INFORMAL INTERACTIONS BETWEEN AUDIT COMMITTEES AND INTERNAL AUDIT FUNCTION. EVIDENCE FROM GREEK LISTED FIRMS

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1. INTRODUCTION

In a constantly changing economic environment, the utmost importance of corporate governance has become paramount, and sprung many discussions among academics, executives, investors and policymakers (Koutoupis & Pappa, 2018). Initially, businesses failed to adopt corporate governance, as a result, management reviewed the responsibilities of the audit committee (Turley and Zaman, 2007). In addition, corporate governance principles are expensive and fairly standardized, making them difficult to be implemented by all entities (Mbecke, 2014). In an intensive effort to adopt corporate governance, an increasing emphasis is placed on the supervision of internal audit functions by the audit committees. At the same time, in an attempt to restore confidence, many corporate reforms have increased the responsibilities of the internal audit (Bertin, 2007).

The compliance with the corporate governance code is now obligatory for listed entities. At the same time, it is accepted, that the audit committee can be based on both formal and informal interactions in the exercise of its supervisory role (Arena & Azzone, 2009). A more productive
relationship between internal audit and the audit committee is likely to improve the quality of financial reporting and related governance processes within entities (Gramling et al., 2004). Observing an internal audit is acknowledged as a crucial component in the corporate governance process. The audit committee’s requirement for improved internal audits may lead to a more conspicuous focus on internal control and its characteristics, thusly increase the interactions between the audit committee and the Internal audit function (Abbott et al., 2010). Both the formal and informal interactions are important for the audit committee and for the fulfillment of its supervisory role.

There are a significant number of studies and researches that study the formal interactions between the audit committee and internal audit (Goodwin, 2003; Sarens et al., 2009; Goodwin & Yeo, 2001; Arena & Azzone, 2009; Mat Zain & Subramaniam, 2007; Scarbrough et al., 1998). However, surveys into informal interactions are minimal and are based mainly on countries with a different corporate governance framework, compared to the one that applies in Greece. Therefore, this study contributes to limited research data on the presence of informal interactions between AC and IAF. Therefore, this survey, based on existing international research, focuses on the existence of informal interactions between the audit committee and the functioning of the internal audit and the factors affecting them.

The purpose of this survey is to provide research data on the informal interactions between the audit committee and the internal audit function. The survey was conducted through questionnaires to Greek entities that are listed on the Athens Stock Exchange.

This paper presents the existing literature on issues regarding audit committees and mechanisms focusing on informal interactions. Reference is made to the quality issues and the characteristics of audit committees, internal control and CAE. The research continues with the recording of methodology and data used, as well as the variables emerging through research. The empirical findings are presented, analysing the descriptive statistics and the regression analysis applied. Finally, the findings and future applications of the research of informal data and their significance in the effectiveness of the audit are presented.

2. LITERATURE REVIEW

2.1. Informal interactions between audit committees and internal audit functions

In recent years, there have been several surveys into the audit committees which recognize that the productive relationship between the audit committee and the internal audit department improves the quality of financial reporting and related governance processes within the entities (Gramling et al., 2004; Turley & Zaman, 2004). The informal interactions complement formal meetings with the audit committee and therefore represent additional opportunities for control committees to monitor internal audit functions.

The audit committee, that aims to act as an independent and effective controlling mechanism, may perform outside formal meetings and informal meetings with internal audit (Beasley et al., 2009). In addition, it is considered important for an entity to encourage private meetings, apart from scheduled, between the audit committee and internal audit (Mat Zain & Subramaniam, 2007). The monitoring of the internal audit function is recognized as vital regarding the governance process. The audit committee’s demand for improved internal control may increase the interaction between an audit committee and internal audit functions (Mahbub & Gerrit, 2013). Audit committees are experiencing an expanding oversight role regarding corporate governance regulations emphasizing on stronger informal and formal relationships between internal audit functions and audit committees (Mahbub & Gerrit, 2013).

At the same time, the crucial actions and results of the audit committee usually come through informal procedures, as its members exert influence on the governance processes through informal contacts with internal audit members (Turley & Zaman, 2007). Alzeban and Sawan (2015) support through their research that regulators underline the importance of interaction between the audit committee and internal audit. At the same time, they point out that the implementation of internal audit recommendations is positively influenced by frequent meetings between the audit committee and the head of internal auditors.

2.2. Audit committee quality

According to existing researches, the independence, activity and expertise of the audit committee are essential factors influencing the latter’s effectiveness (Turley & Zaman, 2004). Since 1998 Scarbrough et al., point out that committees composed almost exclusively by independent non-executive members have had more frequent meetings with the chief internal auditor beyond the designated meetings, and are more likely to intervene in the internal audit program. In this context, Raghunandan et al. (2001) emphasize that when the audit committee consists of an independent director and at least one member with accounting or financial knowledge and experience, it is likely to have more frequent meetings than usual with the chief internal auditor. The audit committee, therefore, presents a more active role in seeking more meetings with the members of the internal audit.

Zwaan et al. (2011) findings argue that an audit committee’s involvement in risk management affects the willingness of internal auditor to report and forestall a breakdown in risk procedures.

In addition, Abbott et al. (2016) show that independence is a prerequisite for effective monitoring of internal control and financial reporting as independent members of the audit committee face more information asymmetry. Consequently, in entities to which the audit committee is independent, the members of the audit committee tend to seek more information through meetings to fulfill the monitoring responsibilities (Turley & Zaman, 2007). More precisely independent audit committees voluntarily engage in informal interactions with internal audit functions to better perform their monitoring roles. Also, the most active control panels may face greater information needs and are more likely to seek meetings with the
internal audit function. Furthermore, in the work of Bilal et al. (2018), the results show that audit committee financial expertise has a positive relationship with earnings quality. However, Bajra and Cadez (2018) mention that the existence of an audit committee is necessary but not a sufficient condition for financial reporting quality improvement. Mahbub and Gerrit (2013) also found a positive and significant association between informal interactions and the quality of the internal audit function, although CAE characteristics are not a significant influence.

The above discussion leads to the two first hypotheses for this study:

**H1:** The AC independence positively affects the informal interaction between AC and IAF.

**H2:** The AC meetings positively affect the informal interaction between AC and IAF.

Zaman and Sarens (2013), in their own research on informal interactions, observe a positive but not significant correlation, between the informal interactions and the formal meetings of the audit committee in which it participates and the Chief internal auditor.

According to the above, the third research hypothesis can be developed as follows:

**H3:** The formal AC meetings attended by the CAE positively affect the informal interaction between AC and IAF.

### 2.3. Audit committee chair characteristics

Numerous important evidences are presented by Bedard et al. (2004), Krishnan (2005) and Dhaliwal et al. (2006) in their surveys and studies, stating that both the accounting - auditing and financial expertise of the audit committee chair is linked to better cooperation and better control of internal audit, through formal and informal interactions. During the same period, Defond et al. (2005) present significant positive evidence that audit committees with accounting-financial expertise improve corporate governance as a whole. Apart from independence, both accounting, auditing and finance knowledge are linked to the frequent interactions between internal audit and audit committee (Goodwin, 2003). It has been noted that the background of the audit committee and the way in which the AC chair is perceived by those involved in governance within the organization, including senior executives, have influenced the financial information, risk management and audit results (Turley & Zaman, 2007). Entities in which the AC chair has knowledge and experience regarding corporate governance, internal control as well as accounting-financial and parallel external audit, are more likely to have informal interactions between the audit committee and the internal audit function. Likewise, CAEs are more likely to follow informal interactions with experienced and specialized audit committee chairs (Zaman & Sarens, 2013). Lin (2018) in his paper offers evidence regarding AC quality and latter's influence for companies changing auditors, arguing that audit committees’ incentive-based compensation is negatively (positively) associated with accruals quality when companies switch from Big four to non-Big four or switch within non-Big four auditors.

According to the above, the fourth research hypothesis is developed:

**H4:** The AC chair’s characteristics positively affect the informal interaction between AC and IAF.

### 2.4. Internal audit function quality

Internal Audit is an independent, objective assurance and consultancy function procedure aimed to add value and improve the acts of the entity (Drogalas et al., 2014). On the other hand, the audit committee should be able to review and approve the schedules and the financing of internal audit to ensure IAF's ability to implement the audit plan (Abbott et al., 2010). At the same time, this leads to a positive correlation between the monitoring carried out by the AC’s budget and the IAF's budget for the control of the internal audit system and, ultimately, the increase in the quality of IAF (Abbott et al., 2010; Carcello & Neal, 2000). In addition, according to Carcello et al. (2005), there is a positive correlation between the supervision carried out by AC and the internal audit budget, having, as a result, the budgetary control which is a key factor between the relations between the two departments.

An internal audit function should implement the evaluation procedures of its work such as Quality Assessment Review (QAR) or main performance indicators (Drogalas et al., 2016). At the same time a high-quality internal audit plan implementation, that adopts and complies with the Code of Ethics and the International Standards of Professional Practice of Internal Audit (ISPPIA), is able to respond better to the information needs of the audit committee through frequent interactions (Leung & Cooper, 2009; Leung et al., 2011; Soh & Martinov-Bennie, 2011). In addition, Marais et al. (2009), reported strong compliance with International Standards of Professional Practice of Internal Audit and at the same time strong support from audit committees in the internal audit function. More recently, Alzeban (2015) argues that frequent meetings between CAE and the Audit Committee enhance the compliance of internal audit with ISPPIA.

According to the above, the fifth research hypothesis can be developed as follows:

**H5:** The IAF Quality positively affects the informal interaction between AC and IAF.

### 2.5. CAE’s characteristics

Prawitt et al. (2009) measured the quality of the internal audit by analysing individual characteristics of members such as the experience of internal audit members, the percentage of internal auditors certified professionally and the time it was dedicated to annual training. In this context, Regolosi and D’eri (2014) explains how the hierarchical position, experience and knowledge of internal auditors, as well as their level of independence can ensure the effectiveness of internal audit. At the same time, Leung and Cooper (2009), show that CAEs who have internal control skills, have work experience in internal audit and invest in continuous professional development (CPD), are likely to become more understandable by the audit committee. CAEs with experience and
knowledge are more likely to trust the audit committees for their information needs. Furthermore, Alzeban (2018) reminds that CEOs should not be party to the appointment of the CAE since this will decline the financial report quality.

According to Soh and Martinov-Bennie (2011), the cooperation between internal auditors, audit committees and senior managers plays an important role in the rendering of the internal audit system, while ensuring both the principles of independence and objectivity. In addition, a large number of meetings between the audit committee and CAE can advance the willingness of the internal auditor to act independently and can promote the courage to take a moral decision (James, 2003; Scarbrough et al., 1998).

According to the above, the two last research hypothesis can be developed as follows:

\[H6: \text{The CAE's characteristics (experience and certification) positively affect the informal interaction between AC and IAF.}\]

\[H7: \text{The CAE's characteristics (independent and objective) positively affect the informal interaction between AC and IAF.}\]

3. RESEARCH METHOD

3.1. Data and questionnaire

The data for this study is based on a questionnaire survey and the target group was internal auditors and AC members from Greek listed firms. The questionnaires were distributed through the mail. The structured questionnaire method is often observed because it is considered capable of grouping prime quality information within the shortest attainable time (Gbadago, 2015).

Questionnaires were mailed to 220 firms listed in the Athens Stock Exchange. Of the 220 questionnaires sent, 83 usable responses were received, generating a response rate of 37.73%.

Respondents were asked to indicate their level of agreement or disagreement to each of the twenty-two statements on a five-point Likert response scale that ranged from “not at all” (scored as 1) to “very much” (scored as 5). The use of a question mark allows the interaction of a large number of entities to be examined, and the results are ordinarily reliable (Balzan & Baldacchino, 2007).

This study uses both descriptive and inferential analyses. Descriptive analysis was used to determine the factors relating to informal interactions between audit committees and internal audit functions in Greek organizations, while logistic regression analysis was used to test the hypotheses.

3.2. Model specification and variables

Eight variables are selected to be examined in the present research. “Informal Interactions between Audit Committees and Internal Audit Functions” was selected as the dependent variable. “AC Independence”, “AC Meetings”, “Formal AC Meetings that attended by the CAE”, “AC Chair’s characteristics”, “IAF Quality”, “CAE’s Characteristics_1” and “CAE’s Characteristics_2” were selected as the independent variables. Logistic regression analysis was performed to estimate the relationship between the above variables.

To test the hypothesis discussed in the previous section the following model is used in this paper:

\[Y = a + b1 \times ACI + b2 \times ACM + b3 \times FI + b4 \times ACC + b5 \times IAFQ + b6 \times CAEC_1 + b7 \times CAEC_2\]  
(1)

The variables are defined below:

\[\begin{align*}
Y &= \text{Informal Interactions between Audit Committees and Internal Audit Functions} \\
ACI &= \text{Audit Committee Independence} \\
ACM &= \text{Audit Committee Meetings} \\
FI &= \text{AC meetings that attended by the CAE} \\
ACC &= \text{Audit Committee Chair Characteristics} \\
IAFQ &= \text{Internal Audit Function Quality} \\
CAEC_1 &= \text{CAE Characteristics (experience and certification)} \\
CAEC_2 &= \text{CAE Characteristics (independent and objective)}
\end{align*}\]

4. EMPIRICAL FINDINGS

4.1. General information of entities

General information about the entities, regarding company activity, education and staff number, operation are presented in Table 1.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>36</td>
</tr>
<tr>
<td>Industrial</td>
<td>22</td>
</tr>
<tr>
<td>Service</td>
<td>13</td>
</tr>
<tr>
<td>Industrial and Commercial</td>
<td>27</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
<tr>
<td>University</td>
<td>41</td>
</tr>
<tr>
<td>Master</td>
<td>39</td>
</tr>
<tr>
<td>PhD</td>
<td>3</td>
</tr>
<tr>
<td>&lt;10</td>
<td>4</td>
</tr>
<tr>
<td>10-50</td>
<td>37</td>
</tr>
<tr>
<td>&gt;50</td>
<td>42</td>
</tr>
</tbody>
</table>

According to the evidence of the above table, most entities that responded to the questionnaires belong to commercial (43.4%) and industrial (26.5%) sectors. In addition, 15.7% of entities deal with exclusive services activity while there is a low percentage (8.4%) of both industrial and commercial
activities. The rest of the entities (6.0%) stated another type of activity. Furthermore, an important observation is the fact that 49.4% of employees hold a "University degree" and the other 47% hold a "Master degree". Regarding the company staff number, half of the entities (50.6%) occupy more than 50 employees while the other half (44.6%) employs 10 to 50 people and another 4.8% with less than 10 employees. Furthermore, the financial industry has been excluded from the sample. This can be explained since the sample was composed of firms listed in the Athens Stock Exchange.

4.2. Descriptive statistics

According to Table 2, that shows the descriptive statistics for the dependent variable, it is observed that the 90.4% declare informal interactions between the internal audit function and the audit committee, although only 9.6% declare that there are not informal interactions. These findings consort with similar statistics found in literature such as in Mahbub and Gerit's (2018) results demonstrating an almost equal rate of positive responses regarding the existence of informal interactions.

<table>
<thead>
<tr>
<th>Variable Description</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal Interactions: Are there any informal interactions between the internal audit function and the audit committee, in addition to the formal and pre-defined meetings?</td>
<td>75</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 3 shows the descriptive statistics for the independent variables.

<table>
<thead>
<tr>
<th>Variable Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Independence</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>46</td>
<td>23</td>
</tr>
<tr>
<td>AC Meeting</td>
<td>0</td>
<td>2</td>
<td>16</td>
<td>25</td>
<td>40</td>
</tr>
<tr>
<td>Formal Interactions</td>
<td>0</td>
<td>1</td>
<td>12</td>
<td>42</td>
<td>28</td>
</tr>
<tr>
<td>IAF Quality</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>32</td>
<td>11</td>
</tr>
<tr>
<td>Internal audit funding is sufficient.</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>24.1%</td>
<td>62.7%</td>
</tr>
<tr>
<td>The Internal audit plan is implemented.</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>12.0%</td>
<td>40</td>
</tr>
<tr>
<td>Internal Audit complies with the Ethics Code.</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>20.5%</td>
<td>51.8%</td>
</tr>
<tr>
<td>Internal audit functions comply with the auditing standards.</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>9</td>
<td>45</td>
</tr>
<tr>
<td>Internal auditing has been subject to an external evaluation of its quality.</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>9</td>
<td>49</td>
</tr>
<tr>
<td>Internal audit refers to the audit committee.</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>18.1%</td>
<td>43.4%</td>
</tr>
<tr>
<td>CAE Characteristics _1</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>41</td>
<td>38</td>
</tr>
<tr>
<td>The CAE has sufficient auditing experience.</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>4.8%</td>
<td>49.4%</td>
</tr>
<tr>
<td>The CAE is certified.</td>
<td>3</td>
<td>9</td>
<td>10.8%</td>
<td>19.3%</td>
<td>39.8%</td>
</tr>
<tr>
<td>The CAE participates in continuous professional development programs (CPD).</td>
<td>0</td>
<td>2</td>
<td>26</td>
<td>37</td>
<td>18</td>
</tr>
<tr>
<td>CAE Characteristics _2</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>20</td>
<td>60</td>
</tr>
<tr>
<td>The CAE operates according to objective criteria.</td>
<td>0</td>
<td>2</td>
<td>2.4%</td>
<td>1.2%</td>
<td>24.1%</td>
</tr>
<tr>
<td>The CAE operates with a high level of independence.</td>
<td>0</td>
<td>2</td>
<td>12</td>
<td>31.3%</td>
<td>31.3%</td>
</tr>
<tr>
<td>AC Chair Knowledge and Experience</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>47</td>
<td>29</td>
</tr>
<tr>
<td>Accounting and finance.</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>8.4%</td>
<td>56.6%</td>
</tr>
<tr>
<td>Internal audit.</td>
<td>0</td>
<td>0</td>
<td>15.7%</td>
<td>41.0%</td>
<td>43.4%</td>
</tr>
<tr>
<td>External audit.</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>33</td>
<td>12</td>
</tr>
<tr>
<td>Corporate governance.</td>
<td>0</td>
<td>0</td>
<td>16.9%</td>
<td>45</td>
<td>24</td>
</tr>
</tbody>
</table>

Regarding the independence of the audit committee, the survey reported that respondents declared a high level of AC independence. Also, the majority of entities state that there are frequent audit committee meetings. Furthermore, in most entities, the CAE participates in the audit committee scheduled meetings. As far as internal audit quality is concerned, the vast majority of the respondents state that internal audit complies with the audit standards and Ethics Code, while the audit plan presents high levels of an appliance. The responses also indicated that an internal audit usually reports to the audit committee and has not been evaluated from an external auditor regarding its quality level.
Moreover, most of the CAE are independent and act objectively. In addition, it is observed that CAEs have sufficient auditing experience and hold a high level of certification. Also, the fact that CAEs participate in continuous professional development programs (CPD) cannot be strongly supported. Finally, regarding the AC chair, the vast majority of the respondents considers that the audit committee chair demonstrates high levels of accounting, finance, corporate governance, internal and external audit knowledge.

4.3. Logistic regression analysis

The results of the logistic regression analysis are presented in Table 4. Also, Hosmer and Lemeshow Test were undertaken respectively and no problems were identified.

Table 4. Logistic regression analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coef.</th>
<th>Value</th>
<th>S.E.</th>
<th>Wald</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>b</td>
<td>-35.657</td>
<td>13.442</td>
<td>7.036</td>
<td>.008</td>
</tr>
<tr>
<td>AC Independence</td>
<td>b</td>
<td>2.270</td>
<td>1.034</td>
<td>4.820</td>
<td>.028</td>
</tr>
<tr>
<td>AC Meeting</td>
<td>b</td>
<td>2.44</td>
<td>.759</td>
<td>.103</td>
<td>.248</td>
</tr>
<tr>
<td>Formal Interactions</td>
<td>b</td>
<td>.570</td>
<td>.770</td>
<td>.548</td>
<td>.459</td>
</tr>
<tr>
<td>IAF Quality</td>
<td>b</td>
<td>3.439</td>
<td>2.402</td>
<td>2.050</td>
<td>.152</td>
</tr>
<tr>
<td>CAE characteristics_1</td>
<td>b</td>
<td>1.272</td>
<td>1.171</td>
<td>1.180</td>
<td>.277</td>
</tr>
<tr>
<td>CAE characteristics_2</td>
<td>b</td>
<td>1.180</td>
<td>1.141</td>
<td>2.859</td>
<td>.091</td>
</tr>
<tr>
<td>AC Chair</td>
<td>b</td>
<td>4.375</td>
<td>1.730</td>
<td>6.397</td>
<td>.011</td>
</tr>
</tbody>
</table>

According to the Table 4, regarding the first hypothesis, the results indicate that there is a positive and significant association between “informal interactions between the audit committee and internal audit function” and “AC Independence” (p=0.028 < .05). So the H1 is strongly supported. Likewise, there is a positive and significant relationship between “informal interactions between the audit committee and internal audit function” and “AC chair” (p=0.011 < .05). Thus H4 is accepted. Similarly, we observe a positive and significant association in levels of trust (10%) between “informal interactions between the audit committee and internal audit function” and “CAE Characteristics_2” (p=0.91 < .10). So, the H7 can be accepted in the level of trust 10%.

On the other hand, the relationship between “informal interactions, audit committee and internal audit function” and “AC Meetings” (p=0.748 > .05) did not indicate positive or significant results, thusly H2 cannot be supported. Similarly, the results showed the same inclinations regarding the correlation of “informal interactions between the audit committee and internal audit function” and “Formal Interactions” (p=0.459 > .05), which prompted us to reject H3. In addition, the association between “informal interactions between the audit committee and internal audit function” and “IAF Quality” (p=0.152 > .05) was not found positive or significant, and ultimately unable to support H5. Lastly, “informal interactions between the audit committee and internal audit function” and “CAE Characteristics_1” (p=0.277 > .05) could not support H6.

5. CONCLUSION

The increasing need for transparency led entities to revaluate the framework of corporate governance regarding both internal audit and the audit committee. The relationship and interactions between the audit committee and internal audit are crucial, while reciprocally strengthening their functions (Goodwin & Yeo, 2001). According to the IIA (2002b), a strong working relationship between the audit committee and internal audit function is essential for each sanction to fulfil its responsibilities. The fact that the audit committee relies on formal and informal interactions is acceptable in the exercise of its supervisory role, since informal interactions represent additional opportunities for control committees to monitor internal audit functions (Arena & Azzone, 2009; Mat Zain & Subramaniam, 2007). The literature (Arena & Azzone, 2009; Goodwin, 2003; Goodwin & Yeo, 2001; Raghunandan et al., 2001; Scarbrough et al., 1998; Zaman & Sarens, 2013) induced our assumptions and allowed to further investigate internal audit interactions.

This paper found that independent audit committees perform informal interactions with internal audit functions to better perform their duties. The results showed that diverse knowledge and experiences of the audit committee chairs have a positive association between their informal interactions with the audit committee and as a result demonstrating a positive influence on internal audit. Our work complements the results of Turley and Zaman (2007), who emphasized the importance of the audit committee chair in corporate governance. However, we did not find a positive and significant association between informal interactions and the quality of the internal audit function.

Our findings show a significant influence of the CAE characteristics (independent and objective) to the informal interactions. This work argues that by ensuring the independence of the AC, the latter’s informal interaction with the internal audit function is greatly reinforced. Furthermore by also specifying AC characteristics regarding independence, experience and objectivity the combination could lead to interesting results regarding the AC’s collaboration with others and its respected duties in general.

On the other hand, while CAE characteristics regarding experience and certification do not present significant influence, this paper is based on the questionnaire approach and the perceptions of internal auditors and AC chair and members. Their opinions could reflect expectation instead of the actual situation. In addition, audit committees, internal audit and CAE characteristics are not always comprehensive. Perhaps, interviews with AC members and internal auditors should be conducted in future research, enabling a more inclusive viewpoint.
REFERENCES


