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Corporate governance performance and financial statement fraud: evidence from Malaysia

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Abstract

Purpose – This paper aims to review the performance of corporate governance practices in Malaysia from the beginning of the 21st century until recently. This paper also highlights the history of corporate governance practices in Malaysia and the country's financial statement fraud situation.

Design/Methodology/Approach – Malaysia is a multi-ethnic society that requires managing corporations and firms collectively. Hence, corporate governance practices and good practices are compelled to fit society's uniqueness. This paper used the survey findings generated from the Corporate Governance Watch Report (CG Watch Report) by the Credit Lyonnais Securities Asia and the Asian Corporate Governance Association from the year 2002 to the year 2018 and discussed the corporate governance performance related to financial statement fraud in Malaysia. The market ranking survey oversees five categories of corporate governance scores: rules and regulations, enforcement, political/regulatory environment, adoption of International Generally Accepted Accounting Principle and corporate governance culture

Findings – The findings reported that firms in Malaysia have benefited from good laws and regulations through corporate governance reforms.

Practical Implications – This study's findings are relevant to regulators, board members, shareholders, potential investors, analysts and others to produce more informative timely comparisons. Future research should consider analysing and comparing the corporate governance performance in Malaysia with the corporate governance performance of other countries in Asia.

Originality Value – This study summarized the findings generated from a periodical CG Watch Report from the year 2003 to 2018. This study also underlined the actions of responsible agencies and regulatory bodies determined to have a decent corporate governance practice in Malaysia, especially in minimizing financial statement fraud occurrence in the country.

Keywords Corporate governance, Financial statement fraud

Paper type Viewpoint

1. Introduction

Past research argued that weak corporate governance structures are the reasons behind financial statement fraud (García Lara *et al.*, 2009; Yang *et al.*, 2017). Shu *et al.* (2018)

The authors thank the Credit Lyonnais Securities Asia (CLSA) and the Asian Corporate Governance Association (ACGA) for the permission to use the outcomes and information written in the CG Watch (2003, 2004, 2005, 2007, 2010, 2012, 2014, 2016, 2018) Report as a useful insight for this article.

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revealed that effective corporate governance could improve internal control quality. On top of that, a multitude of studies has emphasised the importance of corporate governance in firms as it could enhance financial reporting quality (Smaili and Labelle, 2009; Nor *et al.*, 2010; Sapena Bolufer *et al.*, 2018; Iqbal and Nawaz, 2019). As a developing country, Malaysia has always been the focus of numerous potential investors who seek stable, sustainable, trustworthy and reliable firms to capitalise their resources.

In the beginning, Malaysia adopted the accounting standards in compliance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standard Board (IASB). There were no enforcement bodies during that time to ensure that firms complied with these accounting standards (Tan, 2000). A formal enquiry will be conducted against firms that ignore these requirements, where appropriate action will be affected on the guilty firms (Tan, 2000). However, these issues underline the punitive measures instead of preventive ones. Consequently, the Malaysian Accounting Standard Board (MASB) was formed under the Financial Reporting Act (1997). The formation of the MASB obliged authorities to issue, revise, review, and adopt accounting standards in Malaysian businesses (Saleh *et al.*, 2005). Presently, financial reporting in Malaysia has adopted the Malaysian Financial Reporting Standards (MFRS) issued by MASB since January 1st, 2012. The MFRS is a standard that wholly complies with the IFRS framework, increasing the credibility and transparency of financial reporting in Malaysia. This compliance aligns with the global business requirements and needs, and thus, the convergence has helped Malaysian businesses with the standardised assurance that complies with the IFRS.

In Malaysia, corporate financial reporting is primarily governed through the Malaysian Code of Corporate Governance (MCCG), the Companies Act 1965 (Act 125), the Bursa Malaysia Listing Requirements and the International Standard on Auditing (ISA). These rules and regulations significantly contribute, influence, and act as controlling mediators in preventing financial statement fraud in Malaysia (Wahab *et al.*, 2007). Respectively, these laws and regulations are authorised by the Securities Commission of Malaysia (SCM), the Companies Commission of Malaysia (CCM), the Bursa Malaysia, and the Malaysian Institute of Accountants (MIA). As the authorised regulatory bodies, these empowered agencies are responsible for ensuring strict compliance with the financial reporting standards.

2. The overview of corporate governance in Malaysia

The Malaysian Institute of Corporate Governance (MICG) is the most recognised agency allied with corporate governance matters in Malaysia. Established in the year 1998, the MICG is an independent corporate governance institute. Its primary function is to create awareness and good corporate governance in Malaysia. The MICG also handles corporate governance matters that complement the CCM, Bursa Malaysia, SCM and MIA. Furthermore, the MICG supports the existence of the MCCG by insisting that every public firm's board of directors complies with the MCCG in its annual reports.

2.1 Malaysian code of corporate governance

Since its establishment in the year 1993, the SCM has taken consistent actions to reinforce the corporate governance regulatory framework. The MCCG was issued in 2000 as a commitment of the government and the private sector to promote sound corporate governance standards in Malaysia. In the year 2007, a revised version of the MCCG was published. Other milestones in the SCM corporate governance journey included the establishment of the Corporate Governance Blueprint 2011 to encourage greater internalisation of good governance culture, mandate the establishment of a Nominating

Committee, review the development of integrated reporting, establish an institutional investors council, and formulate an industry-driven institutional investors code. In 2012, the SC issued the MCCG 2012 to remain relevant and globally aligned as the best practices and standards.

Meanwhile, in 2017, the SC released the new and enhanced MCCG that supersedes the previous MCCG. Following that, the SCM has published the Corporate Governance Strategic Priorities 2017–2020, which focused on five priorities: to enhance the corporate governance regulatory framework, strengthen the corporate governance ecosystem, promote greater gender diversity on boards, embed corporate governance culture early in the life cycle of companies and among youth, and leverage technology to reinforce monitoring of corporate governance practices and shareholder activism. The following sections describe the content of the board of directors and audit committee classified in the MCCG best practices in Malaysia.

2.2.1 Board of directors. Beasley (1996) conducted a pioneer study on corporate governance and financial statement fraud. The MCCG stated that an effective board ensures the duties discharged cover the issues of planning, evaluating and implementing the best practices, which improve a firms' performance. The board also needs to ascertain that the firm conforms with enacted laws, policies and standards produced by regulators and policymakers. The MCCG and the Bursa Malaysia stated that the board members must have a balanced number of executive and non-executive directors. This balance is required so that no individual or group of individuals can dominate the board's decision-making. Besides, the MCCG and the Bursa Malaysia stated that an effective percentage of independent non-executive directors should be one-third of the board membership. Another requirement of the MCCG is selecting the board of directors, which should be based on skills, expertise, experience and integrity to preserve and enhance professionalism and qualifications.

In addition, compulsory attendance to training programmes prescribed by Bursa Malaysia for all board members is necessary to enable directors to discharge their duties effectively. Moreover, all attendance or absenteeism during training courses must be disclosed in the annual report. This rule is written in Practice Note Five (5) in pursuance of the compulsory Main Board listing requirement. The MCCG addresses the scenario of having the same person holding the position of Chairman and Chief Executive Officer (CEO), also known as duality, which could reduce the quality of financial reporting. Due to this possible conflict of interest, the MCCG advises different people to hold this position to provide a balance of power and authority.

2.2.2 Audit committee. Financial statement fraud in Malaysia has always been the public's concern with regard to professional ethics. In the event of corporate collapse, one should not ignore the importance of audit quality (Muñoz-Izquierdo *et al.*, 2019). In 1994, Bursa Malaysia deemed it necessary for public firms in Malaysia to establish audit committees to improve the monitoring system of financial reporting processes and corporate governance. According to the MCCG, the chairman of the audit committee must not be the chairman of the board. The audit committee should also comprise solely of independent directors. This independence is assured, as the audit committee must respond directly to the head of the firm's internal auditors.

Furthermore, the audit committee must possess the necessary skills, including financial literacy, knowledge in financial reporting processes, and consistent participation in continuous professional development courses to remain informed of accounting and auditing standards, practices, and rules. In addition, internal audit should be executed objectively and always independent from the management and the functions of its audits. The audit committee must be responsible for deciding the audit fees and appoint an external auditor for the firm. The MCCG emphasises that the audit committee must undertake an in-depth review of the quarterly and year-end financial reports and offer assurance on the compliance of all accounting standards and legal requirements. Moreover, the audit committee must be accountable for issues regarding on-going concerns, an audit's changes or adjustments, and accounting policies and practices in financial reporting. The ISA 240 on *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* highlights the auditor's responsibility to prevent and detect any financial statement fraud. The ISA 240 further stated that the auditor should be aware of potential earnings management activities, leading to illegal accounting adjustments. Given the importance of audit committees, their tasks could help strengthen the corporate governance structure, particularly in identifying any financial reporting threats.

3. Methodology

3.1 Sampling and data collection

This research discussed the mixed performance of corporate governance practices in Malaysia. As an overview of the results of corporate governance practices in Malaysia, this research included the findings generated from a periodic corporate governance report, namely, *CG Watch* (2003, 2004, 2005, 2007, 2010, 2012, 2014, 2016, 2018). Since 2003, the Credit Lyonnais Securities Asia (CLSA) has collaborated with the Asian Corporate Governance Association (ACGA) to publish corporate governance reports every two years under the publication named *CG Watch*. In this collaboration, the CLSA is the co-founder and the project's sponsor. Nevertheless, the ACGA is a non-profit membership association that conducts independent research, advocating and providing corporate governance-related education. For instance, the ACGA frequently engages in constructive dialogues with regulators, institutional investors, and listed companies on key corporate governance issues and provides improvements. Presently, the ACGA and CLSA have produced nine (9) reports. The ACGA must circulate the market rankings survey as the methodology used in gathering corporate governance performance in Asia. The *CG Watch Report* consists of twelve (12) markets from countries in Asia-Pacific (i.e. Malaysia, China, Hong Kong, India, Indonesia, Korea, Philippines, Singapore, Taiwan, Thailand, Australia, and Japan). A collective result from Malaysia's corporate governance is gathered for this research.

Since its early publication, the market ranking survey oversees five categories of corporate governance scores: the rules and regulations (examining fundamental rules on corporate disclosure, governance and shareholder rights, assessing the way specific rules were being implemented by companies), enforcement (evaluate the rigour and depth of public and private enforcement), political/regulatory environment (overview of the key regulatory and governmental institutions overseeing the capital markets, including central banks, securities commissions, stock exchanges, the judiciary, anti-corruption commissions, and the media), adoption of International Generally Accepted Accounting Principle (IGAAP) (rating the quality of accounting and auditing standards and practices as well as the effectiveness of audit regulations) and corporate governance culture (the category that focused on company practices on governance, the involvement of shareholder groups, professional bodies, business associations, and others). In the 2018 *CG Watch Report*, the categories had increased to seven, namely, government and public governance, regulators, corporate governance rules, listed companies, investors, auditors and regulators and civil society and media.

The score for each corporate governance category is scaled between one and ten. Throughout the years, the surveys involved rigorous questions filled by the CLSA's analysts for the companies included. There were instances where the questions were separated, combined, deleted, and added. The scoring system also changed over the years to achieve the best possible survey findings and minimise the possibility of neutral-bias. For example, the survey was previously started with a “yes” and “no” answer but has changed to a five-point system (0, 0.25, 0.5, 0.75, 1), and then to the latest six-point scoring system (0, 1, 2, 3, 4, 5). The purpose of this reorganisation is to draw better recommendations towards targeted stakeholders.

4. Results

4.1 Average corporate governance score

Referring to Figure 1, from 2002 to 2018, the average corporate governance scores from scale one (1) to ten (10) have exhibited a mixture of an upward and downward shift of data over time. Various significant events that occurred in Malaysia have directly or indirectly influenced the corporate governance score. For instance, the implementation and enforcement of new corporate governance initiatives were introduced in 2001. This implementation only stabilised until the year 2003. The corporate firms in Malaysia are moving in the right direction, and their performance has not been affected by any major changes in the past years. Besides, there are indications of stricter enforcement and transparency issues.

Additionally, the CG scores in 2007 improved slowly as the company law amendments transpire. Despite multiple financial statement fraud recorded in large and popular firms, the corporate governance scores consistently improved until 2014. The steady improvement indicates that corporate governance issues are always closely monitored to minimise negative influence towards other operating firms. This improvement is made possible from the government’s continued implementation of CG Blueprint 2011. Although the graph shows a slight downward trend, Malaysia continued to improve corporate governance practices and became among the early adopter of corporate social responsibility and reporting standards. In 2018, Malaysia was declared the biggest gainer and toughest competitor compared to other countries despite the year’s political changes.

Sections 4.2 to 4.6 elaborate on the patterns of average corporate governance scores compared to five (5) categories of corporate governance scores, namely rules and regulations, enforcement, political/regulatory environment adoption of IGAAP, and

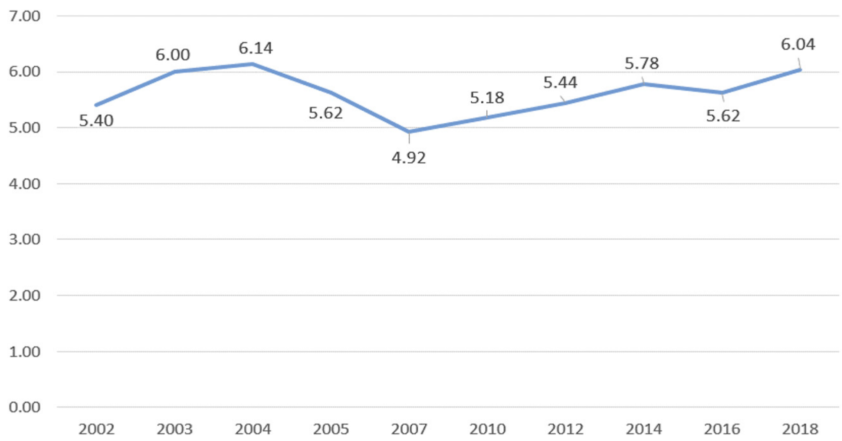


Figure 1.
Average corporate governance score from the year 2002 to the year 2018

corporate governance culture assessed in the CG Watch (2003, 2004, 2005, 2007, 2010, 2012, 2014, 2016, 2018) *Report*.

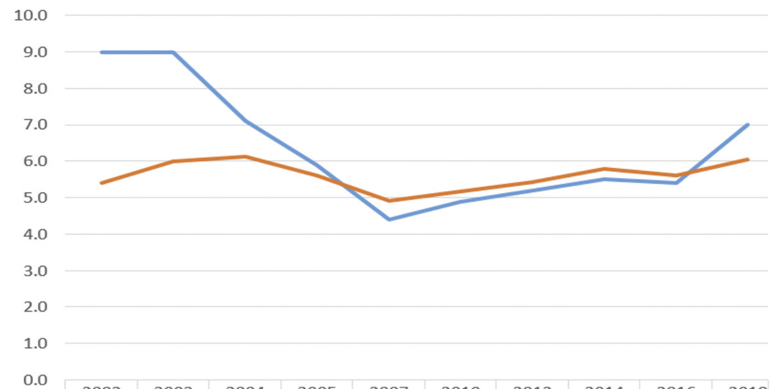
4.2 Rules and regulations

The corporate governance environment in Malaysia faces continuous evolvement, a sign of adapting to global changes. This consistent growth is possible through the revision of numerous regulatory requirements, including the appointment of the board of directors, audit committee and accounting standards to ensure Malaysian corporate governance practices are in the right direction. Figure 2 provides the graphical corporate governance scores regarding the rules and regulations from 2002 to 2018.

The graph shows that corporate governance scores of rules and regulations remained static from 2002 to 2003. The score is also higher than the average corporate governance scores, proving that the rules and regulation are one of the factors that greatly affect positive average corporate governance scores. After 2003, the score declined until 2007 and then reached below the average corporate governance scores, despite the changes in overall corporate governance scores. As mentioned previously, the revised version of MCCG was published where various rules and regulations were established, requiring expertise and enforcement. Later, the rules and regulations graph trend followed the average corporate governance scores and shifted above the average score in 2018. The reason behind the rules and regulation not achieving high scores as 2002 and 2003 despite the upgrade of enforcement and expertise is due to the issue of One (1) Malaysia Development Berhad (1MDB) crisis. This crisis involved a political and regulatory environment for the public and corporate governance, which directly affected the corporate governance scores in total.

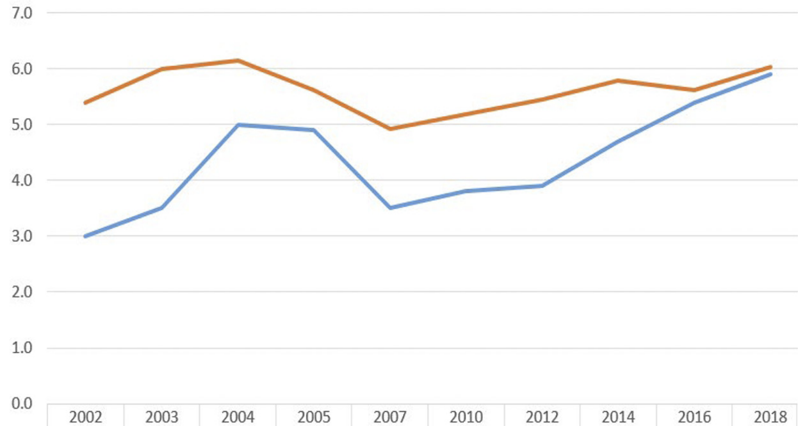
4.3 Enforcement

Enforcement is a sign of a country's stricter implementation of the MCCG. Multiple management and financial fraud are detected through tougher enforcement. Malaysia regards corporate governance matters seriously, as proven through the conviction of guilty individuals who could face the court, pay fines, and even prison time for securities crime. Figure 3 shows the scale of the corporate governance score, which presents the score of enforcement is below the average corporate governance score. The occurrence of financial



	2002	2003	2004	2005	2007	2010	2012	2014	2016	2018
Rules and Regulation	9.0	9.0	7.1	5.9	4.4	4.9	5.2	5.5	5.4	7.0
Average CG Score	5.40	6.00	6.14	5.62	4.92	5.18	5.44	5.78	5.62	6.04

Figure 2.
Rules and regulations vs average corporate governance score



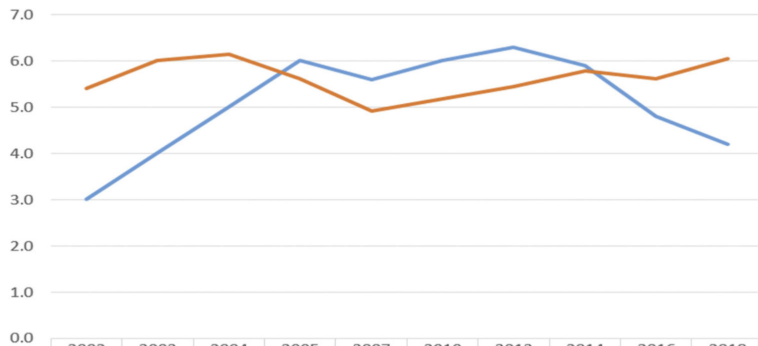
	2002	2003	2004	2005	2007	2010	2012	2014	2016	2018
Enforcement	3.0	3.5	5.0	4.9	3.5	3.8	3.9	4.7	5.4	5.9
Average CG Score	5.40	6.00	6.14	5.62	4.92	5.18	5.44	5.78	5.62	6.04

Figure 3.
Enforcement vs average corporate governance score

statement fraud and continuous violation of the law signifies that Malaysia has weak enforcement of regulations. However, from the start of 2010 to 2018, the increment of enforcement scores is positive and improved. Interestingly, the enforcement score increment reached close to the average corporate governance score. This score indicates the true level of progress made by the regulators in gaining investors' confidence in the Malaysian market.

4.4 Political and regulatory environment

Similar to other countries, Malaysia endures several political issues that affect its citizens and investors. As shown in Figure 4, from the start of 2002 to 2005, the score of the political and regulatory environment is below-average but increased until it exceeds the average corporate governance score. The positive improvement signifies that firms are taking transparency and accountability issues seriously. Nevertheless, there are still doubts about the regulatory system's effectiveness, which caused slight descending scores in 2007 but



	2002	2003	2004	2005	2007	2010	2012	2014	2016	2018
Political & Regulatory	3.0	4.0	5.0	6.0	5.6	6.0	6.3	5.9	4.8	4.2
Average CG Score	5.40	6.00	6.14	5.62	4.92	5.18	5.44	5.78	5.62	6.04

Figure 4.
Political and regulatory environment vs average corporate governance score

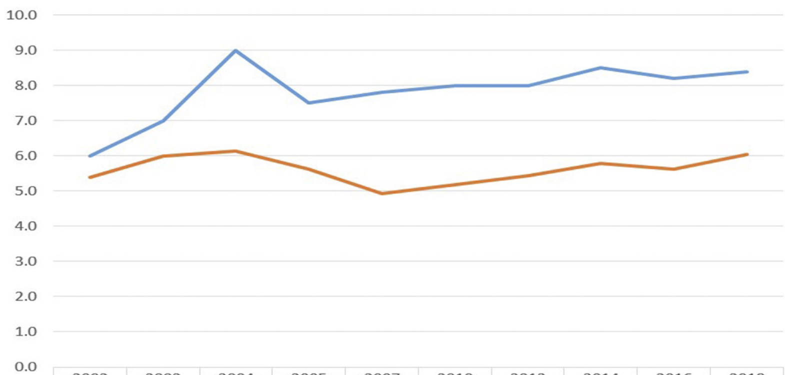
remained above the average of corporate governance scores. The drop is quickly mended, and the scores increased again until the year 2012. Due to various concerns over fighting corruption, media freedom, investigations, unsolved crimes and prosecutions, the scores for the political and regulatory environment has dropped below the average corporate governance scores.

4.5 Adoption of international generally accepted accounting principle

The adoption of IGAAP proves that firms in a country are making continuous effort to ensure local reporting standards align with the international standards. In Malaysia, the IFRS has been promoted since the year 2004. As displayed previously, the score for IGAAP adoption is constantly over the average corporate governance score. For years, Malaysia has been ahead of other Asian countries in adopting the international approach. Malaysia has fully adopted IFRS at the beginning of 2012. The decrement in 2004's score followed the reduction of average corporate governance score, which occurred in the same year of stricter enforcement and the financial and operational struggles faced by multiple public firms. At present, the adoption of IGAAP scores are stable for more than a decade and maintained the above-average corporate governance scores during these years (Figure 5).

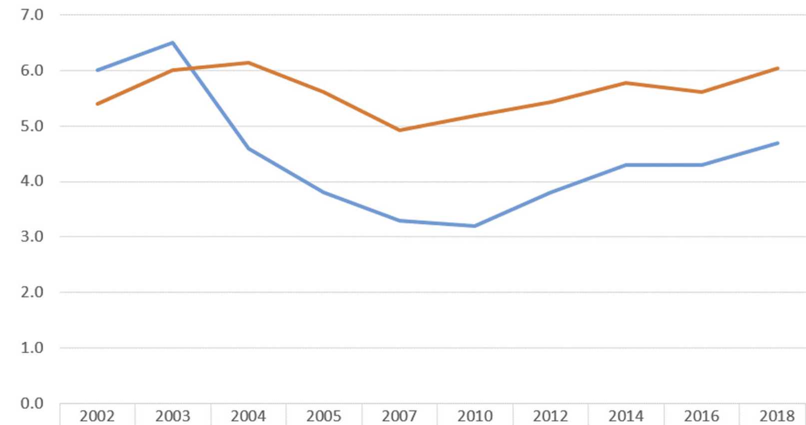
4.6 Corporate governance culture

As presented in Figure 6, in 2002 and 2003, the score of corporate governance culture is above the average corporate governance score. The *CG Watch Report* stated that many forms over substance among companies and weak involvement of institutional investors. After 2003, the scores of corporate governance culture dropped below-average. The lowered scores are partly due to the low penetration of investors into Malaysian firms. During those years, firms were encouraged to have meaningful dialogues with existing shareholders and potential investors to gain their confidence. Raising awareness among Malaysian firms took time, but succeeded as the score increased again after 2010. This hike is because firms are offering more disclosures, there is a separation of the firm's CEO and Chairman and employing corporate governance good practice.



	2002	2003	2004	2005	2007	2010	2012	2014	2016	2018
Adoption of IGAAP	6.0	7.0	9.0	7.5	7.8	8.0	8.0	8.5	8.2	8.4
Average CG Score	5.40	6.00	6.14	5.62	4.92	5.18	5.44	5.78	5.62	6.04

Figure 5.
Adoption of IGAAP vs average corporate governance score



	2002	2003	2004	2005	2007	2010	2012	2014	2016	2018
CG Culture	6.0	6.5	4.6	3.8	3.3	3.2	3.8	4.3	4.3	4.7
Average CG Score	5.40	6.00	6.14	5.62	4.92	5.18	5.44	5.78	5.62	6.04

Figure 6. Corporate governance culture vs average corporate governance score

5. Discussions

5.1 Corporate governance performance in Malaysia

Based on the results presented in the previous section, Malaysia has acquired significant improvement in most categories. According to the CLSA and ACGA, Malaysia is acknowledged as the highest gainer of the top-down survey as well as this year's CLSA's bottom-up one. These achievements show that responsible agencies and regulatory bodies are applying serious enforcement to ensure firms practice decent corporate governance aspects despite the country's financial crisis or political issues. In the context of market ranking based on twelve countries, Malaysia has climbed from seventh place in 2016 to the fourth place during 2018. This accomplishment happened due to an aggressive periodical review of corporate governance code, including the government's serious commitment to tackling corruption issues, enhancing financial regulators, and institutional investors' performance. The citizens have voiced their concern on the government's ability to clear the country from corruption and cronyism. Furthermore, citizens now have the mind-set for strong commitment and better practices, and thus, corporate governance practitioners are pressured to be more transparent, accountable, and fair.

Based on the category of government and public performance, Malaysia has performed below the average corporate governance score for approximately a decade. Nonetheless, the score ascended above-average scores in recent years, while other markets underperformed in this category. The rise is due to clear and improved credible strategies for corporate governance reformation, and well-established and independent commission against corruption. One should not neglect the link between corporate governance and financial performance (Iqbal and Nawaz, 2019). Regarding the enforcement category, the country struggled to achieve an above-average corporate governance score. It should be noted that the presence of proper enforcement in handling undesirable behaviours could influence the way firms compete and emerge (Nakpodia and Adegbite, 2018). Over the years, Malaysia performed better because the regulators tend to enhance their enforcement to gain more attraction and new funding. As for the third category that is the political and regulatory environment, Malaysia struggles to perform consistently well as various events occurred. Although markets are doing well on a regulatory basis, however, there is a need to control shareholders, and it is challenging to be independent. As this is a difficult task, Nakpodia and Adegbite (2018) highlighted that intervention by outsiders and stakeholders would reflect the legitimacy and effectiveness of corporate governance practices.

In relation to IGAAP adoption, Malaysia constantly stays above the average corporate governance score. Due to Malaysia's full adoption of MFRS, the country fits into international standards of financial reporting, which is IFRS. The high score achieved by Malaysia compared to other countries confirmed that Malaysia practices independent audit regulators in striving to accomplish the best performance of audit quality. Ensuring that firms comply with the required accounting standards is vital as investors and analysts find the financial reporting useful in predicting a firm's future performance (Pathiranage and Jubb, 2018). Regarding corporate governance rules, Malaysia struggles to catch up with other countries. A study by Omar *et al.* (2015) produced evidence that improvement in corporate culture is essential to overcome the occurrence of financial statement fraud. For instance, Bursa Malaysia plays a big role in changing the culture as the Stock Exchange supports by organising numerous seminars and training courses to the public firms. In addition, Bank Negara Malaysia, the central bank, has been organising a strong director training programme that provides leadership development and corporate governance training. With these hard and consistent efforts from the regulated bodies, it is hoped that the corporate governance culture scores would exceed or reach the same level of the average corporate governance score.

5.2 Financial statement fraud and corporate governance performance

In dealing with financial statement fraud, Hashim *et al.* (2020) revealed that fraud can still transpire even when standard operating procedures are performed. The reasons are displayed through the fraud triangle framework that explains the factors that instigate an individual to commit fraud, due to opportunity, incentive, and rationalisation. It was also submitted that fraud is less likely to happen in a firm that conducted higher corporate responsibility, reflecting social responsibility (Li, 2018). Nonetheless, mutual monitoring can provide check and balance on the corporate governance system in handling issues between firms' owners (shareholders) and firms' executives (managers) (Li, 2014).

The debate on financial statement fraud and corporate governance structures began in the mid-1990s. It was argued that good corporate governance structures could minimise the risk of financial statement fraud (Iqbal and Nawaz, 2019; Sapena Bolufer *et al.*, 2018; Nor *et al.*, 2010; Smaili and Labelle, 2009). This minimisation is achieved when effective corporate governance enhances the firm's efficiency through financial reporting integrity and quality (Zhai and Wang, 2016; Rezaee, 2002). The SCM is established in 1993 with investigative and enforcement powers to protect investors. As the issuer of the MCCG, the SCM enabled shareholders and the public to assess and determine corporate governance standards for public firms. The SCM is also responsible for taking regulatory action on firms that are convicted of financial statement fraud. The SCM states that the issuance of the MCCG shows collaborative efforts between the government and the industry.

Moreover, the MCCG ensures that corporate governance structures meet the acceptable quality level. Wahab *et al.* (2007), in their study on 440 firms in Malaysia, reported that corporate governance structures have strengthened after the establishment of MCCG. Despite that, the SCM periodically ascertains that the MCCG is revised to promote ethical governance further. The first amended version MCCG was released in October 2007 to fulfil global requirements. On top of that, the MCCG's approach is flexible and does not require a firm's strict adherence to the code. However, firms are still within the prescribed MCCG and must report if they fail to meet the code's requirements.

The formation of MCCG by the SCM helps to ensure corporate governance mechanisms assist investors and other stakeholders in seeking reliable and fraud-free financial statement information. Generally, the findings reported in the *CG Watch Report* confirm that firms in Malaysia have benefited from good laws and regulations through corporate governance reforms. Although the survey revealed that Malaysia is ranked number one in Asia for having the most rules and regulations for corporate governance, Malaysia is rated average regarding enforcement. Thus, it should be stressed that having well-written rules and regulations for accounting practices is insufficient in producing strong corporate governance structures. Hence, the presence of strong corporate governance is crucial to reduce financial statement fraud occurrence further.

6. Conclusion

This paper highlighted the improvement of corporate governance in Malaysia since the beginning of the 21st century. Judging by the figures and charts of corporate governance scores, there is no complete and concrete summary. Nevertheless, the 2018 Malaysian corporate governance scores showed that Malaysia has improved compared to other countries, including Australia, Hong Kong, Singapore, Taiwan, Thailand, India, Japan, Korea, China, Philippines and Indonesia. Besides, the practice of corporate governance in Malaysia displayed improvement in terms of ranking. Based on five categories of survey questions: rules and regulations, enforcement, political/regulatory environment adoption of IGAAP, and corporate governance culture, the findings discovered that firms in Malaysia have benefited from good laws and regulations through corporate governance reforms.

This study summarised the findings generated from a periodical *CG Watch* (2003, 2004, 2005, 2007, 2010, 2012, 2014, 2016, 2018) Report from the year 2003 to 2018. This study also underlined the actions of responsible agencies and regulatory bodies determined to have a decent corporate governance practice in Malaysia, especially in minimising financial statement fraud occurrence in the country. Therefore, possible endogeneity issues that are usually discussed in corporate governance studies were not discussed in this research.

Furthermore, this research provides performance evaluations on corporate governance practices in Malaysia and the scenario of financial statement fraud of the country. This study's findings are relevant to regulators, board members, shareholders, potential investors, analysts and others to produce more informative timely comparisons. Future research should consider analysing and comparing the corporate governance performance in Malaysia with the corporate governance performance of other countries in Asia.

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