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**THE INDICATORS OF THE EFFECTIVENESS OF AUDIT COMMITTEES – A FIELD STUDY ON
THE FINANCIAL INSTITUTIONS IN EGYPT**

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ABSTRACT

The sole objective of this study is to assess the role & effectiveness of audit committees in corporate governance and performance enhancement of Egypt's financial institutions. The research has been conducted using both primary and secondary data to explore strategies for enhancing the effectiveness of audit committees. A descriptive research design is adopted for carrying out the investigation, whereby simple random sampling technique is followed. Data is collected through a quantitative survey questionnaire completed by 212 audit officials of financial institutions in Egypt. The findings conclude that audit committees play a vital role in enhancing the effectiveness of financial institutions in Egypt. With this, the results also highlight on important factors like level of knowledge and expertise of the audit committee that affect their effectiveness.

Keywords: Financial Performance, Audit Committees, Corporate Governance, Financial Institutions, Strategies, Egypt

Chapter 1

Introduction

1.1 Background of the study:

According to Walker (2004) and DeZoort et al (2002), audit committee is one of committees which is expanded by BOD (board of directors) and their main duty is to perform with financial reporting. Bebhuk, Fried and Walker (2002) referred that major functions of audit committee is monitoring the financial reporting and financial performance of the firm. It is believed that audit committees must strongly influence the hiring, remuneration and removal of auditors, independence of audit, the extent and content of audit work and the dispute

resolution between executive and auditor's management. Moreover, audit committees must review and accept based on the selected policies of accounting (DeZoort et al, 2002 and Bebhuck, Fried and Walker, 2002). They have to focus on persuading a firm's approach to disclosure level, financial reporting and adherence to standard practice. Other than, determining the reliability of accounting processes of firm, audit committees in the firm must assure the compliance with corporate standards of ethical and legal (Bebhuck, Fried and Walker, 2002).

In Egypt, certain mechanisms of corporate governance were adopted in last

decade that focused mainly to maximize levels of confidence and transparency in terms of financial reporting; such mechanisms encompassed corporate governance code and Egyptian accounting standards (2005, 2011) and created EFSA (Egyptian financial supervisory authority). Despite other mechanisms, the ability of firms for manipulating financial reports through the management for earning, particularly those practices of management that are legal and the flexibility inside permitted by the accounting standards would alter from practices of illegally categorized fraud cases (Metawee, 2013).

According to Arab Republic of Egypt (2006), Egyptian code of corporate governance related to the audit committees codifies certain needs for establishing and operating the audit committees, which are as follows. The audit committee must be involved minimum of 3 non-executive board members, with the chance of selecting members from outside of the firm. At least one member must be expert from financial sector; the general assembly must concentrate on suggestion from the board, a manual for selecting members of audit committee and identifying their responsibilities, terms and remunerations; moreover, management must offer the audit committee with enough resources and assist for conducting its responsibilities encompassing appointment of external counsels and advisors (Arab Republic of Egypt, 2006).

(Figure 1: Teams responsible for achieving regulatory assurance in the financial institution)

Figure 1 represents teams that are responsible for achieving regulatory assurance in the financial institution. 80 per cent of the respondents have reported that board of directors are responsible for achieving regulatory assurance in the financial institution. 60 per cent of the respondents have reported that compliance manager and management team are responsible to achieve the regulatory assurance with respect to financial institutions. 55 per cent of the respondents have stated that audit committee is responsible for achieving the regulatory assurance practices in the financial sectors. 40 per cent of the participants have pointed out that risk committee is responsible for achieving or satisfying the practices of regulatory assurance in the financial institution (Mazars). Those findings were very helpful for the author in formulating the four research hypotheses:

1. **Hypothesis 1:** There is a correlation between proper institutional governance and the effectiveness of audit committee in the financial institution.
2. **Hypothesis 2:** There is a correlation between the effective communication and the effectiveness of audit committee in the financial institution.
3. **Hypothesis 3:** There is a correlation between the improvement of audit quality and the effectiveness of audit committee in the financial institution.
4. **Hypothesis 4:** There is a correlation between the level of knowledge and expertise of the auditors and the effectiveness of audit committee in the financial institution.

To investigate the research hypotheses, a field study has been carried out on a sample of 212 audit officials from the financial institutions in Egypt, in order to measure and analyze the indicators of the effectiveness of audit committees in the financial institutions of Egypt.

1.2 Problem identified:

Audit committee performs a viable role in corporate governance. Audit committee is seen as an extra mechanism of internal governance whose effect is to enhance the financial management quality of firm and its performance (Krishnan and Visvanathan, 2009 and Metawee, 2013). Most of the challenges faced by audit committees are lack of support from management, not receiving enough attention and commitment towards their work, difficulty in attracting a pool of skilled and talented persons and so on (Bremer, Hegazy and Sabri, 2011). Therefore this research tries to measure and analyze the indicators for enhancing the effectiveness of audit committees in the financial institutions in Egypt. This study also provides suggestions and strategies for the effectiveness of audit committees in the financial institutions with specific reference to Egypt.

1.3 Aim:

Aim of the research is to measure and analyze the indicators of the effectiveness of audit committees in the financial institutions in Egypt.

1.4 Objectives:

Objectives of the research are as follows:

- i. To investigate the concept of audit committees and its importance in an organization.
- ii. To analyze the role of audit committees in an organization, its various responsibilities, its various powers or authorities in the financial institutions in Egypt.
- iii. To explore the audit committee's importance in improving the efficiency and effectiveness of financial institutions in Egypt.
- iv. To propose strategies for the effectiveness of audit committees in the financial institutions in Egypt.

1.5 Limitations of the research:

Limitations of the research are as follows:

- i. This research is limited to Egypt alone.
- ii. This study takes into consideration exclusively to measure and analyze the indicators for the effectiveness of audit committees in the financial institutions in Egypt.
- iii. The findings of this study are limited to audit committees in the financial institutions

Chapter 2

Literature review

2.1 Review of literature:

The audit committees are very important and possess a vital role to play in monitoring the financial report and the other significant areas in an organization. Audit committees are considered to be

more important in organization especially in financial institutions and the audit committees are considered as a well-recognized aspect of corporate governance. The most effective audit committee use to completely understand their responsibilities in an organization (Audit Committee, 2013) and embrace them to make out what is required to accomplish them effectively. In the financial integrity of an organization for the shareholders, the audit committee plays a significant role. The audit committee observes the integrity and reliability of financial statements of the organization and monitors any official announcements concerned to the financial performance of the organization earlier to their release. In view of that, an effective audit committee makes sure that its members are all made aware of the disclosure issues, accounting policies and these details are communicated earlier enough to them in order to facilitate suitable actions to be taken as required (Audit Committee, 2013). The audit committee's effectiveness is considered as a theme of some concerns among the researchers and regulators (Truly & Zaman, 2004; Kilika & Mutua, 2013).

An audit committee needs to enquire auditors and management concerning recommended adjustments in audit and the disclosure variations that are to be made by the management is not done by the management; the critical accounting principles, and the accounting policies implemented by the organization; accounting provisions; unusual transactions and the estimates comprised in financial statements. A complete understanding of these aspects is essential

to the efficiency of audit committee in order to meet its oversight accountabilities (BDO, 2012). In this study, the indicators include proper institutional governance, effective communication, and increased quality of audit, knowledge and expertise of auditors which helps in understanding the various aspects of an organization which makes the audit committee more effective.

The proper functioning of the effective audit committee helps in increasing the importance of risk and control in all the heights of authority, improves the knowledge of non – executive directors and makes them understand the company's finance, exhibits the intention of board in reviewing the financial information, provides directors an added understanding on the control and accounting systems of the organization and makes them understand both external and internal audit, enhances communication between external auditor and the board (George, 2005). Further, an efficient audit committee helps in enhancing the financial reporting quality in an organization by providing an increased focus and strengthens the functions of internal audit by offering its greater liberation from the management (KPMG, 2009).

Proper institutional governance is one of the indicators of the effectiveness of audit committees. IIA (2012) states that the executives' efforts to exhibit accountability generally begin with appropriate financial reporting. When enhanced accounting principles are adopted, and this information then exposes to independent audit, enhanced quality

information would be stated. Hence, compliance with the accounting standards under the proper governance improves financial responsibility as it contributes to consistency, transparency and reliability of the financial information which in turn effectiveness of audit committees.

The communication is considered to be the most important indicator of effectiveness of audit committee and it is to happen on timely basis and earlier to the audit's report issuance. The timings of the communication are likely to differ based on the importance of matter and any follow – up or corrective actions required. The comprehensive review of external auditor (CREA) includes the identification, assessment and evaluation of transparency and quality of the communications of audit firm are clear, timely, relevant and concise and that they provide suggestions for constructive improvements, if required (PWC, 2013). Also, the communication regarding the audit strategy and audit engagement terms may possess an extreme significance early in the process of audit, while the communication regarding the evaluation by audit firms, the financial statements of the firms will certainly take place during the audit report issuance. The communication may be in the form of written or oral between the audit committee and audit firm. The stated purpose of standard or effectiveness is to encourage operative two – way communication among audit committee and audit firm (Covington, 2013).

Audit Quality (2004) mentioned that, in order to properly carry out the responsibilities of audit committee, the increased quality of audit is very

important. The quality of audit is defined as meeting the needs of investors for reliable and independent audits and robust communications of audit committee on the financial statements, going concern warnings and the assurance regarding the internal control (PCAOB, 2013). The following figure 3 shows the possible indicators of audit quality that are related to the process of audit.

(Figure 3: Indicators of audit quality that are related to the process of audit)

Communication between the audit firm and audit committee regarding the quality of audit could endorse a dynamic discussion on the matters that are significant to the audit execution, which could increase the understanding of factors by the audit committee. This might affect the audit effectiveness and also enhances the quality and ability of audit committee in evaluating the activities that have been or may require to be taken (AQI, 2014).

The knowledge and expertise of auditors are considered to be very important indicator for the effectiveness of audit committee. The audit committee accumulates the independent auditor's team which possess knowledge and skill commensurate with the requirement of engagement. The members of audit team are then consigned to their responsible areas that are suitable based on their abilities. Typically, the most senior members of the team take charge of planning and guiding the audit and the review and supervision of work carried out by less experienced team members. The leaders of audit team also look into the engagement timing and the audit team

perform in order to make sure an efficient and timely audit. The knowledge and expertise of auditors are required in some of the financial statement audits to enhance the effort of core engagement team. The experts may either be inside the audit organization itself or may get involved from outside the organization to enhance the audit team. It is concluded that great quality of financial reporting acts an important part in promoting reliability and integrity of financial information in the organization.

Bremer, Hegazy and Sabri (2011) carried out a research to improve the performance of audit committee in the Middle East. Effectiveness of audit committee is shaped by frameworks of formal institutions but mediated by norms of audit profession. Findings of the survey confirmed that most of the knowledgeable respondents in Egyptian corporate governance would favour clarifying and updating the present code of corporate governance in Egypt as it is applicable to the audit committee. It was observed that this encourages the outgoing efforts of Egyptian government for strengthening governance and in specific for enhancing accountability, transparency and performance disclosure of listed companies. It was noted that effective and efficient audit committees have the capability to enhance the resistance to economic shocks and greater stability in the listed firms of Egypt. Thus it is concluded that corporate governance in Egypt would favour clarifying and updating the present code of corporate governance in Egypt as it is applicable to the audit committee.

Vafeas (2005) stated that size of audit committee is one of the essential characteristics which dedicate to audit committee effectiveness. If the size of audit committee is very small then the quantity of directors who serve the committee would not be sufficient and thus reduces the effectiveness (Abbott et al, 2004 and Vafeas, 2005). Xie et al (2003), Abbott et al (2004) and Vafeas (2005) pointed out that perfect average of size of audit committee is between three to four members. Krishnan and Visvanathan (2009) identified a positive relationship between meetings of audit committee and audit fees, recommended that the companies with higher quantity of meetings of audit committee demand high quality audit and assurances from their auditors. For providing higher external audit quality and more assurances, auditors require extraperformance of audit work which enlarges the scope of audit and maximize the levels of audit testing that would outcome in higher quality of audit and audit fees. Thus it can be concluded that there exist a positive relationship between audit committee meetings and fees of audit.

Metawee (2013) conducted a research to analyze the relationship between characteristics of audit committee, earning management level and board of directors, evidence with Egypt. From the findings of the study it is noted there exist significant and positive relationship between earnings management level and independence of members of board of directors and financial experience of members of audit committee. It was recommended that in order to bind, the Egyptian firms encompass corporate BOD

a minimum of independent members and form the standard experiences and qualifications that could be achieved with those independent board members. It was also noted that audit committee effectiveness is linked with the financial distress or prosperity of firms. It was also clear that, competent audit committees involve the potential for reducing the financial distress. Thus it is concluded that the existing significant and positive relationship between earning management level and independence of members of board of directors and financial experience of members of audit committee. It was also clear that audit committee effectiveness is linked with the financial distress or prosperity of firms.

Amer, Ragab and Shehata (2014) examined the characteristics of audit committee and performance of firm. This study is efficient since forming an audit committee improves the expectancy of investors for receiving enhanced financial reports. Performance of firm is measured by Tobin's Q, return on assets (ROA) and return on equity (ROE). It is estimated that there exists a positive relationship between the size of audit committee and financial performance of firm as measured by Tobin's Q, ROA and ROE, the outcome indicated that there is no significant and negative relationship with ROA, Tobin's Q and ROE, stated that the size of audit committee cannot influence the financial performance of firm. As control variable size of firm indicates a negative and insignificant correlation with Tobin's Q, ROA and ROE. It was also noticed that meetings of audit committee is significantly and positively associated with ROE, insignificant and positive correlation

associated with Tobin's Q and ROA. It is showed that there exists a positive relationship between independent BOD and firm's financial performance as gauged by the return on equity, CEO duality indicated a positive and significant relationship with return on equity, and board meeting outcomes indicated a significant and positive relationship with ROE. Thus it is concluded that the size of audit committee and financial performance outcome indicated that there is no significant and negative relationship with ROA, Tobin's Q and ROE (Amer, Ragab and Shehata, 2014).

Soliman and Ragab (2014) examined the effectiveness of audit committee, earning management and audit quality of listed firms. It was noted that there is no significant relationship between size of audit committees and discretionary accrual levels. It was also noticed that audit committee performs a significant and viable role in corporate governance. Thus it is concluded that there is no significant relationship between size of audit committees and discretionary accrual levels.

2.2 Conceptual framework

(Insert Figure 2 here)

Chapter 3

Research methodology

The study focuses on the indicators of the effectiveness of the audit committees in the financial institutions of Egypt. The study plays a major role in demonstrating the outcomes of the problems framed. The audit committee is

taken as the key factor in the corporate. The study makes the analysis by means of research methods and portrays the results. Research paradigm is the key element in any research. It guides the investigator in the first step. The research paradigm is of two types namely positivism and interpretivism. This study makes use of the *positivism* research paradigm method of investigation. Positivism is the numerical way of interpreting the results of any investigation. The aim of this study is to measure the indicators for the effectiveness of audit committees in the financial institutions of Egypt.

The study makes use of the audit people of the financial institutions of Egypt. Research design is the cluster of predefined designs and norms for carrying out any investigation. Babbie (2008) points out that a research design will guide the investigator about the strategy in choosing the samples. Research design is divided into exploratory research design and conclusive research design. From the conclusive research designs, descriptive design and causal design emerge. The investigation makes use of the *descriptive* research design. Descriptive research design is the one in which exact situation is measured and it finds solutions to various problems that are very complex. The sampling design for the study would be *simple random sampling*, which chooses the audit people for the study in an unbiased manner. The study makes use of 212 audit officials from the financial institutions of Egypt. Pathak (2008) says that simple random sampling is the method that uses the natural happening set of people from the population.

Data collection method used in the study is both *primary* and *secondary* data collection methods. The investigator of the study compiles the primary data from the audit professionals of Egypt and the secondary data is collected from various substitute sources like books, journals, internet etc. The analysis of data is carried out through measurement tools like graphical method, percentage analysis and chi square tests. The study will reveal the suggestions and recommendations for the problem stated after acquiring the results of the study. The investigator in addition, gives equal importance on the validation techniques like validity and reliability. The ethical values are taken seriously in this study since it deals with the financial terms of various institutions.

Research hypotheses:

5. **Hypothesis 1:** There is a correlation between proper institutional governance and the effectiveness of audit committee in the financial institution.
6. **Hypothesis 2:** There is a correlation between the effective communication and the effectiveness of audit committee in the financial institution.
7. **Hypothesis 3:** There is a correlation between the improvement of audit quality and the effectiveness of audit committee in the financial institution.
8. **Hypothesis 4:** There is a correlation between the level of knowledge and expertise of the auditors and the effectiveness of audit committee in the financial institution.

Chapter 4

Discussion

4.1 Introduction:

This section discusses the data which is collected from 212 audit officials, from the financial institutions of Egypt, in order to measure and analyze the indicators of the effectiveness of audit committees in the financial institutions of Egypt. A closed ended, quantitative questionnaire was distributed to the audit officials, to gather the data required for analysis. The questions were focussed on the indicators of effectiveness of the audit committee. The respondents were asked regarding their views on factors and questions such as, importance of effective audit committee for an organization; the various characteristics of auditing process followed in their organization; if their organization implements the indicators like proper governance, effective communication, increased quality of audit and knowledge and expertise to the effectiveness of auditing their organization. From the analysis obtained it is found that, for almost every question, the audit officials have responded positively and in that only a very few respondents has given negative answers or disagreed to the questions asked to them.

4.2 Institutional governance and effectiveness of the audit committee:

The audit officials were asked if the process of proper institutional governance followed in their organization helped in the effectiveness of the audit committee. From the responses obtained, it is found that, maximum number of respondents up to 130 of the audit officials agreed that, the effectiveness of their organization is enhanced with the

maintenance of proper governance structure followed in their organization. Only 13 audit officials strongly disagreed with the question asked to them. According to Krishnan and Visvanathan (2009) and Metawee (2013), Audit committee is seen as an extra mechanism of internal governance whose effect is to enhance the financial management quality of the firm and its performance. From the chi square test for the hypothesis 1, it can be observed that the value of chi square statistic is 230.038 and its corresponding p value is $0.000 < 0.05$. This ensures that there is a correlation between proper governance and the effectiveness of audit committee in a financial institution.

4.3 Effective communication and effectiveness of the audit committee:

The audit officials were then asked if the process of effective communication followed in their organization helps in the effectiveness of the audit committee. From the responses obtained, it is found that, maximum number of respondents, nearly 140 audit officials agreed that, the effectiveness of their organization is improved with the enhancement of communication strategies followed in their organization. Krishnan and Visvanathan (2009) identified a positive relationship between meetings of audit committee and audit fees, recommended that the companies with higher quantity of meetings of audit committee demand high quality audit and assurance from their auditors. This ensures that effective communication is necessary for the effectiveness of the audit committee. Only 13 audit officials disagreed with the question asked to them. From the chi

square test for the hypothesis 2, it can be observed that the value of chi square statistic is 283.566 and its corresponding p value is $0.000 < 0.05$. This ensures that there is a correlation between effective communication and enhancement of effectiveness of audit committee in a financial institution.

4.4 Audit quality and effectiveness of the audit committee:

The next question asked to the audit officials is if the process of increasing the quality of audit followed in their organization helps in the effectiveness of the audit committee. From the responses obtained, it can be found that, maximum number of respondents, more than 118 of the audit officials agreed that, the effectiveness of their organization is enhanced with the increasing level of quality in their audit processes followed in their organization. Only a mere 5 audit officials of the total number of respondents disagreed with the question asked to them. Soliman and Ragab (2014) have examined a positive relationship between the audit quality, earnings management and effectiveness of the audit committee. And from the chi square test for the hypothesis 3, it can be observed that the value of chi square statistic is 241.396 and its corresponding p value is $0.000 < 0.05$. This ensures that there is a correlation between the improvement of quality of the audit process and the effectiveness of audit committee in a financial institution.

4.5 Knowledge, expertise and effectiveness of the audit committee:

The audit officials were then asked if the process of increased knowledge and

expertise followed in their organization helped in the effectiveness of the audit committee. From the responses obtained, it is found that, maximum number of respondents, up to 154 audit officials agreed that, the effectiveness of the audit committee in their organization is improved with increasing the levels of knowledge and expertise of the auditors in their organization. A minimum number of respondents, around 15 audit officials disagreed to this question asked to them. And from the chi square test for the hypothesis 4, it can be observed that the value of chi square statistic is 383.802 and its corresponding p value is $0.000 < 0.05$. This ensures that there is a correlation between the level of knowledge and expertise of the auditors and the effectiveness of audit committee in a financial institution.

Chapter 5

Conclusion

5.1 Conclusion:

The findings of the study are elaborately discussed in this section. The focus of the study was to measure and analyze the indicators of the effectiveness of audit committees in the financial institutions in Egypt. From the study, it is evident that the audit committees play an important role in every organization and they are meant to report financial status of the organization to the management. The audit committees play an important role in improving the efficiency and effectiveness of financial institutions in Egypt. However, the audit committees also found that they are not getting required support from the organization and from the study it

can be concluded that, for the effectiveness of the audit committees, proper communication between the management and the audit committee is necessary.

The study also ensures that the indicators like proper institutional governance; effective communication between the management and the audit committee; improvement of audit quality and the level of knowledge and expertise of the audit committee creates the effectiveness of the audit committee in the financial institutions. It can be concluded that almost every organization focuses on the indicators of effectiveness of the audit committee. It is also evident that, important factors like requirements of shareholders; covering all the policies through committee charter; risk management; maintenance of effective communication between audit committee and management; implementing technical developments; maintaining appropriateness and robustness of audit procedure; importance to provide sufficient knowledge to the audit committee through trainings etc. are followed by most of the organizations and by their audit committees.

5.2 Recommendations:

For the effectiveness of the audit committees in the organization, certain strategies can be recommended as follows.

➤ **Clear communication:**

The audit committee can be provided with a proper, complete, detailed and comprehensive description of their position for them to understand their role. This communication strategy acts as an

indicator for the effectiveness of audit committee. The financial manipulations, implications and choices of the management must be made to understand to the audit committee.

➤ **Freedom to act independently:**

The audit committee must be given the independence to act on its own, in the management. An organization also needs to concentrate and carefully select, recruit and train their audit committee as knowledge is found to be an indicator for the effectiveness of the audit committee. The organizations need to follow an effective documentation and have a reporting relationship between the audit committee and the top level management.

➤ **Effective internal audit:**

The effective internal audit function acts as an indicator for an effective audit committee that would directly report to the audit committee. The functions, contributions and effectiveness of the audit committee need to be regularly and comprehensively assessed by the management. Following these strategies in an organization will enhance the effectiveness of the audit committee in the organization.

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Figures

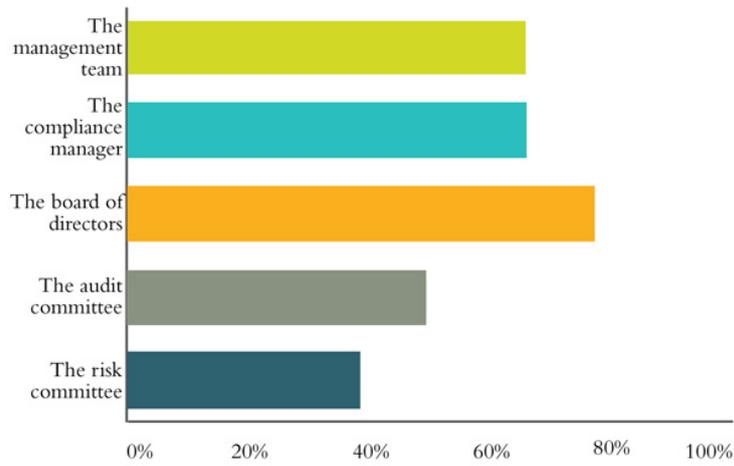


Fig. 1: Teams those are responsible for achieving regulatory assurance in the financial institution (Source: Mazars)

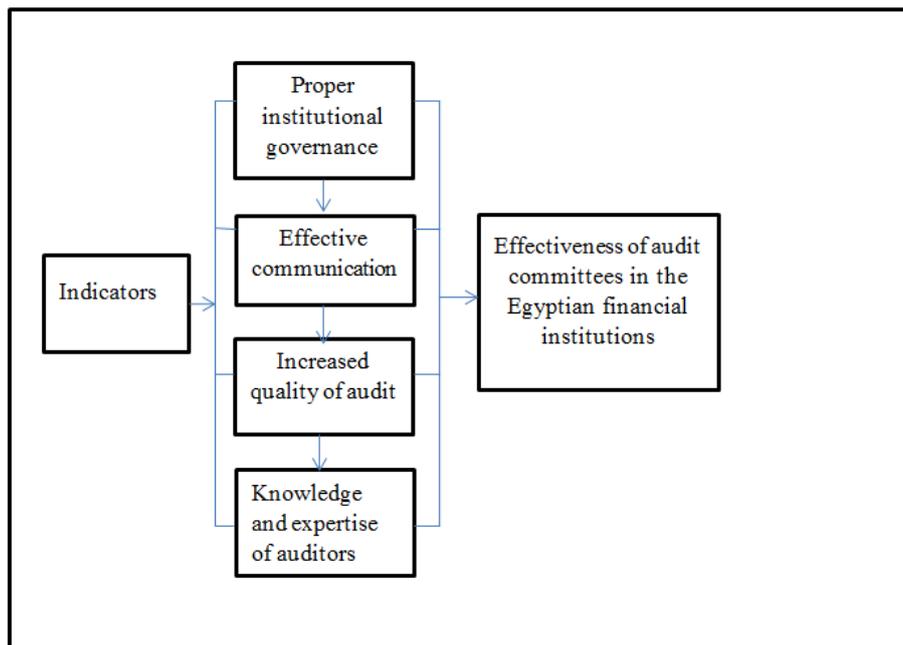


Fig. 2: Conceptual framework of the indicators for the effectiveness of audit committees of the Egyptian financial institutions (Source: Author)

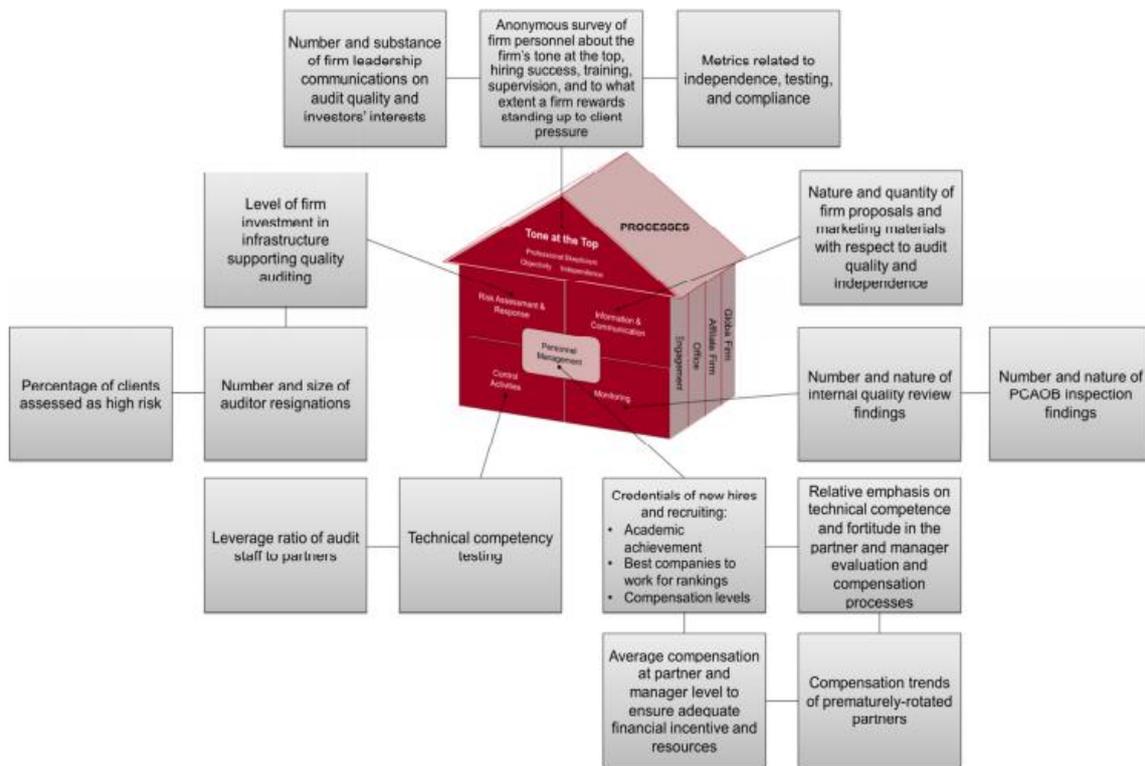


Fig. 3: Indicators of audit quality that are related to the process of audit
Source: PCAOB (2013)

Appendix

The indicators of effectiveness of audit committees - a field study on the financial institutions in Egypt

Personal Profile:

- a. Name :
- b. Age :
- <25 years
 - 25 – 34 years
 - 35 – 44 years
 - 45 – 54 years
 - >54 years
- c. Gender :
- Male
 - Female
- d. Educational Qualification :
- Diploma
 - Under graduate
 - Post graduate
 - Doctorate
- e. Name of the organization :
- f. Designation:
- g. Work Experience in Years :

Indicators of effectiveness of audit committees

1. Do you think that audit committee and its effectiveness is important in an organization?

- Yes
- No

2. Whether your organization implements the indicator of proper governance for the effectiveness of audit committee?

- Yes
- No

3. Whether your organization implements the indicator of effective communication for the effectiveness of audit committee?

- Yes
- No

4. Whether your organization implements the indicator of increased quality of audit for the effectiveness of audit committee?

- Yes
- No

5. Whether your organization implements the indicator of knowledge and expertise for the effectiveness of audit committee?

- Yes
- No

6. Comment on your opinion on the process of proper governance followed in your organization helps in effectiveness of the audit committee. (5- Strongly agree 4- Agree 3- Neutral 2- Disagree 1- Strongly disagree)

Proper	5	4	3	2	1
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governance					
My organization always focus on the shareholders requirements					
There exists committee charter in my organization that covers all the polices					
My organization concentrates on effectiveness of the firm through risk management, applicable rules etc.					

My organization review the external auditors' objectivity and independence					
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7. Comment on your opinion on the process of effective communication followed in your organization helps in effectiveness of the audit committee. (5- Strongly agree 4- Agree 3- Neutral 2- Disagree 1- Strongly disagree)

Effective communication	5	4	3	2	1
My organization maintains an effective communication between auditor, the management and the audit committee					
My					

<p>organizations maintains ongoing communication to stay up-to- date of professional developments and standards</p>					
<p>My organization makes available the necessary information to do the day – to - day activities</p>					
<p>My organization communicates with the external experts concerning the firm’s environment</p>					

functioning					
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8. Comment on your opinion on the process of increasing the quality of audit followed in your organization helps in effectiveness of the audit committee. (5- Strongly agree 4- Agree 3- Neutral 2- Disagree 1- Strongly disagree)

Increased quality of audit	5	4	3	2	1
My organization implements up-to-date technical developments in the audit process					
My organization maintains the appropriateness and robustness of the procedure of internal quality control					

My organization maintains the effectiveness of auditors in assessing the transparency and quality of financial reporting					
My organization maintains the attitude, knowledge, experience, judgment level and integrity of the audit team					

9. Comment on your opinion on the process of increasing the knowledge and expertise followed in your organization helps in effectiveness of the audit committee. (5- Strongly agree 4- Agree 3- Neutral 2- Disagree 1- Strongly disagree)

Increased	5	4	3	2	1
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knowledge and expertise					
My organization always ensures the sufficient knowledge and expertise of the audit committee members					
My organization maintains the statutory requirements to review and assess the auditors' performance					
My					

<p>organization maintains the recent and relevant expertized audit committee to meet the regulatory criteria</p>					
<p>My organization offers proper training to increase the knowledge of the audit team</p>					

10. Do you think that the process of proper governance followed in your organization helps in effectiveness of the audit committee?

- Strongly agree
- Agree
- Neutral

- Disagree
- Strongly disagree

11. Do you think that the process of effective communication followed in your organization helps in effectiveness of the audit committee?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

12. Do you think that the process of increased quality of audit followed in your organization helps in effectiveness of the audit committee?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

13. Do you think that the process of increased knowledge and expertise followed in your organization helps in effectiveness of the audit committee?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

14. What suggestions would you provide to your management for the enhancement of effectiveness of audit committee in your organization?

15. Comments if any

Date:

Place:

Signature of the respondent

Thank you for your valuable time!