

UNIVERSITI TEKNOLOGI MARA

**INFLUENCE OF CORPORATE GOVERNANCE
MECHANISMS ON AUDIT AND NON-AUDIT
FEES:
A COMPARISON OF GOVERNMENT-LINKED
COMPANIES (GLCs) AND NON-GLCs**

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

Faculty of Accountancy

May 2011

ABSTRACT

The purpose of this study is to examine the association between fees, and board and audit committee characteristics of 191 government-linked companies (GLCs) and non-government linked companies (non-GLCs). Audit tenure also involved in this study in order to see the impact of fees paid on auditor independence. It is hypothesised that corporate governance practices is not affect to the auditor's assessment, resulting no affect on the fees payment. In order to investigate the findings, a sample of 191 GLCs and non-GLCs listed on the Bursa Malaysia are used that across three years in 2006 to 2008. It is analyzed using a quantitative method that employed by SPSS which compared similar characteristics of boards and audit committee in audit fees and non-audit fees. Multiple regression analysis is used to estimate the relationships proposed in the hypotheses. The finding reveals that fees are positively and significantly related to board size, while not significant related to other governance variables for GLCs. With respect to the non-GLCs, the study reveals that board size is negatively and significantly associated with fees. The study also finds a significant negative relationship between duality role and independent audit committee with audit fees, while not significant with non-audit fees. As for audit tenure, the study reveals that fees are not significant associated with audit tenure for both GLCs and non-GLCs. As a conclusion, there is quite different result between GLCs and non-GLCs in terms of fees payment. The result also shows that GLCs pay lower fees and practice more favourable corporate governance practices compared to their non-GLCs counterparts.

ACKNOWLEDGEMENTS

Alhamdulillah, all praise be to Allah, the Most Merciful, the Most Gracious for giving me the strength, patience and good health to complete this thesis.

There are many people that I would like to thank for enabling me to reach this stage of my master. First, I would like to express my deepest gratitude to my supervisor, Assoc. Prof. Dr. Azizah Abdullah for her support, guidance and supervision that enable me in completing this thesis. Without whose encouragement and commitment of time, it would be have been impossible for me to finish this study.

My sincere gratitude and appreciations are also extended to my husband, Khalid Mohd Tamamuddin and my daughter, Nur Liyana Zahirah for their loving support and encouragement. Special thanks also go to my parents for their endless, prayers and contribution in the accomplishment of this thesis.

Not forgotten, my thank go to all lecturers for their continuous guidance and motivation during the completion of this thesis, especially for Mr. Jamalludin Helmi for allowing me to perform this study with his support. Sincerely, thanks to all friends for their kindness and moral support during my study.

Lastly, thanks also goes to others who contributed in some way in completion of this thesis.

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