

Nonaudit services, audit committee characteristics and accruals quality in Malaysia

by Mohammad Nasih

Submission date: 06-Feb-2023 11:04AM (UTC+0800)

Submission ID: 2007159927

File name: MohNasih_Karil121.pdf (164.61K)

Word count: 8685

Character count: 46579

Nonaudit services, audit committee characteristics and accruals quality in Malaysia

146

Received 18 October 2020
Revised 24 December 2020
23 February 2021
4 April 2021
9 May 2021
Accepted 19 June 2021

Wan Zurina Nik Abdul Majid

Faculty of Accountancy, Universiti Teknologi Mara, Machang, Malaysia

Effiezal Aswadi Abdul Wahab

School of Accounting, Curtin University, Perth, Australia

Hasnah Haron

Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Nilai, Malaysia

Dian Agustia

Universitas Airlangga, Surabaya, Indonesia, and

Mohammad Nasih

Accounting, Universitas Airlangga, Surabaya, Indonesia

Abstract

Purpose – The study examines the relationship between nonaudit services (NAS) and accruals quality in Malaysia. The study also considers several important characteristics of audit committee as the determinant for accruals quality. Next, the study examines whether these characteristics mitigate the relationship between NAS and accruals quality.

Design/methodology/approach – The study employs descriptive analysis, univariate tests and multivariate regression to investigate the potential effect of NAS on accruals quality. Data for audit committee characteristics were hand collected from annual reports downloaded from Bursa Malaysia's website.

Findings – Based on 1,118 firm-year observations for the period 2009–2011, the study finds that NAS negatively impact accruals quality. This empirical result indicates that the economic bond that is created between auditors and clients restricts the auditors from performing their duty objectively. A fully independent audit committee weakens the negative relationship between NAS and auditor independence.

Research limitations/implications – The sample period represents a limitation since it only covers three years of data. This limitation is largely driven by the nature of data collection of NAS fees.

Practical implications – These results contribute to Malaysia's policy deliberation to account for the effects of NAS on auditor independence and the oversight role of an audit committee. This study contributes to theoretical perspectives on accruals quality and corporate governance in Malaysia.

Originality/value – The novelty of this research, coupled with institutional data in Malaysia, claims the originality of this research.

Keywords Auditor independence, Accruals quality, Audit committee, NAS, Knowledge spillover, Economic bonding, Audit quality

Paper type Research paper

1. Introduction

Does the audit committee play its oversight roles in relation to auditor independence? This question has long been debated, especially when the incumbent auditor provides nonaudit



services (NAS). The existence of an audit committee is expected to improve auditing and governance quality. Audit committee members' independence is important because the committees' monitoring affects earnings quality (Inaam and Khamoussi, 2016) and auditor independence (Abbott *et al.*, 2003). Independent audit committees have been associated with a higher disclosure quality (Karamanou and Vafeas, 2005) and a lower cost of debt finance (Anderson *et al.*, 2004).

To protect auditors' independence in fact and in appearance, some countries, such as France, ban the provision of NAS, and current European auditing regulation prohibits the provision of most of the NAS and limits the total for NAS (Meuwissen and Quick, 2019). While in Malaysia, fees paid for NAS are not regulated or restricted under any legislation or act. With no strict enforcement, auditors will accept to jointly provide audit and NAS. This will affect the independence of the auditors (Abdul Wahab *et al.*, 2020).

Auditor independence is associated with the quality of accounting information. The quality of accounting information was affected after the 1997 Asian Financial Crisis, and many collapsed firms were associated with accounting scandals, such as the well-known case of Enron and World Com in the United States (US), HIH insurance in Australia, Parmalat in Italy and Malaysian firms such as Megan Media, Transmile Group Berhad, Technology Resources Industries Berhad, Ocean Capital Berhad, Welli Multi Corporation Berhad and Southern Bank Berhad. It has been claimed that such incidences arose because of governance failure and auditing issues.

The objectives of the study are to examine the association between NAS and accruals quality and to examine the interaction of audit-committee variables on the relationship between NAS and accruals quality.

The study extends current research in several ways. First, this study uses Malaysian data, where the institutional setting may differ from developed countries such as the US, the United Kingdom (UK) and Australia with established rules and regulations. Although Paterson and Valencia (2011) and Abdul Wahab *et al.* (2014) examined the different types of NAS to auditor independence, these studies use financial restatements as a proxy for auditor independence without the interaction of audit-committee characteristics. Instead of financial restatements, this study uses earnings quality that focuses on accruals quality to proxy for auditor independence. We extend the work by Abdul Wahab *et al.* (2020) by incorporating the effects of audit committees' oversight roles. This will add to the literature on accruals quality and NAS, with the interaction of audit committees, which are limited in Malaysia.

The study believed that the different institutional settings in Malaysia, where most of the businesses have highly concentrated ownership, are family firms and are subject to government interventions, and political influence (Abdul Wahab *et al.*, 2007, 2013, 2014, 2015) could provide different views in relation to the issue of auditor independence coupled with oversight roles of audit committees.

This study documents the negative relationship between NAS and accruals quality. The findings of the study support regulators' concerns that NAS may affect auditor independence in appearance. These results are consistent with Srinidhi and Gul (2007), which is consistent with the conjecture that economic bonding overrules auditor competence and affects auditor independence. This study supports previous research findings as modeled by De Angelo (1981), which finds that as the economic bond between audit firms and their clients increases, audit dependence also increases. The negative relationship between NAS and auditor independence weakens with a fully independent audit committee.

Section 2 proceeds with the study's institutional background that focuses on institutional setting for financial reporting and auditing in Malaysia. Section 3 presents the rationale for the development of research hypotheses. Section 4 highlights the research methods, whereas section 5 presents the results of the study and section 6 concludes.

2. Financial reporting and auditing in Malaysia

The accounting profession is not the only group that is responsible for instituting proper accounting and auditing systems. The profession is governed by regulatory bodies, such as the Securities Commission, the Central Bank and the Company Commission of Malaysia, the Accountant's General Office, the Auditor's General Office or Department, corporate players and managers of firms. These bodies have a significant role in ensuring that a sound financial reporting system exists to protect public interests.

To strengthen external auditors' independence, Malaysian Institute of Accountants (MIA) established by-laws on professional ethics, conduct and practice. Section 290 indicates that under the Independence – Audits and Review Engagements, the assurance team members and firms should be independent from clients during engagement. The rules also require that all firms listed in Bursa Malaysia (2012) Listing Requirement disclose the amounts of NAS provided by an external auditor.

All public-listed firms are required to disclose the amount of NAS incurred in annual reports under items para 19 of Appendix 9C of the Bursa Malaysia (2012) Listing Requirements. This disclosure clause, made mandatory by Bursa Malaysia in 2001, is aimed at protecting shareholders' interests and increase corporate transparency. Before 2001, Malaysian regulators emphasized only the disclosure of audit fees in firms' annual reports as required by the Company Act 2016.

To ensure the best practice in corporate governance, Malaysia has taken an effort in 1994 by making compulsory the involvement of audit committee to all public listed companies. Another initiative taken from the government, the formation of High Level Finance Committee through the Ministry of Finance that assigned to come out with Malaysia Code of Corporate Governance (MCCG). The code is the voluntary guide which is nonstatutory and self-regulatory.

MCCG has to go through many phases of revision for best practice for all firms listed on Bursa Malaysia [1]. The first issue, in March 2000, marked a significant milestone in corporate-governance reform in Malaysia. The Code was then revised in 2007 (2007 Code) to intensify the board of directors' roles and responsibilities, audit committee and the internal audit function. In relation to the members of an audit committee, the board should establish an audit committee that consists of at least three directors, a majority of whom are independent, whereas the chairman of the audit committee must be an independent nonexecutive director. To increase the audit committee's monitoring role, the new revised MCCG 2007 stressed the need to have audit committees of nonexecutive directors, with all being financially literate and at least one being a member of an accounting association.

3. Research hypotheses

3.1 NAS and accruals quality

Empirical evidence on the relationship between NAS and auditor independence is mixed. In the first view, NAS produce knowledge spillover (Abdul Wahab *et al.*, 2014; Walker and Hay, 2013; Knechel *et al.*, 2012; Krishnan and Yu, 2011), which increases the accruals quality and link with audit quality and auditor independence. They indicate that auditors who provide NAS are not compromising audit quality but are enhancing audit efficiency.

The provision of NAS enhances audit effectiveness because it supports auditors to have a better understanding on clients' operations (Simunic, 1984). Abdul Wahab *et al.* (2014) extend the study of Paterson and Valencia (2011) and provide evidence that NAS have a positive association with quality financial reporting and support the view of knowledge spillover.

In general, reputational concerns create a motivation for auditors to be independent (Defond and Zhang, 2014; Park, 2015). DeFond *et al.* (2002) state that the concerns of auditors regarding lawsuits cause NAS to affect audit quality favorably. Therefore, they may decide on their own audit firms as NAS providers because of the quality or cost. They argue the view

that NAS may provide knowledge spillover because knowledge that develops during audit work may increase auditors' efficiency.

On the other side of the argument, past studies provide evidence that NAS affects auditor independence negatively (Che Ahmad *et al.*, 2006; Gul *et al.*, 2006; Higgs and Skantz, 2006; Srinidhi and Gul, 2007; Kamarudin *et al.*, 2012a, b; Abdul Wahab *et al.*, 2020). Using 2002 data from Bursa Malaysia of 868 firms, Che Ahmad *et al.* (2006) provide evidence on the worrying development of NAS to total fees and audit opinion is dependent on NAS fee. Furthermore, Srinidhi and Gul (2007) and Abdul Wahab *et al.* (2020) support that accrual quality has a significant negative association with the magnitude of NAS and creates a bonding between clients and auditors.

The provision of NAS render an auditor becomes part of a firm's administration and decision-makers, impairing objectivity. Furthermore, the percentage of NAS fees will lead auditors to acquiesce to the management's request to allow for earnings management practice. Srinidhi and Gul (2007) examine specifically NAS and accruals quality and provide evidence of auditor impairment in exercising auditors' judgment. They argue that unregulated NAS allow management to influence auditors by including excessive rents in NAS. Thus, we state the following hypothesis:

H1. There is a relationship between the level of nonaudit fees and accruals quality.

3.2 Audit committee characteristics

3.2.1 Audit committee size and accruals quality. The Malaysian Code of Corporate Governance 2007 (revised) and the listing requirements of Bursa Malaysia require that the audit committee have at least three directors, the majority of whom are independent. The requirement by this standard reflects the importance of size in audit committees for effective governance. However, a larger audit committee may not necessarily cause more effective monitoring as a larger audit committee may lead to several deficiencies (Lin and Tang, 2008). Abdellatif (2009) finds that a larger audit committee can effectively mitigate asymmetric information during seasoned equity offerings. In addition, Mardjono and Chen (2020) document a significant negative relationship between the size of audit committee and earnings management practice. Thus, a large audit committee should have a positive effect on financial reporting quality.

However, Xie *et al.* (2003) find no significant relationship between audit committee size and current discretionary accruals as a proxy for earnings management. Mardjono and Chen (2020) link audit committee size with expertise and focus on efficient management and tend to uphold conservative as a corporate mechanism. Therefore, the increase in the size of audit committees is expected to increase oversight roles and enhance auditor independence, and it is posited that:

H2a. There is a relationship between audit committee size and accruals quality.

3.2.2 Audit committee independence and accruals quality. Bursa Malaysia (2012) Listing Requirement classified audit committee independence as directors who are free from any relationship and are independent from a firm's management or having no shares in the firm and having no relationship with any major shareholders, officers and executive directors. Previous studies have documented evidence on the association between audit committee independence and earnings quality. Hashed and Almaqtari (2020) document evidence that audit committee independence positively affects compliance with International Financial Reporting Standard (IFRS). Xie *et al.* (2003) mentioned that the more independent the audit committees, it is argued to provide better governance compared to less independent audit committees. Mohd Saleh *et al.* (2007) provide evidence that a fully independent audit committee is an active mechanism against opportunistic earnings management practice.

³ Audit committees may demand greater external audit scope to avoid being associated with financial restatement, increasing the likelihood of external auditors detecting the misstatement (Abbott *et al.*, 2003, 2004). In contrast, Sehwat *et al.* (2019), Baxter and Cotter (2009) and Lin *et al.* (2006) fail to find evidence between audit committee independence and earning quality.

⁵ With reference to the arguments, it is predicted that audit committee independence can restrain management in earning management practice, thus increasing auditor independence. With that, it is posited:

H2b. There is a positive relationship between audit committee independence and accruals quality.

3.2.3 Audit committee meeting and accruals quality. The frequency of meetings will help keep up-to-date information and increase monitoring power by audit committees. According to Gebrayel *et al.* (2018), meeting frequency may indirectly provide information on an audit committee's diligence. Prior studies suggest that an audit committee that meets frequently can reduce the incidence of financial restatement. An audit committee that meets frequently can proactively direct additional external audit resources toward a particular auditing issue in a timely fashion (Abbott *et al.*, 2003).

Prior studies verify that auditor independence is positively associated with audit committee meetings, audit committee report in the annual report, roles to approve and review audit fees, and audit board composition (Muhamad Sori *et al.*, 2008a, b). These results are consistent with the spirit of corporate governance code designed, among others, to improve the quality of financial reporting and, hence, to increase confidence in the information of the reports. However, Abbott *et al.* (2004) and Thoopsamut and Jaikengkit (2009) fail to prove the relationship between audit committee meetings and quarterly earnings management.

Based on the above arguments, it is predicted that audit committee meetings will enhance auditor independence to restrict earning management. Therefore, it is posited that:

H2c. There is a positive relationship between audit committee meeting and accruals quality.

3.2.4 Audit committee expertise and accruals quality. MCCG (2007) places a requirement for all audit committees to be financially literate, and, more importantly, at least one must be a member of an accounting association. This requirement reflects the importance of an audit committees' expert in discharging their duties and, thus, is expected to reduce earning management and increase auditor independence. Previous researches verify that audit committee expertise can reduce the incidence of financial restatement. Effective audit committees can influence auditor accountability which leads to better audit quality and higher audit fees (Ali *et al.*, 2018), a better understanding of auditing issues and risks, as well as audit procedures and tendencies that detected material misstatements would be communicated to the audit committee and corrected in a timely fashion (DeZoort and Salterio, 2001).

Experience and knowledge in accounting and auditing-related issues are considered essential attributes for an audit committee. This advantage can help audit committee members to be more conversant with financial and operational reports that effectively execute their oversight duties (Mat Zain, 2005). The oversight role of audit committees will increase the efficiency of the committees' performance. A few studies have documented a negative association between audit committee expertise and earnings management (Xie *et al.*, 2003).

Prior studies provide support for corporate governance regulators' concerns about the monitoring benefits of audit committee independence and the presence of financial expertise on audit committees for auditors' reporting decisions (Wu *et al.*, 2016; Baxter and Cotter, 2009; Abbott *et al.*, 2004). However, Thoopsamut and Jaikengkit (2009) fail to prove the relationship

between the proportion of audit committees with accounting or financial expertise and quarterly earnings management.

With reference to the above arguments, expertise is of significant importance to help audit committees discharge their oversight roles and curb any mismanagement and indirectly improve independence in auditing. With that, it is posited:

H2d. There is a positive relationship between audit committee expertise and accruals quality.

3.2.5 Moderating effect of audit committee variables. The literature investigating the role of audit committees in relation to the purchase of NAS is limited. Since audit committees are involved in NAS purchase decision, their composition would influence the potential impact of auditor-provided NAS to the quality of auditor's report. They face a trade-off between the costs and benefits of auditor-provided NAS, resulting in knowledge spillover (Simunic, 1984) that improves audit processes or possibly a departure from auditor independence if NAS is also being provided by incumbent auditors.

Wu *et al.* (2016) provided evidence that the association between NAS and auditors' reporting decision is subject to audit committee characteristics. They prove that independent audit committees with expertise are less likely to issue a standard unmodified going concern report prior to failure. From an agency theory perspective, effective audit committees are presumed to vigilantly monitor management and reduce agency costs ensuring the objectivity of external auditors that bring the integrity of financial reporting (Al-Okaily *et al.*, 2019). The involvement of audit committees in management has been proven empirically as an active monitoring body, especially in audit failure (Alderman and Jollineau, 2020).

However, some studies fail to reach a consensus on the negative association between audit committee size and the occurrence of a restatement. Sharma and Sidhu (2011) suggest that the association between client importance and earnings management is conditional on inside ownership, growth, leverage and firm size, moderated by the audit committee. They argue that audit committees can moderate threats to auditor independence and protect the quality of financial reporting. Kamaruddin *et al.* (2012b) suggest that NAS have a negative effect on earnings response coefficients (ERC), but the negative relationship is moderated by the presence of an effective audit committee. The interaction effect of audit committee variables is expected to mitigate the relationship between NAS and auditor independence. Therefore, it is posited that:

H3. The relationship between NAS and accruals quality weakens with a strong audit committee.

4. Research method

Data comprised of all Malaysian public-listed firms in the main market of Bursa Malaysia from 2009 to 2011. In line with Puasa *et al.* (2014), the period chosen is after considering the implementation of MCG 2007. Using the modification model of Dechow and Dichev (2002) by Francis *et al.* (2005), this study requires data for the prior and subsequent years, 2008 and 2012, respectively. The prior and subsequent data relates to previous NAS, lag cash flows, future cash flows, changes in current assets, changes in current variables, changes in sales and changes in short-term debts. The rationale for the chosen years of observation where the examination of the cash flows over a period of more than three years may be problematic; firms may change their structures and long-term strategies with a differential effect on accruals (Srinidhi and Gul, 2007).

Table 1 presents the data-selection procedure and indicates that 822 firms are listed on the main market as of 2011. Financial and insurance firms were excluded from the sample because they are subjected to different regulations. Firms with a status of PN 17 and without

AJAR 7,2	Companies listed on tde main market as of 2011		822
	Minus	Finance companies	37
		PN17	16
		New companies exist on the board in 2010	28
		New companies exist on the board in 2011	14
		Companies with no annual report 2012	37
		Companies with no annual report 2008	8
		Companies with no annual report 2009, 2010 and 2011	27
		Total companies	(167)
			655
			1965
			(284)
			(563)
152	Total observations	1,118	

Table 1.
Sample selection

a complete annual report are also excluded. Final annual reports are provided from 655 firms. The study focuses only on firms that provide NAS. The number of final observations was 1,118, after taking into consideration nonprovider NAS and missing information of 284 and 563 firms, respectively.

Since quality financial reporting is associated directly with auditors' work, accruals quality (one of the construct of quality financial reporting) is used as a proxy to auditor independence. Audit quality is exhibited through the role that auditors engage in lessening estimation error in accruals. Auditors are able to get information and make judgment on accrual estimation error from audit effort and competence. In order to improve accruals quality, a fully independent auditor will require the management to revise their estimates and adapt their accounting methods.

This study focuses on accruals quality using the modified model of Dechow and Dichev (2002) by Francis *et al.* (2005). The absolute value of the estimation error (ABS) with a negative value is the dependent variable. Fixed effect model is applied in which the model parameters are fixed or nonrandom quantities. This model is chosen because it does not differentiate between errors and irregularities in accruals and does not rest on the assumption that accruals errors only occur because of intentional manipulation. The model used to represent the relationship between NAS fees and auditor independence is as follows:

$$\begin{aligned}
 ABS = & \beta_0 + \beta_1 NAS_{it} + \beta_2 AC_FIN_{it} + \beta_3 AC_IND_{it} + \beta_4 AC_MEET_{it} + \beta_5 ACSIZE_{it} \\
 & + \beta_6 BIG_A_{it} + \beta_7 LEVERAGE_{it} + \beta_8 FAMILY_F_{it} + \beta_9 BOD_BUMI_{it} \\
 & + \beta_{10} EQUITY_{it} + \beta_{11} LOSS_{it} + \beta_{12} POLCON_{it} + \beta_{13} ASSET_{it} + \beta_{14} INDUSTRIES_{it} \\
 & + \varepsilon_{it}
 \end{aligned}$$

Interaction of audit committee:

$$\begin{aligned}
 ABS = & \beta_0 + \beta_1 NAS_{it} + \beta_2 AC_FIN_{it} + \beta_3 AC_IND_{it} + \beta_4 AC_MEET_{it} + \beta_5 ACSIZE_{it} \\
 & + \beta_6 NAS_{it} * AC_FIN_{it} + \beta_7 NAS_{it} * AC_IND_{it} + \beta_8 NAS_{it} * AC_MEET_{it} \\
 & + \beta_9 NAS_{it} * AC_SIZE_{it} + \beta_{10} BIG_A_{it} + \beta_{11} LEVERAGE_{it} + \beta_{12} FAMILY_F_{it} \\
 & + \beta_{13} BOD_BUMI_{it} + \beta_{14} EQUITY_{it} + \beta_{15} LOSS_{it} + \beta_{16} POLCON_{it} + \beta_{17} ASSET_{it} \\
 & + \beta_{18} INDUSTRIES_{it} + \varepsilon_{it}
 \end{aligned}$$

NAS, deflated by a total fee, is the main independent variable in this study. This has been suggested by the Securities and Exchange Commission and also by prior studies (Bloomfield and Shackman, 2008; Knechel *et al.*, 2012; Abdul Wahab *et al.*, 2014, 2020).

Extensive prior research has applied audit committee independent variable to test the effectiveness of audit committees in their oversight role (Abbott *et al.*, 2003, 2004; Xie *et al.*, 2003; Lin *et al.*, 2006; Mohd Saleh *et al.*, 2007; Baxter and Cotter, 2009; Chatterjee, 2011). This variable will be measured by applying the dummy variable of “1” if all audit committees are independent or will be “0” otherwise.

Audit committee meeting is measured by calculating the proportion of audit meetings to the number of audit committees. Audit committee financial expertise is measured by using a dummy variable of “1” if the audit committee is financially literate or “0” if otherwise. The importance of audit committee size has been highlighted in previous studies (Xie *et al.*, 2003; Lin *et al.*, 2006; Lin and Tang, 2008; Abdellatif, 2009; Mardjono and Chen, 2020). Measurements in this study are conducted by calculating the number of executive and nonexecutive directors in the firms.

To provide a more holistic view of Malaysia’s capital market, we included three variables that are established in the literature. The first is the proportion of Bumiputra directors on the board (*BUMI*), the second is an indicator variable that is equal to 1 if the firm is a family firm (*FAMILY*) and the third is another indicator variable that describes politically connected firms (*POLCON*). We predict a negative relationship between *BUMI* and accruals quality because they are viewed as being less transparent and high in secrecy (Haniffa and Cooke, 2002). We predict a positive and negative relationship with earnings quality for *FAMILY* and *POLCON*.

We control for firm size, which is the natural logarithmic transformation of total assets (*ASSETS*), debt to total equity (*DEBT*), auditor size, which is equal to 1 if the firm is audited by the Big 4 auditors (*BIG4*) and a dummy variable if the firm recorded a loss in the previous year (*LOSS*). We also included industry dummies (*INDUSTRY*) and period dummies (*PERIOD*) to control for any unobserved effects during the sample period. Table 2 provides information on the variable definitions and sources of data.

5. Results and discussion

Table 3 presents descriptive statistics for fee variables (panel A), independent corporate governance variables (panel B), institutional variables (panel C) and control variables (Panel D). *AUDIT_FEE* in panel data A presents an average of RM190,801.800, with a maximum amount charged to the client of RM3,843,000. For the NAS fee that is denoted by *NAS_RM*, the mean value is RM49,121.660. Compared with Abdul Wahab *et al.* (2014) in the same setting with different observation years (2007–2009), the mean value is RM68121.255. The result of this study shows a decrease in the value of NAS in Malaysia. Earlier studies by Che Ahmad *et al.* (2006) included 512 firms from the main market, second board and MESDAQ for a one-year observation in 2002, which shows a mean of NAS of RM127460. The pattern of NAS in 2002 to date in this research shows that NAS keep decreasing. This result indicates that most Malaysian firms are very vigilant in providing NAS probably because of the Enron scandal and the demise of the established audit firm, Arthur Andersen. Another likely cause is the effectiveness of audit committee members in determining the policies and procedures for NAS to be performed by incumbent auditors.

Table 4 presents the correlation between continuous variables using the Pearson (ordinary) and Spearman rank. The correlations between estimation error (*ABS*) and NAS (*NAS*) are 0.108 (Pearson) and 0.116 (Spearman-rank). Pearson and Spearman rank correlations show a significant positive relationship at a 1% level, stating a contradiction to the hypothesis that NAS affect auditor independence [2].

#	Variables	Definitions	Source(s)
1	<i>ABS (dependent variable)</i>	Modified Dechow and Dichev (Francis 2005 model)	DataStream
<i>Panel A: Fee variable</i>			
2	<i>NAS</i>	Nonaudit fees deflated by total fees	Annual report
<i>Panel B: Corporate governance variables</i>			
3	<i>AC_FIN</i>	An indicator of "1" if the audit committee is financially literate and also the number of the audit committees that become the member of accounting association or "0" otherwise	Annual report
4	<i>AC_IND</i>	An indicator of "1" if all the audit committee is all independent or "0" otherwise	Annual report
5	<i>AC_MEET</i>	The proportion of audit committee meetings to the numbers of audit committees	Annual report
6	<i>AC_SIZE</i>	The number of executive and nonexecutive directors held in the companies	Annual report
<i>Panel C: Institutional variables</i>			
7	<i>BOD BUMI</i>	Percentage of Bumiputera director on the board	Annual report
8	<i>FAMILY_F</i>	An indicator variable of 1 if the companies are owned by more than one family member or "0" otherwise	Annual report
9	<i>POLCON</i>	An indicator variable of 1 if the firm is politically connected, or "0" otherwise	Johnson and Mitton (2003)
<i>Panel D: Control variables</i>			
10	<i>BIG_4</i>	An indicator variable that takes the value of 1 if the auditor is a Big 4 auditor, zero otherwise	Annual report
11	<i>LOSS</i>	An indicator variable that takes the value of 1 if the firm recorded a loss in accounting return	Datastream
12	<i>LEVERAGE</i>	Total debt deflated by total equity	Annual report
13	<i>EQUITY</i>	An indicator variable that takes the value of 1 if the firm recorded negative equity during the sample period, zero otherwise	Datastream
14	<i>ASSETS</i>	Natural log transformation of total assets	Datastream

Table 2.
Operational definitions
of variables

Note(s): Data from annual reports are hand collected. Annual reports are downloaded from Bursa Malaysia's website

Table 5 provides the results for the relationship between NAS and accruals quality. A significant level for coefficient estimates is one-tailed if the estimate is in the predicted direction and two-tailed if otherwise. In line with the hypotheses, it shows that there is a high correlation (0.108-Pearson, 0.116- Spearman-rank) between NAS and *ABS*. The result shows that NAS affect auditor independence, where there is a positive coefficient between NAS and the absolute value of estimation error (*ABS*). The higher the error indicated, the lower earnings quality, resulting in a negative relationship between NAS and earnings quality. This result is consistent with prior research that NAS affect auditor independence (Gul *et al.*, 2006; Hay *et al.*, 2006; Srinidhi and Gul, 2007; Kamarudin *et al.*, 2012b; Blay and Geiger, 2013; Meuwissen and Quick, 2019; Abdul Wahab *et al.*, 2020).

Table 6 tabulates the results for the audit committee characteristics. We found no evidence of any relationship between audit committee characteristics and accruals quality. The insignificant result being supported by Abdul Rahman and Mohamed Ali (2006), where there is insufficient evidence to prove the relationship between audit committee independence, audit committee competence and audit committee meeting and earning management that

Dependent variable	Mean	Median	Maximum	Minimum	Std. Dev
<i>ABS</i>	0.043	0.029	0.389	0.000	0.046
<i>Panel A: Fee variables</i>					
<i>AUDIT_FEE_RM</i>	190801.800	125301.000	3843000.000	12000.000	271183.700
<i>TOTAL_FEE_RM</i>	239923.500	158750.000	5667000.000	21345.000	362793.000
<i>NAS_RM</i>	49121.660	1900.000	2412000.000	105.000	118632.400
<i>NAS</i>	0.179	0.140	0.888	0.001	0.150
<i>Panel B: Corporate governance variables</i>					
<i>AC_FIN</i>	0.258	0.000	1.000	0.000	0.438
<i>ABS</i>	0.043	0.029	0.389	0.000	0.046
<i>AC_IND</i>	0.623	1.000	1.000	0.000	0.485
<i>AC_MEET</i>	1.536	1.670	4.330	0.330	0.361
<i>AC_MEET (NUMBER)</i>	4.818	5.000	13.000	1.000	1.034
<i>AC_MEET(LOG)</i>	1.551	1.609	2.565	0.000	0.210
<i>AC_SIZE (NUMBER)</i>	3.184	3.000	6.000	2.000	0.479
<i>AC_SIZE</i>	1.149	1.099	1.792	0.693	0.133
<i>Panel C: Institutional variables</i>					
<i>BOD_BUMI</i>	0.315	0.250	1.000	0.000	0.254
<i>FAMILY_F</i>	0.557	1.000	1.000	0.000	0.497
<i>POLCON</i>	0.456	0.000	1.000	0.000	0.498
<i>Panel D: Control variables</i>					
<i>BIG_4</i>	0.603	1.000	1.000	0.000	0.490
<i>LEVERAGE</i>	0.223	0.170	0.690	0.000	0.208
<i>EQUITY</i>	0.001	0.000	1.000	0.000	0.030
<i>ABS</i>	0.043	0.029	0.389	0.000	0.046
<i>LOSS</i>	0.153	0.000	1.000	0.000	0.360
<i>ASSET_RM</i>	529,000,000	288,000,000	3,580,000,000	39,887,305	626,000,000
<i>ASSETS</i>	19.534	19.478	21.997	17.502	1.049

Note(s): Please refer to [Table 2](#) for operational definitions

Table 3.
Descriptive Analysis
(2009–2011, $n = 1,118$)

Table 4.
Correlation matrix year
2009–2011 ($N = 1,118$)

	1	2	3	4	5	6	7
1 <i>ABS</i>							
2 <i>NAS</i>	0.108***						
3 <i>AC_MEET</i>	-0.024	0.116***					
4 <i>AC_SIZE</i>	0.063**	0.007	0.024				
5 <i>BOD_BUMI</i>	0.047	0.045	-0.042	0.048			
6 <i>LEVERAGE</i>	-0.075**	0.011	0.069**	0.192***			
7 <i>ASSETS</i>	-0.104***	-0.067**	0.080***	-0.080***	0.143***		
		0.013	0.006	0.154***	0.177***	0.164***	
					0.044	-0.045	-0.068**
					-0.052*	-0.105***	-0.023
					0.001	0.110***	-0.013
					0.199***	-0.095***	0.134***
						0.141***	0.180***
							0.161***

Note(s): Please refer to Table 2 for the operational definition. Italicized figures are Pearson correlations. ., **, ***, and *** represent 10, 5 and 1% significant levels, respectively

Regression	Expected Direction	Coefficients	Relationship between NAS and accruals quality
<i>Intercept</i>	?	0.044 1.307	157
<i>NAS</i>	-	0.031 3.159***	
<i>AC_FIN</i>	-	0.000 -0.053	
<i>AC_IND</i>	-	0.000 0.092	
<i>AC_MEET</i>	-	0.000 -0.023	
<i>AC_SIZE</i>	?	0.018 1.360	
<i>BIG_4</i>	-	0.001 0.169	
<i>LEVERAGE</i>	+	-0.021 -2.859***	
<i>FAMILY_F</i>	-	-0.005 -1.407*	
<i>BOD_BUMI</i>	+	-0.002 -0.261	
<i>EQUITY</i>	+	-0.081 -1.912*	
<i>LOSS</i>	+	0.035 8.925***	
<i>POLCON</i>	+	0.000 -0.132	
<i>ASSETS</i>	+	-0.002 -0.925	
<i>Period Fixed</i>		Yes	
<i>Industries Fixed</i>		Yes	
<i>Adjusted R²</i>		0.111	
<i>F-statistic</i>		7.614***	
<i>VIF(Regression)</i>		1.213	

Note(s): Please refer to [Table 2](#) for operational definitions. *, ** and *** represent 10, 5 and 1% significant levels, respectively

Table 5. Main regression (2009–2011, *n*: 1,118)

proxy for auditor independence. [Ku Ismail and Syed Abd Rahman \(2011\)](#) also document a weak evidence on the negative association between independence of audit committee and the amendment of quarterly reporting. When we apply the original [Dechow and Dichev \(2002\)](#) model, the result remains the same. The insignificant result might be due to the notion of “one size does not fit all” as audit committee in each firm could work optimally in their own way.

[Table 6](#) presents the moderating effect of corporate governance on the relationship between NAS and accruals quality. Four corporate governance variables are being tested, which include audit committee financial expertise (*AC_FIN*), audit committee independent (*AC_IND*), audit committee meeting (*AC_MEET*) and audit committee size (*AC_SIZE*). The regression for interaction is run separately for each corporate-governance variable. Regression 1 refers to basic regression on the relationship between NAS and the absolute value of estimation error (*ABS*). The result provides an impairment in auditor independence where a positive relationship indicates that higher NAS result in a higher estimation error.

Regressions 2 to 5 from [Table 6](#) provide a moderating effect for each corporate governance variable on the mentioned relationship. The results reveal negative relationships; a lower estimation error indicates that the existence of full audit committee independence weakens

Regression	Expected direction	1	2 Coeff	3 Coeff	4 Coeff	5 Coeff
<i>Intercept</i>	?	0.044 1.307	0.044 1.302	0.042 1.238	0.038 1.094	0.058 1.567
NAS	-	0.031 3.159***	0.033 2.999***	0.051 3.245***	0.064 2.038**	-0.034 -0.481
AC_FIN	-	0.000 -0.053	0.001 0.272	0.000 -0.080	0.000 -0.079	0.000 -0.026
AC_IND	-	0.000 0.092	0.000 0.087	0.006 1.209	0.000 0.096	0.000 0.061
AC_MEET	-	0.000 -0.023	0.000 -0.038	0.000 -0.039	0.004 0.713	0.000 -0.034
AC_SIZE	-	0.018 1.360	0.018 1.333	0.019 1.415	0.019 1.379	0.007 0.362
BIG_4	-	0.001 0.169	0.001 0.193	0.001 0.246	0.001 0.168	0.001 0.156
LEVERAGE	+	-0.021 -2.859***	-0.021 -2.856***	-0.021 -2.859***	-0.021 -2.862***	-0.021 -2.865***
FAMILY_F	-	-0.005 -1.407*	-0.005 -1.421*	-0.005 -1.483*	-0.004 -1.301*	-0.005 -1.367*
BOD BUMI	+	-0.002 -0.261	-0.002 -0.275	-0.002 -0.250	-0.001 -0.181	-0.001 -0.192
EQUITY	+	-0.081 -1.912*	-0.080 -1.905**	-0.078 -1.848**	-0.079 -1.869**	-0.079 -1.866**
LOSS	+	0.035 8.925***	0.035 8.933***	0.036 9.021***	0.035 8.945***	0.035 8.938***
POLCON	+	0.000 -0.132	0.000 -0.123	0.000 -0.063	0.000 -0.131	0.000 -0.104
ASSETS	+	-0.002 -0.925	-0.002 -0.915	-0.002 -0.994	-0.002 -0.941	-0.002 -0.929
NAS*AC_FIN	-		-0.009 -0.400			
NAS*AC_IND	-			-0.032 -1.624*		
NAS*AC_MEET	-				-0.021 -1.127	
NAS*AC_SIZE	-					0.056 0.915
Period fixed		Yes	Yes	Yes	Yes	Yes
Industry dummies		Yes	Yes	Yes	Yes	Yes
Adjusted R ²		0.111	0.110	0.112	0.111	0.111
F-statistic		7.614***	7.272***	7.422***	7.332***	7.312***
VIF(Regression)		1.213	1.390	1.514	2.315	7.117

Table 6. Regressions with interaction terms (2009–2011, *n*. 1,118)

Note(s): Please refer to Table 2 for operational definitions. *, ** and *** represent 10, 5 and 1% significant levels, respectively

the negative relationship between NAS and accruals quality. This finding supports the study by Puasa *et al.* (2014); after the implementation of MCCG 2007, composition of solely nonexecutive directors are linked with timeliness of financial reporting (proxy for auditor independence). This finding is also in line with a study done by Mohamad Sori *et al.* (2009) using the questionnaire and interview, where 94% agreed that auditor independence would be better safeguarded if audit committees were mostly comprised of independent and nonexecutive directors.

The rest of the audit committee variables provide no evidence on the moderating effect. The chosen control variable might contribute to the insignificance of the relationship and this requires future research.

6. Conclusion

The results of the study provide views that NAS are resulting in an increase in errors. The higher the error indicates lower earnings quality, resulting in a negative relationship between NAS and earnings quality. This result is consistent with prior research that NAS affect auditor independence (Gul *et al.*, 2006; Hay *et al.*, 2006; Srinidhi and Gul, 2007; Kamarudin *et al.*, 2012a; Blay and Geiger, 2013; Abdul Wahab *et al.*, 2020). The interaction of audit committee independence proves to weaken the negative relationship between NAS and accruals quality.

Contribution of this study is practically important to audit committees. Audit committee should establish policies governing the circumstances under which contracts for the provision of NAS can be entered into and procedures that must be followed by external auditors. Moreover, the study found that a fully independent audit committee is successful in solving independence issue for external auditors, which is in line with the MCGG 2007 requisite.

Agency theory states that firms have an incentive to limit NAS because of agency cost that is incurred when an auditor monitoring value is diminished. There is a need to have an independent audit committee to examine auditor independence. This result indicates that the audit committee in a firm needs to be very careful in establishing rules and policies to safeguard the auditor's independence.

Due to the nature of data collection which was hand collected, a more recent data would provide an extension of our research. In addition, it is known that the governance variables are subject to endogeneity and become another avenue for future studies.

Notes

1. Currently we have the latest MCGG 2017 that replaced MCGG 2000, 2007 and 2012. Due to data constraint, the discussion is limited up to MCGG 2007.
2. We performed differences in mean and median for dichotomous variables (*BIG_4*, *POLCON* and *FAMILY*) in which we find significant differences for the main fees variables. We find the accruals quality significant differ between family and non-family firms. Results are available upon request.

References

- Abbott, L.J., Parker, S., Peters, G.F. and Raghunandan, K. (2003), "The association between audit committee characteristics and audit fees", *Auditing*, Vol. 22 No. 2, pp. 17-32.
- Abbott, L.J., Parker, S. and Peters, G.F. (2004), "Audit committee characteristics and restatements", *Auditing*, Vol. 23 No. 1, pp. 69-87.
- Abdellatif, A.E.M. (2009), *Corporate Governance Mechanism and Asymmetric Information: An Application on the U.K. Capital Market*, Ph.D. thesis, University of Surrey, UK.
- Abdul Rahman, R. and Mohamed Ali, F.H. (2006), "Board, audit committee, culture and earnings management: Malaysian evidence", *Managerial Auditing Journal*, Vol. 21 No. 7, pp. 783-804.
- Abdul Wahab, E.A., How, J.C.Y. and Verhoeven, P. (2007), "The impact of Malaysian Code on corporate governance: compliance, institutional investor and stock performance", *Journal of Contemporary Accounting and Economics*, Vol. 3 No. 2, pp. 106-129.
- Abdul Wahab, E.A., Mat Zain, M. and Abdul Rahman, R. (2013), "Political connections, fees paid to auditor and auditor independence in Malaysia: evidence from going concern audit opinions", *International Journal of Accounting, Auditing and Performance Evaluation*, Vol. 9 No. 2, pp. 153-183.

- Abdul Wahab, E.A., Gist, W.E. and Nik Abdul Majid, W.Z. (2014), "Characteristics of NAS and financial restatements in Malaysia", *Journal of Contemporary Accounting and Economics*, Vol. 10 No. 3, pp. 225-247.
- Abdul Wahab, E.A., Mat Zain, M. and Abdul Rahman, R. (2015), "Political connections: a threat to auditor independence?", *Journal of Accounting in Emerging Economies*, Vol. 5 No. 2, pp. 222-246.
- Abdul Wahab, E.A., Nik Abdul Majid, W.Z., Harymawan, I. and Agustia, D. (2020), "Characteristics of auditors' non-audit services and accruals quality in Malaysia", *Pacific Accounting Review*, Vol. 32 No. 2, pp. 147-175.
- Al-Okaily, J., Dixon, R. and Salama, A. (2019), "Corporate governance quality and premature revenue recognition: evidence from the UK", *International Journal of Managerial Finance*, Vol. 15 No. 1, pp. 79-99.
- Alderman, J. and Jollineau, S.J. (2020), "Can audit committee expertise increase external auditors' litigation risk? The moderating effect of audit committee independence", *Contemporary Accounting Research*, Vol. 37 No. 2, pp. 717-740.
- Ali, M.J., Singh, R.K.S. and AL-Akra, M. (2018), "The impact of audit committee effectiveness on audit fees and non-audit service fees: evidence from Australia", *Accounting Research Journal*, Vol. 31 No. 2, pp. 174-191.
- Anderson, R.C., Mansi, S.A. and Reeb, D.M. (2004), "Board characteristics, accounting report integrity, and the cost of debt", *Journal of Accounting and Economics*, Vol. 37 No. 3, pp. 315-342.
- Baxter, P. and Cotter, J. (2009), "Audit committees and earnings quality", *Accounting and Finance*, Vol. 49 No. 2, pp. 267-290.
- Blay, A.D. and Geiger, M.A. (2013), "Auditor fees and auditor independence: evidence from going concern reporting decisions", *Contemporary Accounting Research*, Vol. 30 No. 2, pp. 579-606.
- Bloomfield, D. and Shackman, J. (2008), "Non-audit service fees, auditor characteristics and earnings restatements", *Managerial Auditing Journal*, Vol. 23 No. 2, pp. 125-141, fan.
- Bursa Malaysia (2012), "Listing requirements", available at: https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5ce3b50239fba2627b2864be/5ce3b6ca5b711a155e9506d7/files/listing_requirement_main_market_archives_0506.pdf?1570701419.
- Chatterjee, D. (2011), "Audit committee observation/recommendations versus practices as a compliance of corporate governance in India", *Business and Economics Review*, Vol. 20 No. 2, pp. 67-78.
- Che Ahmad, A., Shafie, R. and Mohamad Yusof, N.Z. (2006), "The provision of non audit services, audit fees and auditor independence", *Asian Academy of Management Journal of Accounting and Finance*, Vol. 2 No. 1, pp. 21-40.
- DeAngelo, L.E. (1981), "Auditor size and audit quality", *Journal of Accounting and Economics*, Vol. 3 No. 3, pp. 183-199.
- Dechow, P.M. and Dichev, I.D. (2002), "The quality of accruals and earnings: the role of accrual estimation errors", *The Accounting Review*, Vol. 77, pp. 35-59.
- Defond, M. and Zhang, J. (2014), "A review of archival auditing research", *Journal of Accounting and Economics*, Vol. 58 Nos 2-3, pp. 275-326.
- DeFond, M.L., Raghunandan, K. and Subramanyam, K.R. (2002), "Do non-audit service fees impair auditor independence? Evidence from going concern audit opinions", *Journal of Accounting Research*, Vol. 40 No. 4, pp. 1247-1274.
- DeZoort, F.T. and Salterio, S.E. (2001), "The effects of corporate governance experience and financial-reporting and audit knowledge on audit committee members' judgments", *Auditing*, Vol. 20 No. 2, p. 2.
- Francis, J., LaFond, R., Olsson, P. and Schipper, K. (2005), "The market pricing of accruals quality", *Journal of Accounting and Economics*, Vol. 39, pp. 295-327.
- Gebrayel, E., Jarrah, S., Salloum, C. and Lefebvre, Q. (2018), "Effective association between audit committees and the internal audit function and its impact on financial reporting quality: empirical evidence from Omani listed firms", *International Journal of Auditing*, Vol. 22 No. 2, pp. 197-213.

- Gul, F.A., Tsui, J.S.L. and Dhaliwal, D.S. (2006), "Non Audit Services, auditor quality and the value relevance of earnings", *Accounting and Finance*, Vol. 46 No. 5, pp. 797-817.
- Haniffa, R.M. and Cooke, T.E. (2002), "Culture, corporate governance and disclosure in Malaysian corporations", *Abacus*, Vol. 38 No. 3, pp. 317-349.
- Hashed, A.A. and Almaqtari, F.A. (2020), "The impact of corporate governance mechanisms and IFRS on earning management in Saudi Arabia", *Accounting*, Vol. 7, pp. 207-224.
- Hay, D., Knechel, R. and Li, V. (2006), "Non-Audit services and auditor independence: New Zealand evidence", *Journal of Business Finance and Accounting*, Vol. 33 Nos 5/6, pp. 715-734.
- Higgs, J.L. and Skantz, T.R. (2006), "Audit and nonaudit fees and the market's reaction to earnings announcements", *Auditing: Journal of Practice and Theory*, Vol. 25 No. 1, pp. 1-26.
- Inaam, Z. and Khamoussi, H. (2016), "Audit committee effectiveness, audit quality and earnings management: a meta-analysis", *International Journal of Law and Management*, Vol. 58 No. 2, pp. 179-196.
- Kamarudin, K.A., Dunstan, K. and Zijl, T.V. (2012a), "The effect of nonaudit services and audit-firm tenure on earnings conservatism: evidence from family firms in Malaysia", *Unpublished Journal, Paper presented at Arec Conference*.
- Kamarudin, K.A., Wan Ismail, W.A. and Samsuddin, M.E. (2012b), "The role of the audit committee in moderating the negative effect of NAS on earnings quality", *Unpublished Journal*, Electronic copy available at: <http://ssrn.com/abstract=1010429>.
- Karamanou, I. and Vafeas, N. (2005), "The association between corporate boards, audit committees, and management earnings forecasts: an empirical analysis", *Journal of Accounting Research*, Vol. 43 No. 3, pp. 453-486.
- Knechel, W.R., Sharma, D.S. and Sharma, V.D. (2012), "Non-Audit services and knowledge spillovers: evidence from New Zealand", *Journal of Business Finance and Accounting*, Vol. 39 Nos 1/2, pp. 60-81.
- Krishnan, G.V. and Yu, W. (2011), "Further evidence on knowledge spillover and the joint determination of audit and nonaudit fees", *Managerial Auditing Journal*, Vol. 26, pp. 230-247.
- Ku Ismail, K.N.I. and Syed Abd Rahman, S.A. (2011), "Audit committee and the Amendments of quarterly financial reports among Malaysian Companies", *Jurnal Pengurusan*, Vol. 32, pp. 3-12.
- Lin, J.W., Li, J.F. and Yang, J.S. (2006), "The effect of audit committee performance on earnings quality", *Managerial Auditing Journal*, Vol. 21, p. 9.
- Lin, X. and Tang (2008), "The roles, responsibilities and characteristics of audit committee in China", *Accounting Auditing and Accountability Journal*, Vol. 21 No. 5, pp. 721-751.
- Malaysia Code of Corporate Governance, (*Revised 2007*), (*Revised 2012*), (*Revised 2017*).
- Mardjono, E.S. and Chen, Y.S. (2020), "Earning management and the effect characteristics of audit committee, independent commissioners: evidence from Indonesia", *International Journal of Business and Society*, Vol. 21 No. 2, pp. 569-587.
- Mat Zain, M. (2005), *The Impact of Audit Committee and Internal Audit Attributes on Internal Audit Contribution to Financial Statement Audit and Audit Fees: Perception of Malaysian Internal Auditors*, Ph.D. Thesis, Griffith University, Australia.
- Meuwissen, R. and Quick, R. (2019), "The effects of non-audit services on auditor independence: an experimental investigation of supervisory board members' perceptions", *Journal of International Accounting, Auditing and Taxation*, Vol. 36, doi: [10.1016/j.intaccudtax.2019.05.004](https://doi.org/10.1016/j.intaccudtax.2019.05.004).
- Mohd Saleh, N., Mohd Iskandar, T. and Rahmat, M.M. (2007), "Audit committee characteristics and earnings management: evidence from Malaysia", *Asian Review of Accounting*, Vol. 15 No. 2, pp. 147-163.
- Muhamad Sori, Z., Shamsheer, M. and Mohd. Saad, S.S.F. (2008a), "Audit committee and auditor independence: the bankers' perception", *International Journal of Economics and Management*, Vol. 3 No. 2, pp. 317-331.

- Muhamad Sori, Z., Shamsheer, M. and Mohd. Saad, S.S.F. (2008b), "Audit committee support and auditor independence", *ICFAI Journal of Corporate Governance*, Vol 7 No. 1, pp. 51-65.
- Park, B.J. (2015), "Client importance and earnings quality: an analysis of the moderating effect of managerial incentives for target beating versus auditors' incentives to avoid reputational losses and litigation", *Spanish Journal of Finance and Accounting*, Vol. 44 No. 4, pp. 427-457.
- Paterson, J.S. and Valencia, A. (2011), "The effects of recurring and nonrecurring tax, audit-related, and other non-audit services on auditor independence", *Contemporary Accounting Research*, Vol. 28 No. 5, pp. 1510-1536.
- Puasa, S., Md Salleh, M.F. and Ahmad, A. (2014), "Audit committee and timeliness of financial reporting: Malaysian public listed companies", *Middle-East Journal of Scientific Research*, Vol. 22 No. 2, pp. 162-175.
- Sehrawat, N.K., Kumar, A., Lohia, N., Bansal, S. and Agarwal, T. (2019), "Impact of corporate governance on earnings management: large sample evidence from India", *Asian Economic and Financial Review*, Vol. 9 No. 12, pp. 1335-1345. doi: [10.18488/journal.aefr.2019.912.1335.1345](https://doi.org/10.18488/journal.aefr.2019.912.1335.1345).
- Sharma, D.S. and Sidhu, J. (2011), "Professionalism vs commercialism: the association between non-audit services (nas) and audit independence", *Journal of Business Finance and Accounting*, pp. 563-594.
- Simunic, D.A. (1984), "Auditing, consulting, and auditor independence", *Journal of Accounting Research*, Vol. 22 No. 2, pp. 679-702.
- Srinidhi, B.N. and Gul, F.A. (2007), "The differential effects of auditors' non-audit and audit fees on accrual quality", *Contemporary Accounting Research*, Vol. 24 No. 2, pp. 595-629.
- Thoopsamut, W. and Jaikengkit, A. (2009), "Audit committee characteristics, audit firm size and quarterly earnings management in Thailand", *Oxford Journal*, Vol. 8 No. 1, pp. 3-12.
- Walker, A. and Hay, D. (2013), "Non-audit services and knowledge spillover: an investigation of the audit report lag", *Meditari Accountancy Research*, Vol. 21 No. 1, pp. 32-51.
- Wu, C.Y., Hsu, H. and Haslam, J. (2016), "Audit committees, non-audit services, and auditor reporting decisions prior to failure", *The British Accounting Review*, Vol. 48 No. 2, pp. 240-256.
- Xie, B., Davidson, W.N. and J DaDalt, P. (2003), "Earnings management and corporate governance: the role of the board and the audit committee", *Journal of Corporate Finance*, Vol. 9, pp. 295-316.

Further reading

- Abdul Wahab, E.A. and Mat Zain, M. (2013), "Audit fees during initial engagement in Malaysia", *Managerial Auditing Journal*, Vol. 28 No. 8, pp. 735-754.
- Abu Bakar, N.B., Abdul Rahman, A.R. and Abdul Rashid, H.M. (2005), "Factors influencing auditor independence: Malaysian loan officers' perceptions", *Managerial Auditing*.
- Fan, J.P.H. and Wong, T.J. (2002), "Corporate ownership structure and the informativeness of accounting earnings in East Asia", *Journal of Accounting and Economics*, Vol. 33 No. 3, pp. 401-425.
- Gul, F.A. (2006), "Auditors' response to political connections and cronyism in Malaysia", *Journal of Accounting Research*, Vol. 44 No. 5, pp. 931-963.

Corresponding author

Wan Zurina Nik Abdul Majid can be contacted at: wzurinamajid@gmail.com; wzurina@uitm.edu.my

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com

Nonaudit services, audit committee characteristics and accruals quality in Malaysia

ORIGINALITY REPORT

15%

SIMILARITY INDEX

18%

INTERNET SOURCES

10%

PUBLICATIONS

0%

STUDENT PAPERS

PRIMARY SOURCES

1	citeseerx.ist.psu.edu Internet Source	3%
2	ir.uitm.edu.my Internet Source	2%
3	comp.uark.edu Internet Source	2%
4	espace.curtin.edu.au Internet Source	2%
5	etheses.whiterose.ac.uk Internet Source	1%
6	eprints.whiterose.ac.uk Internet Source	1%
7	revistas.esan.edu.pe Internet Source	1%
8	eprints.usm.my Internet Source	1%
9	mafiadoc.com Internet Source	1%
10	dspace.fsktm.um.edu.my Internet Source	

1 %

11

Vineeta D. Sharma, Divesh S. Sharma, Umapathy Ananthanarayanan. "Client Importance and Earnings Management: The Moderating Role of Audit Committees", *AUDITING: A Journal of Practice & Theory*, 2011

1 %

Publication

Exclude quotes On

Exclude matches < 1%

Exclude bibliography On

Nonaudit services, audit committee characteristics and accruals quality in Malaysia

GRADEMARK REPORT

FINAL GRADE

/0

GENERAL COMMENTS

Instructor

PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16

PAGE 17
