, loan previsions, rate of growth, ROA), we noted from table no. (5) that the standard deviation of the all variables was relatively high compared to the mean, due to the diversity of the size of banks in the research sample.

Table (5) reports Descriptive Statistics

	Mean	Std.Dev.	Max	Min
LEVEL_OF_DISCLOSURE_OF_RISK_MANAGEMENT_PRACTICES	23.22	2.21	25.00	16.00
AUDIT_COMMITTEE_EXPERIENCE	0.68	0.25	1.00	0.33
AUDIT_COMMITTEE_INDEPENDENCE	0.83	0.38	1.00	0.00
AUDIT_COMMITTEE_SIZE	3.47	0.81	5.00	2.00
ASSETS_QUALITY	3.25	5.57	35.18	1.16
BANK_SIZE	20.69	0.71	22.31	19.59
BANK_TYPE	1.33	0.48	2.00	1.00
FINANCIAL_LEVERAGE	6.94	4.84	23.08	1.29
LIQUIDITY	0.23	0.26	1.72	0.02
LOAN_PREV	15.47	1.25	18.55	13.20
RATE_OF_GROWTH	0.15	0.27	1.04	-0.89
ROA	0.01	0.01	0.07	0.01

3.9 Third Stage: Data Analysis and Testing of Hypotheses

The study model will be tested. This model aims at identifying the impact of the audit committee's characteristics and the level of disclosure of risk management practices in the listed Palestinian banks.

The sample of the study consists of a group of banks (Cross Section Data) during the period of time (Time Series Data); the best regression model for these data is (Pooled Data Regression), the statistical program (reviews) was used to test the model. Table 6 shows the results of multiple regressions for the study model.

Table (6) Testing of Hypotheses

Independent variables	dependent variables the level of disclosure of risk	
	Coefficient	Sig
Constant	-1.83	0.83
AUDIT_COMMITTEE_EXPERIENCE	3.33	0.049
AUDIT_COMMITTEE_INDEPENDENCE	3.61	0.00
AUDIT_COMMITTEE_SIZE	0.89	0.35
ASSETS_QUALITY	0.15	0.00
BANK_SIZE	0.31	0.60
BANK_TYPE	-2.70	0.25
FINANCIAL_LEVERAGE	-0.24	0.07
LIQUIDITY	-4.22	0.20
LOAN_PREV	0.92	0.00
RATE_OF_GROWTH	1.32	0.36
ROA	132.29	0.04
R^2	47%	
D-W	2.32	

First Hypothesis: There is a statistically significant correlation at level $\alpha \leq 0.05$ between the Audit Committee Experience and the level of disclosure of risk management practices in the listed Palestinian banks.

This first hypothesis attempts to answer whether or not Audit Committee Experience Contributes to The Level of Disclosure of Risk.

The model in table (6) shows the results of testing the first hypothesis. When we tested the null hypothesis against the alternative hypothesis, we found the significance of the Audit Committee Experience variable in the regression model is indicated by the p-value is less than 0.05. that mean There is a statistically significant correlation at level $\alpha \leq 0.05$ between the Audit Committee Experience and the level of disclosure of risk management practices in the listed Palestinian banks. This finding is in agreement with (Kehinde, Osifo, 2017), finds a strong association between effective whistle blowing mechanism in Nigerian banking sector, audit committee financial expertise. Also, (GarcíaSánche, CuadradoBallesteros, 2017) found that the presence of financial experts on audit committees is useful to reduce insolvency risk. This contributes to the effectiveness of risk management by having the experience and knowledge of the audit committee members in risk disclosure.

Second Hypothesis: There is a statistically significant correlation at level $\alpha \leq 0.05$ between the Audit Committee Independence and the level of disclosure of risk management practices in the listed Palestinian banks.

This ***Second hypothesis*** attempts to answer whether or not Audit Committee Independence Contributes to The Level of Disclosure of Risk.

The model in table (6) shows the results of testing the Second hypothesis. When we tested the null hypothesis against the alternative hypothesis, we found the significance of the Audit Committee Independence variable in the regression model is indicated by the p-value is less than 0.05. that mean There is a statistically significant correlation at level $\alpha \leq 0.05$ between the Audit Committee Independence and the level of disclosure of risk management practices in the listed Palestinian banks. This finding is in agreement with (Ratri, et, al., 2019) ،(Ibrahim, et, al., 2019), that audit committee independence has a positive impact by CEO-Chairperson separation positively affect risk disclosure. Additional, (Kehinde, Osifo, 2017) finds a strong association between effective whistle blowing mechanism in Nigerian banking sector, audit committee independence.

Third Hypothesis: There is a statistically significant correlation at level $\alpha \leq 0.05$ between the Audit Committee Size and the level of disclosure of risk management practices in the listed Palestinian banks.

This ***third hypothesis*** attempts to answer whether or not Audit Committee Size Contributes to The Level of Disclosure of Risk.

The model in table (6) shows the results of testing the third hypothesis. When we tested the null hypothesis against the alternative hypothesis, we not found the significance of the Audit Committee Size variable in the regression model is indicated by the p-value is great than 0.05. that mean There is no a statistically significant correlation at level $\alpha \leq 0.05$ between the Audit Committee Size and the level of disclosure of risk management practices in the listed Palestinian banks.

This finding is in agreement with (Abbott, et, al., 2000); (Klein, 2002); (Carcello, Neal, 2003), that the audit committee size is insignificantly linked with the level of risk disclosure.

With control variables we found the significance of Assets Quality, loan provision and ROA on The Level of Disclosure of Risk as shown in table (6).

4. Conclusion, Limitations and Future Research

This study presents a preliminary attempt to explore the relationship between the audit committee's characteristics and the level of disclosure of risk management practices of the listed local banks. The assumptions are developed based on the assumption that banks with more independent and experienced audit committees are more likely to improve the level of disclosure of their banking risk management practices. In addition, these committees are also likely to contribute to enhancing the governance and internal control environment within its banks. The study found that the level of disclosure about risk management practices is linked to strong audit committee structures.

Specifically, the results show that banks with more independent and experienced audit committees are more likely to contribute to improving disclosure of bank risk management practices in part because these independent members seek to protect their reputation as expert observers.

Hence, these committees are likely to support the level of disclosure of sound risk management practices. By increasing loan default provisions, thus improving asset quality, developing return on assets, and enhancing financial stability.

The result may provide valuable results for regulators (standard setters) such as the JSC and the Palestine Stock Exchange in improving the level of disclosure of sound risk management practices. In addition, the results will surely create public awareness on the issue of disclosure of sound practices for managing bank risks in Palestine. Standard setters can use the result as a mechanism to oversee the function of audit committees in improving disclosure of sound banking risk management practices. It is suggested that standards setters increase some stringent procedures and policies to ensure improved effectiveness of audit committees and the level of disclosure of sound risk management practices.

There are a number of limitations in the current paper related to the use of the annual report as it was considered the most important means of obtaining information. In addition, the limitation relates to the availability of other sources of information such as interim reports. Press releases or the Internet. These limitations can provide important data for future research on disclosing risk management practices.

This information can be used as a means of comparison across different data sources. Another limitation of our study is that we only focus on one place, Palestine. This study could be expanded to include a comparison of disclosure of risk management practices with other markets in the region. Other limitations must be taken into account before interpreting the results and the results of this study are that it uses a relatively small sample (only the listed local Palestinian banks). However, our target sample is justified as it focuses on a specific group of listed local Palestinian banks. Al-Safa Islamic Bank was excluded from the study sample due to the newness and insufficiency of its reports with the study period. Consequently, results cannot be generalized in all other sectors listed on the Palestine Exchange. This examination should be expanded in future research to include more other sectors over longer periods of time. Other factors that may affect the level of disclosure of risk management practices, such as: family ownership and the strength of governance, may also be studied. Other factors that may affect the level of disclosure of risk management practices also can be studied, such as: family ownership, and the strength of governance.

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