

UNIVERSITI TEKNOLOGI MARA

FACTORS INFLUENCING AUDITOR SELECTION IN  
MALAYSIAN LISTED COMPANIES

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## ABSTRACT

This research investigates whether the company's characteristics, such as size of audit committee, audit committee independence, audit report lag and audit fee are associated with the auditor selection. The sample of this study covers all companies which have been listed in main and second board at Bursa Malaysia. This study use 648 sample population of public listed company after considering the incomplete data from the 2014 annual report such as missing data of audit firm, audit committee size, audit report lag, audit fee, non-audit service and growth of the company. Using the logistic regression analysis, the findings show that there is significant relationship between company's characteristics (audit report lag and audit fee) and auditor selection and the other variables do not support the hypotheses of this study. Specifically, the result shows that auditor selection is negatively associated with audit report lag. This result shows that company's decision will select a Big-4 audit firm that usually has lesser audit delay. Audit fee shows significant result suggesting audit fee has a significant relation with auditor selection. In addition, clients are willing to pay higher audit fees for a better audit quality, thus decide to choose a Big-4 audit firm to perform a better quality audit for the company. Overall, this research contributes new evidence on the factors that explain the making decision on auditor selection.

**Keywords:** *Auditor selection; size of audit committee; audit committee independence; audit lag; audit fee; financial reporting.*

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## TABLE OF CONTENT

CANDIDATE'S DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGMENTS	iii
TABLE OF CONTENT	v
LIST OF TABLE	vii
LIST OF FIGURE	viii
CHAPTER ONE (INTRODUCTION)	1
1.1 Introduction	1
1.2 Background of Study	1
1.3 Problem Statement	5
1.4 Research Objectives	5
1.5 Research Questions	6
1.6 Significance of the Study	6
1.7 Scope of this study	7
1.8 Organization of the Study	8
1.9 Contribution of Study	9
1.10 Chapter Summary	10
CHAPTER TWO (LITERATURE REVIEW)	11
2.1 Prior Research on Auditor Selection	11
2.2 Possible Factors Affecting Auditor Selection	12
2.3 Summary	23
CHAPTER THREE (RESEARCH METHODOLOGY)	24
3.1 Introduction	24
3.2 The Proposed Framework	24
3.3 Hypotheses Development	25
3.3.1 Size of Audit Committee	25
3.3.2 Audit Committee Independence	26
3.3.3 Audit Report Lag	27
3.3.4 Audit Fee	28

3.4 Sampling and Data Collection	29
3.5 Statistical Analysis	30
3.6 Variables	30
3.7 Regression Model	32
3.7 Summary	33
CHAPTER FOUR (FINDINGS AND DISCUSSION)	34
4.1 Introduction	34
4.2 Descriptive Statistics	34
4.3 Testing of Assumptions	37
4.3.1 Correlation Matrix	37
4.3.2 Normality Test of Residuals	40
4.4 Empirical Results	42
4.4.1 Logistic Regression	42
4.4.2 Discussion of the Findings	44
4.5 Summary	45
CHAPTER FIVE (DISCUSSION, LIMITATION AND FUTURE RESEARCH)	46
5.1 Introduction	46
5.2 Discussion	46
5.3 Limitation of the Study	48
5.4 Recommendation for Future Research	48
REFERENCES	50