

Assessing Accountability in Government Linked Companies: An Empirical Evidence

Jamaliah Said, Nur Hidayah Jaafar and Ruhaya Atan
Accounting Research Institute, Universiti Teknologi Mara, Shah Alam, Malaysia

Abstract: In Malaysia, issues of accountability and corruption have tarnished the image of numerous Government Linked Companies (GLCs) and there is a need to understand the internal forces that contribute to this reality. This study assesses internal factors, namely board effectiveness, internal control and leadership qualities that contribute to a lack of accountability in selected Malaysian GLCs. Based on a survey involving 102 GLCs, it was revealed that all 3 internal factors contribute significantly to accountability in GLCs. Findings also revealed that active participation of board members correlated positively with accountability. In addition, sound internal control practices enhanced accountability in the organizations. Finally, quality leaders also play a key role in order to improve accountability in GLCs. The findings of this study suggest that Malaysian GLCs need to pay close attention to the aforementioned internal factors to ensure success.

Key words: Accountability, government linked company, governance, performance, close attention

INTRODUCTION

Accountability conveys an image of trustworthiness and transparency of an organization to the public (Boonyarak, 2006; Oliver, 2005; Bovens, 2007). It also present as one of a good governance criteria. Board of directors should be accountable to shareholders and the management should be accountable to the board of directors (Blair and Stout, 2001). In order to ensure accountability, the board of directors must always be accessible to shareholders inquiry concerning any key decisions affecting the company's strategic direction (Schillemans, 2011). Boards are by definition the internal governing mechanism that shapes governance of an organization given their direct access to the two other axes in the corporate governance triangle: Managers and shareholders. The board of directors has emerged as both a target of blame for organization misdeeds and as the source capable of improving corporate governance (Aguilera, 2005).

There have been numerous corporate scandals around the world, such as Enron, WorldCom, Parmalat, and SK Global which have lead to the establishment of Sarbanes-Oxley Act in order to cope with the weaknesses in corporate governance and accountability (Brickey, 2003). The Sarbanes-Oxley's goals require organization to be more transparent in financial matters, as well as greater accountability for its activities.

Malaysia, like any other countries is also subject to corporate scandals that have been highlighted by the

media. Apparently, there were series of shocked cases that have been reported for example, the Transmile Group Berhad that overstated its group revenue and Megan Media Holding Berhad who were involved in fictitious trading (Zaimee, 2007). These cases which researcher described it as "mini-Enrons" cases have give a negative impact towards investors confidence and also the public. These cases have made the public realize the importance of accountability and transparency in the organization and the need for the government to strengthen their rules and regulations.

In Malaysia, the corporate governance concern has become a main topic after the Asian financial crisis in 1997 (Buniamin *et al.*, 2008). The issues that arise include the role and function of regulators and the need to improve the financial reporting. The crisis had brought to the center the weaknesses of corporate governance practices, such as lack of accountability, transparency and disclosure. Auditor General Tan Sri Ambrin Buang stated that the government has undertaken several measures to promote good governance, accountability and transparency via National Key Result Area (NKRA) against corruption as an important element in the Government Transformation Programme introduced in 2010.

Based on the Auditor General's Report in 2010, it was stated that the board of directors component in several GLCs are not independent and lack of professional qualification. From the report, it seems that some of the board of directors in Malaysian GLCs is less efficient and

this could lead to the accountability problem. GLCs performance is very crucial, since monies invested comes from the public. Thus, the public is expecting that the fund are managed, used and invested properly without any wastage and misused.

In 2008, the unprecedented result in Malaysian general election, allowed the opposition front to capture 5 out of 13 states in Malaysian Peninsula to form the State Governments (Bakar *et al.*, 2011). From this election's result, it can be seen that there was a public call for change towards more transparent and accountable government. Consequently, as the Federal Government now, they need to strengthen the rules and regulations and to have a stronger checks-and-balances system as to meet the public's expectations. Thus in the case of GLCs, they also need to strive to be more transparent and accountable because they are part of the government that uses the public money.

Past studies have proved that board effectiveness, internal control practices and leadership qualities are crucial for organizational sustainability and performance (Bracci and Llewellyn, 2012; Bovens, 2007; Warther, 1998; McCall, 2002; Roberts *et al.*, 2005). However, these studies tended to focus on performance outcome. Currently, empirical evidence is still needed to determine the importance of internal factors in explaining accountability outcomes, especially in the context of companies related to government. As such, this study aims to assess internal factors, namely board effectiveness, internal control and leadership qualities on accountability outcomes in selected GLCs in Malaysian.

Government-linked companies: GLCs are controlled by the Malaysian government via the Federal Government-Linked Investment Companies (GLICs). GLCs can be defined as companies that have a primary commercial objective and in which the Malaysian government has a direct controlling stake. Controlling stake refers to the percentage ownership by the government or the government's ability to appoint the Board of Director (BOD) members, the senior management and make major decisions on for example, contract awards, strategy, restructuring and financing, acquisition and divestment for GLCs either directly or through GLICs. Whereas, GLICs are companies that allocate the government funds to the GLCs, such as Khazanah Nasional Berhad, Pension Trust Funds, Employees Provident Fund and Permodalan Nasional Berhad.

Prior research indicates that GLCs constitute 49% of market capitalization Bursa Malaysia. In 2011, Putrajaya Committee on GLCs High Performance (PCG) reported that the 17 GLCs recorded an all-time high net income of

RM 20.1 bil from only RM9 bil in 2004 reflecting a growth of 18.2% per annum (The Star Online, 2012). PCG also reported that the total shareholders return on FBM KLCI out performed the non-G20 by 0.8% per annum, growing at 13.7% (The Star Online, 2012). The market capitalization measured more than doubled to RM319 bil from RM140 bil over the same period and delivered a return on equity of 11.8% in 2011 up from 10.6% in 2010 (The Star Online, 2012).

Even though many efforts have been taken by the government to improve the GLCs performance, there are still many GLCs that could not perform better. According to the Overview of 2011 National Audit Report Initiatives and Updates Related to State Owned Corporations, 28.6% of the GLCs showed a loss amounted to RM1.720 bil. The National Audit Department indicated that 11 GLCs suffered losses for the years ended 2008 until 2010. The losses are due to several factors including unsuccessful business strategies (Lau and Tong, 2008). Based on the report if the GLCs continue to be non-performer, it can taint up the GLCs' reputation and later will harm the public trust on the government in managing the public fund. According to the Auditor General's Report in 2010, several numbers of GLCs are still lacking of accountability in the corporate activities due to the lack of board effectiveness in the organization. It was stated that the board of directors component in several GLCs in Malaysia are not independent and having lack of professional qualifications.

Literature review and hypotheses development

Accountability: Every citizen in any country has the right to demand for greater accountability from their government (Bracci and Llewellyn, 2012; Bovens, 2007; Kolk, 2008). Bovens (2007) distinguishes five different dimensions of accountability; transparency, liability, controllability, responsibility and responsiveness. The board of directors and management who are responsible with directing and managing the organization and also, as decision makers are accountable to the owners (shareholders) of the company. Aguilera (2005) states that, board of directors, specifically the non-executive directors play vital role in promoting the accountability within the organization. Another study supports that the existing non-executive directors can improve the accountability is by Koh *et al.* (2007). The study was carried out in Australia where the sample comprises of 2259 firm-year observations listed on both the Connect 4 and Aspect Fin Analysis databases from 1998-2002 (the connect 4 database contains the annual reports of the top 500 listed Australian companies from 1994. The Aspect Fin Analysis database contains machine-readable financial information for ~1200 listed Australian

companies over the last 12 years). Their results showed that the board independence aspect in the corporate governance structure is negatively associated with the accountability.

Huse (2005) states that board accountability is related to value creation where accountability is about balancing various board role expectations. However, the study found out that there is a gap between board role expectations and actual board task performance. By creating accountability, it can bridge the gap between board role expectations and actual board task performance. To be able in creating accountability, it requires an understanding of behavioral perspectives on boards and governance.

Board effectiveness and accountability: Board effectiveness has drawn a lot of attention in the business world (Rauterkus *et al.*, 2013). In the aftermath of global financial crisis and numerous corporate scandals, board of directors acts as the main mechanism in monitoring management against unhealthy activities in the company. Furthermore, the board of director must ensure that the organization operates effectively and with openness and transparency. Nkundabanyanga *et al.* (2013), established a model of effective board governance in Uganda's service sector firms. The model proposed that boards effectiveness improved the board governance in Uganda's service sector firms.

The need for effective board is identified, as lessons learned from the global financial crisis and scandal (Shen, 2005). In order to assess the board effectiveness, there is a need to understand the roles and responsibilities of board of directors which are:

- To monitor the management activities (control role)
- To provide an advice and links to external resources (service role)
- To set the overall corporate strategy (strategic role) (ASCI, 2011)

The Australian Council of Superannuation Investor ASCI, (2010) elaborate the factors necessary for the effective board performance such as a boardroom culture of mutual respect, honesty and openness that encourages constructive debate, diversity of experience, styles, thought and as far as possible, age, gender and nationality, good relationship with the CEO and senior management, a common purpose and strategic clarity, an experienced chairperson who can manage the board agenda, encourage debate and work in harmony and the efficient board structure and processes including committees, board papers and information flow.

Roberts *et al.* (2005), proposed that board effectiveness depends on the behavioral dynamics of the board, rather than on the structure or the composition of the board. The researchers examined ways to improve board effectiveness by focusing on the attitudes and behaviors of board. However, according to Shen (2005), focusing on the attitudes and behaviors of board alone will not guarantee the enhancement of board effectiveness in the organization can be achieved. Shen (2005) suggested that by providing strong incentives, it will help in improving the board effectiveness. In study by Gabris and Nelson (2013), based on the sample of 150 board members in 32 Northern Illinois municipals governing bodies, the findings revealed that board staff relations, interpersonal relations and group processes have a positive relationship with board effectiveness that can ensure the accountability of administrators in the municipal governing bodies.

Cornforth (2001) suggested that board inputs and three process variables are important in explaining board effectiveness which are:

- Board members have the time, skills and experience to do the job, clear board roles and responsibilities
- The board and management share a common vision of how to achieve their goals and the board and
- Management periodically review how they work together

Kakabadse *et al.* (2010) have conducted a study on the effectiveness of non-executive directors in China. The researchers examined whether the independent boards of directors function, as effective corporate governance mechanisms in Chinese State-Owned Enterprises. Based on 21 in-depth, semi-structured interviews, findings specify that the non-executives directors system is weak in China. This is due to the concentrated ownership structure, unique business culture, intervention of controlling shareholders and the lack of understanding of the benefits brought by the non-executive directors. In order for the SOEs in China to have a greater accountability in their organizations, they need the role of non-executive directors and by doing so, the non-executive directors can become the key to build up the investors confidence. Their finding also provide evidence that by having clear goals, appropriate members skill, a shared vision, facilitative leadership, high interpersonal trust, open communication and low risk contribute significantly to perceived board effectiveness. Hence, the following hypothesis is proposed:

- H₁: there is a significant relationship between board effectiveness and accountability

Internal control practices and accountability: Past literature argued that internal control practice is also one of the important factors in delivering accountability that enables organization to monitor and control their operations (Jones, 2008). According to Jones, internal control practices enhance accountability through deterrent, prevention and detection of fraud and corruption. In order for the organizations to function effectively and efficiently, they need sound and effective systems in monitoring and controlling the corporate activities. Soltani and Maupetit (2013) stated that one of the reasons that lead to the financial failure in the organization is the lack of internal control practices. In addition, the absence of internal control practices will not only create an opportunity for fraud, abuse and corruption, it also gives a negative view to the stakeholders and the public that the organization does not care about protecting the entity's assets (Morehead, 2007).

The key provisions of Sarbanes-Oxley act (SOX) 2002, specifically in Sections 301 (audit committee's oversight of issuers accounting, internal controls practices and auditing procedures), Section 302 (annual certification of the financials by the CEO and CFO) and Section 404 (management's assessment of the effectiveness of internal controls practices over financial reporting) will result in increasing the board of directors and management in the oversight and reporting process within organization (Baker *et al.*, 2006; Elson and Dinkins, 2009). These provisions will result in greater accountability and transparency within public limited companies and the shareholders will have a better understanding of the business and financial activities within the organization.

Internal control is one of the important mechanisms in promoting greater accountability in the organization. Jones (2008) discussed five main areas of internal control practices; control environment, risk assessment, information and communication, monitoring and control the activities. According to Zurina and Supiah (2010), internal control system consists of policies and procedures designed to provide management with reasonable assurance that the company achieves its objectives and goals. A sound internal control system reflects that the organization activities are well managed. Past studies claimed that poor internal control system organization leads to higher risk. Generally, there are three objectives in designing and imposing an effective internal control system. First to enhance the reliability of financial reporting and to make sure that the reporting should be prepared in true and fair view. Second to improve the efficiency and effectiveness of the

organizations operation. Third to ensure that all the organizations activities comply with rules and regulations (Zurina and Supiah, 2010; Spillan and Ziemnowicz, 2011).

Elson and Dinkins (2009) discussed recent scandals within local government and current practices that are in place to ensure accountability and transparency. The lack of accountability and transparency resulted in poor financial performance, corruption and scandals in local government. Thus, in order to improve the oversight and accountability, the researchers offer an alternate approach which is based on the Sarbanes-Oxley act (SOX) 2002. The SOX only applies to public companies, whereby private companies, non-profit organizations and government entities are specifically exempted. The researchers suggested 4 areas in SOX that can be implemented in local governments in enhancing the accountability, such as the establishment of audit committee, the CEO/CFO certification of financial reports, management's assessment of internal controls and the adoption of a comprehensive code of ethics policy.

Morehead (2007) argued that strong internal control practices help to deter, detect and prevent fraud and corruption which in turn, increase the accountability and the transparency in the management. According to the Transparency International Corruption Perception Index (CPI), Morehead (2007) stated that American-based NGOs are operating in inherently corrupt countries around the world. The purpose of his study was to assess internal control practices of American-based NGOs with international field office in West Africa and to determine whether their internal control systems were adequately designed in order to deter, detect and prevent fraud and corruption.

In the study of Yang (2012), the lack of accountability often was identified as a problem and in order to overcome this, the organizations need to establish better accountability system. However, without a proper control of the system, it may worsen rather than solve the accountability problem. Thus, Yang (2012) concluded there is a need for more actionable accountability via training to increase the knowledge. By having more relevant knowledge, it can help them in handling the systems and enhance the accountability of the organizations.

Morehead (2007) discovered that the strong internal control system increases the accountability and the transparency because the possibility in deterring, detecting and preventing fraud and corruption is higher. Researchers stated that there is a need for regular and ongoing monitoring as well as thorough training and

education of all level of employees. The training activities will help in strengthening financial integrity, transparency and accountability of the management. Therefore, the following hypothesis is proposed:

- H₂: there is a significant relationship between internal control practices and accountability

Leadership qualities and accountability: Outstanding leadership qualities in organizations will ensure the achievement of the corporate performance (Stincelli, 2012). Leadership qualities plays a main role in conducting business activities and making sure that the organization is moving towards achieving the business objectives. Past studies proposed that the leader’s actions and leadership qualities provides an impact on all corporate stakeholders, such as shareholder, creditors, management, employees and public (McCall, 2002).

Leadership qualities can be defined as good leaders who possess qualities such as held responsible in directing the organization, ensuring that the organization’s mission and vision is to be achieved, focus on the strategic direction of the organization have an excellent communication skill have a good qualification background and managed to influence people toward the achievement of goal setting (Stincelli, 2012; Cater, 2006; Riaz *et al.*, 2011). Charismatic is also one of the leadership qualities where it is defined as a social influences process that involves in the formulation and articulation of an evocative vision, provides inspiration to motivate collective action demonstrates sensitivity to environmental trends and displays unconventional and personal risk-taking behavior (Sosik and Dinger, 2007).

The study by Okafor (2009) indicated that lack of leadership qualities has an influence in the failure of Nigerian Government-owned companies from achieving the efficiency, effectiveness, productivity and accountability the organization. The study explored the relationship between privatization, leadership qualities, efficiency, effectiveness, productivity and accountability in Nigerian Telecommunications (NITEL) located in Enugu, Nigeria. Prior to the privatization of NITEL, the telecommunication service was inefficient and poorly managed. For example, Nigeria had only 20,000 lines available as compared to the population were over 132,000,000 people. The researchers stated that because of this, the citizens supported the need for a privatization in order to improve the quality of telecommunications in Nigeria. In this study, leadership qualities were found to have a positive relationship with the achievement of efficiency, effectiveness and accountability. After being privatized, the leaders who were the department heads or

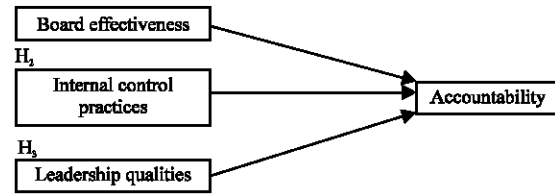


Fig. 1: Conceptual framework of factors influencing the enhancement of accountability

employee representatives are all involved in making decisions in crucial matters. The participant in the study believed that the involvement of all the peripheral units in decision-making was a key leadership factor in the achievement of efficiency, effectiveness and accountability in NITEL after it was being privatized. Thus, the involvement of leaders in all departments in making a decision will enhance the accountability in the organization. As such the following hypothesis is developed Fig. 1:

- H₃: there is a significant relationship between leadership qualities and accountability

MATERIALS AND METHODS

Sample: In this study, a database consisted of 462 GLCs is developed based on information available from website of Government Linked Companies. At the same time, numerous telephone calls were made to get the names full address of the accountants of the GLCs. This was done 1 week prior to the mailing of the questionnaires. A total of 462 sets of questionnaire were distributed by mail to the accountant of state and federal GLCs. The 102 questionnaires were returned. The questionnaires were distributed based on randomly selected sample GLCs. This study adapted a formula from VanVorhis *et al.* (2007) to calculate the sample size. The sample size is computed through, $N > 50 + 8m$, m is referring to the number of independent variables. Since, this study used 3 independent variables, sample size required is at least 74.

Measurement of variables

Accountability: Part 1 of the questionnaire required respondents to express their opinion on the level of accountability in the organization. The questionnaires were adopted with some modifications from several studies to reflect all those accountability outcomes. The studies were from Barrett (2008), Geer (2009) and Shaoul *et al.* (2012). Respondents are requested to answer by using a 7 point Likert-type scales from strongly disagree to strongly agree. The survey includes a number

of statements regarding the policy of practice of accountability in the organizations. The items used in survey include ensures there is a strategy for regular and effective communication with stakeholders; upholds and applies the principles of equality and diversity and ensures that researchers are fair; recognises the organisation's responsibilities towards its wider communities; sets clear operating goals to be achieved; maintain detailed and up-to-date records; fosters collaboration with other related agencies; ensures funds are used properly and in the manner authorized; produces several performance measures concerning the quality of services delivered.

Board effectiveness: Part 2 of the questionnaire asked respondents to express their opinion on the board effectiveness of the organization. The questionnaires were adopted with some modifications from several studies to reflect board effectiveness outcomes. The questions are adopted from studies by Hopkins *et al.* (2007), Geer (2009) and Gollmar (2008). The items used in survey include; clearly understand and responds well to their roles and responsibilities and have a statement defining them; establishing policies and plans to achieve the organization's goals has the diverse range of skills, experience and knowledge; receive the necessary induction, training and on-going support.

Internal control practices: Part 3 of the questionnaire required respondents to express their opinion on the level of internal control practices of the organization. The aim of these questions is to measure the level of internal control practices in the Malaysian's GLCs. The questionnaires were adopted with some modifications from several studies to reflect all those internal control practices. The questions were adopted from Soobaroyen and Sannassee, (2007) and Byanguye (2011). The questions included in survey include; review the policies and procedures to ensure that appropriate internal controls have been established has been received appropriate and updated information from the organizations relating to accounting and communication systems for decision making has well informed to all of the staff regarding the policies and procedures in the organization has taken appropriate action in instances of non-compliance that have been reported; all personnel did

understand their role and know how their activities relate to others; the accounting system in the organization is properly managed and accounted for the financial transactions in the organization are properly documented and reported in accordance with the proper accounting standard; internal and external auditors are periodically assessing the adequacy of internal control system.

Leadership qualities: Part 4 of the questionnaire asked respondents to express their opinion on the leadership in the organization. The aim of these questions is to measure the leadership quality in the Malaysian's GLCs. The questionnaires were adopted with some modifications from several studies to reflect leadership qualities. The questions are adopted from Cater (2006) and Stincelli (2012). The 7 point Likert-type scales ranging from strongly disagree to strongly agree were used for all measurement. Focus on the strategic direction of the organization and do not involve in day-to-day operational decisions have ultimate responsibility in finding ways to reduce cost of production or services has the ability to encourage followers to jump into that experience (overcome the challenges to achieve the vision) have shown interest of self-improvement for themselves and their followers. This interest makes them good coaches and mentors; capable of empowering followers to get things accomplished.

RESULTS AND DISCUSSION

Before testing the hypotheses in this study, tests of reliability for each construct measurement was assessed using the Cronbach's alpha coefficient which was obtained using are liability analysis in SPSS Package Version 19. Table 1 exhibits the result of descriptive statistic, correlation matrix of the dependent and independent variable and alpha reliability statistics. The correlation between accountability outcomes and the 3 independent variables are significantly high board effectiveness ($r = 0.843$); internal control practices ($r = 0.659$) and leadership qualities ($r = 0.607$) providing preliminary support for the research model. The alpha coefficient of each construct was compared to the cut-off value of 0.70 suggested by Nunnaly. The reliability coefficients are all accepted since they are >0.70 .

Table 1: Correlation and Cronbach's Alpha

Variables	Accountability	Board effectiveness	Internal control practices	Leadership qualities	Cronbach's Alpha
Accountability	1				0.916
Board effectiveness	0.843**	1			0.898
Internal control practices	0.859**	0.692**	1		0.913
Leadership qualities	0.607**	0.607**	0.658**	1	0.909

**Significant at 5% level

Table 2: Regression results accountability in organization

Variables	Coefficients	SE	t	p-values	Tolerance	VIF
Constant	0.704	0.469	1.502	0.136		
Board effectiveness	0.279	0.082	3.420	0.001	0.731	1.369
Internal control	0.186	0.091	2.049	0.043	0.612	1.635
Leadership qualities	0.393	0.091	4.307	0.000	0.608	1.644
R				0.712		
R ²				0.506		
Adjusted R ²				0.491		
F-statistic (p-value)				0.000		

**Significant at 5% level

Based on the results on F-test for overall significance of the model, the regression was statistically significant at 5% (33.510, $p = 0.000$). This shows that there is a linear relationship between all of the X variables considered together and Y. In addition, this result means that there is evidence that at least 1 independent variable affects dependent variable. The R² value 71.2% means that variance in accountability in organization was explained by the variation of board effectiveness, internal control practices and leadership qualities. The adjusted R² is 50.6% means that 50.6% in the accountability in organization is relationship explained by the variation in board effectiveness, internal control practices and leadership qualities taking into the account sample size and number of independent variables. In this study, the VIF values as shown in Table 2 10 (1.369, 1.635, 1.644), respectively therefore it can be concluded that there is no collinearity within the data.

The results presented in Table 2 support all the hypothesis. The first hypothesis of this study is to examine whether there is relationship between board effectiveness and accountability in Malaysian GLCs. Table 2 exhibited that coefficient = 0.279, $t = 3.420$, $p = 0.001$ and since the $p < 0.05$ of rejection area, hence, this study support H₁. This means that board effectiveness has significant relationship with accountability in Malaysian GLCs. This is consistent with the study by Gabris and Nelson (2013) which supports that board effectiveness can enhance the accountability of the administration in the municipal governing bodies. In order to enhance the board effectiveness, the administrators in the municipal governing bodies need to have clear goals, have relevant skill and knowledge in the field and share the same vision, all of which will enhance accountability in the organization.

The second hypothesis of this study is to examine the relationship between internal control practices and accountability in Malaysian GLCs. Result in Table 2 exhibited that the coefficient = 0.186, $t = 2.049$, $p = 0.043$ and the $p < 0.05$ of rejection area, hence, this study support the H₂. This means that internal control practices has significant relationship with accountability in Malaysian GLCs. This is consistence with Morehead (2007) which he found out that by having a strong internal

control system, it will decrease the possibility of fraud to occur, thus, it will contribute to the enhancement of the accountability in the organization.

The third hypothesis of this study is to examine the relationship between leadership qualities and accountability in Malaysian GLCs. Result in Table 2 exhibited that the coefficient = 0.393, $t = 4.307$, $p = 0.000$ and supported H₃. This has provided evidence that leadership qualities have contribute significantly to the accountability outcomes of Malaysian GLCs. This findings is aligned with Okafor (2009) who has discovered that leadership qualities have a positive relationship with the accountability among Nigerian telecommunications companies.

CONCLUSION

This study aims to examine the relationship between board effectiveness, internal control practices and leadership qualities on the accountability outcomes of GLCs in Malaysia.

Based on the results, it can be concluded that board effectiveness have significant impact on the enhancement of accountability outcomes in Malaysian GLCs. The boards play an important role in conducting the organization activities. They involve in monitoring the performance of the organization to ensure that the organization is function effectively in meeting the stakeholders need. The important criteria that can enhance board effectiveness in the organization are such as the boards member must have a diverse range of skill, experience and knowledge has a clear board roles and responsibilities, the board and management shared a common vision and strategy how to achieve their goals and board and management must periodically review their own performance.

In addition, this study discovered that internal control practices have significant impact on the enhancement of accountability in the GLCs. Leadership qualities have significant impact on the enhancement of accountability in the GLCs. By having good leaders, it can ensure the organization's mission and vision is to be

achieved (Stincelli, 2012). Furthermore, as stated by Okafor (2009), lack of leadership qualities in the top management can influence the failure of organization. A quality leader will always be responsible in all the organization's affair, make sure that all the decisions taken must always be in line with the organization's mission and vision, as well as be and also charismatic that he can influence others and motivate the employees to enhance the performance of the organization.

The findings of this study proves that in order to promote greater accountability in the organization, the board of directors or top management will need to ensure the effectiveness of the board in achieving the organization's mission and vision. In addition, having sound internal control practices can enhance the accountability in the organization. Finally, quality leaders play an important role in order to improve the organization's performance. The findings of this study can be used by GLCs, especially in Malaysia on the important factors in enhancing the accountability in the organizations. When the GLCs are performing well, this will embed public trust on the government in managing the public funds.

This study is not without limitations. First to measure the variables, respondents were asked to rate subjectively on a 7 point Likert scale for all variables listed in the questionnaire. These evaluations are subjected to personal bias and judgment error. Thus, future research should include data collection from multiple sources which can also be a tool of balance check between the respondents and the actual result.

Second, this study provides cross-sectional picture at a single point in time which means the recommendations are applicable only if external variables are unaffected. Third, the sample was drawn from GLCs. Although, this sampling frame allowed to control for environment factors and to provide results for public companies, the findings may not be relevant or generalizable to non GLCs.

REFERENCES

- ASCL., 2010. Board effectiveness and performance: The state of play on board evaluation in corporate Australia and abroad. Study Commissioned by The Australian Council of Superannuation Investors and Prepared by The Centre for Corporate Governance, Australia, October 2010.
- Aguilera, R.V., 2005. Corporate governance and director accountability: An institutional comparative perspective. *Br. J. Manage.*, 16: S39-S53.
- Bakar, N.B.A., Z. Saleh and M.H.S. Mohamad, 2011. Enhancing Malaysian public sector transparency and accountability: Lessons and issues. *Eur. J. Econ. Finance Admin. Sci.*, 31: 133-145.
- Baker, R.L., W.E. Bealing Jr., D.A. Nelson and A.B. Staley, 2006. An institutional perspective of the Sarbanes-Oxley Act. *Managerial Auditing J.*, 21: 23-33.
- Barrett, A.D., 2008. The nonprofit ethics survey: A contextual approach. Graduate Thesis, University of San Diego, San Diego, CA., USA.
- Blair, M.M. and L.A. Stout, 2001. Director accountability and the mediating role of the corporate board. *Washington Univ. Law Repository*, 79: 403-447.
- Boonyarak, P., 2006. Accountability in multicultural settings: The impact of culture on the implementation of accountability verification processes of international nongovernmental organizations. Ph.D. Thesis, The University of Utah, Salt Lake City, UT., USA.
- Bovens, M., 2007. Analysing and assessing accountability: A conceptual framework. *Eur. Law J.*, 13: 447-468.
- Bracci, E. and S. Llewellyn, 2012. Accounting and accountability in an Italian social care provider: Contrasting people-changing with people-processing approaches. *Account. Auditing Accountability J.*, 25: 806-834.
- Brickey, K.F., 2003. From enron to worldcom and beyond: Life and crime after Sarbanes-Oxley. *Washington Univ. Law Q.*, 81: 357-401.
- Buniamin, S., B. Alrazi, N.H. Johari and N.R.A. Rahman, 2008. An investigation of the association between corporate governance and environmental reporting in Malaysia. *Asian J. Bus. Account.*, 1: 65-88.
- Byanguye, M., 2011. The effectiveness of internal control systems in achieving value for money in school facilities grant: The case of Kamuli district local government. M.S. Thesis, School of Graduate Studies, Makerere University, Kampala, Buganda.
- Cater, III J.J., 2006. Stepping out the Shadow: The leadership qualities of successors in family business. Ph.D. Thesis, Graduate Faculty of the Louisiana State University and Agricultural and Mechanical College, Baton Rouge, LA., USA.
- Cornforth, C., 2001. What makes boards effective? An examination of the relationships between board inputs, structures, processes and effectiveness in non-profit organisations. *Corporate Governance: Int. Rev.*, 9: 217-227.
- Elson, R.J. and C. Dinkins, 2009. Should provisions of the Sarbanes-oxley Act of 2002 apply to local governments in order to improve accountability and transparency? *Acad. Account. Fin. Stud. J.*, 13: 105-118.

- Gabris, G.T. and K.L. Nelson, 2013. Transforming municipal boards into accountable, high-performing teams: Toward a diagnostic model of governing board effectiveness. *Public Perform. Manage. Rev.*, 36: 472-495.
- Geer, B.W., 2009. Nonprofit accountability: An institutional and resource dependence lens on conformance and resistance. Ph.D. Thesis, Graduate Faculty of the School of Public and International Affairs, University of Pittsburgh, Pittsburgh, PA., USA.
- Gollmar, W.G., 2008. Capacity building and nonprofit organizational effectiveness. Ph.D. Thesis, Cardinal Stritch University, Milwaukee, WI., USA.
- Hasnah, K. and H. Hasnah, 2011. Internal corporate governance and board performance in monitoring roles: Evidence from Malaysia. *J. Fin. Reporting Account.*, 9: 119-140.
- Hopkins, M.M., D.A. O'Neil and H.W. Williams, 2007. Emotional intelligence and board governance: Leadership lessons from the public sector. *J. Managerial Psychol.*, 22: 683-700.
- Huse, M., 2005. Accountability and creating accountability: A framework for exploring behavioural perspectives of corporate governance. *Br. J. Manage.*, 16: S65-S79.
- Jones, M.J., 2008. Internal control, accountability and corporate governance: Medieval and modern Britain compared. *Account. Auditing Accountability J.*, 21: 1052-1075.
- Kakabadse, N.K., H. Yang and R. Sanders, 2010. The effectiveness of non-executive directors in Chinese state-owned enterprises. *Manage. Decis.*, 48: 1063-1079.
- Koh, P.S., S.K. Laplante and Y.H. Tong, 2007. Accountability and value enhancement roles of corporate governance. *J. Account. Fin.*, 47: 305-333.
- Kolk, A., 2008. Sustainability, accountability and corporate governance: Exploring multinationals' reporting practices. *Bus. Strat. Environ.*, 17: 1-15.
- Lau, Y.W. and C.Q. Tong, 2008. Are Malaysian Government-Linked Companies (GLCs) creating value? *Int. Applied Econ. Manage. Lett.*, 1: 9-12.
- McCall, J.J., 2002. Leadership and ethics: Corporate accountability to whom, for what and by what means? *J. Bus. Ethics*, 38: 133-139.
- Morehead, W.A., 2007. Internal control and governance in non-governmental organizations designed to provide accountability and deter, prevent and detect fraud and corruption. Ph.D. Thesis, The University of Southern Mississippi, Hattiesburg, MS., USA.
- Nkundabanyanga, S.K., A. Ahiauzu, S.K. Sejjaaka and J.M. Ntayi, 2013. A model for effective board governance in Uganda's services sector firms. *J. Account. Emerg. Econ.*, 3: 125-144.
- Okafor, J.N., 2009. Nigerian government-owned organization: A phenomenological study of privatization, leadership, efficiency, effectiveness, accountability and productivity. Ph.D. Thesis, University of Phoenix, Phoenix, AZ., USA.
- Oliver, C., 2005. Board accountability in highly constrained environments. *Board Leadersh.*, 80: 2-5.
- Rauterkus, A., S. Rauterkus and G. Munchus, 2013. Effect of board composition on firm bankruptcy: An empirical study of United States firms. *Int. J. Manage.*, 30: 767-778.
- Riaz, A.M., A.G. Ikhtiar and R.A. Asad, 2011. A view on leadership skills and qualities with reference to crisis, change and employee relationship. *Interdiscip. J. Contemp. Res. Bus.*, 3: 398-408.
- Roberts, J., T. McNulty and P. Stiles, 2005. Beyond agency conceptions of the work of the non-executive director: Creating accountability in the boardroom. *Br. J. Manage.*, 16: S5-S26.
- Schillemans, T., 2011. Does horizontal accountability work? Evaluating potential remedies for the accountability deficit of agencies. *Admin. Soc.*, 43: 387-416.
- Shaoul, J., A. Stafford and P. Stapleton, 2012. Accountability and corporate governance of public private partnerships. *Crit. Perspect. Account.*, 23: 213-229.
- Shen, W., 2005. Improve board effectiveness: The need for incentives. *Br. J. Manage.*, 16: S81-S89.
- Soltani, B. and C. Maupetit, 2013. Importance of core values of ethics, integrity and accountability in the European corporate governance codes. *J. Manage. Governance*, (In Press). 10.1007/s10997-013-9259-4.
- Soobaroyen, T. and R.V. Sannasee, 2007. An exploratory study of financial priorities, financial planning and control practices in voluntary organisations: Perceptions of treasurers in a developing country. *J. Account. Organiz. Change*, 3: 270-301.
- Sosik, J.J. and S.L. Dinger, 2007. Relationships between leadership style and vision content: The moderating role of need for social approval, self-monitoring and need for social power. *Leadersh. Q.*, 18: 134-153.
- Spillan, J.E. and C. Ziemnowicz, 2011. Who is in charge? Cases of not managing internal controls in nonprofit organizations. *J. Bus. Soc. Government*, 3: 4-20.
- Stincelli, E., 2012. A grounded theory exploration of informal leadership qualities as perceived by employees and managers in small organizations. Ph.D. Thesis, University of Phoenix, Phoenix, AZ., USA.

- The Star Online, 2012. Top 17 GLCs score all-time high net income of RM20bil last year. The Star Online, May 30, 2012.
- VanVoorhis, W., R. Carmen and B.L. Morgan, 2007. Understanding power and rules of thumb for determining sample sizes. *Tutorials Quant. Methods Psychol.*, 3: 43-50.
- Warther, V.A., 1998. Board effectiveness and board dissent: A model of the board's relationship to management and shareholders. *J. Corporate Fin.*, 4: 53-70.
- Yang, K., 2012. Further understanding accountability in public organizations: Actionable knowledge and the structure-agency duality. *Admin. Soc.*, 44: 255-284.
- Zaimee, A., 2007. Mini-enrons shaking up Malaysia's corporate governance? *Accountants Today*, 20: 21-23.
- Zurina, S. and S. Supiah, 2010. Enhancing governance, accountability and transparency in Islamic financial institutions: An examination into the audit of Shari'a internal control system. *Malaysian Account. Rev.*, 9: 23-42.