UNIVERSITI TEKNOLOGI MARA

AUDIT COMMITTEE CHARACTERISTICS AND AUDIT FEES: EVIDENCE FROM MALAYSIA

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Master of Accountancy

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Candidate's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non academic institution for any other degree or qualification.

In the event that my thesis be found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree to be subjected to the disciplinary rules and regulations of Universiti Teknologi MARA.

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This paper examines the relationship between audit committee characteristics and audit fees of 99 companies listed in Bursa Malaysia. The audit committee characteristics examined in this study are independence of members, accounting and financial expertise, size, activity, gender and ethnicity. Data for this study was collected from the annual reports of 99 top Malaysian companies based on market capitalisation in the year 2009. The results revealed that activity measured by the number of meetings held during the year is positively related to audit fees and support previous views that more meetings held by the audit committee increases the audit fees. This study also found that ethnicity which represents the proportion of Malay directors in audit committees also provide positive significant relationship to audit fees. The possible explanation for the significant relationship is that the Malay directors tend to appoint Top-Four auditors and disclose more in the annual report. Other audit committee characteristics (independence, expertise, size and gender) are insignificant to the audit fees. Thus, future study may explore other variables besides those conducted in this study. This study contributes to this research by reporting an analysis of the relationship of activity and ethnicity of audit committee members with the audit fees. The results of this study will be of interest to stakeholders concerned such as audit committee members, managers, regulators, investors as well as auditors.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>i</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>ii</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>iii</td>
</tr>
<tr>
<td>List of Tables</td>
<td>vi</td>
</tr>
<tr>
<td>List of Figures</td>
<td>vii</td>
</tr>
<tr>
<td>List of Appendices</td>
<td>viii</td>
</tr>
<tr>
<td>List of Abbreviations</td>
<td>ix</td>
</tr>
</tbody>
</table>

## CHAPTER 1: INTRODUCTION

1.0 Introduction

1.1 Problem Statement

1.2 Research Questions

1.3 Research Objectives

1.4 Significance of the Study

1.5 Organisation of the Study

## CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

2.1 Definition of Audit Committee

2.2 Theoretical Framework
   2.2.1 Agency Theory

2.3 Literature Review of Audit Committee Characteristics
   2.3.1 Independence of Audit Committee Members
   2.3.2 Accounting and Financial Expertise of Audit Committee
   2.3.3 Size of Audit Committee
   2.3.4 Activity of Audit Committee
CHAPTER 3 : RESEARCH METHODOLOGY

3.0 Introduction 29

3.1 Sample Description and Selection 29

3.2 Research Method 31
   3.2.1 Content Analysis 32
   3.2.2 Data Gathering and Collection 32

3.3 Hypotheses development 34
   3.3.1 Independence of Audit Committee Members 34
   3.3.2 Accounting and Financial Expertise of Audit Committee 35
   3.3.3 Size of Audit Committee 37
   3.3.4 Activity of Audit Committee 38
   3.3.5 Gender of Audit Committee 39
   3.3.6 Ethnicity of Audit Committee 40

3.4 Measurement of Variables 43
   3.4.1 Measurement of Dependent Variable 44
   3.4.2 Measurement of Independent Variables 44
      3.4.2.1 Independence of Audit Committee Members 44
      3.4.2.2 Accounting and Financial Expertise of Audit Committee 45
      3.4.2.3 Size of Audit Committee 45
      3.4.2.4 Activity of Audit Committee 45
      3.4.2.5 Gender of Audit Committee 46
      3.4.2.6 Ethnicity of Audit Committee 46

3.5 Model Specification of the Study 47

3.6 Summary of Chapter 48

CHAPTER 4 : DATA ANALYSIS AND FINDINGS

4.0 Introduction 49

4.1 Data Analysis Technique 49
   4.1.1 Composition of Sample 49