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**AUDIT COMMITTEE CHARACTERISTICS AND AUDIT
REPORT LAG IN MALAYSIA**



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UUM
Universiti Utara Malaysia

**MASTER OF SCIENCE
(INTERNATIONAL ACCOUNTING)
UNIVERSITI UTARA MALAYSIA
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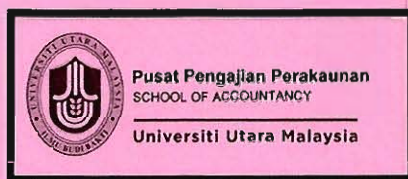
**AUDIT COMMITTEE CHARACTERISTICS AND AUDIT REPORT LAG IN
MALAYSIA**



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**Thesis Submitted to
Tunku Puteri Intan Safinaz School of Accountancy,
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In Partial Fulfillment of the Requirement for the Master of Science
(International Accounting)**



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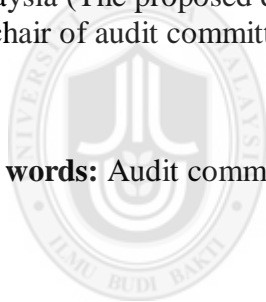
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ABSTRACT

Timeliness of the financial statements is one of the important aspects that concerns the users of information. The delay in publication of corporate financial statements may affect the usefulness of the information. This paper aims to investigate the relationship between the characteristics of audit committee: audit committee independence, audit committee overlap, tenure of chairman of audit committee, expertise of chairman of audit committee, and audit report lag of firms listed on Bursa Malaysia. Data were collected from 139 companies in the financial year 2015. Descriptive analysis was used to provide insight into the time taken by external auditors to complete the audit work. The results show that on average, the companies took about 95 days to complete their audit report with a maximum and minimum day of 122 days and 45 days respectively. In addition, regression analysis was used to provide empirical evidence on which variables had significant relationship with audit report lag. The results show that chairman of audit committee with accounting expertise, audit committee size, frequency of meetings of audit committee, firm size, leverage, and profitability are significantly associated with audit report lag. However, the other five variables: audit committee independence, audit committee overlap, tenure of chairman of audit committee, auditor type and industry type were insignificantly related with audit report lag. This study contributes to the body of knowledge by providing a good indicator of the extent of the application of the proposed law from Securities Commission of Malaysia (The proposed draft code of corporate governance 2016) which suggests that the chair of audit committee should be a person with accounting expertise.

Key words: Audit committee characteristics, audit report lag, Malaysia



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ABSTRAK

Ketepatan masa dalam penyata kewangan adalah salah satu aspek penting yang diberi perhatian oleh pengguna maklumat. Kelewatan dalam penerbitan penyata kewangan korporat boleh menjejaskan kepenggunaan maklumat. Kajian ini bertujuan untuk mengkaji hubungan di antara ciri-ciri jawatankuasa audit: jawatankuasa audit bebas, pertindihan jawatankuasa audit, tempoh pengerusi jawatankuasa audit, kepakaran pengerusi jawatankuasa audit, dan laporan audit lag firma yang tersenarai di Bursa Malaysia. Data adalah daripada 139 syarikat bagi tahun kewangan 2015. Analisis deskriptif digunakan untuk memberi gambaran mengenai tempoh masa yang diambil oleh juruaudit luar untuk menyiapkan kerja audit. Hasil kajian menunjukkan bahawa secara purata, syarikat-syarikat mengambil masa 95 hari untuk melengkapkan laporan audit mereka dengan tempoh maksimum adalah 122 hari dan tempoh minimum adalah 45 hari. Di samping itu, analisis regresi digunakan untuk menyediakan bukti empirikal di mana pembolehubah mempunyai hubungan yang signifikan dengan laporan audit lag. Keputusan kajian menunjukkan bahawa pengerusi jawatankuasa audit dengan kepakaran perakaunan jawatankuasa audit, saiz jawatankuasa audit, frekuensi mesyuarat jawatankuasa audit, saiz firma, leveraj, dan keuntungan adalah signifikan dengan laporan audit lag. Walau bagaimanapun, lima pembolehubah yang lain: kebebasan jawatankuasa audit, pertindihan jawatankuasa audit, tempoh pengerusi jawatankuasa audit, jenis juruaudit dan jenis industri adalah tidak signifikan dengan laporan audit lag. Kajian ini menyumbang kepada pengetahuan dengan menyediakan petunjuk yang baik mengenai sejauh mana pemakaian undang-undang yang dicadangkan oleh Suruhanjaya Sekuriti Malaysia (kod draf yang dicadangkan tadbir urus korporat 2016) yang mencadangkan bahawa pengerusi jawatankuasa audit mestilah seseorang yang mempunyai kepakaran perakaunan.

Kata kunci: Ciri-ciri jawatankuasa audit, laporan audit lag, Malaysia

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Ayad Ahmed Mohammed Alqublani

TABLE OF CONTENTS

PERMISSION TO USE	i
ABSTRACT	ii
ABSTRAK	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS	ix
LIST OF APPENDICES	x
CHAPTER ONE:INTRODUCTION	1
1.1 Background of Study	1
1.2 Problem Statement	5
1.3 Research Questions	9
1.4 Objective of the Study	9
1.5 Significance of the Study.....	10
1.6 Scope of Study	10
1.7 Organization of Study.....	11
CHAPTER TWO:LITERATURE REVIEW	12
2.1 Introduction.....	12
2.2 Corporate Governance in Malaysia.....	12
2.3 Agency Theory.....	13
2.4 Previous Studies on Audit Report Lag	14
2.5 Audit Committee Characteristics	19
2.5.1 Audit Committee Independence	21
2.5.2 Audit Committee Overlap	23
2.5.3 Tenure of Chairman of Audit Committee	25
2.5.4 Expertise of Chairman of Audit Committee.....	27
2.6 Summary.....	29
CHAPTER THREE:RESEARCH DESIGN AND METHODOLOGY	30
3.1 Introduction.....	30
3.2 Theoretical Framework.....	30
3.3 Hypotheses Development	31
3.3.1 Audit Committee Independence.....	31
3.3.2 Audit Committee Overlap.....	32

3.3.3	Tenure of Chairman of Audit Committee.....	34
3.3.4	Expertise of Chairman of Audit Committee	36
3.4	Measurement of All Variables	37
3.4.1	Dependent Variable: Audit Report Lag (ARL).....	37
3.4.2	Independent Variables	37
3.4.3	Control Variables	38
3.5	Model Specification and Analysis.....	41
3.6	Population, Samples and Data Collection.....	43
3.6.1	Data Collection Procedures	44
3.7	Data Analysis	44
3.8	Summary	45
CHAPTER FOUR: FINDINGS AND DISCUSSION		46
4.1	Introduction.....	46
4.2	Descriptive Statistics	46
4.3	Assumption Tests in Regression Analysis.....	49
4.4	Regression Analysis Results	54
4.5	Summary	59
CHAPTER FIVE: CONCLUSION AND FUTURE RESEARCH		60
5.1	Introduction.....	60
5.2	Limitations of the Study	60
5.3	Conclusion	61
5.4	Future Research.....	62
5.5	Summary	63
REFERENCES		64
APPENDIX: LIST OF COMPANIES		70

LIST OF TABLES

TABLE	DESCRIPTION	PAGE
Table 3.1	Summary of Measurements	42
Table 3.2	Sample Selection	43
Table 4.1	Descriptive Statistics of Dependent Variable (ARL)	47
Table 4.2	Descriptive Analysis Statistics of Variables	48
Table 4.3	Correlation Matrix of Variables	53
Table 4.4	VIF and Tolerance Statistic for Multicollinearity Assumption	54
Table 4.5	Multiple Regression Analysis	55
Table 5.1	Summary of the Study Findings	62



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LIST OF FIGURES

FIGURE	DESCRIPTION	PAGE
Figure 3.1	Theoretical Framework	31
Figure 4.1	Histogram for the Statistic Test Result	50
Figure 4.2	Normal P-P Plot of Regression Residuals	51



LIST OF ABBREVIATIONS

ABBREVIATIONS	DESCRIPTIONS OF THE ABBREVIATIONS
AC	Audit Committee
ACCEXP	Expertise of Chairman of Audit Committee
ACCTENURE	Tenure of Chairman of Audit Committee
ACIND	Audit Committee Independence
ACMEET	Audit Committee Meeting
ACOV LAP	Audit Committee Overlap
ACSIZE	Audit Committee Size
AOB	Audit Oversight Board
ARL	Audit Report Lag
CEO	Chief Executive Officer
CG	Corporate Governance
CP	Consumer Products
FASB	Financial Accounting Standards Board
FRS	Financial Reporting Standards
IASB	International Accounting Standards Board
INDUS	Industry Type
IP	Industrial Products
LEV	Leverage
MCCG	Malaysian Code on Corporate Governance
PLANT	Plantation
PROF	Profitability
PROPER	Properties
ROA	Return on Assets
SEC	Securities and Exchange Commission
SIZE	Firm Size
TECH	Technology
TS	Trading-Services
TYPEAUD	Auditor Type
VIF	Variance Inflation Factor

LIST OF APPENDICES

APPENDIX	DESCRIPTION	PAGE
APPENDIX	LIST OF COMPANIES	70



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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The primary aim of financial statement is to supply information about the financial performance of companies in order to help users to make economic decision (IASB, 2014). The financial reporting is considered as an essential source that provides information which will help external users in decision making, particularly the users who depend on the audited financial reports in order to assess and evaluate performance of companies (Hashim & Rahman, 2011). The timeliness of information is however important for it to be useful as this will enable the users to make reasonable decisions (Khasharmeh & Aljifri, 2010).

Financial reporting timeliness is therefore one of the research areas that is attracting the attention of major stakeholders as it contributes to the relevance and reliability of financial reporting (Baatwah, Ahmad, & Salleh, 2013). It is an important pillar of a strong and transparent financial system (Basuony, Mohamed, Hussain, & Marie, 2016), as well as it contributes to increase in the quality financial reporting. Basuony et al. (2016) observe that information asymmetry can be reduced through the timely financial reporting disclosure while equal access to accounting information can be enhanced without the necessity of searching for other sources.

Khasharmeh and Aljifri (2010) opined that timeliness is considered as one of the significant qualitative elements of accounting information. The timeliness of information released can influence the degree of uncertainty related to the decisions based on the reported information (Ashton, Willingham, & Elliott, 1987). Timeliness of financial reporting by corporations is an important component that is used to

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APPENDIX: LIST OF COMPANIES

No	Name Code	Industry Type
1	PANTECH	Trading-Services
2	BJLAND	Trading-Services
3	TNLOGIS	Trading-Services
4	AYS	Trading-Services
5	XINHWA	Trading-Services
6	TASCO	Trading-Services
7	SCOMIES	Trading-Services
8	MESB	Trading-Services
9	YINSON	Trading-Services
10	GUNUNG	Trading-Services
11	AMWAY	Trading-Services
12	SAMCHEM	Trading-Services
13	SUMATEC	Trading-Services
14	DESTINI	Trading-Services
15	AWC	Trading-Services
16	MMCCORP	Trading-Services
17	PANSAR	Trading-Services
18	ASTRO	Trading-Services
19	BIPORT	Trading-Services
20	EATECH	Trading-Services
21	MULPHA	Trading-Services
22	CCB	Trading-Services
23	TALIWRK	Trading-Services
24	EDEN	Trading-Services
25	MTRONIC	Trading-Services
26	LIONFIB	Trading-Services
27	MEDIA	Trading-Services
28	PHARMA	Trading-Services
29	CARIMIN	Trading-Services
30	FSBM	Trading-Services
31	DELEUM	Trading-Services
32	MHB	Trading-Services
33	THHEAVY	Trading-Services
34	MISC	Trading-Services
35	SJC	Trading-Services
36	WARISAN	Trading-Services
37	PJBUMI	Trading-Services

38	GPA	Industrial Products
39	MENTIGA	Industrial Products
40	ACME	Industrial Products
41	SUPERMX	Industrial Products
42	KIMHIN	Industrial Products
43	ADVENTA	Industrial Products
44	MYCRON	Industrial Products
45	COMCORP	Industrial Products
46	MERCURY	Industrial Products
47	CSCSTEL	Industrial Products
48	GESHEN	Industrial Products
49	WTK	Industrial Products
50	TURIYA	Industrial Products
51	RESINTC	Industrial Products
52	HARTA	Industrial Products
53	TECGUAN	Industrial Products
54	SCIB	Industrial Products
55	SCOMIEN	Industrial Products
56	GBH	Industrial Products
57	TGUAN	Industrial Products
58	SCNWOLF	Industrial Products
59	SEB	Industrial Products
60	CEPCO	Industrial Products
61	ABRIC	Industrial Products
62	TAWIN	Industrial Products
63	TAANN	Industrial Products
64	MINETEC	Industrial Products
65	BSLCORP	Industrial Products
66	PWORTH	Industrial Products
67	ULICORP	Industrial Products
68	FIMACOR	Industrial Products
69	SKBSHUT	Industrial Products
70	WELLCAL	Industrial Products
71	SCGM	Industrial Products
72	TOPGLOV	Industrial Products
73	HWGB	Industrial Products
74	TOYOINK	Industrial Products
75	CYL	Industrial Products
76	LCTH	Industrial Products
77	PRESTAR	Industrial Products
78	KOSSAN	Industrial Products
79	KARYON	Industrial Products

80	CAB	Consumer Products
81	XIANLNG	Consumer Products
82	FPI	Consumer Products
83	SINOTOP	Consumer Products
84	FCW	Consumer Products
85	MFLOUR	Consumer Products
86	DLADY	Consumer Products
87	OFI	Consumer Products
88	HEIM	Consumer Products
89	MAGNI	Consumer Products
90	PARAGON	Consumer Products
91	PRLEXUS	Consumer Products
92	TGL	Consumer Products
93	LTKM	Consumer Products
94	MINTYE	Consumer Products
95	PANAMY	Consumer Products
96	TAFI	Consumer Products
97	UMW	Consumer Products
98	KHEESAN	Consumer Products
99	SWSCAP	Consumer Products
100	MWE	Consumer Products
101	PMCORP	Consumer Products
102	SNC	Consumer Products
103	ACOSTEC	Consumer Products
104	MSNIAGA	Technology
105	CUSCAPI	Technology
106	EFORCE	Technology
107	HTPADU	Technology
108	DIGISTA	Technology
109	GRANFLO	Technology
110	MUH	Properties
111	NAIM	Properties
112	TAMBUN	Properties
113	MALTON	Properties
114	PLENITU	Properties
115	SNTORIA	Properties
116	SPSETIA	Properties
117	THRIVEN	Properties
118	DPS	Properties
119	MAGNA	Properties
120	IBHD	Properties
121	DBHD	Properties

122	SDRED	Properties
123	ASIAPAC	Properties
124	TAGB	Properties
125	ENCORP	Properties
126	LBS	Properties
127	PARAMON	Properties
128	IVORY	Properties
129	IJEMPLNT	Plantation
130	RSAWIT	Plantation
131	UMCCA	Plantation
132	KWANTAS	Plantation
133	PINEPAC	Plantation
134	GOPENG	Plantation
135	UTDPLT	Plantation
136	SHCHAN	Plantation
137	TSH	Plantation
138	ZELAN	Construction
139	ECONBHD	Construction
140	TRC	Construction
141	PTARAS	Construction
142	IREKA	Construction
143	MUHIBAH	Construction
144	KIMLUN	Construction
145	IJM	Construction
146	WCEHB	Construction