INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ACCOUNTING, FINANCE AND MANAGEMENT SCIENCES

www.hrmars.com
ISSN: 2225-8329

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Siti Subaryani Binti Zainol, M. Krishna Moorthy, Tengku Rahimah Binti Tengku Arifin

To Link this Article: http://dx.doi.org/10.6007/IJARAFMS/v2-i3/9947 DOI:10.6007/IJARAFMS /v2-i3/9947

Received: *06* August *2012,* ***Revised:*** 29 August 2012*,* ***Accepted:*** *16* September 2012

Published Online: 27 September 2012

In-Text Citation: (Zainol et al., 2012)

To Cite this Article: Zainol, S. S. B., Moorthy, M. K., & Arifin, T. R. B. T. (2012). Determinants of Non-Audit Services in Malaysia: A Theoretical Model. *International Journal of Academic Research in Accounting Finance and Management Sciences*, *2*(3), 76–93.

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Vol. 2, No. 3, 2012, Pg. 76 - 93

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Siti Subaryani Binti Zainol
Faculty of Business and Finance Universiti Tunku Abdul Rahman Perak Campus, 31900, Kampar, Perak D.R., Malaysia
Email: subaryani@utar.edu.my

M. Krishna Moorthy
Faculty of Business and Finance Universiti Tunku Abdul Rahman Perak Campus, 31900, Kampar, Perak D.R., Malaysia
Email: krishnam@utar.edu.my

Tengku Rahimah Binti Tengku Arifin
Faculty of Business and Finance Universiti Tunku Abdul Rahman Perak Campus, 31900, Kampar Perak D.R., Malaysia
Email: rahimah@utar.edu.my

Abstract
This study discusses on the factors that influence the purchase of non-audit services by the companies in Malaysia. It investigates the effects of chief executive officer duality, board independence and audit committee independence on purchase of non-audit services. The proposed model indicates that the chief executive officer duality, board independence and audit community independence influence the non-audit services. However, company size, leverage Return on assets and audit fees act as control variables on non-audit services. This study contributes to the literature by demonstrating the significant factors that will give effect to the purchase of non-audit services. The findings are also relevant to the policy makers and practitioners about the exposure factors that affect non-audit services.
Keywords: Non-audit Services, Chief Executive Officer Duality, Board Independence, Audit Committee Independence, Malaysia

Introduction

The Asian financial crisis in the late 1990s highlights the importance of good corporate governance practices to help restore investors' confidence in the East Asian market (Hashim & Devi, 2004). Furthermore, it had also stated that the financial crisis along with the highly publicized scandals in the United States had firmly determined the critical needs for companies in both developed and developing countries to improve corporate governance practices and to gain back investors' confidence towards the integrity of accounting profession. The year 2002 had seen the biggest corporate collapse in the United States history, which subsequently raised a lot of questions regarding the auditors' independence. Heavily criticized for the United State's collapse was Andersen, for being the auditor of three biggest bankruptcies which includes Enron, WorldCom and Global Crossing. It was contended that Andersen allegedly stressed more on non-audit services (NAS) than the audit itself. In the year 2000, Andersen earned US$25 million in audit fee from Enron and another US$27 million from consulting services (Kandiah, 2003a). In 1998, Andersen's total worldwide revenue from non-audit service was US$3,216.8 million as compared to US$2,876.6 million only that came from audit fees where had grown by about 13% annually since 1990 (Andersen, 1998) and stated that the growth in their NAS sector as the reason for the increase in revenue. This is supported by a study conducted by the University of Illinois in the United States (US), which consequently found that on average for every dollar of audit fees, clients had to pay their independent auditors of US$2.69 for non-audit consultation (Kandiah, 2003b). Following the collapses, auditing profession as a whole had been badly blamed and changes were proposed to ensure that audit firms reduce their over-reliance on NAS (The Star, 2002). In order to ensure the independence of auditors and to protect the interest of investors, the accounting profession in most countries has come up with a code of ethics that spells out guidelines for auditors' competency and independence (Che Ahmad, Shafie, & Mohamad Yusof, 2006).

In Malaysia, the Malaysian Institute of Accountants (MIA) By-Laws (on Professional Conduct and Ethics)(revised 2002) suggests that audit firms should not accept any appointment if they are also providing NAS to a client; whereby the provision of NAS would create a significant threat to their professional independence, integrity and objectivity. On top of that, Bursa Malaysia requires all listed companies to disclose non-audit fees in their annual reports effective from June 1, 2001. The aim is to protect the shareholders' interests and to increase corporate transparency. This is consistent with the practices in other Commonwealth countries such as Australia and the United Kingdom (UK), which had made it as a requirement that non-audit fee of listed companies to be disclosed in the annual report. Before 2001, the regulators in Malaysia emphasized only on the disclosure of audit fees in the companies' annual reports, as required by the Companies Act 1965 (Che Ahmad et al., 2006).

Problem Statement

In recent years, regulators, financial statements users, and researchers are concerned that the provision of non-audit service fees to clients will impair auditor's independence. This matter aroused due to the fees from non-audit service make auditors economic dependent on their clients. The new regulations that had been instituted by the SEC were regulated in U.S. which requires listed companies to disclose non-audit service fees that paid to incumbent auditors to protect auditor independence (Ashbaugh, LaFond, & Mayhew, 2003).

This study is motivated by several factors. First, while there is extensive literature that discusses the role of CEO duality, Board of Directors independence and Audit Committee independence which include in corporate governance around the world (Schleifer, & Vishny, 1997; La Porta, Lopez De Silanes, & Shleufer, 1999), there is scarce evidence from prior literatures that empirically examined the relationship between these roles and non-audit services (NAS). Second, the institutional investors who were expected to impact a firm's decision to purchase non-audit service. It is based on speculation that the institutional shareholder who is sophisticated will determine and influence the management of audit and non-audit service process (Mitra & Hossain, 2007). Because of limited evidence from prior studies that look into the relationship between ownership structure and NAS and prior studies just based on the relationship between non-audit service and auditor independence (Che Ahmad et al., (2006), further research regarding this limitation has been made.

Non-Audit Services (NAS)

The level and range of non-audit services (NAS) being provided by audit firms to their audit clients has increased greatly over the last few years. It is reported that in larger firms, non-audit fees now exceed the fees received from audit work; in fact many firms have re-branded themselves as professional service providers rather than audit or accounting firms (Beattie & Fearnley, 2002). In Malaysia, steps have been taken to improve the audit system. Referring to Koh (1998), the Financial Reporting Foundation and associated body which is the Malaysian Accounting Standards Board has been set up to improve and tighten accounting standards, and to give these standards the force of law and to facilitate enforcement of these standards on companies. This step is very important for accounting standards to provide reference points against which auditors exercise their professional judgment. However, there is a problem with non-audit work when it is provided by the auditor. It is contended that the NAS will increase the value of the firm to the auditor ship and thus will make the auditors more reluctant to do anything which will render the Board of Director (BOD) to get rid of them as auditors. As a way to overcome this issue, the Securities and Exchange Commission (SEC) United States, suggested the disclosure of NAS fees. They contended that the disclosure related to non-audit service fees (NAS) received by auditors would give investors insight into the relationship between a company and its auditor. In addition, they argued that the disclosure will reduce uncertainty about the scope of the relationships by providing facts about the magnitude of non-audit service fees. Furthermore, they stated that the information may help shareholders to decide, among other things, how to vote their proxies in selecting or ratifying management's selection of an auditor. In such circumstances, the state of auditor independence will be questioned. Koh (1999) argued that full disclosure of fees will enable the relative significance of the company's audit and non-audit fees to be assessed. He referred to the Companies Act 1965 subparagraph 1(q) of the 9th requirements in respect of disclosures in profit and loss accounts, to extend to include disclosure of fees paid in respect of non-audit work.

The range of services now offered by the larger firms to both the public and private sector is very wide (Beattie & Fearnley, 2002) as shown in Table 1.

Table 1. List of NAS Offered

• Training;	• Risk management advice;
• System and IT;	• Taxation, including tax compliance and tax planning and advice;
• Corporate recovery and insolvency;	• Services for SMEs such as payroll;
• Legal;	• Forensic and litigation support;
• Mergers and acquisitions;	• Portfolio monitoring;
• Recruitment and human resource; and	• Transaction support and follow up, including due diligence and initial public offerings.

Provision of non-audit services could provide a real or perceived threat to independence in the case of an audit client (Beattie & Fearnley, 2002) as shown in Table 2.

Table 2. Principal threats arise from the provisions of NAS

THREATS	
• Self interest	- the increase in economic dependence;
• Familiarity	- becoming too close to the client's management through the range of services offered;
• Advocacy	- acting for the client's management in adversarial circumstances; and
• Self review	- taking management decisions and auditing one's own work

As per Langan (2003), the prohibition of NAS is based on three basic principles which are:

1. an auditor cannot function in the role of management,
2. an auditor cannot audit its own work, and
3. an auditor cannot serve in an advocacy role for its clients.

Table 3 shows how the regulatory frameworks that have been reviewed (Beattie & Fearnley, 2002) address these threats and recommend how they should be managed. This table classifies the guidance (or rules) on the various activities into five categories:

- no: an absolute prohibition;
- normally no: prohibited except in very limited or exceptional circumstances;
- no if material: permitted if the figures involved are not material to the financial statements;
- caution: requires the threats and safeguards for each case to be considered before proceeding;
- yes: permitted without restrictions; and
- no specific guidance: where the service is not specifically referred to in the rules or guidance.

Table 3. Recommended treatment of NAS in regulatory frameworks

Types of non-audit service referred to in frameworks	Regulatory framework					
	IFAC	ICAEW	EC	Australia	SEC	MIA
Exercise management authority	No	No	No	No	No	No
Determine client implementation of auditor's own recommendation	No	No specific guidance	No specific guidance	No	No specific guidance	No
Report in a management role to client governance body	No	No specific guidance	No specific guidance	Normally No	No specific guidance	No
Custody of client assets	Normally No	No specific guidance	No specific guidance	Normally No	No specific guidance	Normally No
Supervise client employees in normal activity	Normally No	No specific guidance	No specific guidance	Normally No	No specific guidance	Normally No
Prepare accounting records and financial statements for public interest entities	Normally No	Normally No	Normally No	Normally No	Normally No	Normally No
Valuation services and other expert services	No if material	Caution	No if material	No if material	Normally No	Caution
Taxation services	Yes	Caution	No specific guidance	Yes	No specific guidance	Yes
Internal audit services	Caution	No specific guidance	Caution	Caution	Normally No	Caution
IT services & financial information technology systems	Caution	Caution	Normally No	Caution	Normally No	Caution
Temporary staff assignments	Caution	No specific guidance	No specific guidance	Caution	No specific guidance	Caution

Types of non-audit service referred to in frameworks	Regulatory framework					
	IFAC	ICAEW	EC	Australia	SEC	MIA
Litigation support services	Caution	Caution	No if material	Caution	No specific guidance	Caution
Legal services	Normally No	No specific guidance	No specific guidance	Normally No	No	Normally No
Recruiting senior management & HR	Caution	Caution	No	Caution	No	Caution
Corporate finance and similar	Caution	Caution	No specific guidance	Caution	No specific guidance	Caution
Actuarial services	No specific guidance	No specific guidance	No specific guidance	No specific guidance	Normally No	No specific guidance
Broker/dealer services	No specific guidance	No specific guidance	No specific guidance	No specific guidance	No	No specific guidance

(Source: Beattie & Fearnley, 2002)

Houghton & Ikin (2001) stated that supplying NAS to audit clients is seen as a potential threat to auditor independence. To the audit profession and in particular to major accounting firms, NAS is a major and growing revenue stream which is seen as profitable and important to the ongoing viability of the profession generally. To corporate management, the ability to access NAS from their audit firm is important as it is sometimes the source of advice that is management's preferred choice.

Non-Audit Services (NAS) and Auditor Independence

The concern, however, that the provision of non-audit services affects auditor independence has been lurking in the capital markets since 1957 when it was noted in the Securities and Exchange Commission (SEC) from U.S. annual report that the scope of audit firms services potentially threatened the independence between managers and auditors (Ashbaugh, 2004). With the collapse of Arthur Andersen, auditing profession as a whole has been badly blamed and changes were proposed to guarantee that audit firms reduce their overreliance on non-audit services (The Star, 2002). To ensure the independence of auditors and to protect the interest of investors, the accounting profession in most countries has come up with a code of ethics for auditor competency and independence.

The impact of non-audit services on auditor independence is the subject of a recurring debate. Proponents argue that non-audit services do not reduce auditor objectivity and that the performance of non-audit services can improve the quality of the audit (Antle, Griffin, Teece & William, 1997). Opponents, on the other hand, argue that non-audit services do impair auditor independence because, for example, the auditor may end up auditing their own work or acting as management (Securities and Exchange Commissions (SEC), 2001). Though a considerable number of behavioral researches focused on non-audit services, most of the studies were completed prior to the growth in non-audit fees and findings are mixed and inconclusive (Kleinman, Palmon & Anandarajan, 1998). Arrunada's study (1999b) which analyzed the economics of audit quality and issue of non-audit services stated that auditors seek to provide non-audit services because of the considerable economies of scope which can ensure cost savings that arise when both types of service are provided by the same firm. Under economies of scope there are two types which are knowledge spillovers that originate in the transfer of information and knowledge; and contractual economies that arise from making better use of assets and/or safeguards already developed when contracting and ensuring quality in auditing (Beattie & Fearnley, 2002).

The first wave of academic research on the effect of non-audit services on auditor independence began in 1978, when non-audit fee data became publicly available due to a change in Securities and Exchange Commission (SEC) reporting requirements. In 1978, the SEC required publicly traded firms to disclose in their annual proxy statements the fees for all non-audit services as a percentage of total fees paid to the auditor and whether the audit committee or board had approved the services and considered the possible effects on independence (Securities and Exchange Commission, 1978). Beck, Frecka, & Solomon, (1988), investigated the independence issue by investigating the audit firm tenure by recurring and non-recurring non-audit services. Finally they have found that the provision of non-audit services will increase the economic bond between auditors and their clients. Palmrose (1986) and Simunic (1984) suggested that the joint provision of audit and non-audit services give rise to economic rents that create incentives for audit firms to compromise their objectivity to retain audit clients. Ashbaugh, LaFond & Mayhew, (2003) have conducted research to investigate whether non-audit services will compromise auditor independence. Their research was based on samples of firms from U.S. registrants' 2000 proxy statements. They used discretionary accruals and earnings benchmark as proxies for biased financial reporting. The result showed that a little evidence supporting that auditors violate their independence regarding the clients paying high fees or having high fee ratios. In their research, they used discretionary accrual analyses consistent with concurrent research which examining audit firm fees and measures of earnings management. Consistent with the above, Abu Bakar and Ahmad (2009) found that size of audit fees is considered to be the most important factor that influences auditor's independence. They examined from the perspective of accountants in Malaysia.

Chung and Kallapur (2003) found no association between their audit fee metrics and the absolute value of discretionary accruals measured with the modified Jones model. They also explored four different subsets of firms where they expect firms to have greater incentives to manage earnings and find no evidence of an association between audit or non-audit fees and earnings manipulation. This study also consistent with those reported by DeFond, Raghunandan, & Subramanyam, (2002) who showed no association between firms' going concern opinions and magnitude of non-audit services, and a positive association between the likelihood of issuing a going concern opinion and audit fees regarding Ashbaugh, et al. (2003) discretionary accrual and earnings benchmark test. A study by Church and Zhang (2011) also found that NAS are not associated with auditor independence. They examined the users' assessment of the provision of NAS on auditor independence to study whether the decision context affects the participants' assessments. The results showed that NAS are not associated with either auditor liability or asset value in their experiments.

Consistent with prior studies which stated that non-audit services will impair auditor independence, Che Ahmad et al., 2006 suggested ways to improve the auditors' independence in Malaysia. Their sample was based on the population of Public Listed Companies (PLCs) of Main Board, Second Board and Mesdaq from Bursa Malaysia totaled 868 companies. They wanted to examine the effect of non-audit services on audit fees, to investigate the relationship between non-audit fees and the issuance of qualified audit opinion, and to analyze the proportion of non-audit fees to total fees that paid by clients to their auditors. Their result showed a significant positive relationship between audit fees and non-audit fees, consistent with previous studies done by Simunic, (1984), Palmrose, (1986b), Ezzamel, Gwilliam, & Holland, (1996), Firth, (1999), Abbott, Parker, Peters, & Raghunandan, (2003).

A study also had been conducted by Salehi and Moradi (2010) in Iran on Iranian accountants' and shareholders' perceptions on NAS and their effects on audit independence. Their results showed that practicing NAS to the same audit clients have strong negative effects on auditor independence. The study was based on 2,151 completed questionnaires that distributed to participants with accounting knowledge (literate participants) and without accounting knowledge (illiterate participants). The majority of the participants confirmed that there is a negative effect on audit independence when there is a large amount of audit fees and illiterate participants have more negative perceptions. They agreed that presenting bookkeeping and managerial consultancy services to the same clients will impair auditor independence.

Corporate Governance

Corporate governance is an important element in monitoring the process of financial reporting system. There are three monitoring mechanisms that are theoretically used to ensure the credibility of corporate governance which are external auditor, internal auditor and the director (Wan Abdullah, Ismail, & Jamaluddin, 2008).

According to Bushman and Smith (2001), publicly reported accounting information can be used as important information in diverse corporate governance mechanisms. A vast body of literature acknowledges the importance of corporate governance mechanisms to improve financial reporting quality and past literature has demonstrated that good governance help to reduce the risk of financial reporting problems (Hashim, & Devi, 2004).

Researchers have found evidence on the association between poor governance and poor quality of financial reporting including earnings manipulation, financial restatements and frauds (Beasley, 1996; Dechow, Sloan, & Sweeney, 1996; Peasnell, Pope, & Young, 2000; Klein, 2002a; Kao, & Chen, 2004; Davidson, Goodwin-Stewart, & Kent, 2005).

CEO Independence (CEO Duality) and Non-Audit Services

The CEO duality refers to non-separation of roles between CEO and the chairman of the board (Wan Abdullah *et al*, 2008). With such a view in mind, Parker (1990) concluded that the responsibilities of the chairman are to look outward and forward, whilst the CEO manages the 'day-to-day'. In similar vein, Garratt (1999) stated that the chairman as the 'boss of the board', whose role also necessitates to "*induct, include and train to competence, each director and the board, as a collective whole*".

The board of directors, Jensen (1`993) argues that "*…at the apex of internal control system, has the final responsibility for the functioning of the firm*." However, when the chairman is also the CEO, the board intensity to monitor and oversee management is reduced as a result of lack of independence and a conflict of interest (Lorsch, & Maclver, 1989; Fizel & Loule, 1990; Dobryzynski, 1991; Millstein, 1992 & Daynton, 1984). It also has been supported by Wan Abdullah, et al (2008) wherein the normal situation, boards with CEO duality are perceived ineffective because of conflict of interest.

Advocates of separating the Chairman and CEO focus on assuring the efficacy of the board's monitoring role (Jerilyn & William, 2000). Since the Chairman has primary responsibility for setting the board agenda, convening stockholder meetings, and monitoring board committees (Sundaramurthy, Mahoney & Mahoney, 1997), placing these duties in the hands of the CEO may compromise the board's ability to independently monitor the firm's top management.

In the context of Egypt companies (Kholief, 2008), the chairman is often the CEO. The board member responsible for the executive management is sometimes called managing director or the chief executive officer. In Australia, only a small percentage of large companies have CEO duality (Donaldson, & Davis, 1991). However, around 80 percent of large US companies have CEOs who are also the chairman (Kesner, & Dalton, 1986; Dalton, & Kesner, 1987).

When the CEO is board chairman, the role of the board as an internal monitoring and control mechanism is compromised (Kholief, 2008). Agency theory shows that when the CEO also serves as chairman, then board monitoring and control are weakened and the interest of the shareholders will be sacrificed to a level in favor of executive management, there will be managerial opportunism such as higher levels of executive compensation, adoption of 'poison pills' and payment of greenmail (Levy, 1981; Dayton, 1984; Davis, 1991; Rechner, & Dalton, 1991; Pi, & Timme, 1993; Brickley, Coles & Terry, 1994).

Board Independence and Non-Audit Services

The history of the board of directors in Malaysia could be traced as far back as 1965 when it introduced its own Companies Act. The Malaysia Companies Act 1965 has its origins in both the English Companies Act and the Australia Uniform Companies Act (Anandarajah, 2001) primarily due to it being a British colony for almost two centuries until 1957. The Malaysian Companies Act covers, inter alia, issues involving corporate structures, disclosure requirements, the duties and responsibilities of the directors and officers, including auditors and company secretaries, as well as the reporting and compliance requirements (Abdullah, 2004).

In recent years, corporate governance (Gani and Johnny, 2006) require a majority of board members to be independent; tightening the standards for determining a member's independence; creating committees composed predominantly of outside directors with professional qualifications; reducing the number of board members in order to facilitate more effective decision making; minimizing management's control over the appointment of board and committee members; and encouraging the review of performance of the board and of each board member.

Based on Abdullah (2004), the structure of the board of directors is one of the important elements of the corporate governance that has been received attention. He also stated that the board of directors is viewed as a team of individuals with fiduciary responsibilities of leading and directing a firm, with the primary objective is to protect the firm's shareholders' interests. Hence, the board of directors is responsible in setting the corporate goals, which aims at realizing long-term shareholders' value and also for evaluating the appropriateness of the strategies and approaches taken by the management in translating the corporate goals. Again, to ensure an effective implementation of the strategies, the board will monitor closely the progress by reviewing carefully the performance of the management, for the purpose of giving reward or punishments to the management. The creation of the board of directors is to monitor the performance of the firm so that the interest of the shareholders is protected (Kosnik, 1987, 1990: American Law Institute, 1982). It is, therefore, predicted that if the board performs its duties effectively, the value of the firm is predicted to increase and the wealth of the shareholders will be enhanced accordingly.

A study by Abdullah (2002) involving the Kuala Lumpur Stock Exchange (KLSE) Main Board listed companies showed that the Malaysian listed companies' board of directors were dominated by non-executives directors, and that the extent to which the board was independent of management was determined positively by the size of the board, negatively by the extent of directors' shareholding, negatively by the CEO duality, positively by the presence of large shareholders and negatively with the size of the firm. Furthermore, Larcker and Richardson (2004) showed that for a small subset of firms with poor corporate governance, the relative level of non-audit fees is positively associated with the level of abnormal accrual adjustments. Parkash and Venable (1993) and Firth (1997) found evidence that firms with higher agency costs are expected to require higher audit quality to reassure investors and creditors about the integrity of financial statement information, and hence limit their NAS purchase from their incumbent auditor.

From a creditor's perspective, possibly one of the most important factors influencing the truthfulness of the financial accounting process involves the board of directors (Ronald, Sattar, & David, 2004). Board of directors are charged with monitoring and disciplining senior management, and lending agreements typically require that board supply audited financial statements to the firm creditors (Daley and Vigeland, 1983; Defond and Jiambalvo, 1994; and Dichev and Skinner, 2002). Similarly, Klein (2002a), Carcello and Neal (2000), Beasley (1996), and Dechow, Sloan, & Sweeney (1996) examine the importance of directors monitoring the financial accounting process and document a relation between board characteristics and exploitation of accounting information. Board attributes that influence the validity of accounting statements possibly will be of great importance to creditors.

Audit Committee and Non-Audit Services

For most large firms, board of directors delegate direct oversight of the financial accounting process to a subcommittee of the full board which is the audit committee. Audit committees are responsible for recommending the selection of external auditors to the full board; ensuring the soundness and quality of internal accounting and control practices; and monitoring external auditor independence from senior management (Ronald, *et al*., 2004).

Audit committee is the key element of the corporate governance and as the bridge in a communication network between internal and external auditors and the board of directors. Besides that, effective audit committees are also able to give early signal to protect companies from the financial collapse due to the roles of the audit committee (Mohamad Sori et al., 2008). Under the code, audit committees are required to take consideration on the appointment of external auditor and discuss about audit fees (MCCG 2007). Moreover, audit committees also are expected to oversee the corporate governance, maintain the quality of financial reporting, strengthen the internal control, evaluate existing policies, establish audit quality and ensure compliance with the all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies and oversee the internal and external audit services (Rezaee et al., 2003 and BMB 2001, corporate governance). All in all together, audit committee plays important roles in order to maintain good practice of corporate governance.

Abbott et al. (2003) agreed that, an effective audit committee is able to give an impact to the negotiation of audit fees as well as the scope of the audit. On the other hand, it is also supported by prior studies that agreed audit committee characteristics have an association with the audit fees. Most of them found a positive association between an effective audit committee and audit fees in term of reduction of control risk (Goodwin-Steward & Kent, 2006). Moreover, effective audit committee members may lead to increase quality of the audit because additional testing was done by members (Stewart & Munro, 2007). Besides that, the existence of audit committee also may reduce conflicts with management and it may lead to improve the audit quality (Steward & Munro, 2007). A longitudinal study of four years in United Kingdom by Zaman, Hudaib and Haniffa (2011) also found that an effective audit committee undertakes more monitoring role that give rise to wider audit scope and higher audit fees. When there are larger clients, the association between audit committee effectiveness and NAS fees is positive and significant. The result showed that the larger clients tend to purchase NAS even when there is an effective audit committee probably as a result of the complexity of their activities.

Bedard and Paquette (2011) found that audit committee members who hold multiple directorships approved lower NAS fees, because they considered that if they approve high levels, it would give negative effects on their reputational capital. They also found the percentage of activist institutional holdings associated negatively with NAS tax fees. They examine the association decision to approve NAS tax fees with audit committee members' expertise and percentage of activist institutional holdings from year 2004 to 2007.

Audit committee characteristics are defined and studied broadly by previous researchers including audit committee size, independence, meeting, expertise, diligent on the audit fees. Mohamad Sori et al. (2008) find that independent audit committee would pursue good corporate governance because an independent audit committee will behave in the same way with the stakeholder's interest and able to protect stakeholder's benefit.

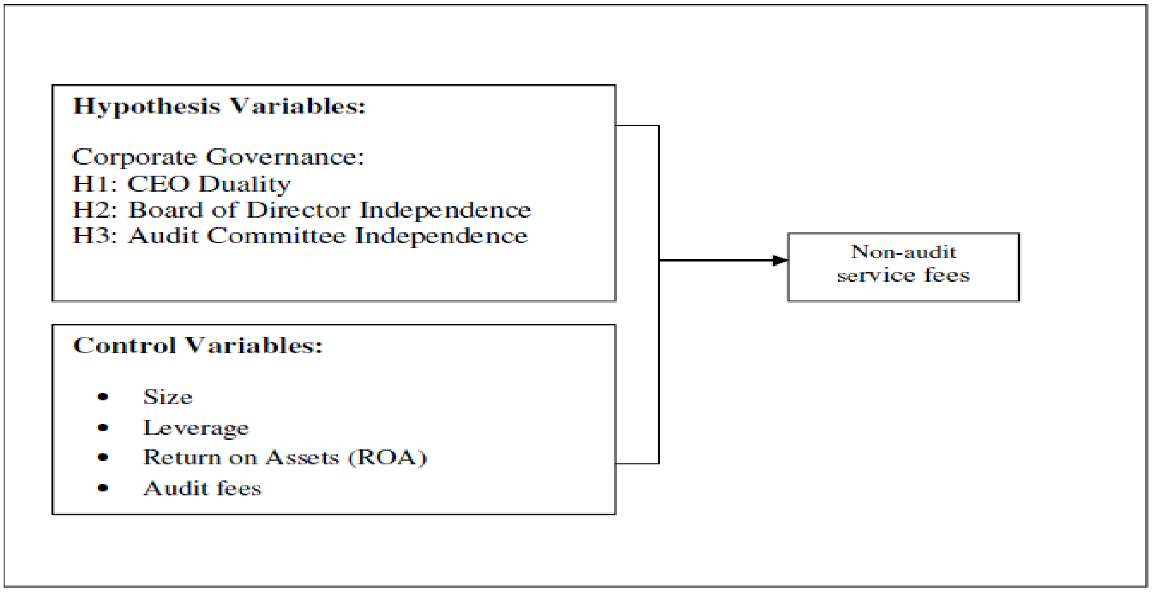
Control Variables

O'Sullivan (2000) and Che Ahmad & Derashid (1996) found that the size of the company is also correlated with non-audit fees where they noticed that a larger company pays more non-audit fees to its external auditor. Similarly Firth (2002) found that there is a positive relationship between consultancy fees and audit fees using the 314 United Kingdom quote companies sample. He stated that this happens due to specific events in the company that generate a demand for consultancy services which require additional audit effort.

In contrast, Butterworth and Houghton (1995) stated that there is no significant relationship between audit fees and non-audit fees. The data was collected from a computerized database of the annual reports of 433 Western Australia-headquartered companies. In Malaysia, Md Yusof, & Che Ahmad (2000) and Che Ahmad (2001) also found no statistical relationship between non-audit fees and audit fees. Low, Tan, & Koh (1990) found a positive and significant relationship between audit fees and leverage and Return on Assets.

Research Framework

Based on the above discussions, the study proposes the following research framework:



Conclusions

The purpose of this article is to explore the factors that influence the purchase of non-audit fees of the companies in Malaysia. This article outlines the drivers of non-audit fees

On the basis of the literature review, a conceptual model has been developed. Further research should be carried out to test, validate and enhance the model. The results obtained will be presented in a later article.

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