

The Effect of Audit Characteristics Index on Investment in Internal Audit Function in Malaysia Listed Companies

Muqaddam Oyetunji Ali¹, Wan Amalina bt Wan Abdullah², Ibraheem Alani AbdulKareem³

^{1,2,3}*Faculty of Business and Management
Universiti Sultan Zainal Abidin, Terengganu
alitunji@yahoo.com*

ABSTRACT

The purpose of this study is to examine the effectiveness of audit committee characteristics on investment in internal audit function. This study developed an index by combining the individual characteristics of audit committee into one variable to capture audit committee effectiveness. Data relating to audit committee and internal audit were extracted from the annual reports of the top 100 listed companies in Malaysia. The findings of this study shows that audit committee index is negative and significantly associated with investment in internal audit function. This result implies that there will be lower investment in internal audit when the audit committee are effective. The study also found a negative relationship between audit committee independent and investment in internal audit while no relationship was established between audit committee expertise and investment in internal audit function. The findings presented in this study offer invaluable implication for regulators on important factors that should be taken seriously before investing in internal audit.

Keywords: *Audit committee index, expertise, independence, internal audit function*

1.0 INTRODUCTION

Corporate governance mechanisms help the stakeholders in aligning managers interests with that of the investors. Also, the mechanisms help in improving the dependability on the process of financial reporting (Shamsudin et al., 2018). External auditors, internal auditors and audit committee are among the key components of corporate governance. Consequently, agency theory reveals that audit committee is the key function that ensures the managers are performing in the best interest of the shareholders. Moreover, the audit committees are expected to be mainly concerned about the consequences of poor or erroneous financial reporting (Zahid et al., 2019). Hence, audit committee is an effective corporate governance mechanism that oversee the

manager's discretion in the estimation of accounting numbers (Usman et al., 2017). Also, the committee promotes audit quality and increase the quality of financial reporting (Malik, 2014). Selahudin et al. (2018) posits that audit committee is an essential self-regulatory instrument for internal governance that oversee the function of internal control system.

In Malaysia, several studies have examined the influence of corporate governance on corporate financial crime (Abdullah & Said, 2019), financial restatement (Wan Mohammad et al., 2018), firm performance (Nawafly & Alarussi, 2019), voluntary audit disclosure (Othman et al., 2014) and earnings quality (Al-Rassas & Kamardin, 2015). However, there are limited studies on the influence of corporate governance on internal audit function and the resources available to them (Ali & Handayani,

2018). The internal audit department provide assurance, recommendations, and insight on several business aspects and presents unbiased information to decision makers (Garven & Scarlata, 2020). These functions of the internal audit department are important in helping the organization to achieve their objectives. However, Deloitte (2018) asserted that the internal audit functions are faced with skill gaps and talent shortage due to the limited resources available to the department. This has hindered the ability of the function to meet the ever-changing needs of their organization. Thus, an effective audit committee performs the role of reviewing the internal audit plans and ensuring the adequacy in the scope and resources that is available to the internal audit department. Hence, this study examines the effect of effective audit committee on the investment in internal audit function.

Moreover, there are several characteristics of audit committee that may improve its monitoring functions to achieve an enhanced performance. Previous studies argue that individual characteristics of audit committee such as audit committee tenure, independence, meetings and expertise are not sufficient to examine the quality of audit committee. This is because the individual characteristics complements one and other. Thus, the audit committee will be ineffective when one characteristic is considered and the other is ignored (Connelly et al., 2012; Al-dhamari et al., 2018). A study by Saleh et al. (2007) in Malaysia found that independent audit committee alone could not prevent earnings management. Therefore, a composite measure of audit committee in the form of an index captures the effectiveness of audit committee when measuring the process of financial reporting (Lisic, 2014). Hence, this research is aimed to examine the effect of audit committee index on investment in internal audit function in Malaysia.

This study is conducted in Malaysia context because data relating to investment in IAF is publicly available in the annual reports of Malaysian listed companies. The listing regulators has mandated companies to disclose costs incurred (investment) for the IAF in the annual report (Wan-Hussin & Bamahros,

2013). Hence, this study will capitalize on the uniqueness of data relating to investment in IAF and examine the level of investment in IAF by Malaysian firms. Therefore, this study will attempt to answer several research questions which are highlighted below.

1.1 Research Questions

RQ1. What is the relationship between audit committee index and investment in internal audit function?

RQ1a: What is the relationship between audit committee expertise and investment in internal audit function?

RQ1b: What is the relationship between audit committee independence and investment in internal audit function?

2.0 LITERATURE REVIEW

2.1 Investment in Internal Audit

According to the audit executive centre (2018), the internal audit function will be successful in performing their duties when there are effective, sufficient and appropriate resources available to the department. Besides, it is the responsibility of the audit committee to ensure that internal audit budget brings significant benefits to the organization. Even though, there is variation regarding the charter, scope, funding and activities of internal audit function from one company to the other, it is the role of the audit committee to ensure that the internal audit is well functioning and performs its roles diligently.

Operationally, the cost of internal audit function mostly consists of outsourced services, travelling, training and manpower (MCCG, 2017). A sufficient investment in internal audit function increases the ability of the staffs in terms of critical thinking, communication, ability to properly perform task, skills, internal audit delivery and behaviour. This helps the company to improve the effectiveness of internal audit activities and establish control over financial reporting which in turn, reduces the existence of control problem (Ali & Handayani, 2018). To determine the amount to be invested in

internal audit department, IIA (2019) suggests that cost incurred by the department should depend on the industry profile, responsibilities of the auditors and the level of risk and complexity in the company.

2.2 Audit Committee

Audit committee is described as the sub-committee of the company's board of directors, which provides an appropriate connection among the board members, the system of internal control and monitoring, and the external auditor (Liu & Sun, 2010). Previous studies have highlighted the importance of audit committee as a key mechanism in corporate governance (Brennan & Kirwan, 2015). The role of the audit committee is to render the oversight function on an entity's financial reporting. Moreover, audit committee plays a significant role in protecting the reliability of financial reports through their active oversight duty on external auditing and internal controls (Malik, 2014). The audit committee are established to promote the quality of the audits and check the board of directors, thereby increasing the quality of financial reporting. The audit committee is regarded as the distinguishing characteristics of the directors in monitoring the managers' decisions concerning financial disclosure through the internal and external auditors (Firoozi et al., 2016). Hence, it has been contended that government authorities, regulatory agencies, and international professional bodies view the audit committee as likely powerful devices that can boost the reliability and transparency of financial reports (Bamahros & Bhasin, 2016). In Malaysia, the Bursa Malaysia (2019) and MCCG (2017) has mandated the establishment of audit committee in all listed companies. The committee must comprise of at least three members who are independent non-executive directors. In addition, one of the members must be a member of Malaysian Institute of Accountants. Hence, the effectiveness of audit committee characteristics are discussed in the subsequent sub-sections.

2.2.1 Audit Committee Index

The audit committee is significant in increasing earnings reliability in environments with a feeble execution of accounting standards, or feeble investors' legal protection (Poretti et al., 2018). The audit committee is regarded as the distinguishing characteristics of the directors in monitoring the managers' decisions concerning financial disclosure (Firoozi et al., 2016). Agency theory highlights audit committee as an essential corporate governance mechanism that ensure the wealth of all shareholders are maximized by the agents. The audit committee also performs the role of reducing agency problem through information asymmetry. In addition, the source of financial information for investors is the corporate financial statement, hence, it is important that the audit committee have some distinct characteristics like expertise and members independent to effectively perform their responsibilities (Firoozi et al., 2016).

However, the limitation of previous studies is that they individually characterised audit committee and fail to capture the composite index. Recently, several studies on corporate governance are motivated to use composite indexes to evaluate the quality of governance mechanisms (Omer and Al-Qadasi, 2019; Bhatt et al., 2017; Haji and Aniforose, 2016; Yu, 2011; Gul, Srinidhi, & Ng, 2011; Pergola & Joseph, 2011). These studies conclude that composite indexes can capture the actual capability of corporate governance mechanisms to improve earnings quality. It has been argued that traditional measures of the effectiveness of audit committee using individual characteristics do not guarantee an effective audit committee because these characteristics are related to each other and it is not appropriate to individually assess their quality (Lara et al., 2007; Connelly et al., 2012).

A review of literature reveals that extant studies have developed an index as a composite measure of the effectiveness of the audit committee. Lisic (2014) developed an index for audit committee using six characteristics which are the audit committee has a longer average board tenure, holds a larger average number of other board

positions, has a larger proportion of financial experts, has a chair with management expertise, meets more frequently and consists of more members. The study results demonstrated that auditors provided tax services are less likely to indulge in earnings management activities through tax expense when audit committee effectiveness (index) increases. Hence, this study intends to extend the prior research by determining the effect of audit committee characteristics along with audit committee index on investment in IAF in Malaysia, where the protection of minority shareholders is relatively low and audit committees have suboptimal monitoring role. As such, this leads to the proposed hypothesis that:

H1: There is a relationship between audit committee index and investment in internal audit function.

2.2.2 Investment in Internal Audit and Audit Committee Expertise

Trautman (2013) defines financial expert as an individual who have knowledge of accounting estimates, auditing, accruals, and financial reporting. Bursa Malaysia (2009) define expertise of audit committee as the capability of audit committee director to read, understand and analyse financial statement. The expertise of audit committee is an important characteristics of an effective audit committee (Jiang & Anandarjan, 2009). Sultana et al. (2013) reveals that financial expertise of audit committee is crucial in enhancing and recognising quality of financial reporting. Moreover, Badolato et al. (2014) document a significant association between audit committee expertise and earnings management. The study concludes that financial expertise reduces the level of earnings management in United State. While Liu et al. (2014) shows a significant association between audit committee experts and expectation that management will meet or beat earnings targets. In addition, Fuller (2015) reveals that audit committee financial expert is associated with strong oversight. The study concludes that that audit committee members with financial expertise are more effective in

scrutinising the activities of management and mitigating managers' opportunistic behaviours of earnings management. In consistent with the above findings, Saleem and Alzhobi (2016) shows a significant relationship between discretionary accruals and expertise of audit committee in Jordan. Furthermore, Ali and Handayani, (2018) found that high audit committee expertise reduces the level of investment in internal audit in Malaysia. These result supports the recommendation of Blue-Ribbon Committee (BRC, 1999) who suggests that members of audit committee are likely to effectively perform their responsibilities when there is at least one member who is financial expertise. Hence, following the above findings, this study hypothesized that:

H1a: there is a relationship between audit committee expertise and investment in internal audit function.

2.2.3 Audit Committee Independence and Investment in Internal Audit Function

Independence of audit committee is described as a member who does not have a relationship with the company except being on its board (Saleem and Alzhobi, 2016). Audit committee independence is an important characteristics of audit committee that impacts the efficiency of the committee when overseeing the financial reporting process. Sharma and Kuang (2014) and Amar (2014) reveals a significant correlation between audit committee independence and earnings management. The result of the study indicates that independence of audit committee mitigates the likelihood of aggressive earnings management and earnings manipulation. Moreover, Al-Rassas and Kamardin (2015) and Marzuki et al. (2016) documents a relationship between discretionary accruals and audit committee independence. Setiany et al. (2017) documents a relationship between voluntary financial disclosure and audit committee independence. While Poretti et al. (2018) shows that the more the proportion of autonomous directors in the companies' audit committees, the higher the market reactions to earnings pronouncements. The study suggests that more autonomous audit committees serve as substitutes for weak

institutions to enhance the reliability of their earnings pronouncements. More so, Siagian and Tresnaningsih (2011) argued that independent directors can improve earnings quality. The study posits that the presence of independent directors in the audit committee prevents poor financial reporting and enhance the monitoring function of the board. Hence, this study proposed that:

H1b: there is a relationship between audit committee independence and investment in internal audit.

3.0 METHODOLOGY

This study extracted data from the annual reports of all listed companies in Bursa Malaysia excluding the financial sector due to their unique corporate governance regulator. In addition, the sample in this study consist of top 100 listed companies in Malaysia. This study observes the firms over four years (2013 -2016). Data relating to internal audit and characteristics of audit committee were extracted from the annual report of the listed companies while financial data such as operating cash flow, inventory, leverage and firm size were obtained from DataStream database. Thus, this study conducted cross sectional-time series regression through panel data analysis. Investment in internal audit function is measured as the cost of running the internal audit department. Moreover, the combined characteristics of audit committee was conducted using principal component analysis regression (PCA) to evaluate the effectiveness of audit committee. This is because PCA reduce the dimensionality of data by transforming variables that are related into single variables (Tarchouna et al., 2017). Hence, PCA is used in this study to combine the two individual characteristics of audit committee (expertise and independence) into a variable known as audit committee index. Also, this study measures audit committee expertise as the proportion of directors in the audit committee that have expertise in finance, auditing, or accounting. While the independence of audit committee is measured as the proportion of the audit committee directors that are independent. In relation to

the control variables, this study measures firm size with the company's total assets, inventory is measured as the average inventory at the end of the year, leverage is measured as total debt dividend by total assets, while operating cash flow is operationalised as net cash flow from operating activities. The data was processed and analysed with Stata statistical software.

4.0 FINDINGS AND DISCUSSION

This study adopts two characteristics (expertise and independence) to represent the effectiveness of the audit committee. An audit committee with such characteristics would be expected to provide more effective monitoring role over financial reporting issues. Hence, two regression models were employed in order to examine the said relationship.

$$\text{Model 1} = \text{INVIA} = \beta_0 + \beta_1 \text{ACEXP} + \beta_2 \text{ACIND} + \beta_3 \text{LEVG} + \beta_4 \text{FSIZE} + \beta_5 \text{INV} + \beta_6 \text{OCF} + \varepsilon$$

$$\text{Model 2} = \text{INVIA} = \beta_0 + \beta_1 \text{ACINDX} + \beta_2 \text{LEVG} + \beta_3 \text{FSIZE} + \beta_4 \text{INV} + \beta_5 \text{OCF} + \varepsilon$$

Where:

INVIA = amount invested in internal audit function

ACEXP = expertise of audit committee

ACIND = independence Audit committee

ACINDX = audit committee index

LEVG = Leverage

FSIZE = Firm size

INV = Inventory

OPC = Operating cash flow:

ε = error terms.

4.1 Descriptive Statistics

The Table I below shows that descriptive statistics of the variables used in this study. The dependent variable of IAVIA shows a mean value of RM 1,769,317 with a maximum of RM 44,200,000 and minimum of RM 15000. This finding indicates that the amount invested in internal audit function in Malaysia is not linear. Some companies invest in millions of RM while some invested in thousands. However, the average invested in the studied period is RM 1,769,317. In addition, all listed companies comply with the regulations of MCCG and Bursa Malaysia as the findings shows that the

mean audit committee expertise is 40.7% with a minimum of 17% and maximum of 100%. Furthermore, the result of audit committee independent shows mean value of 88.7% with minimum (maximum) of 50% (100%). Moreover, audit committee index shows mean value of 0.0000686 with minimum (maximum) of -16.06 (3.08%). Moreover, the control variable shows that FSIZE has a maximum (minimum) of RM 1,330,00,000 (RM 7,360,000) with an average of RM 806,000,000. Also, INV show a mean value of RM 876,353 with a maximum of RM 107,000,000. LEVG further shows a mean value of 42.46% with a maximum of 94% while operating cash flow show a mean value of 453,788 with a maximum of 12,600,000.

LEVG	400	0.4245 517	0.19226 97	0.02	0.94
OPC	400	8,180, 976	1,570,29 6	-8462	12,600,000

4.2 Correlation and VIF

Table II below shows the Pearson correlation matrix that exist among the variables used in this study. The table shows that the coefficients of the reported correlations between the variables are below the 0.80 threshold. According to Gujarati (2009) this signifies no problem of multicollinearity in this study. Specifically, the table shows a high correlation of 0.7397 between ACINDX and both ACEXP and ACIND with both showing a significant value of 1%. In addition, a high correlation of 0.6072 is reported between INVIA and FSIZE at 1% level of correlation significant, indication a positive correlation between size of the firm and the level of INVIA. Moreover, a high correlation of 0.5354 was documented between INVIA and OCF at 1% significant level of correlation, indicating a positive correlation between cost of internal audit function and the average operating cash flow. In addition, the variance inflation factors for all the variables are within the acceptable range as shown in Table III.

TABLE I
Descriptive statistics

Variab les	Obs	Mean	Std. deviatio n	Minim um	Maximum
INVIA (RM)	400	2,221, 938	4286968	RM 15000	44,200,000
ACEXP	400	0.4072 552	0.16834 93	0.17	1
ACIND	400	0.8865 793	0.16834 93	0.5	1
ACIND X	400	6.74	1.046	-2.275	3.419
FSIZE (RM)	400	806,00 0,000	147,000, 000	7,360, 000	1,330,000,000
INV (RM)	400	876,35 3	285,342	0	107,000,000

TABLE II
Correlation coefficients

	INVIA	ACINDX	ACIND	ACEXP	LEVG	FSIZE	LEVG	OCF
INVIA	1.0000							
ACINDX	-0.1986*	1.000						
ACIND	-0.1558*	0.7397*	1.000					
ACEXP	-0.1380*	0.7397*	0.0942***	1.000				
LEVG	0.2466*	-0.0366	0.0527	-0.1069**	1.000			
FSIZE	0.6072*	-0.0409	0.0675	-0.1069**	0.2625*	1.000		
INV	0.1322*	-0.1113**	-0.1231**	-0.0416	-0.1797*	-0.438	1.000	
OCF	0.5354*	-0.1415*	-0.0664	-0.1429*	0.1792*	0.8316*	0.1319*	1.000

Note: *Correlation is significant at the 0.01 level (2-tailed), **Correlation is significant at the 0.05 level (2-tailed), ***Correlation is significant at the 0.10 level (2-tailed)

TABLE III
Correlation coefficients

Variables	Model 1		Model 2	
	VIF	1/VIF	VIF	1/VIF
FSIZE	3.62	0.274695	3.54	0.282686
OCF	3.53	0.283502	3.49	0.286316
LEVG	1.13	0.885194	1.12	0.891935
INV	1.08	0.929126	1.08	0.928563
ACIND	1.08	0.929126	-	-
ACEXP	1.04	0.964196	-	-
ACINDX	-	-	1.05	0.954182
Mean VIF	1.91		2.06	

4.3 Regression Result

In examining the regression model in 1 and 2, Table IV shows that the relationship between the studied variables have a cumulative R^2 of 0.4225 in model 1 and 0.4120 in model 2. This indicates that over 40% of variance in the independent variables are explained by the dependent variable. The table also depicts that

there is a negative insignificant association between audit committee expertise and investment in internal audit. This can be because most members on the audit committee are not financial literate. On average, only 40.7% of all the members have accounting or auditing background. Most companies only have one accounting experts in their annual reports to comply with the requirements of the accounting regulators. Furthermore, audit committee independence shows a negative significant relationship with investment in internal audit. The result suggests that, high independence of audit committee members leads to lower investment in internal audit. The result of this study indicates that audit committee independence is related to monitoring role over resources and IAF which is in line with agency theory. In model 2, the result shows a negative and significant association between investment in internal audit function and ACINDEX. The result implies that effective audit committee will efficiently manage the risk of financial misreporting which will reduce

need to obtain assurance from the internal auditors. Hence, this leads to lower investment in internal audit function. This result is consistent with the findings of previous studies such as Haji and Anifowose, (2016) and Lisic (2014).

As shown in both model 1 and 2, all the control variables influence investment in internal audit except for operating cash flow. For example, firm size and leverage has shown a positive and significant effect on internal audit investment. This finding indicates that there will be greater investment in internal audit function in a large company. In addition, average inventory also influences internal audit investment positively. This finding shows that firms with high inventory tends to invest more in internal audit because they will demand more monitoring by the internal audit due to their complex nature. However, this study documents no relationship between operating cash flow and internal audit investment. This indicates that operating cash flow does not influence the amount invested in internal audit function.

TABLE IV
Regression model

Model	Model 1			Model 2		
	Coeff.	t	Sig	Coeff.	T	Sig
ACEXP	-0.364	-0.83	0.404			
ACIND	-2.202	-4.77	0.000			
ACINDEX	-	-	-	-0.262	-4.10	0.000
LEVG	0.069	2.15	0.031	0.062	1.91	0.056
FSIZE	5.43	8.04	0.000	5.160	7.66	0.000
INV	1.430	1.65	0.099	1.580	1.81	0.070
OPC	1.190	0.15	0.878	3.250	0.42	0.676
Cons	14.643	33.05	0.000	12.583	109.66	0.000
Number of observations	400			400		
Number of groups	100			100		
Time period	4 years			4years		
Prob > F	0.0000			0.0000		
R-Square	0.4225			0.4120		
Panel	homoskedastic			homoskedastic		
Correlation	no autocorrelation			no autocorrelation		

5.0 CONCLUSION

The objective of this study is to examine the impact of audit committee index on the

investment in internal audit function. This study computes a composite index (audit committee expertise and audit committee independence) as an effectiveness of audit

committee. The result of this study suggests that, an effective audit committee leads to lower investment in internal audit. In terms of expertise and independence of audit committee, this study found independence to influence amount invested in audit committee negatively while expertise has no influence on investment in internal audit. The results of this study contribute to the study of previous researchers such as the work conducted by Barua, Rama & Sharma (2010), Bédard, Chtourou, & Courteau (2004), Carcello et al. (2002), Kamolsakulchai (2015) and Siagian, & Tresnaningsih (2011). Moreover, the findings presented in this study also offer invaluable implication for regulators on important factors that should be taken seriously before investing in internal audit. The significant results on audit committee independence and index have remarkable implications on the performance of audit committee in Malaysia. Regulators can improve on the regulations in terms of percentage of independent directors and how to improve the effectiveness of the members.

The result presented in this study offers some theoretical and policy implications. The result of this study highlights the important roles of audit committee in ensuring the credibility and reliability of financial reporting through the internal audit which is consistent with the recommendations of Haji and Anifowose (2016). The result of audit committee independence indicates that firms with high independent directors will invest less in internal audit because independent directors will be effective in performing their duties. Moreover, audit committee that is effective will improve the structure of corporate governance and reduce the amount invested in internal audit. However, in consistent with previous research (Li et al., 2012) this study could not document a relationship between the expertise of audit committee and the amount invested in internal audit department. Hence, policy makers should improve on the requirement of accounting and financial expertise on the board as most companies have only one financial expert in the audit committee just to comply with the regulations. Finally, the presented result in this study informs

academics and policy makers to recognise the importance of audit committee and internal audit in the company.

Like every other study, this study has some limitations. This study is first of its kind that examine the effectiveness of audit committee in relation to investment in internal audit function. However, only two characteristics of audit committee are considered in this study. There are several other characteristics of audit committee (such as diligent, tenure, size, multiple directorships, and gender) that can be considered to capture a more effectiveness of the audit committee. Hence, future research can expand this study and capture a broader characteristics of audit committee. Moreover, the data used in this study focus only on the top 100 listed firms in Bursa Malaysia. The results achieved may not be generalised to smaller companies. Hence, future researchers may study a larger sample of listed companies in Malaysia.

6.0 REFERENCES

- Abdullah, W.N. and Said, R. (2019), "Audit and risk committee in financial crime prevention", *Journal of Financial Crime*, Vol. 26 No. 1, pp. 223-234.
- Al-Dhamari, R. A., Al-Gamrh, B., Ismail, K. N. I. K., & Ismail, S. S. H. (2018). Related party transactions and audit fees: the role of the internal audit function. *Journal of Management & Governance*, 22(1), 187-212.
- Ali, M. O., & Handayani, W. (2018a). Audit Committee Characteristics and Investment in Internal Audit Function: Evidence from Malaysia Listed Companies. *International Journal of Social Science and Economic Research*, 3(2), 618-629.
- Ali, M. O., & Handayani, W. (2018b). Impact of Audit Committee Expertise and Audit Committee Independence on Internal Audit Function. *International Journal of Social Science and Economic Research*, 3(3), 950-958.
- Al-Rassas, A. H., & Kamardin, H. (2015). Directors' Independence, Internal Audit Function, Ownership Concentration and Earnings Quality in Malaysia. *Mediterranean Journal of Social Sciences*, 6(3), 458-470.
- Amar, A. B. (2014). The effect of independence audit committee on earnings management: the case in French. *International Journal of Academic Research in Accounting Finance and Management Sciences*, 4(1), 96-102.
- Badolato, P., & Donelson, D.C., Ege, M. (2014). Audit committee financial expertise and earnings management. *Journal of Accounting and Economics*, 58(2-3), 208-230.
- Bamahros, H. M., & Bhasin, M. L. (2016). Audit Committee Characteristics and Unexpected Accruals: An Empirical Study of Malaysia. *Wulfenia Journal KLAGENFURT, AUSTRIA*, Vol 23, 181-199.
- Bhatt, N. R., Davis, N. F., Quinlan, M. R., Flynn, R. J., McDermott, T. E. D., Manecksha, R. P., & Thornhill, J. A. (2017). A prospective audit on the effect of training and

- educational workshops on the incidence of urethral catheterization injuries. *Canadian Urological Association Journal*, 11(7), E302.
- Brennan, N.M., Kirwan, C. E. (2015). Audit committees: practices, practitioners and praxis of governance. *Accounting, Auditing & Accountability*, 28(4), 466–493.
- Bursa Malaysia Berhad. (2019). Listing Requirements of Bursa Malaysia Securities Berhad. *Bursa Malaysia Securities Berhad, Kuala Lumpur*.
- Connelly, J. T., Limpaphayom, P., & Nagarajan, N. J. (2012). Form versus substance: The effect of ownership structure and corporate governance on firm value in Thailand. *Journal of Banking & Finance*, 36(6), 1722–1743.
- Deloitte (2018), "Internal audit insights 2018: high-impact areas of focus", available at: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Audit/gx-audit-high-impact-areas.pdf> (accessed 14 January 2020).
- Firoozi, M., Magnan, M., Fortin, S., & Nicholls, S. (2016). Do foreign directors on audit committees enhance financial reporting quality? *Série Scientifique Scientific Series Montréal*, 23, 1-46
- Fuller, S. (2015). The effect of auditor reporting choice and audit committee oversight strength on management financial disclosure decisions. PhD. Dissertation, Georgia State University, Robinson College of Business.
- Garven, S., & Scarlata, A. (2020). An examination of factors associated with investment in internal auditing technology. *Managerial Auditing Journal*. Vol. 35 No. 7, pp. 955-978.
- Gul, F. A., Srinidhi, B., & Ng, A. C. (2011). Does board gender diversity improve the informativeness of stock prices? *Journal of Accounting and Economics*, 51(3), 314-338.
- Haji, A. A., & Anifowose, M. (2016). Audit committee and integrated reporting practice: does internal assurance matter?. *Managerial Auditing Journal*, Vol. 31 No. 8/9, pp. 915-948.
- Jiang, W., & Anandarajan, A. (2009). Shareholder rights, corporate governance and earnings quality: The influence of institutional investors. *Managerial Auditing Journal*, 24(8), 767-791.
- Lara, J. M.G., Osmá, B.G., Mora, A., & Scapin, M. (2017). The monitoring role of female directors over accounting quality. *Journal of Corporate Finance*, 45(2017), 651-668. <https://doi.org/10.1016/j.jcorpfin.2017.05.016>
- Lisic, L. L. (2014). Auditor-provided tax services and earnings management in tax expense: The importance of audit committees. *Journal of Accounting, Auditing & Finance*, 29(3), 340-366.
- Malaysian Code on Corporate Governance. (September 2007). Kuala Lumpur: Securities Commission
- Malik, M. (2014). Audit committee composition and effectiveness: A review of post-SOX literature. *Journal of Management Control*. 25 (2), 81-117.
- Marzuki, M.M., Abdul Wahab, E.A., & Haron, H. (2016). Corporate governance and earnings conservatism in Malaysia. *Accounting Research Journal*, 29(4), 339–412.
- Nawafly, A. T., & Alarussi, A. S. (2019). Impact of Board Characteristics, Audit Committee Characteristics And External Auditor on Disclosure Quality of Financial Reporting. *Studies*, 1(1), 48-65.
- Omer, W. K. H., & Al-Qadasi, A. A. (2019). Board of directors' effectiveness and monitoring costs: The role of family control. Malaysian evidence. *Managerial Auditing Journal*. Vol. 35 No. 4, pp. 477-497.
- Othman, R., Ishak, I. F., Arif, S. M. M., & Aris, N. A. (2014). Influence of Audit Committee Characteristics on Voluntary Ethics Disclosure. *Procedia - Social and Behavioral Sciences*, 145(August), 330–342.
- Pergola, T. M., & Joseph, G. W. (2011). Corporate governance and board equity ownership. *Corporate Governance: The international journal of business in society*, 11(2), 200-213.
- Poretti, C., Schatt, A. and Bruynseels, L. (2018). Audit committees' independence and the information content of earnings announcements in Western Europe, *Journal of Accounting Literature*, 40(0), 29–53.
- Poretti, C., Schatt, A. and Bruynseels, L. (2018). Audit committees' independence and the information content of earnings announcements in Western Europe, *Journal of Accounting Literature*, 40(0), 29–53.
- Saleem E., Alzoub, S. (2016). Audit quality and earnings management: evidence from Jordan. *Journal of Applied Accounting Research*, 17(2), 170–189.
- Saleh, N. M., Iskandar, T. M., & Rahmat, M. M. (2007). Audit committee characteristics and earnings management: Evidence from Malaysia. *Asian Review of Accounting*, Vol. 15 No. 2, pp. 147-163.
- Selahudin, N. F., Azman, N. A. N. N., Suhaimi, A. N. F., Ahmad, M. F. M., Rahman, N. N. A., Sushela, R., & Ramesh, M. R. (2018). Do Female Director, Audit Quality and Audit Committee Characteristics Influence the Earnings Management?. *Global Business and Management Research*, 10(3), 130.
- Usman, A. B., Amran, N. A., & Shaari H. (2017). The effect of corporate governance mechanisms on the valuation of comprehensive income reporting. *Malaysian Management Journal*, 21(December), 33–47.
- Setiary, E., Hartoko, s., Suhardjanto, D., & Honggowati, S. (2017). Audit committee characteristics and voluntary financial disclosure. *Review of Integrative Business and Economics Research*, 6(3), 239–253
- Shamsudin, S. M., Abdullah, W. R. W., & Osman, A. H. (2018). Corporate governance practices and firm performance after revised code of corporate governance: Evidence from Malaysia. In *State-of-the-art theories and empirical evidence* (pp. 49-63). Springer, Singapore.
- Sharma, V. D., & Kuang, C. (2014). Voluntary audit committee characteristics, incentives, and aggressive earnings management: Evidence from New Zealand. *International Journal of Auditing*, 18(1), 76–89.
- Siagian, F. T., & Tresnaningsih, E. (2011). The impact of independent directors and independent audit committees on earnings quality reported by Indonesian firms. *Asian review of Accounting*, 19(3), 192-207.
- Sultana, N., & Mitchell, J. L W., & Zahn, V. (2013). Earnings conservatism and audit committee financial expertise. *Accounting and Finance*, 55(1), 279– 310.
- Tarchouna, A., Jarraya, B., & Bouri, A. (2017). *How to explain non-performing loans by many corporate governance variables simultaneously? A corporate governance index is built to US commercial banks. Research in International Business and Finance*, 42, 645–657.
- Trautman, L. J. (2013). Who qualifies as an audit committee financial accounting expert under SEC regulations and NYSE rules? *DePaul Business & Commercial Law Journal*, 11(2), 206–235.
- Wan-Hussin, W. N., & Bamahros, H. M. (2013). Do investment in and the sourcing arrangement of the internal audit function affect audit delay?. *Journal of Contemporary Accounting & Economics*, 9(1), 19-32.
- Wan Mohammad, W. M., Wasiuzzaman, S., Morsali, S. S., & Zaini, R. M. (2018). The effect of audit committee

characteristics on financial restatements in Malaysia. *Journal of Asia-Pacific Business*, 19(1), 4-22.

Zahid, M., Rahman, H. U., Muneer, S., Butt, B. Z., Isah-Chikaji, A., & Memon, M. A. (2019). Nexus between government initiatives, integrated strategies, internal factors and corporate sustainability practices in Malaysia. *Journal of Cleaner Production*, 241, 118329.