

FINANCIAL CRISIS AND CORPORATE GOVERNANCE: THE ROLE OF INTERNAL AUDIT IN THE GREEK CONTEXT

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Abstract

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In this paper, our purpose is to examine the relationship between the role of Internal Audit (IA), Corporate Governance (CG) and the Audit Committee (AC) in the recent financial crisis in Greece and to investigate the contribution of IA to CG structures as well as its possible, the IA's role during the financial crisis in Greece. Moreover, little research has been conducted based on the relationship between corporate governance and internal audit during the financial crisis in case of Greece. For this reason, we conducted a survey, using questionnaires, which were sent to the listed companies of the Athens Stock Market. Out of a total of 192 listed companies on the Athens Stock Exchange, the relevant questionnaires were sent to 100 companies. Those companies were selected firstly based on their total turnover and secondly due to the availability of information from company websites such as employees' numbers and Internal Audit Department Structures. Our conclusion was that Internal Audit adds value to the organization and it can also help the senior management towards the accomplishment of the organizational goals.

Keywords: Audit Committees, Financial Crisis, Greek Corporate Governance, Internal Audit Function, Internal Controls, Internal Audit Quality

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1. INTRODUCTION¹

During the last years, there has been a need for the increased role of the Internal Audit (IA) in Corporate Governance (CG). Many writers and scientists have

been in favour of this shift towards strengthening corporate structures and the active involvement of IA in this process.

In one of its latest Position Papers (May 2018), IIA underlines that IA's job in the administration critical. We might want to underline that solid administration and board backing of IA is sustained by connections based on shared trust and steady and significant association between them while inferring that an energetic and deft IA capacity can be a basic asset supporting sound CG. As of now, various papers and overviews have been distributed that remark on both the job of IA in CG and the issues that have prompted the episode of the

¹ List of abbreviations:

- Internal Audit - IA
- Corporate Governance - CG
- Institute of Internal Auditors - IIA
- Audit Committee - AC
- Organization for Economic Cooperation - OECD
- Internal Audit Function - IAF
- Internal Audit Quality - IAQ
- Consulting Role of Internal Audit - ConIA
- Internal Audit's Role during the Crisis - IAC

ongoing money related emergency, next to no exploration has been led dependent on the relationship of CG and IA during the budgetary emergency on account of Greece. Thus, this work targets inspecting the connection between the job of IA, CG and the Audit Committee (AC) in the ongoing monetary emergency that happened in the Greek economy after 2008, so as to research the commitment of IA to CG structures just as its conceivable, positive/defensive job during the money related emergency in Greece.

The importance of IA engagement in corporate governance processes and practices is clearly emphasized by the Institute of Internal Auditors (IIA) definition of what IA recommends. According to this, "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

This objective will be achieved through a thorough review of a number of research on the subject, as well as through research using questionnaires, with a focus on the implementation of the above theoretical approaches in order to answer our relevant research questions. Through this research we would like to enrich our understanding of the performance of IA and its effects on CG. Furthermore, we would like to provide insight regarding the significant role of CG in financial crisis.

The main research questions are as follows:

- Does IA add value to an organization and help accomplish the organizational goals, during this financial conjuncture?
- Does the IA serve the CG's goals and objectives?
- Which is the role of CG in the financial crisis?

In order to answer the above questions, we formatted our research at 3 main sections. In the first section we have placed our scoping and general information about research methodology. In the second section you can read more details about research methodology and results which lead to the third section which is the result's discussion and research's conclusion.

2. LITERATURE REVIEW

Numerous exchanges on CG will, in general, allude to standards created in three archives distributed since 1990: the Cadbury Report (United Kingdom, 1992), the Corporate Governance Principles (OECD, 1999, 2004 and 2015) and the Sarbanes-Oxley (SOX) Act (United States of America, 2002). The Cadbury and Organization for Economic Cooperation and Development (OECD) reports show general standards around which organizations are required to work so as to guarantee great administration. The Sarbanes-Oxley Act, informally alluded to as Sarbox or Sox, is an endeavour by the government in the United States to administer for a portion of the standards prescribed in the Cadbury and OECD reports.

According to the Organization for Economic Cooperation and Development - OECD (2004), CG is

articulated as a system of relations between the Company's Management, the Board of Directors, its shareholders and other interested parties, constitutes the structure through which they are approached and sets the company's objectives, identifies the main risks it faces in its operation, identifies the means to achieve the corporate objectives, organizes the risk management system and makes it possible to monitor management's performance during the implementation process of the above. Finally, according to the Greek Corporate Governance Council (2013), the OECD authorities underline the role of good CG in promoting business competitiveness, both on the efficiency of internal organization and on the lower cost of capital. Increased transparency promoted by CG has resulted in improved transparency in the overall economic activity of private businesses and public institutions.

According to Sir Adrian Cadbury, CG is the way in which organizations are directed and controlled. The main goal of an organization is to achieve the level of performance for which it was created. But at the same time, an organization must comply with all relevant standards, rules, laws, regulations, policies and expectations that provide a framework within which this performance must be assessed, which in turn can cause many difficulties and create challenges.

Pickett (2010) states in his publication that the theoretical background of CG is based on the theory of representation (or agency theory). On this basis, legal entities are supervised by directors appointed by the owners (shareholders). Managers formulate a corporate strategy to achieve defined goals and meet market expectations and in turn recruit managers and staff to implement this strategy. He also continues stating that if everyone was fully capable and absolutely honest, then the above structural pyramid would work properly but this is actually more difficult to apply in practice since those who work on behalf of others are not always certain to do the utmost or to behave as expected.

Through the survey of the writing on the job of IA in CG, just as its cutting edge vision, which makes it a fundamental help supplier through the arrangement of value administrations and direction (rather than the prior view, in particular that its primary job depends on bookkeeping checks), we expect to give the required hypothetical foundation to help the two sub-inquire about factors of our model (Consulting Role of Internal Audit and Internal Audit Quality).

In its report on the core principles of corporate governance, the OECD (2004) mentions the following six key points that need immediate attention and consideration: i) Ensuring the Basis for an Effective Corporate Governance Framework, ii) The Rights of Shareholders and Key Ownership Functions, iii) The Equitable Treatment of Shareholders, iv) The Role of Stakeholders in CG, v) Disclosure and Transparency and vi) The Responsibilities of the Board. Nevertheless, it recognizes that there is no single and "good" model of CG, and that the principles are evolutionary (i.e. they should be adapted to the era) and that they change according to the specific characteristics of the business.

In order to examine the relationship above, Paape, Scheffe, and Snoep (2003) carried out a

survey through questionnaires, which they sent to the largest listed European companies. Their findings were quite diversified, with the writers claiming that further research on the subject is needed and that there is much room for improvement, in both mindset and daily practice. Of particular interest were the replies of the Internal Auditors questioned regarding the main reasons for the existence and operation of the Internal Audit Functions (IAF) within the companies in which they were working and whether the involvement of the IA in CG matters ultimately strengthens their role and promotes their profession. Regarding the first topic, 80% of the respondents noted that unspecified 'internal reasons' are the most important reason to have an IAF, an answer which could be considered, at least, vague, according to the researchers. The answers to the second topic were more promising since 40% said that CG is an important factor in developing the IAF. Furthermore, 47% agreed and 32% totally agreed with the statement that CG developments are important drivers for the role and position of the Internal Auditors' Profession.

Comparative research was directed from Leung, Cooper, and Robertson (2004) who meant to consider the job that IA was playing in CG in Australia, through watching given factors that added to their investigation's objective. One of their key discoveries was that the corporate culture and the help of the Board of Directors majorly affect IA's viability. While trying to reveal more insight into the warning job of inner control, Selim, Woodward, and Allegrini (2009) directed an examination among 94 undertakings from England and 298 from Italy in like manner, so as to watch similarities and contrasts between them. One of the key discoveries was that the inner controllers of England dealt fundamentally with the vital organization, while the inward controllers of Italy with the arranging of models.

The importance of IA, assisting the higher management through the means of effective risk management, is also another topic that attracted much academic attention in recent years. Lots of articles and relevant research papers have been published, that emphasize the beneficial part that IA can actually play in modern risk management practices. This can, in turn, help out top managers to create a reasonable level of awareness about present (and future) risks and controls. Although this is a very important topic, that stresses out the major role that modern IA plays in effective CG, we will not discuss it further, so as not to widen the theoretical scope of our study.

Karagiorgos, Drogalas, Gotzamanis, and Tampakoudis (2010) examined in their publication the contribution of IA to CG, in a theoretical level, through a very detailed literature review. Furthermore, they studied various more CG factors that play a major role in their research topic (e.g. board of directors, AC, etc.). The results of their work imply that IA plays a vital role in effective CG, but they also suggest more extensive work to be done in this area.

Likewise, Drogalas, Pantelidis, Vouroutzidou, and Kesisi (2011) presented a work from the European and Greek bibliography on the issue of the modern vision of IA, referencing in it the relevant PhD thesis of Koutoupis (2009) who examined the effect of modern practices of CG and management

of enterprise risk, in the systems and in the activities of internal control of Greek listed enterprises and concluded that they have to adopt more optimal international practices in the sectors of CG, management of enterprise risk and also in the systems and in the activities of internal control. The aforementioned authors also published another similar article on this topic, in which they investigated the interaction between IA and CG in the case of Greece, causing further consideration about the factors that assess the above relationship.

Regarding the recognition of the advisory role of IA, the quality services that can promote CG and the successful implementation of the above, Danescu, Prozan, and Prozan (2015) referred to the importance of complying with the relevant international rules on the issue of good CG practices. However, in order for this to be beneficial, there should be a thorough understanding of the relevant directives, as well as a realistic budget that recognizes the costs involved. Drogalas, Arampatzis, and Anagnostopoulou (2016) examined the relationship between CG and IA in companies listed on the Athens Stock Exchange, in order to highlight the management-oriented and value-adding scope of IA through evaluating the audit quality and the consulting role of IA. Their work has been a basic source of inspiration for the writing of this paper. The results of their study indicate that CG is positively associated with the consulting role of IA, to IA quality and to the AC.

As of late, Soh and Martinov-Bennie (2011) inspected the effect of different components - like IAF attributes, hierarchical factors and CG rehearses - so as to explore the degree of IA's contribution in ecological and social confirmation and counselling. One of their significant discoveries was that administration backing and outside detailing of manageability data are key elements related to IA's association in powerful CG. Hence, we can formulate our first hypothesis:

H1: Internal Audit is positively associated with Corporate Governance, through its consulting role.

Concentrating regarding the matter of analysing the variables that can reinforce the IA viability, Mihret and Yismaw (2007) inferred that general IA adequacy is emphatically identified with IA quality and the board support. Comparable outcomes originated from the exact investigations of Cohen and Sayag (2010) and Alzeban and Gwilliam (2014).

Prawitt, Smith, and Wood (2009) acknowledge that the quality of IA services and reports is vital to the management and depends on the professional competence of internal auditors and their relationship with the top and the line management. Arena and Azzone (2009) analysed data regarding the organizational drivers of IA effectiveness, after conducting a research on 153 Italian companies and concluded that the effectiveness of internal auditing is influenced by: i) the characteristics of the internal audit team, ii) the audit processes and activities, and iii) the organizational links. Furthermore, they state that IA effectiveness increases in particular when the ratio between the number of internal auditors and employees grows, the Chief Audit Executive is affiliated to the IIA, the company adopts control risk self-assessment techniques, and the AC is involved in the activities of the internal auditors.

In a very detailed article regarding the factors

associated with IA effectiveness, Drogalas, Karagiorgos, and Arampatzis (2015) conducted research on Greek businesses. The key findings of their study indicate that the main factors affecting internal audit effectiveness are: (1) quality of IA, (2) competence of IA team, (3) independence of IA and (4) management support. In a more recent study, Roussy and Perron (2018) tried to gather and review the existing literature which emphasizes on three major topics: a) the roles of IA, b) IA Quality and c) the modern practice of IA. Their goal was not only to try to present a significant archive about the studies on these topics but also to try to fill the conceptual gaps amongst these topics, through various recommendations of their own.

Jiang, Andre, and Richard (2018) also focused on the subject of investing in the organizational and environmental factors that influence firms' incentives to develop high-quality IAF. According to their findings, IAF quality is positively related to strong CG codes and structures which in turn foster IA development. IAF is also positively associated with industry competition, which means that the greater the environmental uncertainty is the more effective services the IA team can provide to an organization.

Commenting on the imperative importance of higher management's assistance to IAF by providing all the necessary resources it needs to accomplish its goals and mission, Trotman and Trotman (2015) argued that management support for IA's tasks, as well as the assurance that the function will receive all the support it needs, is positively associated with the extent of the function's involvement in providing assurance and consulting services of higher quality. Hence, we can formulate our second hypothesis:

H2: Internal Audit Quality is positively related to Corporate Governance.

The key difference between the AC and the IAF is that the first is consisted of members from the Board of Directors, while the latter operates within the organization (Arena & Azzone, 2009). One of the objectives of the AC is to monitor and evaluate the internal control system, which is also the primary goal of the IA team (Raghunandan, Rama, & Scarbrough, 1998).

Another interesting survey on that topic came from Goodwin (2003). Trying to investigate the relationship between the AC and IAF, via the means of questionnaires that were sent to 370 Internal Auditors from Australia and New Zealand, came to the conclusion that independence and accounting experience have a complementary impact on AC relation with IA. Plenty more studies suggest that in order to maintain and strengthen IAF independence, objectivity, and organizational stature, a dual reporting structure for the IAF is recommended, meaning that the IAF should report functionally to the AC, while reporting administratively to management. That in turn, can sufficiently promote both its role within the organization and how the rest of the employees view its purpose (Mat Zain & Subramaniam, 2007).

Raghunandan et al. (1998) also argue that the interaction between the IAF and the AC can lead to more efficient information exchanges and easier data processing regarding various matters that trouble the organization. The fact that IA reports directly to the AC also strengthens its role within the

organization and promotes good CG practices through more effective communication between the top management and the Board of Directors (Goodwin & Yeo, 2001). On the other hand, Paape et al. (2003) argue that the mere existence of an AC does not necessarily guarantee effectiveness in the areas of control and effectiveness. Other contributory factors include what it does, how it functions and the interaction between this and the CAE. According to Turley and Zaman (2004), the AC can strengthen the IAF and turn the IA into an important resource for implementation of its obligations.

Concentrating regarding the matter of analysing the variables that can reinforce the IA viability, Mihret and Yismaw (2007) inferred that general IA adequacy is emphatically identified with IA quality and the board support. Comparable outcomes originated from the exact investigations of Cohen and Sayag (2010) and Alzeban and Gwilliam (2014). Hence, we can formulate our third hypothesis:

H3: Corporate Governance is positively related to the Audit Committee.

The increasing need for transparency in corporate operations and financial reporting is of paramount importance for an organization in order to be successful during unstable economic periods (Dewing & Russell, 2004). Consequently, IA and CG have attracted much attention from authorities and researchers.

Erkens, Hung, and Matos (2012) used data from 296 financial firms from 30 countries, during the 2007-2008 crisis, in order to investigate the influence of CG on financial firms' performance during that period. One of their key findings was that firms with more independent boards and higher institutional ownership experienced worse stock returns during the crisis period. While trying to address what AC characteristics can affect a firm's performance (with a deeper research magnitude given to the most recent financial crisis), Aldamen, Duncan, Kelly, McNamara, and Nagel (2012) concluded that some special traits of the AC governance structure (e.g. the smaller size of it, the greater financial expertise and the more experience on risk management related situations), can be positively associated with a firm's performance during times of financial instabilities. Bekiaris, Efthymiou, and Koutoupis (2013) argue that the market today, according to current economic conditions, requires corporate governance to perform effectively as much as possible. Besides, one of the major causes of the financial crisis is the failure in CG. On the same wavelength, Zaharia, Lazar, and Tilea (2014) have also argued that IA should actively support CG, not only because it substantially strengthens corporate structures but is also an additional guarantee for good corporate risk management practices - especially during times of crisis. They also argue that the lack of management's respect to the role and the contribution of IA within the organization and the use of the resources of IA to reach short-term goals, to control possible crises or to subsidy special projects can lead to major insufficiencies of available resources to the IAF. In the most recent study, Ali, Liu, and Su (2018) found out that better-governed firms are strongly associated with a lower level of default risk, and that the association is stronger among firms with more growth opportunities. Finally, lots of studies try to

investigate which other factors that are linked to CG can be attributed to the corporate performance during times of instability (Essen, Engelen, & Carney 2013; Al-Gamrh, Ismail, & Al-Dhamari, 2018 etc.). Hence, we can formulate our fourth hypothesis:

H4: Corporate Governance practices are positively related to the organizational performance during the financial crisis.

3. RESEARCH METHODOLOGY

Taking into consideration the literature review above and our hypothesis's construction, we will now proceed with the presentation of our research methodology, which includes our research model, the detailed description of our model variables, as well as the sample we have used.

According to what has been already mentioned in the introduction of the work, our purpose is to examine the relationship between the role of IA, CG and the Audit Committee (AC) in the recent financial crisis that occurred to the Greek economy after 2008, in order to investigate the contribution of IA to CG structures as well as its possible, positive/protective role during the financial crisis in Greece. For this reason, we conducted a survey, using questionnaires, which were sent to the listed companies of the Athens Stock Exchange Market.

For the purpose of our research, we sent a questionnaire form via e-mail. Out of a total of 192 listed companies on the Athens Stock Exchange, the relevant questionnaires were sent to 100 companies. The 100 listed companies were selected based on 1) total turnover and 2) where it was possible to obtain information from the websites such as employees' numbers and Internal Audit Department Structures. The emails were initially sent on February 2019 and the answers received up to June 2019. The questionnaire form aims to obtain information for all previous years but more specifically for the last 10 years (2008-2018) when the financial crisis exists in Greece. Companies' contact information was obtained from the website of the Athens Stock Exchange.

The questionnaire consisted of 6 basic modules, the first of which concerned the general information of the companies, and the next five referred to questions related to the variables of the model under consideration. Optionally, participants could respond (briefly) to a final open-ended

question about whether "during the financial crisis, do you think the internal auditor has taken on a more advisory or confirmatory role" (45 companies responded to that question, 50% of the total sample). Last but not least, the questionnaire included 25 questions and the questions were presented via the Likert Scale method (except for the first four questions on general information of the companies and the last optional question which was an open-ended answer).

The response period of the questionnaires lasted three months and reminders were sent after the first month (so as more companies to participate in the survey if they had either not seen our message from the beginning or they had forgotten to deal with the whole process). During the final screening, 90 companies participated in the survey, answering our questionnaire (approximately 46,875% of the original population of 192 total listed companies - 90/192). All responses were thoroughly checked and none was rejected (for a total final sample of 90).

As it has already been mentioned in the literature review, the writing of this work was significantly inspired by the published research of Drogalas et al. (2016), in which the researchers evaluated the relationship between corporate governance and internal audit. Having this in mind and trying to go one step further, we aim to investigate the above relationship, but also during the financial crisis in the Greek market. For this purpose, we've added a new research variable (to the previously used model by Drogalas et al. (2016)), which concerned that scope.

Based on the bibliographic review above, five variables are selected to be examined in the present research. The dependent variable is Corporate Governance (CG). The other four are the independent variables and they present the Consulting Role of Internal Audit (ConIA), the Internal Audit Quality (IAQ), the Audit Committee (AC) and the Role of Internal Audit during the Crisis (IAC). For each one of these four independent variables, there were developed, consequently, four research hypotheses.

Multiple regression analysis was performed to estimate the magnitude of the effect of the "Consulting role of Internal Audit", "Internal Audit Quality", "Audit Committee" and "Role of Internal Audit during the Crisis" on "Corporate Governance". The Ordinary Least Squares (OLS) regression model was:

$$CG = a + b1ConIA + b2IAQ + b3AC + b4IAC + e1 \quad (1)$$

The variables are defined below:

- CG= Corporate Governance
- ConIA = Consulting Role of Internal Audit
- IAQ = Internal Audit Quality
- AC= Audit Committee
- IAC = Role of Internal Audit during the Crisis

In order to properly derive the results from the regression analysis of the questionnaire replies, we have reversed the answers to the questions related to the fifth variable ("Role of Internal Audit during the Crisis") - more specifically to questions 1, 3 and 4. For example, if someone answered Question 1 by choosing the fifth choice of the Likert Scale, then his answer is reversed to the first. In the same way, the second option is reversed in the fourth and vice versa (the fourth in the second and the fifth in the first one). We have moved on to this amendment

because questions 1, 3 and 4 of this variable are negatively expressed and therefore their answers do not have the positive direction of the other questions. SPSS was used to process the data.

4. RESULTS

The first part of the presentation of the results concerns the findings related to the descriptive statistics and more specifically the frequency of answers given to each question, as well as their percentage. General information about the companies and respondents, regarding company activity, staff number, the respondents' position in the company and years of internal audit departments' operation are presented in Table 1.

Table 1. General information of the companies

<i>Characteristics</i>		<i>Frequency</i>	<i>Percent</i>
Company activity	Commercial	20	22%
	Industrial	25	28%
	Industrial and commercial	25	28%
	Service	10	11%
	Other	10	11%
	Total	90	100%
Company staff number	< 10	5	6%
	10-50	5	6%
	> 50	80	89%
	Total	90	100%
Position in the company	Internal auditor	50	56%
	Chief accounting manager	30	33%
	Other	10	11%
	Total	90	100%
Years of establishing internal audit department in the company	< 3	10	11%
	3-6	20	22%
	> 7	60	67%
	Total	90	100%

According to the table above, the majority of the companies which participated in the research operate in the service activities sector (11%). Interestingly enough, the percentage of the companies that operate in the commercial and industrial activities sectors is balanced, with a score of 25% respectively. We derive the same results for those companies that operate both in the commercial and industrial activities sector. The rest (11%) of the participating companies stated another type of activity (which, although they could be described as service providers, yet they didn't select the relevant reply).

Regarding the company staff number, the vast majority of the companies (89%) occupy more than 50 employees while there is a 6% that occupies 10 to 50 people and another 6% with less than 10 employees. That can be explained, due to the fact that the sample was composed of firms which are listed in the Athens Stock Exchange. Regarding the question about the respondents' position in the company, most of them (56%) are Internal Auditors, 33% are Chief Accounting Managers and 11% have another position in the company (with one of the most common replies being that the person was employed in a position related to corporate governance). Finally, 67% of the companies have

established the internal audit department within the organization more than 7 years ago. The rest (33%) have established the internal audit department during the last 6 years.

5. DISCUSSION

In this section, we will present the descriptive statistical findings. For the dependent variable of our model, i.e. Corporate Governance, we could say that the vast majority of the respondents present a position matching the most positive attitudes of the Likert Scale. The highest positive responses were given for questions 1 and 3, which were related to the degree of association between the Top Management and the Board of Directors and the establishment and clear communication of the Company's mission, strategy and business objectives. The fourth question follows, which concerns the frequent and clear communication of the importance of integrity within the organization. Similar answers to the fourth question are also found in the second corresponding question, which refers to top management strategies that reduce the extent of the risk to the board. Our results are presented in Table 2.

Table 2. Statements regarding corporate governance

<i>Statement</i>	<i>Frequency - Percent</i>					<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
1. Indicate to what extent the connection of top management and the board of directors is close.	0	5	10	30	45	90
	0%	6%	11%	33%	50%	100%
2. Top management's strategies reduce the extent of risk for the board of directors.	0	10	5	45	30	90
	0%	11%	6%	50%	33%	100%
3. Top management has established and clearly communicated the Company's mission, strategy and business objectives.	0	2	8	30	50	90
	0%	2%	9%	33%	56%	100%
4. Top management frequently and clearly communicates the importance of integrity.	0	4	6	20	60	90
	0%	4%	7%	22%	67%	100%

On the same wavelength, like the Corporate Governance responses, respondents expressed a generally positive attitude towards the advisory role of Internal Audit, which suggests that it is recognized the fact that Internal Audit adds value and improves an organization. According to our results, the participants expressed their positive attitude towards the contribution of Internal Audit in the management of corporate risks, as well as that the role of Internal Audit is defined within a wider governance framework and is effectively

communicated. On the other hand, the responses to the Internal Audit advisory role on strategic issues of the organization - although positive - suggest some doubt as to the involvement of Internal Auditors in these issues. This suggests that senior executives may not yet fully trust the Internal Auditors in order to engage them (on a consultative level) with these issues. Our results about the statements regarding the Consulting Role of Internal Audit are presented in Table 3.

Table 3. Statements regarding the consulting role of internal audit

Statement	Frequency - Percent					Total
	1	2	3	4	5	
5. Internal Audit is conducive to risk management.	0	3	7	15	65	90
	0%	3%	8%	17%	72%	100%
6. Internal Audit has a consulting role in the company with a view to strategic management matters.	0	4	16	20	50	90
	0%	4%	18%	22%	56%	100%
7. Internal Audit adds value to the organization.	0	2	8	25	55	90
	0%	2%	9%	28%	61%	100%
8. The role of Internal Audit is defined within a wider governance framework and is effectively communicated.	0	3	7	30	50	90
	0%	3%	8%	33%	56%	100%

As to Quality of Internal Audit, we watch probably the best dispositions of the participants, with the vast majority of the appropriate responses extending from the fourth to a fifth choice of the Likert Scale. Specifically, the participants recognized the Internal Audit's commitment to giving proposals to upgrades in regions where openings and weaknesses are distinguished. It is likewise critical to distinguish the understanding of the respondents' perspectives that Internal Auditors work with an abnormal state of autonomy, which suggests the regard of the administration towards the mission and the idea of the work that Internal Auditors are called upon to perform.

Equally high ranked are the participants'

responses to the sufficient education and qualification of Internal Auditors, as well as those related to the fact that the Internal Audit Function and operations comply with accounting and auditing standards. These answers reveal the high professional training of executives employed in the Internal Audit Departments of Greek Listed Companies, which can be interpreted very positively as to the high-quality services they can provide. The positive statement on compliance with International Standards on Auditing further enhances the positive image of the business and Internal Auditors. Our results about the statements regarding the Internal Audit Quality are presented in Table 4.

Table 4. Statements regarding the internal audit quality

Statement	Frequency - Percent					Total
	1	2	3	4	5	
9. Internal audit provides recommendation for improvements in areas where opportunities and deficiencies are identified.	0	2	8	15	65	90
	0%	2%	9%	17%	72%	100%
10. Internal Auditors are sufficiently educated and qualified.	0	2	18	20	50	90
	0%	2%	20%	22%	56%	100%
11. Internal Audit operation and actions comply with accounting and auditing standards.	0	3	7	35	45	90
	0%	3%	8%	39%	50%	100%
12. Internal Auditors act at a high level of independence.	0	2	8	20	56	90
	0%	2%	9%	22%	62%	100%

The fourth variable of the model concerns the Audit Committee. The participants expressed their positive attitude regarding the Contribution of the Audit Committee in the most effective communication between the Internal Auditors and the Board of Directors and also recognized the Audit Committee's high level of knowledge related to accounting and financial issues.

The question about the frequency of meetings of the Audit Committee - although it has generally

received positive answers - it suggests that there may be room for further improvement in this part. Finally, the question as to whether the Audit Committee publishes a report that is included in the annual financial statements of the companies, the responses we received were closely divided in the 5 answers of the Likert Scale, revealing the shortcomings in this matter. Our results about the statements regarding the Audit Committee are presented in Table 5.

Table 5. Statements regarding the audit committee

Statement	Frequency - Percent					Total
	1	2	3	4	5	
13. Audit committee contributes to the communication between auditors and the board of directors.	0	7	3	20	60	90
	0%	8%	3%	22%	67%	100%
14. The members of the audit committee have sufficient accounting, auditing & financial knowledge.	0	2	8	30	50	90
	0%	2%	9%	33%	56%	100%
15. The audit committee's meetings are frequent.	0	0	15	25	50	90
	0%	0%	17%	28%	56%	100%
16. Audit committee publishes a report which is included in the annual financial statements.	10	10	10	20	40	90
	11%	11%	11%	22%	44%	100%

The fifth and final variable of our model is related to the role of the Internal Audit during the recent financial crisis. Before we present the descriptive statistics' results, we have to mention that the results are not reversed, meaning that the actual responses of the participants are presented in the following table. One of the key findings is that the respondents were not in a position to respond clearly on whether the recent financial crisis had a

substantial impact on the budget of the Internal Audit Department and whether the internal audit's engagement in the management of corporate risks has provided substantial support to meet the challenges posed by the crisis. We ended up in that, based on the fact that the majority of the participants chose the most neutral answer of the Likert Scale (the third response).

Furthermore, the majority of the participants

replied that the number of internal audit staff has not decreased during the crisis period and that the work of internal audit was not limited during the period of the financial crisis. In both questions, the participants expressed very positive opinions (although on the given scale their answers are

concentrated on the most negative selection of the Likert Scale, the conclusion above comes up from the reversal of their answers). Our results about the statements regarding the Role of Internal Audit during the Crisis are presented in Table 6.

Table 6. Statements regarding the role of internal audit during the crisis

Statement	Frequency - Percent					Total
	1	2	3	4	5	
17. The financial crisis has had an impact on the internal audit budget.	5 6%	15 17%	20 22%	30 33%	20 22%	90 100%
18. The involvement of internal audit in risk management has affected the company's course during the financial crisis.	5 6%	15 17%	35 39%	25 28%	10 11%	90 100%
19. The number of internal audit staff decreased during the crisis period.	45 50%	25 28%	15 17%	5 6%	0 0%	90 100%
20. The work of the internal audit declined during the period of the financial crisis.	50 56%	20 22%	10 11%	10 11%	0 0%	90 100%

According to what we have mentioned before, we have included an optional open-ended question, in the last part of our questionnaires, in which the participants could respond about whether "during the financial crisis, the internal auditor has taken on

a more advisory or confirmatory role". The sum of those who responded to that question was 45 (50% of the total sample). Our results about the statement regarding this question are presented in Table 7.

Table 7. Statements regarding the advisory or confirmatory role of internal audit during the crisis

Statement	Frequencies - Percent				Total
	Advisory	Confirmatory	Both	Other	
During the financial crisis, do you think that the internal auditor has taken on a more advisory or confirmatory role?	50 56%	20 22%	15 17%	5 6%	90 100%

According to our observation, the majority of the participants that replied to this question (56%) believe that the Internal Auditors have assumed a more advisory role during the recent financial crisis, which occurred to the Greek as well as the global economy. The total of those who believe that the Internal Auditors have taken on a more confirmatory role is 20 (22%). Almost similar is the percentage of those who believe that the Internal Auditors have played a double role during the crisis, both advisory and confirmatory. A minority of the respondents replied that either the role of Internal Auditors did not change during the crisis or that senior management has not yet recognized the importance of the conducive role of Internal Audit, as well as the services it can offer for the implementation of the complex tasks and tasks involved in the governance of the organizations.

The finding of the expanded warning job of Internal Auditors during the emergency further upgrades the view that the nature of warning administrations to the associations' organization is basic, which is likewise bolstered by our discoveries

in the inquiry above. Similarly significant, in any case, is that respondents recognize the commitment of Internal Audit to the more viable satisfaction of the targets of the associations they work with, which is affirmed by the mind greater part of the positive answers we got in this inquiry.

For the last part of our research, we used SPSS in order to calculate the Pearson correlation matrix for the dependent and independent variables of our model, as well as to perform the actual Regression analysis. The results are presented in Table 8, Table 9 and Table 10 accordingly.

From the Table 8, it can be observed that there is a significant and positive correlation (r=0.670) between "Corporate Governance" and "Consulting role of Internal Audit" at p<0.01, a significant and positive correlation (r=0.674) between "Corporate Governance" and "Internal Audit Quality" at p<0.01, a significant and positive correlation (r=0.465) between "Corporate Governance" and "Audit Committee", but there is no significant correlation between "Corporate Governance" and "Role of Internal Audit during the Crisis" (r=0.081).

Table 8. Correlation matrix

Correlations		CG	ConIA	IAQ	AC	IAC
CG	Pearson Correlation	1	.670**	.674**	.465**	.081
	Sig. (2-tailed)		.000	.000	.000	.501
	N	90	90	90	90	90
ConIA	Pearson Correlation	.670**	1	.805**	.528**	-.021
	Sig. (2-tailed)	.000		.000	.000	.890
	N	90	90	90	90	90
IAQ	Pearson Correlation	.674**	.805**	1	.528**	.139
	Sig. (2-tailed)	.000	.000		0	.198
	N	90	90	90	90	90
AC	Pearson Correlation	.460**	.520**	.525**	1	.198
	Sig. (2-tailed)	.000	.000	.000		.069
	N	90	90	90	90	90
IAC	Pearson Correlation	.083	-.015	.142	.198	1
	Sig. (2-tailed)	.441	.885	.198	.069	
	N	90	90	90	90	90

Note: **. Correlation is significant at the 0.01 level (2-tailed).

Table 9 reports the results of the regression analysis with the application of ANOVA. From the Table, it is indicated that the overall model is significant ($F=19.898$, sig. $F=0.000$, $p<0.05$). On the other hand, Table 10 reports the results of the coefficients of our OLS Model. Regarding the first hypothesis, the results indicate that there is a positive and significant association between “Corporate Governance” and “Consulting role of Internal Audit” ($b1=0.285$, $p=0.019<0.05$). For this

reason, $H1$ is strongly supported.

Similarly, there is a positive and significant relationship between “Corporate Governance” and “Internal Audit Quality” ($b2=0.370$, $p=0.0158<0.05$), suggesting that $H2$ is also accepted. The third hypothesis relates to the Audit Committee. In this case, the regression analysis shows a positive but not significant association between “Audit Committee” and “Corporate Governance” ($b3=0.082$, $p=0.338>0.05$). Thus, $H3$ is not supported.

Table 9. ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.472	3	3.845	19.898	.000b
	Residual	14.898	76	.186		
	Total	30.351	80			

Note: Dependent Variable: CG

Predictors: (Constant), IAC, ConIA, AC, IAQ

Table 10. Coefficient results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.957	0.495		1.931	0.052
	ConIA	0.285	0.123	0.335	2.372	0.019
	IAQ	0.370	0.152	0.349	2.481	0.018
	AC	0.082	0.089	0.096	0.959	0.338
	IAC	0.025	0.100	0.020	0.273	0.781

Finally, the fourth hypothesis relates to the Role of Internal Audit during the Crisis. In this case, the regression analysis shows also a positive but not significant association between “Role of Internal Audit during the Crisis” and “Corporate Governance” ($b4=0.025$, $p=0.781>0.05$). Thus, $H4$ is also not supported.

According to the findings of the analysis above, we should accept the first two research hypotheses ($H1$ and $H2$), while we should reject the two latter ($H3$ and $H4$). The result regarding our third hypothesis – the one implying that Corporate Governance, is positively related with the Audit Committee – is the opposite of what Drogalas et al. (2016), found in their research.

Two major reasons could entail this result. The first one could be the fact that our research sample was rather small (we took into consideration 90 replies). In order to extract valid and robust results through a regression analysis, the research sample should be sufficient (i.e. large) to eliminate any effects of extreme observations or subgroups in results.

Assuming, however, that our research sample is sufficient (or vice versa, taking into account the given weakness), we must investigate the reason that leads us to reject our two research hypotheses. Our guess is linked to the commentary that was cited when presenting the descriptive statistical findings of our work. More specifically, it has to do with the answers given to questions 15 and 16 – related to the Audit Committee and the corresponding answers given to questions 17, 18 and 19 – which relate to the role of Internal Audit during the crisis.

Regarding our fourth research variable (Audit Committee), the participants expressed a fairly neutral attitude regarding the frequency of the Audit Committee meetings. What most affected the result was their negative attitude to the question of whether the Audit Committee is publishing a report that is included in the annual financial statements.

As a result of the above answers received, we conclude that the main reason is the fact that only the last few years in Greece the audit committees are mandatory for listed companies. For some of the listed companies, the role of audit committee is not clear even today and the financial crisis in Greece has not given the opportunity to entities establish independent and well-organized audit committees.

Regarding our fifth research variable (Role of Internal Audit during the Crisis), the participants expressed a highly neutral attitude regarding the impact of the financial crisis on the budget of the Internal Audit Function, and about whether the involvement of Internal Audit in risk management has affected the company's course during the financial crisis. A less neutral attitude was expressed regarding question 19, in which the participants were called upon to reply about whether the number of internal audit staff decreased during the crisis period or not. These responses lead us to believe that either the respondents did not fully understand our research questions or they couldn't simply answer properly because they lacked the necessary information in order to contribute in a manner that could actually lean towards the goal of our research.

6. CONCLUSION

The goal of this paper was to conduct research – both through the existing review of the global literature and through the means of a survey – about the relationship of CG and IA during the financial crisis in the case of Greece. With respect to the above analysis, we can say with enough certainty – and based on both the theoretical material we have gathered and the results obtained through the research we have done – that IA adds, indeed, value to the organization and it can also help the senior management towards the accomplishment of the organizational goals. However, we cannot express

with clear certainty a position regarding the role of IA in the management of risks arising from the recent financial crisis. It is clear from our theoretical and empirical overview that the IA serves the CG's goals and objectives. This is achieved through the provision of high-quality consulting services, which combined with the additional professional qualifications, high professional training, as well as the appropriate professionalism shown by the Internal Auditors, create the basis for their substantial contribution to the Corporate Governance.

A key limitation of the research part of this work is the fact that we were not able to gather sufficient confirmatory material to justify the existence of specific factors in order to carry out a more relevant factor analysis which could, possibly, result in some more robust findings. A non-parametric analysis could also lead to interesting results. In general, and following in-depth research, we have come to the conclusion that opinions vary with regard to the use of regression analysis to evaluate the data obtained.

Our main research question concerned the role of CG in the recent financial crisis. Based on the findings of our research, we can distinguish an

existing relationship between the protective role of Internal Audit and its positive impact on CG during the crisis, which is expressed through the freer interpretation of our results. However, we have not investigated whether and to what extent IA has contributed in this direction, the non-reduction of the work of the Internal Auditors during the period of the crisis, as well as the preservation of the positions of the respective Internal Audit Departments, leading us to the conclusion that special emphasis was placed on maintaining (or potentially enhancing) the work of the IAF, perhaps with the ultimate goal of preserving the uninterrupted support for the work and mission of enterprises.

Through our research, we found a significant and positive relationship between Corporate Governance and the Consulting role of Internal Audit, as well as a positive and significant association between CG and IAQ. On the other hand, we did not find a similarly significant relationship between CG and AC, and also between CG and the Role of IA during the Crisis. In addition, we can say, with enough certainty, that during the crisis, both the advisory and the confirmatory role of the Internal Audit (especially the first) emerged.

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