

# **APPENDICES**

GRADUATE SCHOOL OF BUSINESS  
UNIVERSITY OF MALAYA

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RESEARCH QUESTIONNAIRES FOR MBA STUDY

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December 2004

Dear Sir / Madam,

This questionnaire is intended for the academic research project on **'THE ROLE OF INTERNAL AUDIT TOWARD CORPORATE GOVERNANCE DEVELOPMENT IN MALAYSIA.'**

The increasing emphasis on corporate governance has driven many organisations to enhance their corporate governance structures and frameworks. Internal auditing is an integral part of corporate governance. The internal audit department, often seen as a cost centre, is slowly gaining its footing as value-added division that can help organisations become more efficient and effective in their business operations.

Good corporate governance requires more than an active board, the right committees and meeting the legal requirements. In fact, good corporate governance requires establishing internal audit function, creating a culture of ethics, having governance framework, ensuring management has a comprehensive understanding of how to manage risks and the right monitoring processes.

This study aims to examine the role of internal audit toward corporate governance development in Malaysia, with particular reference to the role of internal control.

Your kind assistance in the successful completion of the questionnaire is both invaluable and fundamental. Your response will be used for academic studies only and be kept strictly confidential. ONLY summary results for all correspondents will be reported.

Again, thank you for your kind assistance toward this research.

Best regards,  
Howard Ang Sae Haou

**Survey on Internal Audit's Role - in the area of Internal Control**

This survey questionnaire comprises of 5 parts, in accordance with the Committee of Sponsoring Organisation (COSO) model's definition of internal control.

- Part 1: Control Environment
- Part 2: Risk Assessment
- Part 3: Control Activities
- Part 4: Information and Communication
- Part 5: Monitoring

Your opinion towards each statement are categorised into 6 levels as shown below:

- 1 = Strongly Disagree
- 2 = Moderately Disagree
- 3 = neither Agree nor Disagree
- 4 = moderately Agree
- 5 = Strongly Agree
- NA = Not Applicable

Please select the answer that best expresses your opinion. For instance, if you strongly agree with a particular statement, you may mark "X" in the box beneath the number 5. (Please give only one answer to each statement.)

If you have queries about this questionnaire please call me at 019-385 9168 or e-mail: [saehaou@pd.jaring.my](mailto:saehaou@pd.jaring.my) or [howard\\_ang@yahoo.com](mailto:howard_ang@yahoo.com)

Your prompt response to this survey is very much appreciated.

**Questionnaire:**

*This questionnaire will be used strictly for academic research purpose only. ALL information given will be treated as private and confidential.*

**Part 1 - CONTROL ENVIRONMENT**

**i. Board and Audit Committee**

- 1 The board constructively challenges management's planned decisions, e.g., strategic initiatives and major transactions, and probes for explanations of past results.
- 2 Directors have sufficient knowledge, industry experience and time to serve effectively.
- 3 The audit committee reviews the scope of activities of the internal and external auditors.
- 4 A process exists for informing the board of significant issues and information is communicated timely.
- 5 The board and audit committee are involved sufficiently in evaluating the effectiveness of the "tone at the top" and takes steps to ensure the appropriate "tone".

Agree		Disagree				
5	4	3	2	1	N/A	

**ii. Management's Philosophy and Operating Style**

- 6 Management accepts the appropriate amount of business risk.
- 7 Key personnel have not resigned unexpectedly or on short notice, and employee turnover is not excessive.
- 8 Management meetings are held periodically within your function and are frequently attended by senior management.
- 9 Management views accounting treatment for transactions or activities in a balanced manner, neither too aggressive nor too conservative.
- 10 Management appropriately balances the focus on short-term reported results with long-term business objectives and does not exert inappropriate pressure to achieve earnings objectives.
- 11 Estimates required for your function's activities are based on sound models, verifiable market data, and fair assumptions.


**iii. Organisational Structure**

- 12 Management treats your function as an integral part of the Company's overall operations.
- 13 The current organisational structure facilitates the flow of information both up and down within your function and across to other functions.
- 14 Managers and process owners in your function have ready access to senior management in addressing significant issues.
- 15 Management periodically evaluates the organisational structure relevant to your function in light of changes in the scope, nature, or extent of your operations.
- 16 Employees do not work excessive overtime and do not fulfil the responsibilities of more than one employee.


**iv. Assignment of Authority and Responsibilities**

- 17 Specific limits are established for certain types of transactions and delegations are clearly communicated and understood by employees within your function.
- 18 Job descriptions for your function's personnel include specific references to control related responsibilities.
- 19 Management accepts responsibility for information generated within your function and on reported results.
- 20 Managers in your function are appropriately empowered.


**Part 2 - RISK ASSESSMENT**

**i. Company-Wide Objectives**

- 21 Management has established and clearly communicated the Company's mission, strategy and business objectives.
- 22 Feedback mechanisms are in existence that enables management to periodically assess whether Company-wide objectives have been achieved.
- 23 Key performance indicators and measurement criteria for achieving Company-wide objectives have been communicated and are uniformly understood.

Agree		Disagree				
5	4	3	2	1	N/A	

**ii. Risk Identification**

- 24 Adequate mechanisms are in place to identify and assess barriers to achieving objectives for processes in your function.
- 25 The process used to analyse risks in your function is clearly understood and includes estimating the significance of risks, assessing the likelihood of their occurring, and determining steps to mitigate them.
- 26 Adequate mechanisms are in place to identify and assess barriers to achieving Company-wide objectives.


**iii. Managing Change**

- 27 Formal and/or informal mechanisms exist that anticipate, identify, and respond to routine events or activities that could have an impact upon achieving Company-wide objectives.
- 28 Mechanisms exist to incorporate changes to the Company mission and strategy into Company-wide objectives.


**Part 3- CONTROL ACTIVITIES**

**i. Policies and Procedures**

- 29 Appropriate policies and procedures have been developed and implemented for each of your function's major processes.
- 30 Appropriate and timely actions are taken on exceptions to your function's policies and procedures.
- 31 Policies and procedures identify how processes are to be performed and monitored and who is responsible for carrying them out

Agree		Disagree				
5	4	3	2	1	N/A	

**ii. Control Activities in Place**

- 32 Control activities described in policy and procedure manuals are actually applied the way they are intended to be applied and relate clearly to identified risks.
- 33 Effective procedures have been established for the routine verification of the accuracy of data when it is entered, processes, generated, distributed, or transferred.
- 34 Individuals from your function have appropriate responsibility for control over assets and data and the processing of transactions.
- 35 Effective contingency plans have been developed and documented for your function to deal with service interruptions if they occur.
- 36 Periodic tests of contingency and disaster recovery plans take place to make sure they are current, operational, and effective


**Part 4 - INFORMATION AND COMMUNICATION**

**i. Quality of Information**

- 37 Adequate information gathering mechanisms are in place to capture and process data so that transactions can be conducted in an orderly and efficient manner.
- 38 Reports generated and/or used by your function are adequate and contain sufficient and meaningful information.
- 39 Mechanisms exist for identifying emerging information needs.
- 40 An information technology plan has been developed for your function that is linked to achieving your function's objectives.

Agree		Disagree				
5	4	3	2	1	N/A	

**ii. Effectiveness of Communication**

- 41 Employees' roles and responsibilities regarding internal control and risk assessment are communicated clearly and effectively by management, and these roles and responsibilities are uniformly understood.
- 42 Information is communicated effectively both up and down within your function and across to other functions.
- 43 Persons who report suspected impropriety are provided feedback and are immune from reprisals.
- 44 Good employee suggestions are acknowledged by providing incentives or other meaningful recognition.


**Part 5 - MONITORING**

**i. On-Going Monitoring**

- 45 Management has established performance measures for processes in your function and receives periodic reports of results against those measures.

Agree		Disagree				
5	4	3	2	1	N/A	



## APPENDIX B

### Demographic Profile: Age, Gender, Educational Level, Job Level, and Years of Working

#### AGE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-24	1	2.7	2.7	2.7
25-29	2	5.4	5.4	8.1
30-34	9	24.3	24.3	32.4
35-39	16	43.2	43.2	75.7
>40	9	24.3	24.3	100.0
Total	37	100.0	100.0	

#### GENDER

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	25	67.6	67.6	67.6
female	12	32.4	32.4	100.0
Total	37	100.0	100.0	

#### EDUCATIO

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Degree	22	59.5	59.5	59.5
Post Graduate	15	40.5	40.5	100.0
Total	37	100.0	100.0	

#### JOB

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid audit junior	2	5.4	5.4	5.4
audit senior	8	21.6	21.6	27.0
manager	22	59.5	59.5	86.5
Head of Audit	5	13.5	13.5	100.0
Total	37	100.0	100.0	

#### YRS.WK

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5 yrs	4	10.8	10.8	10.8
6-10 yrs	6	16.2	16.2	27.0
10-15 yrs	12	32.4	32.4	59.5
16-20 yrs	12	32.4	32.4	91.9
> 20 yrs	3	8.1	8.1	100.0
Total	37	100.0	100.0	

## APPENDIX B

### Demographic Profile: Years with the present company, IIA Membership and CIA

YRS.COY

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5 yrs	12	32.4	32.4	32.4
6-10	18	48.6	48.6	81.1
11-15	5	13.5	13.5	94.6
16-20	1	2.7	2.7	97.3
> 20	1	2.7	2.7	100.0
Total	37	100.0	100.0	

IIA

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	26	70.3	70.3	70.3
no	11	29.7	29.7	100.0
Total	37	100.0	100.0	

CIA

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	6	16.2	16.2	16.2
no	31	83.8	83.8	100.0
Total	37	100.0	100.0	

## APPENDIX C

### Respondent Profile – by company name

Name of companies	Industry	Frequency
AmFinance Bhd	Banking & Fin	3
Hong Leong Bank Bhd	Banking & Fin	1
Public Bank Bhd	Banking & Fin	1
Southern Bank Bhd	Banking & Fin	1
Cycle & Carriage (M) S/B	Commercial	1
Golden Frontier Bhd	Commercial	1
Petronas	Commercial	2
Royal Selangor Int'l S/B	Commercial	1
Scomi Group Bhd	Manufacturing	2
Ahmad Zaki Resources Bhd	Construction	1
MK Land Bhd	Construction	1
HELP University College	Education	2
SEG International Bhd (Systematics)	Education	3
ING Insurance Bhd	Banking & Fin	2
Radicare (M) S/B	IT	1
AIC Corp Bhd	Manufacturing	2
Cahaya Mata Sarawak Bhd	Other - various	1
Sime Group	Other - various	1
Tanjung Management Services S/B	Other - gaming	2
Landmaks Bhd	Other – various	3
Media Prima Bhd	Other - Broadcast	1
Indah Water Konsortium	Other – Infra	1
Utusan Melayu (M) Bhd	Other – news	1
Maxis Communications	Telecom	2
<b>Total N</b>		<b>37</b>

### Respondent Profile – by industry

Industry	Frequency
Banking and Finance	8
Commercial	5
Education	5
Other - various	5
Manufacturing	4
Telecom	2
Construction	2
IT	1
Other - Broadcast	1
Other - Infra	1
Other - Gaming	2
Other - news	1
<b>Total N</b>	<b>37</b>



## APPENDIX D

### Mean Responses influenced by Number of Years Working, Job Level, Educational Level, Gender and IIA Membership

<b>YRS.WK</b>	<b>Mean</b>	<b>N</b>	<b>% of Total N</b>
1-5 yrs	3.6773	4	10.81%
6-10 yrs	4.2485	6	16.22%
10-15 yrs	3.4258	12	32.43%
16-20 yrs	3.8076	12	32.43%
> 20 yrs	3.9030	3	8.11%
		37	100.00%

<b>Job Level</b>	<b>Mean</b>	<b>N</b>	<b>% of Total N</b>
H.O.D.	3.7909	2	5.41%
Manager	3.9500	8	21.62%
Senior	3.6355	22	59.46%
Junior	3.9091	5	13.51%
		37	100.00%

<b>Educational Level</b>	<b>Mean</b>	<b>N</b>	<b>% of Total N</b>
Diploma	0.0000	0	0
Degree	3.4510	22	59.46%
Post Grad.	3.2870	15	40.54%
Doctoral	0.0000	0	0.00%
		37	100.00%

<b>Gender</b>	<b>Mean</b>	<b>N</b>	<b>% of Total N</b>
Male	3.8029	25	67.57%
Female	3.2870	12	32.43%
		37	100.00%

<b>IIA Membership</b>	<b>Mean</b>	<b>N</b>	<b>% of Total N</b>
Yes	3.6951	26	70.27%
No	3.8760	11	29.73%
		37	100.00%

## APPENDIX E

### Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation	Mode
1. Board constructively challenges management's planned decisions and probes for explanations of past results.	37	2.00	5.00	3.5676	.92917	3
2. Directors have sufficient knowledge, industry experience and time to serve effectively.	37	2.00	5.00	3.5946	.89627	3
3. Audit committee reviews the scope of activities of the internal & external auditors.	37	3.00	5.00	3.6216	.82836	3
4. A process exists for informing the board of significant issues and information is communicated timely.	37	2.00	5.00	3.9730	.83288	4
5. Board and audit committee are involved sufficiently in evaluating the effectiveness of the "tone at the top" and take steps to ensure the appropriate "tone".	37	2.00	5.00	3.6757	.91451	3
6. Management accepts the appropriate amount of business risk.	37	2.00	5.00	3.9459	.57474	4
7. Key personnel have not resigned unexpectedly or on short notice, and employee turnover is not excessive.	37	2.00	5.00	3.9459	.81466	4
8. Management meetings are held periodically within your function and are frequently attended by senior management.	37	3.00	5.00	3.7297	.73214	3
9. Management views accounting treatment for transactions or activities in a balanced manner, neither too aggressive nor too conservative.	37	.00	5.00	3.6216	1.06331	4
10. Management appropriately balances the focus on short-term reported results with long-term business objectives and does not exert inappropriate pressure to achieve earnings objective.	37	3.00	5.00	3.5135	.69208	3
11. Estimates required for your function's activities are based on sound models, verifiable market data, and fair assumptions.	37	1.00	5.00	3.6757	.97337	4
12. Management treats your function as an integral part of the Company's overall operations.	37	1.00	5.00	3.6486	1.00599	3
13. The current organisational structure facilitates the flow of information both up and down within your function and across to other functions.	37	3.00	5.00	3.8378	.79977	3
14. Managers and process owners in your function have ready access to senior management in addressing significant issues.	37	3.00	5.00	3.6757	.78365	3

**APPENDIX E**

**Descriptive Statistics (continued)**

15. Management periodically evaluates the organisational structure relevant to your function in light of changes in the scope, nature or extent of your operation.	37	2.00	5.00	3.5405	.80259	3
16. Employees do not work excessive overtime and do not fulfil the responsibilities of more than one employee.	37	2.00	5.00	3.2432	1.23391	2
17. Specific limits are established for certain types of transactions and delegations are clearly communicated and understood by employees within your function.	37	3.00	5.00	4.1081	.69856	4
18. Job descriptions for your function's personnel include specific references to control related responsibilities.	37	2.00	5.00	4.1351	.71345	4
19. Management accepts responsibility for information generated within your function and on reported results.	37	3.00	5.00	4.1081	.65760	4
20. Managers in your function are appropriately empowered.	37	2.00	5.00	4.0000	.81650	4
21. Mgmt has established and clearly communicated the Company's mission, strategy and business objectives.	37	3.00	5.00	3.9459	.84807	3
22. Feedback mechanisms are in existence that enables mgmt to periodically assess whether Company-wide objective have been achieved.	37	3.00	5.00	4.1892	.56949	4
23. Key performance indicators and measurement criteria for achieving Company-wide objectives have been communicated and are uniformly understood.	37	3.00	5.00	4.0000	.70711	4
24. Adequate mechanisms are in place to identify and assess barriers to achieving objectives for processes in your function.	37	3.00	5.00	3.8108	.81096	3
25. The process used to analyse risks in your function is clearly understood & includes estimating the significance of risks, & determining steps to mitigate them.	37	3.00	5.00	3.7568	.86299	3
26. Adequate mechanisms are in place to identify and assess barriers to achieving Company-wide objectives.	37	3.00	5.00	3.7027	.87765	3
27. Mechanisms exist that anticipate, identify, and respond to routine events or activities that could have an impact upon achieving Company-wide objectives.	37	2.00	5.00	3.7568	.86299	3
28. Mechanisms exist to incorporate changes to the Company mission and strategy into Company-wide objectives.	37	3.00	5.00	3.7297	.83827	3
29. Appropriate policies & procedures have been developed & implemented for each of your function's major processes.	37	3.00	5.00	3.7027	.84541	3

**APPENDIX E**

**Descriptive Statistics (continued)**

30. Appropriate & timely actions are taken on exceptions to your function's policies & procedures.	37	2.00	5.00	3.5405	.86905	3
31. Policies & procedures identify how processes are to be performed & monitored & who is responsible for carrying them out.	37	3.00	5.00	3.6757	.85160	3
32. Ctrl activities described in policy & procedure manuals are actually applied the way they are intended to be applied and relate clearly to identified risks.	37	3.00	5.00	3.7027	.81189	3
33. Effective procedures have been established for the routine verification of the accuracy of data when it is entered, processes, generated, distributed, or transferred.	37	3.00	5.00	3.8649	.75138	4
34. Individuals from your function have appropriate responsibility for ctrl over assets and data and the processing of transactions.	37	1.00	5.00	3.7838	.94678	3
35. Effective contingency plans have been developed and documented for your function to deal with service interruptions if they occur.	37	.00	5.00	3.0000	1.29099	2
36. Periodic tests of contingency and disaster recovery plans take place to make sure they are current, operational and effective.	37	.00	5.00	3.2703	1.26158	3
37. Adequate info gathering mechanisms are in place to capture & process data so that transactions can be conducted in an orderly & efficient manner.	37	3.00	5.00	3.8108	.77595	3
38. Reports generated &/or used by your function are adequate & contain sufficient & meaningful info.	37	3.00	5.00	3.7568	.72286	4
39. Mechanisms exist for identifying emerging info needs.	37	2.00	5.00	3.5405	.76720	3
40. An info technology plan has been developed for your function that is linked to achieving your function's objectives.	37	.00	5.00	3.5946	.92675	4
41. Employees' roles & responsibilities regarding internal ctrl & risk assessment are communicated clearly & effectively by mgmt, & these roles & responsibilities are uniformly understood	37	3.00	5.00	3.7027	.84541	3
42. Information is communicated effectively both up & down within your function & across to other functions.	37	3.00	5.00	3.7297	.87078	3
43. Persons who report suspected impropriety are provided feedback and are immune from reprisals.	37	.00	5.00	2.9459	1.20060	2

APPENDIX E

**Descriptive Statistics (continued)**

44. Good employee suggestions are acknowledged by providing incentives or other meaningful recognition.	37	2.00	5.00	3.2703	1.21675	2
45. Mgmt has established performance measures for processes in your function and receives periodic reports of results against those measures.	37	3.00	5.00	3.8378	.86646	3
46. Personnel responsible for reports in your function are required to "sign off" on their accuracy and integrity and are held accountable if deficiencies are discovered.	37	2.00	5.00	4.0270	.72597	4
47. In the event of known control breakdowns or deficiencies controls that should have prevented or detected problems are reassessed and modified as appropriate.	37	2.00	5.00	4.1622	.72700	4
48. Controls most critical to mitigating high priority risks in your function are evaluated with requisite frequency.	37	3.00	5.00	3.6757	.85160	3
49. Evaluations of the entire internal control system are performed when there are major strategy changes.	37	2.00	5.00	3.5405	.86905	3
50. The corporate audit function has personnel who have the experience and skills necessary to understand your functions' operations.	37	2.00	5.00	4.1351	.71345	4
51. An appropriate level of documentation is developed by your function to facilitate the understanding of how your internal control system works.	37	2.00	5.00	4.1622	.60155	4
52. Control deficiencies are identified by on-going monitoring activities of the Company, including managerial activities and everyday supervision of employees.	37	2.00	5.00	4.0541	.62120	4
53. Control deficiencies are identified during separate evaluations of your internal control system.	37	2.00	5.00	3.8649	.91779	3
54. Internal control deficiencies that can effect the attainment of the Company's objectives are reported to those who can take necessary action and also to at least one level of management above the person directly responsible.	37	2.00	5.00	3.7568	.86299	3
55. Senior management ensures that the necessary follow-up actions are taken in response to reported control deficiencies.	37	2.00	5.00	4.0270	.79884	4
Valid N (listwise)	37					