

UNIVERSITI TEKNOLOGI MARA

**EFFECTIVENESS OF INTERNAL CONTROL:
THE INFLUENCE OF BOARD AND
AUDIT COMMITTEE EFFECTIVENESS**

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Dissertation submitted in partial fulfillment
of the requirements for the degree of
Master of Accountancy

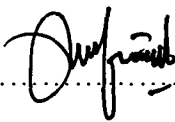
Faculty of Accountancy

August 2013

AUTHOR'S DECLARATION

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

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi Mara, regulating the conduct of my study and research.

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ABSTRACT

Strengthening corporate governance is not the only thing that should be focused on to reduce the risk of corporate collapses. Increasing the effectiveness of internal control also should be given the same consideration. However, factors that may influence the effectiveness of internal control were never been discussed in details, and therefore, the main objective of this study is to examine influence of board and audit committee effectiveness on effectiveness of internal control. Annual reports of top 133 public listed companies are examined by using content analysis for the year of 2011. Various statistical analyses were conducted to examine the effect of board and audit committee effectiveness on the effectiveness of internal control. The results reveal that board of directors' independence and meeting frequency has significant positive influence on the effectiveness of internal control. This implies that companies' internal control is effective when the board of directors is independence and when the board's meeting is conducted more frequently. The results also provide that audit committee's independence has significant negative influence on the effectiveness of internal control, which implies that companies' internal control is less effective when the audit committee is independence. Other determinants of board' and audit committee's effectiveness such as CEO duality, audit committee's size and audit committee's meeting frequency do not give any influences on the internal control effectiveness of Malaysian companies.

Keywords: Board of directors' effectiveness, Audit committees' effectiveness, Internal control effectiveness

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TABLE OF CONTENTS

AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	iii
LIST OF TABLES	viii
LIST OF FIGURE	ix

CHAPTER ONE: INTRODUCTION

1.1 Introduction	1
1.2 Problem Statement	2
1.3 Objectives of Study	5
1.4 Research Question	5
1.5 Significance of Study	6
1.5 Organization of the Study	6

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction	7
2.2 Effective Board of Directors	7
2.2.1 Board of Directors' Independence	8
2.2.2 CEO Duality	9
2.2.3 Board of Directors' Meeting Frequency	10
2.3 Effective Audit Committee	11
2.3.1 Audit Committee Independence	12
2.3.2 Audit Committee Size	13
2.3.3 Audit Committee Meeting Frequency	14
2.4 Internal Control Effectiveness	15
2.5 Research Framework	17
2.6 Agency Theory	18