



UNIVERSITI MALAYA

**CHAIRMAN OF BOARD AUDIT COMMITTEE,
CHIEF INTERNAL AUDITOR/INTERNAL AUDITOR
Of Banking Institutions in Malaysia**

YAB/Y.Bhg Tan Sri/Datuk/Encik/Cik/Sir,

**Survey on the Relationship Between Audit Committee Effectiveness
and Internal Auditors' Professional Objectivity**

This survey is part of a study that empirically investigates the relationship between audit committee effectiveness and internal auditors' professional objectivity in Malaysian banking institutions.

This study is undertaken as a partial fulfillment towards completion of a postgraduate degree at the faculty of Business & Accounting, University of Malaya. The findings of this study will provide valuable information that may be useful for policymakers, shareholders, board of directors, management and auditors of banking institutions in Malaysia.

This project is undertaken under the supervision of Associate Professor Dr Susela Devi of the Faculty of Business & Accounting of University of Malaya. The information obtained from the institutions will be studied on an aggregate basis and will be treated with utmost confidentiality. None of the names of person or organization will be identified or revealed.

We hope that you will kindly spare some of your precious time to complete the attached questionnaire. Your candid and honest feedback will be very useful. Thank you.

Yours sincerely,

.....
Panir Selvam Kannan
Faculty of Business & Accounting
University of Malaya

E-Mail : kpselvam@tm.net.my

SURVEY QUESTIONNAIRES

The following are the questionnaires to be completed by AUDIT COMMITTEE CHAIRMAN / CHIEF INTERNAL AUDITORS/ INTERNAL AUDITORS of Banking Institutions in Malaysia

PART I : Background Information

[Please tick (☐) or fill in the blanks.

1. Your **position** in the organization: (please tick)

Audit committee chairman	<input type="checkbox"/>
Chief internal auditor	<input type="checkbox"/>
Internal auditor	<input type="checkbox"/>

2. Please tick the box if you are:

Certified Internal auditor (CIA)	<input type="checkbox"/>
Member of Institute of Internal Auditors	<input type="checkbox"/>
Others(specify):	<input type="checkbox"/>

3. Your organization is
a) **Banking Institution:**

Local ☐
Foreign..... ☐

- b) **Listed under KLSE**

yes	<input type="checkbox"/>
no	<input type="checkbox"/>

- c). **Subsidiary of KLSE listed company**

yes	<input type="checkbox"/>
no	<input type="checkbox"/>

4. Your years of service in the present organization and years of previous internal auditing/audit committee **experience**, where applicable: _____ years

5. **Gender**

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

6. **Age**

years

7. Number of internal auditors in your organization: _____

PART II: AUDIT COMMITTEE EXISTENCE, ITS COMPOSITION, FUNCTIONS, RELATIONSHIP WITH MANAGEMENT, INTERNAL AUDITORS ETC

Please tick (☒) or fill in the blanks.

1) Does your organization have an Audit Committee(AC)?.....☐Yes / ☐No

1.1 Does your organization's internal audit report to holding company's AC?
☐Yes / ☐No

2) Does the chief internal auditor (or compliance officer, where applicable) report directly to the AC?.....☐Yes / ☐No

3) Is the AC responsible for the appointment of chief internal auditor and determining his/her remuneration and the department's budget.....☐Yes / ☐No

4) How often does the chief internal auditor meet the AC privately (without the presence of management)? . Please specify _____

5) Frequency of AC meetings, size, composition, profession and experience.

5.1 How often does the AC meet?

<input type="checkbox"/>	Monthly
<input type="checkbox"/>	Quarterly
<input type="checkbox"/>	Half-Yearly
<input type="checkbox"/>	Yearly
<input type="checkbox"/>	Others, please specify.....

5.2 Audit committee size, composition and experience (please state total audit committee experience.

<u>No. of Directors</u>	<u>Profession</u>	<u>Working Experience</u> <u>/(AC experience)</u> (in years)	<u>Qualifications</u>
<i>Executive Directors</i>	(e.g. lawyers		
[State in numbers]			
1.			
2.			
3.			
4.			

<u>No. of Directors</u>	<u>Profession</u>	<u>Working Experience</u> <u>/(AC experience)</u> (in years)	<u>Qualifications</u>
<i>Non-Exec Directors</i>	(e.g. lawyers accountants)		
[State in numbers]			
1.			
2.			
3.			
4.			
5.			

<u>No. of Directors</u>	<u>Profession</u>	<u>Working Experience</u> <u>/(AC experience)</u> (in years)	<u>Qualifications</u>
<i>Independent Non - Executive Directors</i>	(e.g. lawyers accountants)		
[State in numbers]			
1.			
2.			
3.			
4.			
5.			

5.3 Is the chairman of the AC an independent director?.....☐Yes / ☐No

5.4 Numbers of members required to attend AC meetings to constitute a quorum : _____

5.5 Are the following staff in attendance during the AC meetings?

Auditee (management)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Chief Operating Officer/CEO/MD	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Compliance Officer	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Others _____ (specify)		

6).How often does your board of directors review the **terms of office and performance of AC and each of its members?**

<input type="checkbox"/>	Once a year
<input type="checkbox"/>	Every two years
<input type="checkbox"/>	Every three years
<input type="checkbox"/>	Every 4 years or above
<input type="checkbox"/>	No review

7). Does the AC have its **terms of reference** (which deals with its authorities and duties) approved by your board of directors? ☐ Yes / ☐ No

8). How often is the AC's **terms of reference** reviewed?

<input type="checkbox"/>	Once a year
<input type="checkbox"/>	Every two years
<input type="checkbox"/>	Every three years
<input type="checkbox"/>	Every 4 years or above
<input type="checkbox"/>	No review

9). Does the **internal auditor** have an audit **charter** approved by the AC? ☐ Yes / ☐ No

10). How often does the AC **review** the **internal audit charter**?

<input type="checkbox"/>	Once a year
<input type="checkbox"/>	Every two years
<input type="checkbox"/>	Every three years
<input type="checkbox"/>	Every 4 years or above
<input type="checkbox"/>	No review

11) How often does the AC approve, review and evaluate the audit plan, the performance, independence, scope and activities of the internal and the external auditors?

<input type="checkbox"/>	Once a year
<input type="checkbox"/>	Every two years
<input type="checkbox"/>	Every three years
<input type="checkbox"/>	Every 4 years or above
<input type="checkbox"/>	No review

12). Does the AC **actively monitor the corrective actions taken by management** on all audit findings/observations of the internal and external auditors as well as those arising from inspections conducted by regulatory authorities?

Yes / No

13). Does the AC review the following:-

- | | | | | |
|------|--|-----|---|----|
| i) | Internal accounting & financial controls | Yes | / | No |
| ii) | Alternative to Generally Accepted Accounting principles | Yes | / | No |
| iii) | Significant changes in accounting policies | Yes | / | No |
| iv) | Year-end adjustments, accounting estimates and judgments | Yes | / | No |
| v) | Annual financial statements & interim reports | Yes | / | No |
| vi) | Compliance with applicable laws & regulations | Yes | / | No |
| vii) | Adequacy of risk management practices | Yes | / | No |
| vii) | Breaches, irregularities, fraud and defalcations etc. | Yes | / | No |
| ix) | Changes in statutory/regulatory requirements | Yes | / | No |

14) How often does the AC meets the full board to present their reports.

<input type="checkbox"/>	Monthly
<input type="checkbox"/>	Quarterly
<input type="checkbox"/>	Half Yearly
<input type="checkbox"/>	Yearly
<input type="checkbox"/>	Others (please specify).....

15) Does the **executive management** give full support to the AC and internal auditors in discharging their duties.

Yes / No

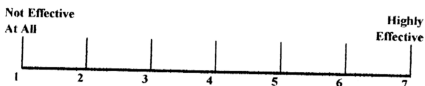
16) You may wish to give reasons or explanations for any of the questions in this part where you have stated 'NO', 'Not At All' or 'No Review'.

[illegible]

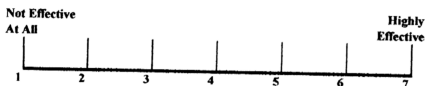
PART III : QUESTIONNAIRE ON AUDIT COMMITTEE EFFECTIVENESS

Please circle one of the numbers between 1 and 7 in the scale given in line with your response to Part II.

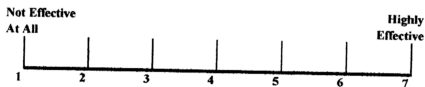
1. With the current/existing AC size and composition as set out earlier under Part II – item 5, in your opinion how effective is the AC?



2. How effective is your AC in terms of **competence and conversance with issues** discussed at AC meetings?

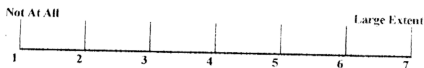


3. How effective is your AC with the current policy on the review of their **terms of office** (refer to question 6 in Part II)?

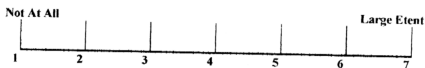


4. To what extent is the effectiveness of your AC enhanced when:

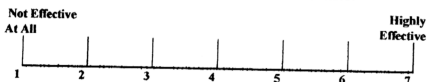
- a) their authority, responsibility, and resources required are specified in a **AC Charter** approved by the board?



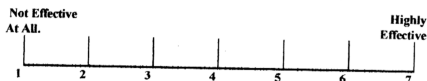
b) the board reviews, revises and approves the AC charter



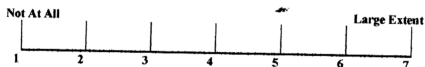
5. How effective is your AC in periodically evaluating the **performance and independence** of both the internal and the external auditors?



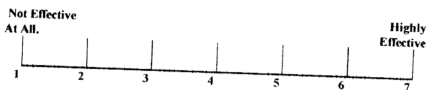
6. How effective is your AC in reviewing and analyzing the scope, activities and **results of the annual audit** by the external auditors.



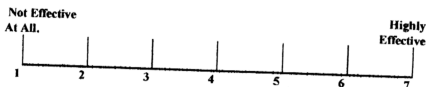
7. To what extent is your AC effective in **monitoring the corrective actions taken by management** of reported deficiencies in the external auditors management letter and in supervisory authorities reports?



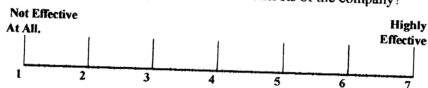
8. How effective is your AC in reviewing and analyzing the scope, activities, and results of the **internal auditors work**, and the **management** 's response to their report?



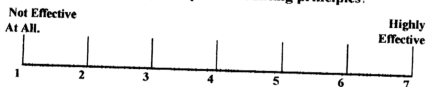
9. How effective is your AC in **communicating** with both the internal and the external auditor?



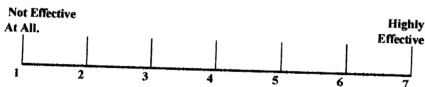
10. How effective is your AC in reviewing and analyzing the **effectiveness of the internal accounting and financial controls** of the company?



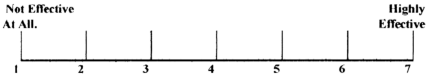
11. How effective is your AC in reviewing and analyzing the **applications of alternative generally accepted accounting principles**?



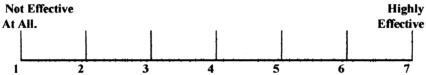
12. How effective is your AC in reviewing and analyzing **significant changes in accounting policies, year-end adjustments and accounting estimates and judgments**?



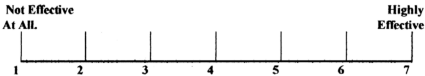
13. How effective is your AC in reviewing the **annual financial statements and interim reports** in general?



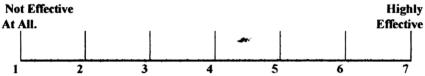
14. How effective is your AC with the existing **frequency of their meetings**?



15. How effective will your AC be if it **complies fully with all the BNM/ GP 1 [Guidelines on Directorship in Banking Institutions] and BNM/ GP 10 [Guidelines on Minimum Audit Standards for Internal Auditors of Financial Institutions]**



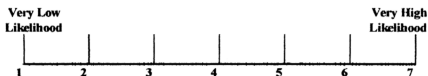
16. How effective will your AC be if it **complies fully with KLSE listing requirement** where your institution is a public listed company?



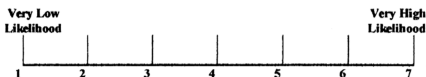
PART IV :
**QUESTIONNAIRE ON THE RELATIONSHIP BETWEEN AUDIT
COMMITTEES (AC) AND INTERNAL AUDITORS' PROFESSIONAL
OBJECTIVITY**

Please circle one of the numbers between 1 and 7 of the scale given.

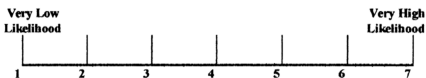
1. Are internal auditors likely to be more objective when they have **direct channel of communication** with the AC?



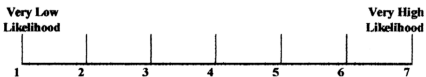
2. Are internal auditors likely to be more objective and independent, when the internal audit department is **established by a charter** approved by the AC?



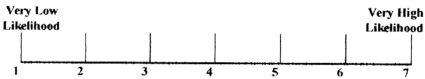
3. Will the internal auditors' objectivity and independence be enhanced if the AC **reviews and revises the internal audit charter** as and when necessary?



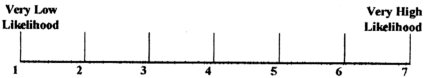
4. Will the internal auditors' objectivity and independence be enhanced if the AC is **responsible for their hiring and firing**?



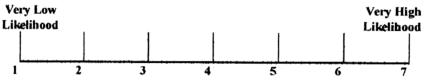
5. Will the internal auditors' objectivity and independence be improved if their remunerations, annual increments, budgets and performance related incentives decided by the AC?



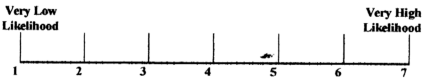
6. Will the internal auditors' objectivity and independence be enhanced if the chief internal auditor has private meetings with the AC (without the presence of management and the external auditor), at least once a year?



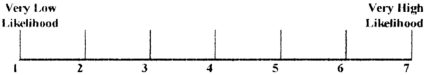
7. Is the internal auditor likely to see actions by management on his audit recommendations when they have direct access to the AC?



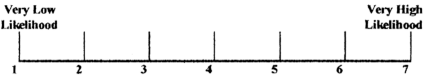
8. Will the internal auditor be more objective and independent where the AC reviews it programmes, work and performances regularly?



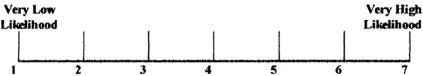
9. Will the internal auditors objectivity and independence be enhanced, if the AC assesses any difficulties or audit scope restrictions that the internal auditor had encountered during the audit?



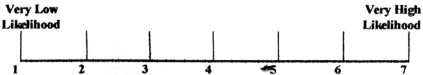
10. Will the internal auditors objectivity and independence be **impaired** if **executive management does not treat/endorse internal audit** function equally like other business functions and give the necessary support,



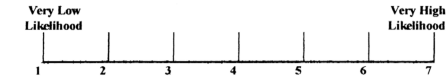
11. The **chief executive officer asks the internal auditor not to audit** certain operations, even though it has already been specified in the audit program approved by the AC. **What is the likelihood that your internal auditor will still carry out the audit or at least seek the decision of AC?**



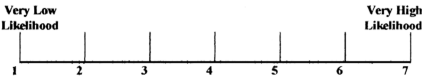
12. The **chief executive officer has asked the chief internal auditor not to discuss** with the AC a highly **embarrassing financial exposure** identified during an audit. Is your internal auditor likely to discuss this issue with the AC?



13. One of the senior management **restricted auditor access** to his travel and expense report. Is the internal auditor likely to report this to the AC?



14. Internal auditors **disagree with the Finance Director on the materiality of certain unrecorded liabilities**, which were incurred in the previous year that were not paid or recorded until the following year. Is the internal auditor likely to report this to the AC?



15. Please provide your comments or explanations, if any, to any of the questions administered:

.....

.....

.....

.....

.....

.....

.....

.....

P.S. Please be assured that all responses will be treated with strict confidentiality.
THANK YOU.

Reliability Analysis

A) Reliability Test Results for Part III of Survey Questions

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
C1	91.6286	69.5345	.8058	.9003
C2	91.5429	71.9613	.6175	.9058
C3	91.8571	72.4202	.5414	.9079
C4A	91.4571	72.1378	.6242	.9057
C4B	91.6000	71.8353	.5761	.9069
C5	91.6000	72.3647	.7449	.9037
C6	91.7143	74.9748	.4193	.9111
C7	91.6286	72.1815	.6675	.9048
C8	91.6286	68.3580	.8589	.8983
C9	91.6000	73.1882	.7273	.9047
C10	92.2857	70.0336	.4276	.9161
C11	92.7714	67.7109	.4502	.9192
C12	91.9429	66.3496	.7047	.9028
C13	91.5429	72.2555	.6312	.9056
C14	91.5429	68.9025	.8281	.8993
C15	91.5143	74.1983	.5823	.9075

R E L I A B I L I T Y A N A L Y S I S - S C A L E (A L P H A)

Reliability Coefficients

N of Cases = 35.0 N of Items = 16 Alpha = .9116

B) Reliability Test Results for Part IV of Survey Questions

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
D1	82.2500	47.7357	.4690	.8080
D2	82.2778	47.4635	.4008	.8092
D3	82.5556	47.9111	.2210	.8192
D4	82.5833	42.7643	.6001	.7929
D5	82.6667	42.3429	.7136	.7861
D6	83.1111	39.7587	.5243	.8010
D7	82.4444	45.3968	.5609	.7997
D8	82.7222	43.5206	.6184	.7932
D9	82.5278	45.1706	.5254	.8006
D10	82.6111	45.4444	.2589	.8234
D11	82.7222	43.3492	.3385	.8192
D12	82.6111	42.5302	.4072	.8114
D13	82.2222	46.9206	.4820	.8057
D14	82.2500	45.6214	.6438	.7980

R E L I A B I L I T Y A N A L Y S I S - S C A L E (A L P H A)

Reliability Coefficients

N of Cases = 36.0 N of Items = 14 Alpha = .8164