BOARD COMPOSITION, AUDIT COMMITTEE AND TIMELINESS OF CORPORATE FINANCIAL REPORTS IN MALAYSIA

Shamsul-Nahar Abdullah*

Abstract

This study attempts to investigate the roles of the composition of board of directors, audit committee and the separation of the roles of the board chairman and the chief executive officer on the timeliness of reporting. The issue of reporting timeliness is important in corporate governance because it is associated with corporate transparency. It is also an important indicator of the value of the information in the financial reports. Given the fact that the board is the highest internal corporate governance system, it is predicted that the characteristics of the board and its sub-committee, namely the audit committee, are associated with the timeliness of reporting. Using Bursa Malaysia (formerly known as the Kuala Lumpur Stock Exchange) Main Board companies data in respect of the financial years 1998 and 2000, the findings show that board independence and the separation of the roles of board chairman and CEO significantly are associated with timelier reporting. The results also indicate that the 1997 financial crisis had adversely affected the timeliness of reporting. These findings imply that during difficult periods, companies tend to take a longer time to prepare their audited financial reports. The positive association between timeliness of reporting and leverage found in this study suggests that the agency costs of debts could play an important role in explaining the timeliness of corporate financial reports. Finally, the negative relation between firm's profitability and timeliness of reporting is supportive of information signaling theory.

Keywords: board of directors, audit committee, CEO duality, reporting timeliness, Malaysia

*Faculty of Accountancy, Universiti Utara Malaysia, 06010 UUM Sintok, Kedah, MALAYSIA, Phone: + 6 04 9285266, Fax: + 6 04 9285762, Email: snahar@uum.edu.my

1. Introduction

The issue of reporting timeliness is important as it relates to corporate transparency. In East Asia, including Malaysia, corporate transparency has become a very significant issue following the 1997 financial crisis. Recognizing the importance of reporting timeliness, the Malaysian Accounting Standards Board (hereafter referred as MASB), in its MASB1 (1999), states that the usefulness of financial statements would be impaired if they are not made available to the public within a reasonable period of time from the close of a company's financial year. The Standard stipulates that the audited annual accounts need to be submitted to the Bursa Malaysia within six months of the balance sheet date. The Bursa Malaysia in its Listing Requirements also demands all listed companies submit the annual audited accounts together with the auditor's and directors' reports within four months from the close of their financial years for public release. Commenting on the importance of the timeliness of reporting, the former chairman of the (Malaysian) Securities Commission states that providing "… high quality and timely disclosure of financial and other material information to the board, to the public markets and to the shareholders" is among the key aspects of the board oversight functions (Kadir, 2000: 20). A number of empirical studies that attempt to explain the timeliness of corporate reporting have been carried out, but they are mainly done using data from developed countries (e.g. Courtis, 1976; Whittred, 1980; Ashton, Graul and Newton, 1989; Carslaw and Kaplan, 1991; Bamber, Bamber and Schoderboek, 1993; Knechel and Payne, 2001). Recent changes in corporate governance, specifically on the issue of board composition, have also motivated research that attempts to test the link between accounting quality and board composition. For instance, Beekes, Pope and Young (2004) report that the proportion of outside directors on the board in UK is associated with more timely recognition of bad news in earnings. In an earlier paper, Beasley (1996) finds that the incidence of financial fraud in the US is inversely associated with the extent of outside directors on the boards. Studies by Dechow, Sloan and Sweeney (1996) in US and Peasnell, Pope and Young. (2000) also support the contention that outside dominated boards are associated with higher accounting quality. The Australian Stock Exchange's (ASX) Corporate Governance Council (2003) states that better-governed firms are "more transparent" and make "more timely" disclosures that are "better balanced" in terms of the release of good and bad news. Compared to the developed markets, awareness of corporate governance in Malaysia was also felt in the 1990's and it only became stronger following the 1997 financial crisis. The significant impacts of the crisis to the nation have led the Malaysian government to introduce a number of institutional changes aiming at strengthening corporate governance and thus the timely disclosure of information among Malaysian companies, notably the establishment of the high-level finance committee in 1998. This committee subsequently published the Report on Corporate Governance in 1999 (High Level Finance Committee, 1999). This report was adopted in 2000 and has been referred as the Malaysian Code on Corporate Governance. Subsequently, the Bursa Malaysia incorporated the Malaysian Code in 2001 in its Revamped Listing Requirements and has required listed companies to state in the annual reports the extent of compliance (or non-compliance) with the Malaysian Code. In addition, the (Malaysian) Financial Reporting Act was gazetted in March 1997 empowering the government to establish the Financial Reporting Foundation and the MASB. Beginning from 1999, the Bursa Malaysia has started to require listed companies to issue quarterly reports not later than two months after the end of each quarter. All these changes seem to enhance the level of corporate transparency, which includes timeliness of corporate reporting. It is therefore the objective of this study to investigate reporting timeliness in an environment that is different from that in developed countries in terms of institutional requirements. Specifically, this study attempts to investigate the extent to which the board of directors, the audit committee and the separation of the roles of the board chairman and the CEO influence a firm's reporting timeliness. The motivation to investigate the roles of the board comes from the contention by Jensen (1993) who argues that board composition and board leadership are associated with the board monitoring incentives. Thus, examining board independence and the leadership structure on the timeliness of reporting will reveal the extent to which the board involves in overseeing the financial reporting processes. The fact that the board, being at apex of the internal corporate governance system, as argued by Jensen (1993), suggests the board is important in determining the timeliness of reporting. Thus, findings of this study would provide evidence as to the roles of these corporate governance variables in promoting corporate transparency. The remainder of the paper is organized as follows. First, hypotheses development relating to the board and audit committee composition as well as the separation of the roles of the board chairman and the CEO on reporting timeliness is presented. Second, a section discussing the research methodology will follow. Findings are presented in the third section. In the fourth and final section, the summary and conclusions will be provided.

2. Hypotheses Development

2.1. Board Composition

Annual reports are found to be a primary source of information to users, especially the shareholders (see for example Mautz, 1968; Anderson and Epstein, 1995; Abu-Nassar and Rutherford, 1996). Similar pattern is also found in developing countries where annual reports are viewed as the main source of corporate information (Abu Baker and Naser, 2000). Due to the important role that annual reports play, it is therefore argued that providing the annual reports in a timely manner is not only a matter of satisfying the legal requirements, it is a matter of responsibility. According to Cadbury (1997: 15), "information is the lifeblood of markets" and "openness by companies is the basis of public confidence in the corporate system". He stresses the need to provide relevant information, which is very crucial for efficient markets, without which market manipulation may result. Rezaee (2003: 26) also contends that "… for capital markets to function efficiently and effectively, participants (including investors and creditors) must have confidence in the financial reporting process". Information that reaches users early is predicted to contain a higher value than information that reaches users much later. Timeliness of reporting has also been argued to not only increase the value of the information but also help minimize the level of insider trading, information leakage and rumors in the markets (Owusu-Ansah, 2000). Empirical evidence shows that timeliness of reporting affects the pricing of a firm's securities (Chambers and Penman, 1984; Kross and Schroeder, 1984). Audit lag has been used as an indicator of timelines of reporting because a company cannot publish its accounts in the annual reports without an audit report (Johnson, 1998). One of the earliest empirical studies on reporting timeliness was conducted by Dyer and McHugh (1975) who find that firm's size and the fiscal year-end significantly influence reporting timeliness. Several studies have then followed (e.g. Courtis, 1976; Whittred, 1980; Carslaw and Kaplan, 1991; Bamber and Schoderboek, 1993; Knechel and Payne, 2001). It has also been concluded that audit lag determines the financial reporting timeliness (Givoly and Palmon, 1982). The board of directors is important in corporate governance and in financial reporting processes because it links the shareholders and managers. In fact, Fama and Jensen (1983) argue that the board plays an important governance role in large corporations and the role of the board of directors has been the focus in corporate governance guidelines. Jensen (1993: 862) further reiterates on the significant role of the board of directors when he claims that "The board, at the apex of the internal control system, has the final responsibility for the functioning of the firm". In Malaysia, the Malaysian

Companies Act 1965, which among others, states that both the directors and the managers are required to keep proper records to ensure the true and fair view of the profit and loss accounts and the balance sheet (Section 167). Thus, the importance of directors' roles in ensuring managers to keep the firm's proper accounts is already well recognized in law. Should the directors discharge these duties effectively, the firm should not take long to issue the audited financial statements as all the records are kept in good order. In a similar vein, the Cadbury Report (1992) asserts that the board has a duty "… to present a balanced and understandable assessment of the company's position" (p. 7). The importance of the role of the board in promoting transparency is also recognized in Australia when the Australian Stock Exchange's (ASX) Corporate Governance Council (2003) states that better-governed firms are "more transparent" and make "more timely" disclosures that are "better balanced" in terms of the release of good and bad news. The Malaysian Code further identifies duties of the board of directors that include, among others, ensuring the firm has adequate and sufficient internal control systems and management information systems, ascertaining compliance systems with the applicable laws, regulations and rules. Having proper and adequate internal systems would enable firms to prepare the financial reports in a more timely fashion as compared with companies that do not have such proper and adequate internal systems.

Timeliness of corporate reporting is reflective of accounting quality. Timelier reporting is associated with higher accounting quality as users are able to use the information for such purpose as valuation and evaluation. Several studies have examined the link between board independence and accounting quality. Beasley (1996) for instance, shows that the proportion of outside directors is lower among firms that were found to have frauds in the financial statements than firms that did not. Deechow, Sloan and Sweeney (1996) document a link between violations in accounting that were subjected to SEC accounting enforcement actions and board structure. Peasnell, Pope and Young (2001) and Klein (2002) reconfirm the link between board independence and accounting quality by focusing on accrual management permitted within GAAP. More recently, Beekes, Pope and Young (2004) find that the proportion of outside directors on the board is associated with the likelihood of timelier recognition of bad news. Thus, their evidence supports the contention that board independence is associated with accounting quality. The link is predicted to exist between the board of directors and timeliness of reporting due to the fact that it is the board of directors that authorizes the firm's annual report for public release. Thus, the board has the discretion either to speed up or delay the issuance of the annual report depending, among others, on the incentives that they have. The effectiveness of the board in carrying out its monitoring roles, such as on accounting quality, it is argued and found, depends largely on it being independent of management (Beasley, 1996; Deechow, Sloan and Sweeney, 1996; Peasnell, Pope and Young., 2000; Klein, 2002; Beekes, Pope and Young, 2004). This evidence supports Fama and Jensen (1983) who argue that outside directors are experts in decision controls. It is further argued that good corporate governance is said to exist when the independence of the board of directors is maintained (Abdullah, 2002b).

Similarly, Rezaee (2003: 28) claims, "aligning the interests of managers and shareholders requires vigilant, independent, effective boards". Empirical evidence generally shows that board effectiveness is related to its independence (see for example Weisbach, 1988; Byrd and Hickman, 1992; Brickley, Coles and Terry, 1994; Kini, Kracaw and Mian, 1995; Beasley, 1996). Outside-dominated board's greater incentives to monitor management are attributed to the fact that outsiders of these boards do not want to associate themselves with troubled companies, which could impair their reputation (Weisbach, 1988). Daynton (1984: 35) argues that "… the board must be independent of management" to enable it to carry out its oversight duties more effectively. Kini, Kracaw and Mian (1995) further demonstrate that the extent of outside directors' dominating the board substitutes for market-based corporate controls. Brown and Caylor (2004) find that board independence is associated with higher operating performance measures, namely ROE, net profit margin, dividend yield and share repurchases. However, their evidence shows a negative and significant association between board independence and firm's Tobin's Q and sales growth. Thus, these findings suggest that the link between board independence and firm performance is not conclusive as has been documented in earlier studies (see for example, Fosberg, 1989; Rosenstein and Wyatt, 1990; Hermalin and Weisbach, 1991; Bhagat and Black, 2002; Anderson, Mansi and Reeb, 2004). When compared with other corporate governance variable, Brown and Caylor (2004) find that the link between board independence and firm performance is inferior to the link between nominating committee independence and firm performance, as indicated by the correlation coefficients. Therefore, from this study, it seems that the independence of the nominating committee is more important than board independence. This evidence might mean that the extent to which the nominating committee is independence of management is associated more strongly with timeliness of reporting than board independence is. However, in Malaysia, maintaining a nomination committee prior to the adoption of the Malaysian Code on Corporate Governance was rare. The issue of a nominating committee is only addressed in the Malaysian Code's best practices composed solely of non-executive directors. Following the adoption of the Malaysian Code by the Bursa Malaysia, disclosure on the compliance (or non-compliance) with the Code's best practices is mandatory.

The importance of the board having an optimal mix of outside directors and executive directors lies on the belief that this structure would contribute different skills, knowledge and expertise, which are vital for an effective board (Baysinger and Butler, 1985). The incentives for outside- dominated boards to report the firm's performance more quickly than inside-dominated boards lie primarily on the fact that outside directors are regarded as decision experts who derive their value by discharging their duties effectively. These outside directors are well respected in their fields. Providing annual reports to the firm's shareholders in a more quickly manner should be seen as discharging their duties to the shareholders more effectively because the annual reports are one of the primary sources of information for shareholders. By doing so, they should be able to enhance their reputation as being experts in decision control (Fama and Jensen, 1983). Empirical evidence by Beekes, Pope and Young (2004) supports this contention who find that board independence is associated with the timeliness of bad news recognition in earnings. The Bursa Malaysia Listing Requirements state that the board of a listed company should be composed of at least two independent directors or one-third of the board size whichever is higher. Kini, Kracaw and Mian (1995) also define outside directors as those who are not full-time employees of the firm. Thus, the maintained hypothesis is as follows:

H_1: The extent of outside directors on the board leads to reporting timeliness.

2.2. Audit Committee Composition

Audit committee acts as a means of communication between external and internal auditors (Vinten and Lee, 1993) and it could enhance the reliability of a firm's financial reporting process (Treadway Committee, 1987). These benefits are derived because it helps to reinforce the independence of the company's external auditor (High Level Finance Committee, 1999). The fact that management prepares the firm's financial statements, which in turn are audited by external auditors, could lead to differences of opinion between management and external auditors on how to best apply GAAP (Magee and Tseng, 1990; Antle and Nalebuff, 1991; Dye, 1991). Empirical evidence also reveals that many reported earning figures are negotiated (Nelson, Elliott and Tarpley, 2000). Klein (2002), based upon prior research on audit committees, argues "… the audit committee's role as arbiter between the two parties is to weigh and broker divergent views of both parties to produce ultimately a balanced, more accurate report" (p. 378).

To ensure the audit committee is effective, the Cadbury Report (1992) recommends that an audit committee be comprised at least three outside directors with written terms of references (Section 4.3). The Malaysian Code states that an "… audit committee serves to implement and support the oversight function of the board…" (p. 46). It further stresses that its independence "… reinforces the independence of the company's external auditor…" (p. 46). In terms of composition, the Malaysian Code adopted the requirement set out in the Bursa Malaysia Listing Requirements of having at least three members, the majority of whom should be independent directors. Jemison and Oakley (1983) also argue that an effective audit committee requires its composition to be solely independent directors.

The independence of the audit committee is important because it ensures its objectivity (Kolins, Cangemi and Tomasko, 1991). Studies have also found greater outside directors' proportion on a board leads to audit committee formation (Pincus, Rusbarsky and Wong, 1989; Collier, 1993a). Menon and Williams (1994) further show that the proportion of outside directors on a board is associated positively with the frequency of audit committee meetings, indicating that the intensity of the audit committee to oversee the financial reporting process is influenced by the proportion of outside directors on the committee. Thus, an audit committee that is composed solely of outside directors should increase its incentive to oversee the financial reporting process and this is reflected by the new requirement by the NYSE and NASDAQ, which was introduced in December 1999. The new requirement mandates all listed companies to maintain audit committees consisting of at least three directors, all of whom have no relationship to the company that could impair the exercise of their independence from management and the company.

Audit committee independence is predicted to be associated with the timeliness of reporting because of the extent of outside directors making up the audit committee and the experiences they bring to the firm. The firm could exploit these outside directors' experiences to improve its financial reporting processes. Further, these outside directors could help strengthen the firm's internal control systems as one of the audit committee's roles is to discuss the effectiveness of the firm's internal controls with internal auditors (Collier, 1993b). Improving the firm's financial reporting processes and strengthening the internal control systems should help shorten the time taken to issue the audited financial statements. In planning the audit, the auditor will need to assess the firm's internal control systems as the outcome of the internal control assessment determines the extent of audit investigation. If the internal control systems are strong, fewer tests of details will be performed. Thus, this should lead to timelier reporting. In fact, Kadir (2000: 20) asserts that the primary roles of an audit committee being "… the first among equals, oversees the work of the other actors in setting up internal controls and financial reporting process." He also contends that the audit committee and the board of directors are among the key participants in the areas of financial and risk management, internal controls and financial reporting.

Criticisms have, nonetheless, been leveled against the audit committee because it is established for window-dressing purposes (Menon and Williams, 1994). The evidence in Malaysia by Abdullah (2002a) shows that audit committee formation is primarily to satisfy the Bursa Malaysia Listing Requirements, which supports criticism of the window-dressing purposes argued by Menon and Williams (1994). However, the study was carried out on listed companies at an initial stage when the Bursa Malaysia had just introduced the requirement to form audit committees. Given time, the role of the audit committee might have improved in due course as the members gained sufficient experience. Abdolmohammadi and Levy (1992) argue that audit committee members need 3-5 years to obtain the needed skills and experience. It is therefore predicted that the extent of directors who are not full time employees of the firm leads to timelier reporting. The hypothesis is therefore as follows:

H_2: The extent of outside directors on the audit committee is associated positively with reporting timeliness.

2.3. CEO Duality

Daynton (1984) argues that having a board chairman who is also the firm's CEO impairs the board independence. In fact, Rechner (1989) suggests that the ideal corporate governance structure is one in which the board is composed of a majority of outside directors and a chairman who is an outside director and argues that the weakest corporate governance is one where the board is dominated by insider directors and the CEO holds the chairmanship of the board. In an empirical study, Collier (1993a) argues that the formation of an audit committee is negatively associated with the presence of a dominant personality in the board of the firm. The importance of maintaining non-executive board chairman is reflected in the Cadbury Report (1992), which recommends the separation of these two top posts, which has been advocated by the Hampel Report (1998). The Malaysian Code also proposes a similar board structure. The reason for the need for a separation is that when the monitoring roles (i.e. the board chairman) and implementation roles (the CEO) are vested in a single person; the monitoring roles of the board will be severely impaired. Thus, a conflict of interest is predicted to arise. However, separating these top roles is not without problems as the independent chairman monitors the performance of the CEO while the performance of the board chairman is left unmonitored (Brickley, Coles and Terry, 1994). The performance of the board chairman and the board as a whole nonetheless, is evaluated by the shareholders as well as other externally originated corporate controls.

Separating the top two roles is, nevertheless, not without costs and the substantial costs of the separation could come from "… the incomplete transfer of company information, and confusion over who is in charge of running the company" (Goodwin and Seow, 2000: 43) which is not found in a unitary system. These costs could perhaps explain the fact that empirical evidence of CEO duality is not conclusive. For instance, findings by Berg and Smith (1978) indicate that there is no significant difference in various financial indicators between firms that experienced CEO duality, and firms that did not. Chaganti, Mahajan and Sharma (1985) document evidence that shows firms that experienced bankruptcy (failure) and survival are not significantly different in the leadership structure. Rechner and Dalton (1991) also report that firms with CEO duality consistently outperform firms with CEO non-duality structure, which contradicts their expectations. Baliga, Moyer and Rao (1996) further show that the market was indifferent to firms' announcements on changes in the leadership structure. The insignificant influence of CEO duality on firm's performance was later reconfirmed among Malaysian companies in a study by Abdullah (2004a). However, Brown and Caylor (2004) provide evidence that shows that the separation of chairman and CEO is associated with a higher firm value, as measured by Tobin's Q. Thus, their evidence signals that the market recognizes the importance of separating these two roles and firms that separate these roles receive a higher valuation.

The link between the separation of the CEO and board chairman roles and timeliness of reporting is expected to exist because having a non-executive chairman could lead the board to promoting a higher level of corporate openness, as argued by Miller (1997). This should therefore lead to timely reporting. The higher market valuation for firms that separate these roles, as found by Brown and Caylor (2004), means that the market is in favor of the separation. The separation should provide greater incentives to the non-executive chairman to act in the interest of the shareholders rather that than to protect the interest of the CEO. Annual reports are the primary source of information for the shareholders. Thus, if the non-executive chairman acts in the best interest of the shareholders, he or she would strive to provide the annual reports in a timely manner to shareholders. This is because the shareholders need the annual reports to enable them to make informed investment-related decisions. Thus it is predicted the separation is associated with reporting timeliness. Thus, the following is tested, which is as follows:

H_3: Separating the CEO and board chairman's roles is associated positively with reporting timeliness.

3. Methodology

Non-financial companies listed in the Main Board of the Bursa Malaysia were included in this study involving financial years 1998 and 2000. The financial year 1998 was chosen for two reasons. First, during the year, the Malaysian economy was still experiencing the 1997 crisis. Findings for this financial year relating to reporting timeliness could be different from non-crisis periods (in the case of the present study, financial year 2000). Second, in 1998, the issue of corporate governance and transparency drew a lot of public interest and during this time, guidelines specifically for Malaysian companies on the structure of the board of directors were absent. Therefore, the absence provides a basis for an investigation of the roles of the board of directors on reporting timeliness.

The Report on Corporate Governance was published in February 1999, followed by publication of the Malaysian Code in 2001. In the same year of the publication of the Malaysian Code, the Bursa Malaysia, among others, had adopted the Code's recommendations relating to the operations and composition of the board of directors in its Bursa Malaysia Listing Requirements. The Bursa Malaysia has required mandatory disclosure relating to the application of the principles and the extent of compliance with the best practices. Therefore, the financial year 2000 was considered as the period immediately prior to the Revamped Bursa Malaysia Listing Requirements. Furthermore, in 2000, the Malaysian economy saw a recovery from the crisis (Abdullah, 2004b). Thus, these financial years (1998 and 2000) provided an opportunity to study the roles of the board of directors both during the crisis and in the post-crisis period. This study investigates the roles of board independence, CEO duality and audit committee independence on reporting timeliness using regression analyses for panel data (combining both 1998 and 2000 years), sub-periods and changes in all variables. The following regression model is as follows:

$$RT_{i,t} = \alpha + \beta_1.BDIND_{i,t} + \beta_2.ACIND_{i,t} + \beta_3.DUAL_{i,t} + \beta_4.SIZE_{i,t} + \beta_5.GRG_{i,t} + \beta_6.ROA_{i,t} + \beta_7.AUDTR_{i,t} + \beta_8.BUSY_{i,t} + \beta_9.OPINION_{i,t} + \varepsilon.$$

Where:

RT: days lapsed from close of the preceding year-end until audit report date,

BDIND: proportion of non-executive directors on the board,

ACIND: Audit committee independence, "1" if all audit committee members are non-executive, or "0" otherwise,

DUAL: "1" combined roles of CEO and board chairman, "0" otherwise,

SIZE: log natural of firm's total assets,

GRG: ratio of total debts to total assets,

ROA: ratio of operating profit plus interest expense to total assets,

AUDTR: "1" if big-5 audit firm, or "0" otherwise,

BUSY: "1" if financial year-end dates between 31 December to 31 March, or "0" otherwise,

OPINION: "1" if qualified opinion issued, or "0" otherwise, i : firm 1 to j, and t : 1998 and 2000.

The hypotheses were tested using a pooled cross-sectional regression analysis. The coefficients that are of interest from the above model are β_1 and β_2, which are predicted to be negative and significant. The other coefficient of interest is β_3, which is predicted to be positive and significant.

4. Findings and Discussion

A total of 355 and 371 complete annual reports of non-financial companies were available for the financial years 1998 and 2000 respectively, representing seventy-eight and seventy-five percent of all the Main Board listed companies for financial year 1998 and financial year 2000 respectively. After deletion of outliers for gearing ratio and ROA variables, a total of 731 firms are available for analyses. Results for the descriptive statistics are shown in Table 1.

Table 1. Descriptive Statistics of the Variables (n= 731)

Variables	*Mean*	*Median*	*Std. Deviation*	*Skewness*
RT (days)	105.4	110	34.9	1.19
BDIND	0.67	0.71	0.16	-0.55
ACIND	0.23	0	0.42	1.27
DUAL	0.22	0	0.22	1.32
SIZE	13.27	13.24	1.33	0.10
GRG	0.27	0.23	0.25	1.59
ROA	0.04	0.04	0.14	0.43
AUDTR	0.79	1	0.41	-1.45
BUSY	0.67	1	0.47	-0.75
OPINION	0.05	0	0.21	4.21

Table 2. Compliance with the Bursa Malaysia Listing Requirements

Year	*Compliance*	*Percentage*	*Mean (In days)*	*Std. Dev. (In days)*
1998	Within 121 days	58%	87.4	20.15
	More than 121 days	42%	145.8	23.27
2000	Within 121 days	92%	93.7	24.85
	More than 121 days	8%	151.0	54.67
Overall	Within 121 days	75%	91.5	23.34
	More than 121 days	25%	146.8	30.91

The average number of days taken to issue the audited financial statements is about three and half months and the majority of firms issued the audited financial statements within the range of seventy days and 140 days. This evidence is consistent with Che-Ahmad and Abidin (2001) who document that the average days taken to issue the audited reports is 113. Their study examines the pattern of reporting among Malaysian listed companies for the 1995 financial year. Though the financial crisis had shortened the time taken, which is supportive of greater transparency, the improvement was not seen as very significant. Within a close examination into the pattern of reporting timeliness, three sub-groups are discernable, namely early reporting compliers, reporting compliers and non-compliers. The early reporting compliers peak at seventy days. The second sub-group, which issued the audited financial statements just to comply with Bursa Malaysia listing requirements, peaked at 120 days. The third sub-group issued the audited financial statements after 121 days. To understand further the roles of board independence, CEO duality and audit committee independence, three separate regression analyses were carried out for each sub-group.

As for the composition of the board of directors, the percentage of non-executive directors on the board is sixty-seven percent. Thus, in terms of composition, it is evident that the Malaysian boards are independent of management. Further, the majority of the firms separate the roles of the CEO and board chairman. Therefore, these two pieces of evidence indicate that, with regard to composition, Malaysian boards are independent of management. However, only about a quarter of Malaysian audit committees are composed of wholly non-executive directors. The evidence also revealed that at least one executive director (either the managing director or finance director) sits on the audit committees. This could limit the effectiveness of the audit committees.

Analysis of the pattern of the reporting timeliness for 1998 and 2000 was subsequently carried out by classifying companies into complying or non-complying with the four months' requirements (Bursa Malaysia Listing Requirements, Section 9.24(b)). The four months requirement is converted into 121 days (i.e. 365 days/3 =121 days). Results are shown in Table 2.

Results in Table 2 indicate that forty-two percent of the companies failed to issue their audited annual accounts within four months from the date of the financial year-end 1998. The non-complying companies for financial year 1998 took an average of 4.8 months to issue their audited accounts, which is about one month longer than that allowed by the Bursa Malaysia. On the other hand, companies that complete their annual audited accounts within four months took on the average about three months, which is one month earlier than that stipulated in the Bursa Malaysia Listing Requirements. The high incidence rate of companies that fail to issue their annual audited accounts within four months in year 1998 is attributed to the financial crisis. The incident of non-compliance is significantly reduced in 2000 where only eight percent of the Main Board listed companies fail to prepare their annual audited accounts within four months from the close of the financial year. Comparison between the two sub-periods suggests that the average period taken in 2000 is longer than it is in 1998 for companies that complete their annual audited accounts within four months (eighty-seven days in 1998 against ninety-four days in 2000). The t-test was carried out to determine whether the financial crisis has caused significant delays in the timeliness of reporting. The results (not presented here) revealed that reporting timeliness is better in 2000 than in 1998 and the difference is statistically significant (at five percent level). Thus, the economic crisis in 1997 must have contributed to the longer period that has been taken to issue the audited accounts for 1998. One explanation is that the crisis may have resulted in auditors taking a longer time to issue the audited accounts especially because of the uncertainty. The uncertainty has resulted in greater audit risk, which has led to an increased audit program.

Regression analyses were performed to test the hypotheses. Since the analysis involved panel data, the ordinary least squares method was not appropriate. Thus, regression analyses with random or fixed effects were used. Four analyses were performed. First, analysis for the full data was performed. Second, analyses for sub-sample data, determined on the basis of compliance with reporting timeliness, were also carried out. Results are shown in Table 3.

For full sample analysis, two hypotheses were supported, namely board independence and CEO duality. Thus, the evidence indicates that board independence and the separation of the CEO and board chairman roles are associated with timelier reporting. The hypothesis on audit committee independence, on the other hand, was not supported. Analyses of board independence for sub-samples, nonetheless, reveal conflicting results. For early reporter and late reporter sub-samples, board independence is found to be not associated with reporting timeliness. In fact, the results show that, for the early reporter sub-sample, only auditor's opinion is associated with timelier reporting. Corporate governance and performance variables are not associated with reporting timeliness. For the late reporter sub-sample, the level of gearing, ROA, the types of auditor and the auditor's opinion were associated with reporting timeliness. Nevertheless, for this sub-sample, the effects of board independence, CEO duality and audit are not significant. The complier sub-sample explains the highest variation in reporting timeliness of all the models in Table 3. However, only the hypothesis that predicts the association between CEO duality and reporting timeliness is supported. The other two hypotheses that predict the association between board and audit committee independence are not supported. In fact, the association between board independence and reporting timeliness is positive. Thus, for this sub-sample, the more independent the board is, the more likely it is that the firm would issue the audited financial statements towards the deadline specified by the Bursa Malaysia listing requirements.

Analyses for sub-periods (i.e. 1998 and 2000) were also carried out to determine if the financial crisis (i.e. the 1998 financial year) had any impact on the results of the regression models. In addition, a separate regression was also performed to take into account changes in the variables for each firm by comparing the value of each variable for the 1998, 2000 financial years. This analysis controls for cross-sectional differences that have not been measured in this study. Results are provided in Table 4.

Table 3. Regression Analysis Results+

Variables	All (Random effects) (n= 731)	Early Reporter Sub-Sample (< 70 days) (Random effects) (n= 115)	Complier Sub-Sample (71-120 days) (Fixed effects) (n= 435)	Late Reporter Sub-Sample (> 121 days) (Random effects) (n= 181)
Intercept	121.82*	56.55*	14.59	146.62*
BDIND	-22.18*	-2.91	29.10#	-19.92
ACIND	-3.20	-1.08	0.22	-2.05
DUAL	5.49*	0.73	14.5#	2.93
SIZE	0.15	0.127	-8.46#	1.79
GRG	15.45*	-1.44	6.17	-22.38*
ROA	-47.95*	-0.22	14.59	-18.07#
AUDTR	-8.59*	-	-23.77*	-8.91*
BUSY	-0.33	-	-	-
OPINION	15.21*	-11.31#	-2.33	39.94*
Adjusted R^2	0.15	0.04	0.27	0.16

+Decision either to use fixed effect or random effect models is based on the Hausman test. In sub-sample analyses, either BUSY or AUDTR (or both) was dropped because they were automatically removed in the regression analyses.
*/#5 and 10 percent significant levels respectively

Table 4. Regression Results for Sub-periods and Change in Variables
(Results corrected for heteroskedasticity)

Variables	1998 (Asian crisis)	2000 (Non-crisis)	Change in Variables
Intercept	116.07*	132.33*	-15.18*
BDIND	-25.05*	-20.33*	-48.07*
ACIND	-7.43#	-0.11	3.06
DUAL	-11.83*	-3.85	-3.11
SIZE	1.76	-0.91	2.48
GRG	20.05*	15.02*	4.28#
ROA	-40.52*	-39.75*	0.20*
AUDTR	-5.45	-11.65*	-14.84
BUSY	0.17	0.89	8.13
OPINION	11.99	19.66	13.18
Adjusted R^2	0.15	0.12	0.02

*/# At 5 and 10 percent significant levels respectively

Results in Table 4, for all models, support the contention of the influence of extent of outside directors on the board on reporting timeliness. The influence of CEO duality and audit committee independence, though in the predicted direction, is not consistently significant in all the models. However, for the 1998 financial year, CEO duality and audit committee independence are significant. Thus, during the crisis, the evidence seems to suggest that corporate governance variables, namely board independence, CEO duality and audit committee independence are associated with reporting timeliness, as hypothesized. However, after the crisis (i.e. the 2000 financial year), only board independence remains to be significant. The other two variables (i.e. CEO duality and audit committee independence) are not significant.

Overall, the findings provide some support of the importance of board independence and the separation of the firm's top two posts to improve reporting timeliness among Malaysian listed firms. Thus, having independent boards and separating the CEO and board chairman are beneficial, as argued by, for instance, the Cadbury Report, the Hampel Report and more recently the Malaysian Code. The evidence is also supportive of the ASX's contention of better-governed firms being "more transparent" and "more timely" with respect to disclosures. In sub-sample analyses, it was found that both board independence and separation of the top two roles are significant in influencing the timeliness of reporting, in the hypothesized directions, only for the 1998 financial year. This, thus, lends support to the contention that boards are predicted to be effective during crisis periods, as argued by Kosnik (1987, 1990). In other sub-sample analyses, the influence of board independence and CEO duality is not significant. In fact, for reporting compliance sub-sample analyses, the association between these variables and reporting timeliness is not consistent. Board independence and CEO duality are not important for early complier and laggard sub-samples. These two variables are only significant for the complier sub-sample. Thus, the evidence, taken together, suggests that non-executive directors' incentive to produce audited reports early is not motivated by their monitoring intensity, as argued by agency theory. Rather, these outside directors are found to discharge their monitoring roles in the event of crisis, e.g. during financial crisis. To project their reputation as good monitors of management, non-executive directors have added incentives to issue the audited financial statements more timely to shareholders. This is thus, seen by the shareholders that these non-executive directors have acted in the shareholders' best interest. Further, providing more timely information to users during the crisis is very important so that the shareholders are kept informed of the firm's performance. This evidence is also supportive of the evidence offered by Beekes, Pope and Young (2004) who show that firms with a higher proportion of outside directors are more likely to recognize bad news in earnings more timely compared to firms with a lower proportion of outside directors on the boards.

Another hypothesized variable, namely audit committee independence, was found to be not significant in all the analyses. This finding thus rejects the contention that audit committee independence is important in explaining the timeliness of reporting. Though the evidence is not consistent with Klein's (2002) evidence, the insignificant association between audit committee independence and reporting timeliness is not unexpected given the history of the audit committees in Malaysia. Audit committees only emerged in Malaysia in the mid-1980's following the collapse of a merchant bank in Malaysia. In 1994, the Bursa Malaysia mandated all listed companies to maintain audit committees composed in majority of non-executive directors. Further, it has been documented that Malaysian listed companies form audit committees to satisfy the Bursa Malaysia listing requirements (Abdullah, 2004a). Due to this, the effectiveness of the audit committees is still questionable (Abdullah, 2002a). In addition, the fact that it is a common practice among Malaysian companies having either the firm's managing director or financial director on the audit committee might have hindered its independence, which is important for its effectiveness.

As for the control variables, ROA and gearing are found to be consistently significant in influencing reporting timeliness. This evidence supports the contention that leverage (indicating a firm's financial risk level) is associated negatively with timeliness of reporting. This is evidence is consistent with the argument by Carslaw and Kaplan (1991) who predict that companies with a high debts to assets ratio would take longer to be audited than companies with a low debts to assets ratio. A high debt to assets ratio is also associated with financial distress (Abdullah, forthcoming). The higher the leverage level, the longer it takes to issue an audit report to ensure the auditor has taken all the necessary steps to protect themselves from shareholders' litigation. Debts also signal the presence of agency cost of debts (Jensen and Meckling, 1976). Debt covenants usually rely on the accounting data and evidence has shown that there is a link between accounting-based debt covenants and the extent of a firm's leverage (Press and Weintrop, 1990). Smith and Warner (1979) argue that renegotiating the debt covenants is very costly. Evidence has shown that the level of gearing is associated with the accounting policy choices that are income increasing (Watts and Zimmerman, 1986). This fact should lead to the auditor taking extra time to ensure that the accounting policies adopted by companies with high leverage do not distort the "true" financial condition of the companies. The association between ROA and reporting timeliness is consistent with signaling theory, which predicts that better performing firms provide more information than less performing firms (Ross, 1979). By providing more information, managers of better performing firms are able to distinguish their firms from poorly performing firms. Empirical evidence consistent with this contention is offered in the voluntary disclosure studies (e.g. Hossain, Tan and Adams, 1994; Haniffa and Cooke, 2002; Mohd-Nasir and Abdullah, 2004).

5. Summary and Conclusions

This study attempts to investigate the extent to which corporate governance, namely the composition of the board of directors and audit committee and CEO duality play an important role in promoting corporate transparency, defined as the number of days taken to issue their audit reports. The shorter the number of days taken, it is argued, the greater the level of transparency. Transparency is not merely about providing information but it is all about providing relevant information in a timelier manner. The findings show that the 1997 financial crisis was found to have significant impact on the timeliness of financial reports where more companies during the crisis failed to issue their annual audited accounts within four months compared to the period after the crisis. This evidence leads to the conclusion that the 1997 crisis had adversely affected timeliness of reporting among Malaysian listed companies.

The results, with respect to the composition of the board of directors are generally consistent with the arguments that properly constituted boards and audit committees lead to effective governance (Weisbach, 1988; Cadbury, 1992; Beasley, 1996; Malaysian Code, 2001; Bursa Malaysia Listing Requirements, 2001). The evidence should support the contention that corporate governance is associated with corporate transparency. Having more outside directors on boards should bring independent views to the company. This should result in the company maintaining proper internal control systems, which will enable the board to manage the risk. Having a sound check and balance mechanism should support the outside directors' reputation as decision experts, as argued by Fama and Jensen (1983). However, the findings seem to suggest that non-executive directors' effectiveness in issuing annual financial statements is found to be more pronounced during the financial crisis period. Thus, during crisis, there is a strong incentive for non-executive directors to act more closely in the interest of shareholders, supporting Kosnik's contention (1987 and 1990).

Results from the regression analyses also indicate that the separation of the board chairman and the CEO leads to financial reports being issued much earlier than those firms whose boards are dominated by a single person. The evidence could be interpreted as the separation of these roles reduces the likelihood of the board being dominated by one person. Thus, this should enable the board to effectively monitor the performance of the management (i.e. the CEO). Accounting information is commonly used to measure the performance of the management. Hence, the separation of the roles leads the board to require more timely information to monitor the management as the board chairman relies on the financial reports when assessing the management performance due to his or her not having personal access to the firm's accounting information system compared to when the board chairman is also the CEO. Effective monitoring requires timely information that, among others, involves assessing management performance based on un-audited monthly financial statements. Producing un-audited monthly financial statements requires proper accounting and internal control systems to be in place. If the firm maintains proper accounting and internal control systems, the annual audit process is expected to be short. Thus, this shortens the time taken to issue audited annual financial statements. The evidence should support the concerns raised in the Cadbury Report, the

Hampel Report and the Malaysian Code, which recommend the separation of the two roles. As in the case of board independence, the role of CEO duality is more pronounced during financial crisis. Thus, as it seems, corporate governance plays important roles during financial crises.

Another variable of interest, namely audit committee independence, is not important in explaining the pattern of reporting timeliness. Two reasons could explain the insignificant influence. First, audit committees in Malaysia have not reached maturity, as they were only required to be formed by the Bursa Malaysia in 1994. Thus, they are still developing. Second, the fact that audit committee formation is mandatory might have also contributed to the ineffectiveness. This is because it is a matter of satisfying the listing requirements rather than maintaining the audit committees to improve the firm's financial reporting processes.

This study documents that only two control variables, namely the level of gearing and ROA, to have a consistent and significant influence on the reporting timeliness. The direction of the influence indicates the higher the gearing levels, the longer the days lapsed to issue the annual audited accounts. This finding is consistent with the findings in the previous studies (e.g. Carslaw and Kaplan, 1991). High gearing requires more careful audit investigation, as it could be associated with high financial risks. The significant influence of ROA on the timeliness of reporting supports information signaling theory, as the more profitable the firm is, the quicker the time is to issue the audited annual accounts.

Finally, there are several limitations that should be noted in this study. First, this study has been carried out in a setting that is quite different from that in developed countries, such as U.K. or U.S. Furthermore, compared to these developed countries, the public awareness of corporate governance in Malaysia has only been seen to improve significantly following the 1997 crisis. Thus, this might have confounded the findings. Second, this study focuses only on three aspects of corporate governance: board independence, CEO duality, and audit committee independence. Other equally important corporate governance variables, such as ownership pattern, could be investigated as well. For instance, a study examining the role of foreign shareholders or large shareholders might be examined because these shareholders could apply pressure to firms to issue audited financial statements more timely. Finally, it will be fruitful to examine other less investigated corporate governance issues, such as the independence of the nominating committee. The independence of the nominating committee has been found to have significant bearing on firm's performance as documented by Brown and Caylor (2004).

References

1. Abdolmohammadi, M.J. and Levy, S.L. (1992). "Audit Committee Member's Perceptions of their Responsibilities", Internal Auditing, 8, pp. 53-63.
2. Abdullah, S.N. (2002a). "Audit Committee Establishment in Malaysia: Some Insights Prior to the Asian 1997 Financial Crisis", Utara Management Review, 3, pp. 1-18.
3. Abdullah, S.N. (2002b). "Board of Directors' Independence among Listed Companies in an Emerging Economy", Utara Management Review, 3, pp. 27-46.
4. Abdullah, S.N. (2004a). "Board Composition, CEO Duality and Performance among Malaysian Listed Companies", Corporate Governance: International Journal of Business in Society, 4(4), pp. 47-61.
5. Abdullah, S.N. (2004b). "Discretionary Accruals and Non-Discretionary Earnings: The Roles of Boards of Directors and Audit Committees", Journal of Technology & Management,2 (1), pp. 12-26.
6. Abdullah, S.N. (2006). "Board Structure and Ownership in Malaysia: The Case of Listed Distressed Companies", Corporate Governance: International Journal of Business in Society, Forthcoming.
7. Abu Baker, N. and Naser, K. (2000). "Empirical Evidence on Corporate Social Disclosure (CSD)
8. Practices in Jordan", International Journal of Commerce and Management, 10 (3/4), pp18-34.
9. Abu Nassar, M. and Rutherford, B.A. (1996). "External Users of Financial Reports in Less Developed Countries: The Case of Jordan", British Accounting Review, 28, pp. 73-87.
10. Anderson, R. and Epstein, M. (1995). "The Usefulness of Annual Reports", Australian Accountant, April, pp. 25-8.
11. Anderson, R., Mansi, S. and Reeb, D. (2004). "Board Characteristics, Accounting Report Integrity, and the Cost of Debt", Journal of Accounting and Economics, 37 (September), pp. 315-42.
12. Antle, R. and Nalebuff, B. (1991). "Conservatism and Auditor-Client Negotiations", Journal of Accounting Research, 29, pp. 31-54.
13. Ashton, R., Graul, P. and Newton, J. (1989). "Audit Delay and the Timeliness of Corporate Reporting", Contemporary Accounting Research, 5, pp. 657-73.
14. ASX Corporate Governance Council (2003). "Principles of Good Governance and Best Practice Recommendations. Australian Stock Exchange", Sydney, Australia.
15. Baliga, B. Moyer, R. C. and Rao, R. S. (1996). "CEO Duality and Firm Performance: What's the Fuss?", Strategic Management Journal, 17, pp. 41-3.

16. Bamber, E., Bamber, L. and Schoderboek, M. (1993). "Audit Structure and Other Determinants of Audit Report Lag: An Empirical Analysis", Auditing: A Journal of Practice and Theory, 11, pp. 1-23.
17. Baysinger, B. D. and Butler, H.N. (1985). "Corporate Governance and the Board of Directors: Performance effects of Changes in Board Composition", Journal of Law, Economics and Organization, 1, pp. 101-24.
18. Beasley, M.S. (1996). "An Empirical Analysis of the Relation between Board of Director's Composition and Financial Statement Fraud", Accounting Review, 71, pp. 443-65.
19. Beekes, W., Pope, P. and Young, S. (2004). "The Link Between Earnings Timeliness, Earnings Conservatism and Board Composition: Evidence from the UK", Corporate Governance: An International Review, 12 (1), pp. 47-59.
20. Berg, S.V. and Smith, S.K. (1978). "CEO and Board Chairman: A Quantitative Study of Dual vs. Unitary Board Leadership", Directors and Boards, 3, pp. 34-9.
21. Bhagat, S. and Black, B. (2002). "The Non-Correlation between Board Independence and Long-term Firm Performance", Journal of Corporation Law, 27 (Winter), pp. 231-74.
22. Brickley, J.A., Coles, J.L. and Terry, R.L. (1994). "Outside Directors and the Adoption of Poison Pills", Journal of Financial Economics, 35, pp. 37-90.
23. Brown, L.D. and Caylor, M.L. (2004). "Corporate Governance and Firm Performance", [Online]Availableat:http://www.ssrn.com/abstract=586423.
24. Bursa Malaysia (2001). "Listing Requirements for Main Board and Second Board", Kuala Lumpur: Bursa Malaysia. [Online]. Available at: http://www.bursamalaysia.com/website/listing/listingreqs_mbsb.htm.)
25. Byrd, J. W. and Hickman, K.A. (1992). "Do Outside Directors Monitor Managers? Evidence from Offer Bids", Journal of Financial Economics, 32, pp. 195-222.
26. Cadbury Report (1992). "Report of the Committee on the Financial Aspects of Corporate Governance", London: Gee and Co.
27. Cadbury, A. (1997). "Board Focus – The Governance Debate", Great Britain: Egon Zehnder International.
28. Carslaw, C. and Kaplan, S. (1991). "An Examination of Audit Delay: Further Evidence from New Zealand", Accounting and Business Research, 22, pp. 21-32.
29. Chaganti, R. S., Maharajan, V. and Sharma, S. (1985). "Corporate Board Size, Composition and Corporate Failures in Retailing Industry", Journal of Management Studies, 22, pp. 400-17.
30. Chambers, A.E. and Penman, S.H. (1984). "Timeliness of Reporting and Stock Price Reaction to Earnings Announcements", Journal of Accounting Research, 22, pp. 21-47.
31. Che-Ahmad, A. and Abidin, S. (2001). "Auditor Industry Specialization, Brand Name Auditors and Financial Reporting Lag", Working Paper, Universiti Utara Malaysia.
32. Collier, P.A. (1993a). "Factors Affecting the Formation of Audit Committees in Major UK Listed Companies", Accounting and Business Research, 23, pp. 421-30.
33. Collier, P.A. (1993b). "Audit Committees in Major UK Companies", Managerial Auditing Journal, 8(3), pp. 25-30.
34. Companies Act 1965 (2003). Companies Act 1965 (Act 125) & Subsidiary Legislation, Kuala Lumpur: ILBS.
35. Courtis, J.K. (1976). "Relationship between Timeliness of in Corporate Reporting and Corporate Attributes", Accounting and Business Research, 6, pp. 45-56.
36. Daynton, N.K. (1984). "Corporate Governance: The Other Side of the Coin", Harvard Business Review, 62, pp. 34-7.
37. Dechow, P.M., Sloan, R.G. and Sweeney, A.P. (1996). "Causes and Consequences of Earnings Management: An Analysis of Firms Subject to Enforcement Actions by the SEC", Contemporary Accounting Research, 13, pp. 1-36.
38. Dye, R.A. (1991). "Informationally Motivated Auditor Replacement", Journal of Accounting and Economics, 14, pp. 347-74.
39. Dyer, J.C. and McHugh, A.J. (1975). "The Timeliness of the Australian Annual Reports", Journal of Accounting Research, 13, pp. 204-19.
40. Fama, E. and Jensen, M.C. (1983). "Separation of Ownership and Control", Journal of Law and Economics, 26(2), pp. 301-26.
41. Forsberg, R. (1989). "Outside Directors and Monitoring", Akron Business and Economic Review, 20 (Summer), pp. 24-32.
42. Givoly, D. and Palmon, D. (1982). "Timeliness of Annual Earnings Announcements: Some Empirical Evidence", Accounting Review, 57, pp. 486-508.
43. Goodwin, J. and Seow, J.L. (2000). "Corporate Governance in Singapore: Perceptions of Investors, Directors and Auditors", Accounting and Business Review, 7, pp. 39-68.
44. Hampel Report (1998). "Final Report of the Committee on Corporate Governance", London: Gee & Co.
45. Haniffa, R.M. and Cooke, T.E. (2002). "Culture, Corporate Governance and Disclosure in Malaysian Corporations", ABACUS, 38 (3), pp. 317-50.
46. Hermalin, B. and Weisbach, M. (1991). "The Effects of Board Composition and Direct Incentives on Firm Performance", Financial Management, 20 (Winter), pp. 101-12.
47. High Level Finance Committee (1999). "Report on Corporate Governance", Kuala Lumpur: Finance Committee on Corporate Governance.
48. High Level Finance Committee (2001). "Malaysian Code on Corporate Governance", Kuala Lumpur: Malayan Law Journal Sdn. Bhd.
49. Hossain, M., Tan, L.M. and Adams. M.B. (1994). "Voluntary Disclosure in Emerging Capital Market: Some Empirical Evidence from Companies Listed on the Kuala Lumpur Stock Exchange", The International Journal of Accounting, 29(4), pp. 339-51.

50. Jemison, D. and Oakley, P. (1983). "Corporate Governance in Mutual Insurance Companies", Journal of Business Research, 11, pp. 501-22.
51. Jensen, M. (1993). "The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems", Journal of Finance, 48 (July), pp. 831-80.
52. Jensen, M. and Meckling, W. (1976). "Theory of the Firm: Managerial Behavior, Agency Costs, and Capital Structure", Journal of Financial Economics, 3, pp. 305-60.
53. Johnson, L. E. (1998). "Further Evidence on the Determinants of Local Government Audit Delay", Journal of Public Budgeting, Accounting and Financial Management, 10, pp. 375-9.
54. Kadir, A. (2000). "Corporate Governance in Malaysia: Achievements and Challenges", Malaysian Accountant, December, pp. 19-24.
55. Kini, O., Kracaw, W. and Mian, S. (1995). "Corporate Takeovers, Firm Performance, and Board Composition", Journal of Corporate Finance: Contracting, Governance and Organization, 1, pp. 383-412.
56. Klein, A. (1998). "Firm Performance and Board Committee Structure", Journal of Law and Economics, 41, pp. 137-65.
57. Klein, A. (2002). "Audit Committee, Board of Directors, and Earnings Management", Journal of Accounting and Economics, 33, pp. 375-400.
58. Knechel, W.R. and Payne, J.L. (2001). "Additional Evidence on Audit Report Lag", Auditing: A Journal of Practice and Theory, 11, pp. 1-23.
59. Kolins, W.A., Cangemi, M.P. and Tomasko, P.A. (1991). "Eight Essential Attributes of An Audit Committee", Internal Auditing, 7, pp. 3-18.
60. Kosnik, R.D. (1987). "Greenmail: A study of Board Performance in Corporate Governance", Administrative Science Quarterly, 32(2), pp. 163-185.
61. Kosnik, R.D. (1990). "Effects of Board Demography and Directors' Incentives on Corporate Greenmail Decisions", Academy of Management Journal, 33(1), pp. 129-50.
62. Kross, W. and Schroeder, D.A. (1984). "An Empirical Investigation of the Effect of Quarterly Earnings Announcement Timing on Stock Returns", Journal of Accounting Research, 22, pp. 153-76.
63. Magee, R.P. and Tseng, M.C. (1990). "Audit Pricing and Independence", Accounting Review, 65, pp. 315-36.
64. Malaysian Accounting Standards Board (MASB) 1, (1999). "Presentation of Financial Statements", Kuala Lumpur: MASB.
65. Mautz, R.K. (1968). "Financial Reporting by Diversified Companies", Financial Executive Research Foundations, New York.
66. Menon, K. and Williams, J.D. (1994). "The Use of Audit Committees for Monitoring", Journal of Accounting and Public Policy, 13, pp. 121-39.
67. Miller, W. H. (1997). "Make it Chairman and CEO", Industrial Week, January, p. 50.
68. Mohd-Nasir, N. and Abdullah, S.N. (2004). "Voluntary Disclosure and Corporate Governance among Financially Distressed Firms in Malaysia", Financial Reporting, Regulation and Governance, 3 (1), 95-139.
69. National Commission on Fraudulent Reporting (Treadway Committee) (1987). "Report of the National Commission on Fraudulent Reporting", Washington D.C.: NCFFR.
70. Nelson, M.W., Elliott, J.A. and Tarpley, R.L. (2000). "Where Do Companies Attempt Earnings Management, and When Do Auditors Prevent It?" Working Paper, Cornell University and George Washington University.
71. Owusu-Ansah, S. (2000). "Timeliness of Corporate Reporting in Emerging Capital Markets: Empirical Evidence from the Zimbabwe Stock Exchange", Accounting and Business Research, 30, pp. 241-54.
72. Peasnell, K.V., Pope, P.F. and Young, S. (2000). "Accrual Management to Meet Earnings Targets: UK Evidence Pre and Post-Cadbury", British Accounting Review, 32, pp. 415-45.
73. Pincus, K., Rusbarsky, M. and Wong, J. (1989). "Voluntary Formation of Corporate Audit Committees among NASDAQ Firms", Journal of Accounting and Public Policy, 8, pp. 239-65.
74. Press, E. and Weintrop, J. (1990). "Accounting Based Constraints in Public and Private Debt Agreements: Their Association with Leverage and Impact on Accounting Choices", Journal of Accounting and Economics, 12, pp. 65-95.
75. Rechner, P. (1989). "Corporate Governance: Fact or Fiction?", Business Horizons, 32(4), pp. 11-5.
76. Rechner, P. L. and Dalton, D.R. (1991). "The Impact of CEO as Board Chairperson on Corporate Performance: Evidence vs. Rhetoric", Academy of Management Executive,3, pp.141-3.
77. Rezaee, Z. (2003). "High-Quality Financial Reporting: The Six-Legged Stool", Strategic Finance, February, pp. 26-30.
78. Rosenstein, S. and Wyatt, J, (1990). "Outside Directors: Board Independence and Shareholder Wealth", Journal of Financial Economics, 26 (August), pp. 175-91.
79. Ross, S. (1979). "Disclosure Regulation in Financial Markets; Implication of Modern Finance Theory and Signaling Theory", in F. Edwards (Ed.), *Issues in Financial Regulation*, McGraw-Hill.
80. Smith, C. and Warner, J. (1979). "On Financial Contracting: An Analysis of Bond Covenants", Journal of Financial Economics, 7, pp. 117-61.
81. Vinten, G. and Lee, C. (1993). "Audit Committees and Corporate Control", Managerial Auditing Journal, 8, pp. 11-24.
82. Watts, R. and Zimmerman, J. (1986). "Positive Accounting Theory", Englewood Cliffs, New Jersey: Prentice Hall.
83. Weisbach, M. (1988). "Outside Directors and CEO Turnover", Journal of Financial Economics, 20, pp. 431-60.
84. Whittred, G. (1980). "Audit Qualification and the Timeliness of Corporate Annual Reports", Accounting Review, 55, pp. 563-77.