

# **AUDIT COMMITTEE DISCLOSURES IN THE PRESENCE OF LITIGATION CONCERNS**

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## **ABSTRACT**

This paper considers the effect that litigation concerns has on the public disclosures made of the audit committee's oversight efforts. The study develops a simple model of public disclosure to identify three hypotheses as to how litigation concerns might affect these public disclosures. These hypotheses were tested by comparing the public disclosures of the committee's oversight efforts with those self-reported by the audit committee chairperson. The comparisons indicate that the public disclosures tend to cover certain of the committee's oversight activities, more than others. These disclosures also tended to include details of only those oversight activities performed by the committee. These findings are consistent with the model developed in the paper and suggest that audit committees are using their disclosures to limit their litigation risks.