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Audit Committees: Practices, Practitioners and Praxis of Governance

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Audit Committees: Practices, Practitioners and Praxis of Governance

Abstract

Purpose – This paper reviews and critiques prior research on audit committees using a practice-theory lens. Research on audit committees has followed the same trajectory as early research on boards of directors, which has been criticised for its singular theoretical perspectives and methodologies that do not capture the complexity of real-world experiences/behaviours.

Design/methodology/approach – We devise an analytical framework based on practice theory to conduct our review. We examine what audit committees should do (i.e., best practice) versus what audit committees actually do (i.e., actual activities in practice – praxis). Attributes of audit committee members, and the relationship dynamics relevant to their role execution (i.e., practitioners), are considered.

Findings – Research on boards has found that over-emphasis on agency theory's monitoring role negatively impacts board effectiveness. We invoke other theories in examining what audit committees do in practice. We characterise the role of audit committees as oversight and not monitoring. We question whether, similar to auditing, audit committees are blamist tools or are genuinely orientated towards supporting improvements in organisational management systems. We unpack the ritualistic ceremonial behaviours and symbolic endeavours versus substantive engagement by audit committees. Our analytical framework also considers the “guardianship circle” around audit committees in the form of the key practitioners and their relationships: audit committee members, auditors and senior managers.

Originality/value – Drawing on our analytical framework, we provide directions for further opportunities for research of audit committees.

Key Words Corporate governance, Audit committees, Practice theory, Practices, Practitioners, Praxis, Guardianship circle

Paper type Literature review

Audit Committees: Practices, Practitioners and Praxis of Governance

1. Introduction

Recognition of the importance of audit committees as a key governance mechanism through which boards of directors exercise their oversight functions has grown in recent years. This paper reviews and critiques the prior literature on audit committees, focussing on the on-the-ground activities of those working on and with audit committees. Given this focus, we apply practice theory as the analytical lens for our review. As so much research is dominated by input-output studies of audit committees, applying practice theory as an analytical lens provides alternative insights into this key governance mechanism, insights that may be extended to other corporate governance mechanisms.

Much current research on corporate governance fails to adequately capture the dynamic, interactive nature of governance. In response, some governance scholars advocate research approaches that capture real world situations (McNulty *et al.*, 2013) or, in the words of Whittington (2011, p. 184), a “turn to practice”. McNulty *et al.* (2013, p. 190) caution against the “dangers of studying the appearance of governance, but not its substance”. They call for greater attention to “how governance actors and institutions actually function” (McNulty *et al.*, 2013, p. 183). Gendron (2009, p. 123) advocates “research that seeks through qualitative inquiries to comprehend corporate governance processes in action”. Ahrens *et al.* (2011) call for more field studies of corporate governance practice, such that researchers begin to map the interactions between corporate governance practitioners to enhance understandings of how key relationships shape practice. Roberts (2005, p. 250) suggests that in order to explore corporate governance, not from the perspective of how to constrain self-interested human nature, but rather as self-interested opportunism, the focus of attention should shift away from “assumptions about human nature to *practices and their effects* both objective and subjective” (emphasis from the original). Further, he opines that we cannot know in advance about human nature, but must instead look to the practices through which it is shaped. Roberts’ (2005) objective is to describe corporate governance mechanisms in terms of normalising and individualising effects on those who are subject to them, including executive conduct in terms of the myriad techniques, programmes and practices which shape individualised subjectivity of (self-interested) executives. Similarly, Smallman (2007) urges governance researchers to go back to the drawing board to seek deeper and more meaningful evidence from which to inform and improve the practice of governance. He observes that researchers need to

understand the practice of governance and the processes that comprise this practice. Calls from governance scholars to give greater attention to the actual practice of corporate governance support a practice-theory approach.

We use the umbrella term, “the practice of corporate governance”, to refer to: (i) corporate governance practices (social norms and rules, best practice); (ii) practitioners and (iii) praxis (activities). Regulators, in their approach to “the practice of corporate governance” hint at an awareness of the disconnect between best practice and corporate governance in practice (praxis). Shareholders / regulators are beginning to emphasise the importance of disclosing praxis and not simply reporting compliance with practice (i.e., best practice). For example, the Financial Reporting Council’s (FRC) (2013, p. 2) “Lab Project” on reporting by audit committees emphasises the importance of audit committees “say[ing] what you did” (i.e., praxis) “not just what you do” (i.e., best practice). The examples of audit committee reports cited in the FRC Lab Project Report highlight the importance of: (i) language (e.g., using “examined” instead of “reviewed”); (ii) instilling “soft” confidence/assurance (e.g., we reviewed and we are comfortable); (iii) adding “colour” to the description of their work and avoiding boilerplate explanations and (iv) personalising audit committee reports, perhaps creating a sense of familiarity and trust. Shareholders are seeking better evidence that audit committees are fulfilling their oversight role.

Using practice theory as an analytical lens to analyse prior research, the paper complements and extends existing knowledge on audit committees and other recent reviews of audit committee research (Ghafran and O’Sullivan, 2013). The paper reviews audit committee practice, practitioners and praxis addressed in prior studies. It critiques the prior literature by reference to the theoretical perspectives adopted, the overemphasis on examining what audit committees “should do” (i.e., examining best practice) and the lack of attention given to examining what audit committees “actually do” in practice (i.e., praxis). Through our critique we identify gaps not addressed in prior research and set out an agenda for future research.

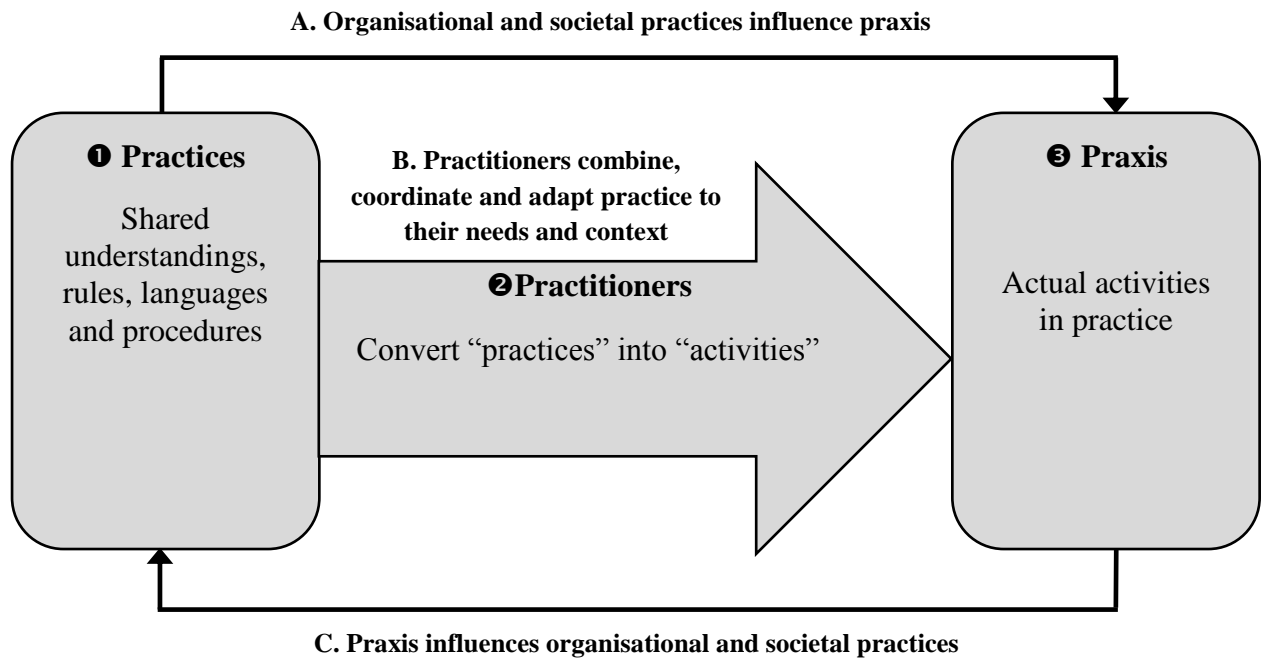
Having discussed practice theory in Section 2, Section 3 describes the methodology for the review. Our review of the literature on audit committees follows in Section 4. Section 5 sets out an agenda for future research, derived from gaps in the literature. The paper ends with some concluding comments in Section 6.

2. Practice theory

Feldman (2010, p. S161) advocates practice theory as a different way of doing research that extends the potential of current research agendas. In her view, research needs to be embedded in an understanding of the dynamic interactions between outcomes and the processes that produce and reproduce them. She identifies three broad areas for the application of practice theory which are particularly relevant in a governance context: accountability, empowerment and leadership. Practice theory has been applied in understanding widely differing issues such as community, knowledge, policy, strategy and technology (Feldman 2010). We extend its application to governance. Governance research has tended to focus on structures and organisational forms. We need to understand the influences of structure and form on processes, which lead to outcomes, and the recursive relationships between them. A practice-theory lens is advantageous, given its focus on the dynamic relationship and interactions between processes and outcomes. We summarise the key features of practice theory and apply those to develop a framework which we use to review prior research on audit committees.

2.1 Practice-theory framework

Feldman and Orlikowski (2011, p. 1241) acknowledge that there is no widely accepted “definitive cannon” of practice theory. We base our framework of practice theory on Whittington’s (2006) three elements: practice, practitioners and praxis. We depict Whittington’s core tenets of practice theory diagrammatically in Figure 1 and illustrate how the three elements of practice theory are interconnected.



Source: Adapted from Whittington’s (2006) core tenets of practice theory

Figure 1.

**Practice-Theory Analytical Framework:
Practices, Practitioners and Praxis**

Practices provide the “behavioural, cognitive, procedural, discursive and physical resources through which multiple actors are able to interact in order to socially accomplish collective activity” (Jarzabkowski *et al.*, 2007, p. 9). Practices incorporate societal considerations and how society’s expectations and norms influence human activity. Practices refer to the shared understandings, rules, languages and procedures that guide and enable human activities. In a corporate governance context, these shared understandings can be referred to as “best practice”. Prior research often assumes that “best practice” is practice. The problem with this is captured by Lloyd’s (2010, p. 5) statement that “Studies of disasters often show that the problem was not with the processes but [that the processes] were ignored or over-ruled”.

The distinction between practices and what happens “in practice” is dependent on practitioners and their skills and initiative to convert practices into activities or “praxis” (Whittington, 2006, p. 615). Practices inform praxis (A in Figure 1). Practitioners draw upon practices when they perform an activity (Jarzabkowski *et al.*, 2007; Ahrens *et al.*, 2011). However, the conversion process from practices to praxis does not involve “mindless reproduction” of ascribed practices (Whittington, 2006, p. 615). Praxis represents activities that do not stand by themselves. They are created by human actions and therefore can be

changed and improved (Sherer and Palazzo, 2007, p. 1104). Practitioners combine, coordinate and adapt practices to their needs and context (Jarzabkowski *et al.*, 2007; Ahrens, *et al.*, 2011) (B in Figure 1). Therefore, practitioners are at the core of practice theory. Without practitioners, practices (i.e., norms, rules) cannot be converted into praxis (i.e., activities). Practitioners perceive, interpret and adapt practices to convert them into activities. They can shape activities “through *who* they are, *how* they act and *what* practices they draw upon in their action” (Jarzabkowski *et al.*, 2007, p. 10) (emphasis from the original). Through this adaptation process, and in a recursive relationship, praxis can shape practices (C in Figure 1).

For Feldman and Orlikowski (2011, p. 1242), a key principle of practice theory is the “relationality of mutual constitution”, and that no phenomena can be taken as independent of other phenomena. Mutual constitution infers that “social orders (structures, institutions, routines, etc.) cannot be conceived without understanding the role of agency in producing them, and similarly, agency cannot be understood ‘simply’ as human action, but rather must be understood as always already configured by structural conditions” (Feldman and Orlikowski, 2011, p. 1242). Similarly, Whittington (2006, p. 615) states practitioners’ “particular activities cannot be detached from society, for the rules and resources it furnishes are essential to their action. Society is, in turn, itself produced by this action”.

2.2 Applying practice theory to corporate governance

Under practice theory, a practice such as “the practice of corporate governance” (our umbrella term) occurs at the nexus between practices, practitioners and praxis (Jarzabkowski *et al.*, 2007). Corporate governance activities in practice (praxis) are influenced by societal, regulatory and organisational forces (A in Figure 1). Practices can come from the wider society (extra-organisational practices) or from specific organisational routines, procedures and cultures (intra-organisational practices). For example, corporate governance activities in practice (praxis), such as the activities of boards of directors, are influenced by the norms and expectations set out in corporate governance best practices. However, societal shared understandings of rules and norms of corporate governance are influenced by corporate governance activities in practice (praxis) (C in Figure 1) that are shaped by practitioners’ interpretation and adaption of practices (B in Figure 1). Ahrens *et al.* (2011) support this stance, suggesting that corporate governance legislation, rules and norms should be

considered as part of the resources of practice that are both drawn upon and changed by practitioners.

The work of McNulty *et al.* (2003) and Roberts *et al.* (2005) on the role of non-executive directors provides an example of activities in practice (praxis) influencing/changing practices (rules, norms or expectations). The study by McNulty *et al.* (2003) was commissioned as part of the UK Government Higgs Review (2003) and culminated in revisions to the Combined Code on Corporate Governance (Financial Reporting Council, 2003). By investigating the actual roles performed by effective non-executive directors in practice, the study influenced codes of best practice in the UK. This exemplar demonstrates the potential implications for practices, of studying and reporting actual activities in practice (praxis).

Setting the stage for this paper, Ahrens, *et al.* (2010; 2011) have recognised the potential benefits practice theory can bring to corporate governance research. In their discussion of practice theory, Ahrens, *et al.*'s (2010) short conference paper occasionally refers to audit committees to illustrate the relevance of practice theory. They observe that prior research has focussed on the structural set up of audit committees rather than on examining their interaction with the social actors involved such as management, internal auditors, and external auditors and other processes that may affect their effectiveness or lack thereof. They acknowledge a few process-orientated studies which are discussed later in this paper and conclude by advocating the use of practice theory as a means of opening up corporate governance research to the active participation of practitioners. Taking up the baton presented by Ahrens and colleagues, this paper elucidates and unpacks the detail of audit committee practices, practitioners and praxis. Figure 2 to follow customises the generic practice-theory analytical framework in Figure 1, to the practice of corporate governance and to the practices, practitioners and praxis of the work of audit committees. We take the ideas in Ahrens *et al.* (2010) and apply them to a practice-theory analysis of prior research on audit committees.

A. Societal sentiment, National culture, Influence of regulators, Firm culture and Board culture

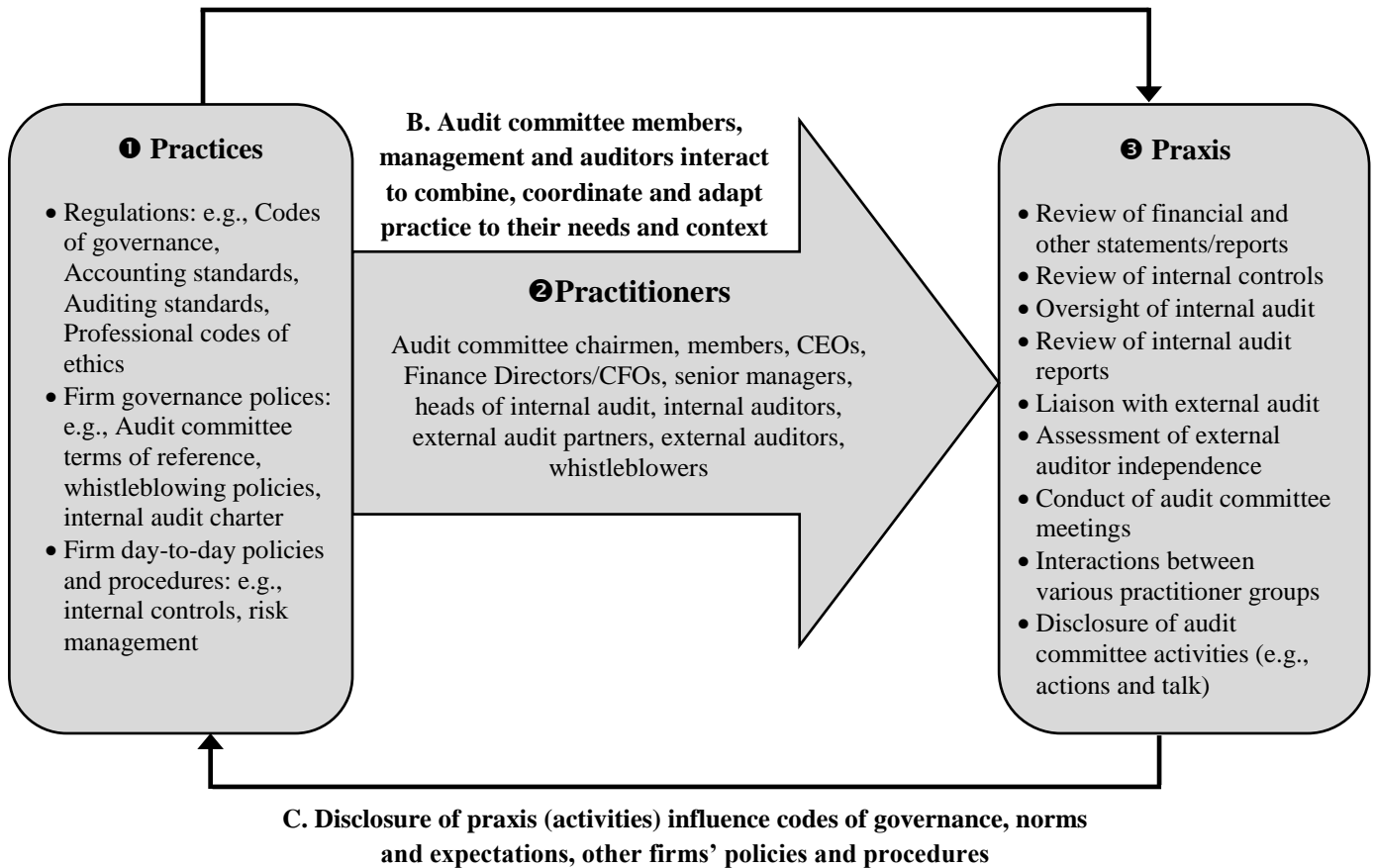


Figure 2.

Customising the Practice-Theory Analytical Framework to Audit Committees

3. Methodology for literature review

Independent audit committees are assumed to effectively oversee managers, and to strengthen the independence and objectivity of internal and external auditors. However, concerns about financial reporting quality and frequent accounting scandals have led some to question the effectiveness of audit committees as a key governance mechanism (Bronson *et al.*, 2009). Prior research has tended to focus either on structural features of audit committees or on crude attempts to relate audit committee characteristics with the outcome of the work of audit committees, attempting to find causal linkages sometimes without fully understanding the underlying governance processes in action that might explain the research findings. Relatively few studies examine audit committees from a practice perspective. Studying the granularity of governance – the practical application by, and understanding of, those charged with governance – moves research beyond generic governance structures towards the detailed functioning of governance subsystems, relationships and understandings of governance

including its relations to other organisational practices. Focussing on the practices of audit committees will enhance researchers' understanding of what goes on in those social groups, and will suggest avenues of exploration beyond those of prior research.

Our review of the prior literature deliberately selects papers that will touch on aspects of our practice-theory analytical framework in Figure 2. For this reason, we select papers generally adopting qualitative research methods for our review. Qualitative research methods lend themselves to deeper understandings of a rich array of interactions and processes, across different levels of analysis and across contexts (Turley and Zaman, 2004; McNulty *et al.*, 2013). Our review of prior research on the practices, practitioners and praxis of audit committees is summarised in Appendix 1 and comprises 20 exemplar papers. There are, broadly speaking, four areas of responsibility delegated to audit committees: financial reporting, internal auditing, external auditing and risk management (unless risk management is the responsibility of a separate risk committee). Of the 20 papers in Appendix 1, nine deal with the work and effectiveness of audit committees, one with financial reporting, six with internal auditing, three with external auditing and one with enterprise risk management. Of the 20 papers, seven comprise questionnaire surveys, six comprise in-depth interviews, five are field/case studies using in-depth interviews, one study involved a survey questionnaire together with a focus group session, while one study uses documentary content analysis.

4. Audit committees: practices, practitioners, praxis

This section reviews prior literature on audit committees, summarising findings according to their relevance to practice, practitioners and praxis. In general, the papers divide between those that take an uncritical perspective, viewing audit committee activities at face value (practices and praxis) versus those with a more critical perspective that view such activities as symbolic rituals (praxis). Similar to Jarzabkowski *et al.* (2007), the objective of our analysis of prior audit committee research using a practice-theory lens is to identify gaps in the current literature, which are set out in Section 5. Jarzabkowski *et al.* (2007) conceptualise a strategy-as-practice agenda. In a similar vein, we conceptualise audit committees as a key corporate-governance-as-practice mechanism. The advantages of using a corporate-governance-as-practice approach is (i) to humanise corporate governance research, (ii) to study socially defined macro-practices and (iii) to study the myriad of micro-practices through which practitioners shape organisational activities. Thus, corporate governance is reconceptualised as “doing” at multiple social levels. The Jarzabkowski *et al.* (2007) approach focuses

research on practices as potential units of analysis for studying how corporate-governance-as-practice is constructed; examining what corporate governance practices are drawn upon, how they are drawn upon, how their use alters over time, and the consequences of these patterns of use for shaping praxis at different levels.

4.1 Audit committees: Practices (social norms and rules, best practice)

Ghafran and O’Sullivan’s (2013) review of audit committee research is structured around practice (i.e., best practice) and provides a comprehensive summary of prior literature examining audit committee practice. Their review summarises the extent to which best practices influence audit committee effectiveness. Ghafran and O’Sullivan (2013) observe that significant evidence exists to support current regulation concerning the desired characteristics of audit committees.

Research addressing audit committee practice, structured around best practice, remains dominant. For instance, Böhm *et al.* (2013) is a classical audit committee practices paper, analysing the code of governance on audit committees in respect of six European countries, together with audit committee charters of companies in those countries. However, they find significant cross-national differences, suggesting that the practice of governance is not uniform across jurisdictions. Audit committee practices studied at face value include practices relating to internal audit (Goodwin and Yeo, 2001; Davies, 2009), documentation at meetings (Spira, 1999; Gendron *et al.*, 2004), meeting logistics (Spira 1999; Gendron *et al.*, 2004; Beasley *et al.*, 2009), financial reporting (Gendron *et al.*, 2004), internal controls (Gendron *et al.*, 2004), external auditing (Cohen *et al.*, 2002; Gendron *et al.*, 2004) and risk management (Cohen *et al.*, 2014).

Cohen *et al.* (2002) interview external audit partners to *inter alia* obtain their views on the impact of audit committees on auditing. Auditors report meeting audit committees regularly, discussing major items on the audit plan and discussing significant disagreements with management. However, auditors view audit committee members as often lacking the expertise to do their jobs effectively. Because of their lack of experience in financial matters, their questioning is basic and insufficiently powerful to resolve contentious issues with management. Arising from the inseparability of those “governing” from those “being governed”, Cohen *et al.* (2002, p. 582) observe that governance mechanisms are unlikely to be effective if senior management does not want to “be governed”. Auditors find audit

committee meetings to be a “reporting action” (p. 586) and not to involve an active two-way proactive process. This suggests limited, inadequate engagement by practitioners with best practice such that substantive praxis does not develop.

4.2 Audit committees: Practitioners

Figure 2 highlights how practice (‘best practice’) becomes praxis through the intervention of practitioners. Tremblay and Gendron (2011) show the opposite – how practitioners resist new (post-Enron) regulatory prescriptions or how they adhere in a superficial manner to new regulations, sticking to their established ways of thinking and doing. They found one exception however. Negotiating audit fees downward was no longer a priority of audit committees who, post-Enron, increasingly recognised the relationship between audit fees and audit quality.

Some research examines the characteristics of audit committee members, in particular audit committee chairmen. Audit committee chairmen were found to be highly influential in governance processes (Turley and Zaman, 2007). Their knowledge and experience also has a positive effect on informal processes (Zaman and Sarens, 2013; Sarens *et al.*, 2013). Using research from leadership-in-management theory, and based on responses to survey questionnaire questions, Spangler and Braiotta (1990) classify leadership styles of audit committee chairpersons in terms of charisma, individual characteristics, intellectual stimulation and transformational leadership. However, they acknowledge that board committees are not work groups (i.e., not managers), nor are chairpersons leaders. Their survey approach limits the depth to which they are able to examine these behavioural influences.

Audit committee members’ interaction with other governance practitioners is also addressed in prior literature. Audit committees are conceptualised as being part of a triad with finance directors and auditors, both internal and external. Internal and external auditors are characterised as the “eyes and ears” of the audit committee by one interviewee in Gendron *et al.* (2004, p. 166). Goodwin and Yeo (2001) observe that internal auditors perceive themselves to have a working relationship and dialogue with audit committees. However, the survey methodology limits their research to categorical answers (e.g., “Excellent” to “Poor”; “Strongly agree” to “Strongly disagree”). Zaman and Sarens (2013) and Sarens *et al.* (2013), also using survey methods, find the quality of internal audit to be enhanced by audit

committee informal interactions. Zain and Subramaniam (2007) highlight the importance of the leadership role of audit committees in supporting the internal audit function.

Beattie *et al.* (2013) find that audit committees have a central role in managing the relations between companies and their external auditors. Three of the top five issues considered to most enhance audit quality relate to the audit committee. Beattie *et al.* (2012; 2014) observe that the triad has usurped power from the traditional dyad between the finance director and audit partner. Beattie *et al.* (2012) find a high level of discussion on audit-related issues between audit committees, audit partners and chief financial officers. Audit committee awareness varies depending on the audit-related issue. Similar results were found in relation to financial reporting issues. However, audit committees were found not to be involved in 25% of discussions on audit-related issues and 35% of financial reporting related issues, discussions being solely between finance director and audit partners. This points to less than full engagement by audit committees.

4.3 Audit committees: Praxis

Praxis comes from the interaction between practitioners and practice. Praxis refers to the activities through which governance is achieved and may include meetings, briefings, presentations, or simple talk between practitioners (Whittington, 2006). A number of papers in this review have considered the “ceremonial role” and “symbolic endeavour” (Beasley *et al.*, 2009, p. 579) of audit committees (e.g., Spira, 1999; Beasley *et al.*, 2009; Sarens *et al.*, 2009; Beattie *et al.*, 2012). Spira (1999), in particular, views audit committees in this light, using terms such as “symbol”, “ritual” and “myth”. She even considers basic logistics such as boardrooms and seating arrangements as ceremonial issues of status and influence. Spira (1999) characterises audit committees as institutional ceremonies to legitimise organisations by means of a comforting display of corporate governance standards. To some extent, she contradicts herself (p. 251) when she observes that the symbolic nature of audit committees, even passive ones, strengthens the praxis of governance. While Gendron *et al.* (2004) empathise with Spira’s perspective, they ultimately conclude that audit committee meetings are “not mere rituals” (p. 168). Similarly, Beasley *et al.* (2009) find evidence of both substantive oversight activities by audit committees, together with symbolic rituals.

Spira (1999, p. 249) observes that the asking of questions and receipt of responses at audit committee meetings is part of a complex interaction. She characterises questioning by audit

committee members as a necessary formality, lacking penetration and a ceremonial “performance of questioning” (p. 250). Gendron *et al.* (2004, p. 168) use the phrase “‘ask the right question’ game” to capture this dynamic. Spira’s (1999, p. 250) discussion of the “performance of the meeting” also focusses on the interpersonal dynamics, using phrases like “keeping people up to the mark...on their toes” and “pulling people in”. Based on interviews with audit committee members, Gendron *et al.* (2004, p. 160) interpret the objective of audit committee praxis to be making “members comfortable”. This is also the premise for Sarens *et al.* (2009) study of internal auditors and audit committees.

Examination of audit committee praxis reveals insights into the interpersonal relationships between audit committee members and governance practitioners. Relationships with audit committees and their members is sometimes characterised as a power struggle. Gendron and Bédard (2006) report that audit committee members perceive themselves to have powers over management by forcing management to respond to internal audit recommendations and see their role to “counterbalance management’s power” (p. 224). Gendron *et al.* (2004, p. 166) report an audit committee member constantly “probing and pushing” the external auditors, to assert the audit committee rather than management as the key “driver” over external auditing. This power struggle between the triad of governance (non-executive directors, managers, external auditors) is also touched on by Spira (1999, p. 243). She uses one finance-director interview quote to illustrate the dynamic between management trying to “control” the audit committee through “manipulation” of meeting agendas and the way in which the external auditors compete to “counterbalance” that manipulation. Spira (1999, p. 246) comments on the symbolic nature of information in providing ritualistic assurance. She also comments on numbers attending audit committee meetings which, if they are large, can adversely impact on audit committee activities.

The role of audit committees in resolving auditor-management disputes is addressed by a number of authors. Beattie *et al.* (2012) find very few audit-related items give rise to negotiation, and that audit committees were generally aware of any negotiations taking place. In a Malaysian context, Salleh and Stewart (2012) find that auditors and management frequently engage in negotiations over contentious accounting issues. Where these are very material and cannot be resolved, they are raised with the audit committee. Conversely, Gendron and Bédard (2006, p. 231) find that audit committee members are not confronted with difficult situations to arbitrate, believing that the power of audit committees forces those

disagreements to a conclusion in prior behind-closed-door discussions. Through semi-structured interviews, Salleh and Stewart (2012) examine the nature of the mediation techniques used by audit committees to resolve disagreements. They find audit-committee mediation techniques for reaching consensus include controlling agendas, information gathering, advising and problem solving. Audit committees were found generally not to take sides, with one exception.

5. Critique of prior research

We critique prior research on a number of grounds. While the prior research reviewed in this paper relates to audit committees, many of the points we make apply more generally to research of boards of directors, which often emphasise structural features such as board size and proportion of independent directors.

5.1 Lack of theoretical multiplicity

Gendron (2009) calls for theoretical pluralism in the study of audit committees, calling this “multivocality”. Prior research on audit committees generally, implicitly or explicitly, takes an agency theory perspective. Of the papers in our review, there are only four exceptions. Beasley *et al.* (2009) frame their analysis of 42 in-depth interviews through agency theory which views audit committees as independent monitors of management and through institutional theory which views audit committees as ceremonial, providing symbolic legitimacy. While disposed to use institutional theory to explain the use of symbols and myth in seeking organisational legitimacy, Spira (1999) ultimately selects actor-network theory as a more appropriate way of describing audit committee activity. Actor-network theory is a form of sociological analysis associated with the mechanics of power. Nor do Gendron and Bédard (2006) accept that institutional theory is suitable for the study of audit committees, as they believe audit committees are not empty rituals. Instead they use sociological theories to research the processes of self-understandings and understandings of others in constructing meanings around audit committee effectiveness.

Beattie *et al.* (2014) adapt theories from the organisational behavioural literature, characterising audit committees as boundary spanners – a notion derived from resource dependency theory – and gatekeepers. The boundary spanning role operates at an individual level, with audit committee members acting as a bridge between auditors and managers. Audit committee members also operate as boundary spanners between chief financial officers

and boards and between audit partners and shareholders. Conceptualising audit committees in this way captures some of the complex dynamics operating in organisations. The related gatekeeping role is focussed on accessing information boundaries.

Referring to strategy-as-practice research, Jarzabkowski *et al.* (2007) propose that a research field may not necessarily require “new” theories but rather it can draw on a range of existing theories to explain the interactions between, and consequences of, practice, practitioners and praxis. As Jarzabkowski *et al.* (2007) state, the objective of research should be to explain who audit committee members are, what they do, and why and how it is relevant to the practice of corporate governance. McNulty *et al.*’s (2013) review of qualitative corporate governance research identifies a rich variety of theoretical perspectives that have been used, predominately to study boards of directors (i.e., sensemaking, discourse, power and influence, control, role and leadership, accountability, decision process, strategic renewal and institutions). As a starting point, these open up potentially fruitful avenues for researching audit committees. However, audit committee research, as a separate sub-practice, may require different theoretical perspectives to the sub-practices performed by boards of directors.

5.2 Overemphasis on audit committee practice

Research structured around audit committee practice (i.e., best practice) remains dominant. Whilst, research on audit committee structures and composition is useful, it fails to take account of the influence of practitioners on practice and the praxis of audit committees. Examination of housekeeping issues such as agendas, minutes, number of meetings, committee independence, committee expertise fails to fully capture what really goes on (i.e., praxis) and the influences at play at and outside these meetings. As discussed in Section 2, practices are resources that practitioners draw upon to inform their “in practice” activities. However, practitioners are not bound by practices. They can adapt practices when executing them “in practice”. Practices evolve through the adoption and adaption of activities by practitioners (Jarzabkowski *et al.*, 2007; Ahrens *et al.*, 2011). By focusing on audit committee practice, there is a risk of “studying the appearance of governance, but not its substance” (McNulty, *et al.*, 2013, p. 190).

5.3 Overemphasis on the monitoring role of audit committees

Over the last two decades, agency theory has strongly influenced corporate governance research, reform and policy (McNulty *et al.*, 2013). It is therefore not surprising that research

tends to characterise audit committees as exercising monitoring and oversight roles consistent with agency theory. The terms “monitoring” and “oversight” are often used interchangeably and collectively to describe the role of audit committees (e.g., Ghafran and O’Sullivan, 2013, p. 392). However, we argue that the two constructs can be distinguished by virtue of the level at which each is applied. Oversight is a weaker term than monitoring and is a more appropriate description of the work of audit committees, given their advisory and support role to their boards.

The predominance of agency theoretical approaches to the research of audit committees, and the associated mis-characterisation of their role as monitors rather than overseers, has led to an expectation gap (Brennan, 2006) concerning the function of audit committees, their power and influence. Power’s (2003; 2011) observations on auditing and the role of auditors could be extended to audit committees. He argues that investors and users of financial statements demand independent, expert assurance (Power, 2011). However, he (2003, pp. 195-196) states: “Perhaps the most basic contrast at stake in the design of audit practices is the fundamental strategic orientation of the process. Is the audit an essentially blamist policy tool, seeking to identify and punish recalcitrant individual and organizational behaviour? Or is it ... directed at supporting values of learning, development, and evolutionary improvement in organizational management systems?” Similar questions can be asked of audit committees. What is the role of the audit committee – blamist tool or supportive of improvement?

6. Issues for future research

From archival studies alone, it is difficult to assess whether governance is a mere corporate ritual and whether audit committees are genuinely active in executing their duties in a robust manner. This points to a need for more practice-orientated studies that examine the practice, practitioners and praxis of audit committees. Calls for more attention to be given to the behavioural aspects of corporate governance are increasing in strength. Whilst behavioural research is necessary, caution must be exercised. “The practice of corporate governance” (our umbrella term) is not just about praxis (activities), nor is it simply a matter of practice (norms and expectations). To develop our understanding of the practice of corporate governance, we need to give attention to the practice, practitioners and praxis. Whittington (2011, p.185) states that “if activity relies on practices and practices exist through activities then” research questions adopting a practice theory approach should consider “what are the respective roles of individual improvisation and of social practices – both local organisational practices and those...that stretch out across society?”. Whittington (2011) acknowledges that this research

question implies different levels of analysis: societal level (rules and norms), organisational level (audit committees as part of the governance architecture), audit committee level (as a group), audit committee member level (individual) and activity level (process perspective). Thus, to understand the practice of corporate governance, it is necessary to recognise the collective influence of multiple levels. Using our practice-theory analytical framework, gaps in current research on audit committees emerge. The gaps identified are not exhaustive.

Adapting Jarzabkowski *et al.*'s (2007) strategy-as-practice questions to a corporate governance context, we ask: What is corporate governance? Who are corporate governors? What do corporate governors do? What does an analysis of corporate governors and their domain explain? How can existing theory inform an analysis of corporate-governance-as-practice?

6.1 Future research on practice

Several aspects of audit committee practice have not been subjected to research, for example, involvement of audit committees in selection of materiality levels, accounting policies, accounting methods and disclosures in financial statements. These are identified in responsibility statements as being the responsibility of boards/audit committees, but we know little about how boards/audit committees execute these responsibilities. Most prior research focusses on the production of audited financial statements. There are many other significant financial reports such as earnings forecasts, profit warnings, takeover documents. We know little of the extent of board/audit committee involvement in the production of these documents and the context of their production. Research on a key responsibility of boards/audit committees – risk – is at an embryonic stage. We do not know what boards/audit committees do to oversee the management of risk, nor the extent to which audit committees are used to support boards in this process.

6.2 Future research on practitioners

The work of audit committees relies critically on the interaction between committee members, the executives serving those committees, and auditors and experts briefing audit committees. However, there is relatively little research on how boards, management and their audit committees interact and communicate. To understand the function of audit committees, it is necessary to investigate the extent to which boards of directors empower/disempower audit committees and to examine the network of practitioners through which audit

committees exercise their role. For practices to become praxis, audit committees are dependent on management responsiveness to issues raised at audit committees. Recent court findings have questioned the extent to which directors, in exercising their common law duty of due care and skill, can rely on experts (Brennan, 2011). Directors also rely on management. While the exercise of due care and skill is for interpretation by the courts in common law jurisdictions, it would be interesting to find out from directors, managers and experts, how they interpret these legal duties in practice. Some corporate governance regulations require some members of audit committees to be financial experts, a term generally not defined. This raises the question of the extent of reliance of directors who are not financial experts on their financially literate colleagues.

6.3 Future research on praxis

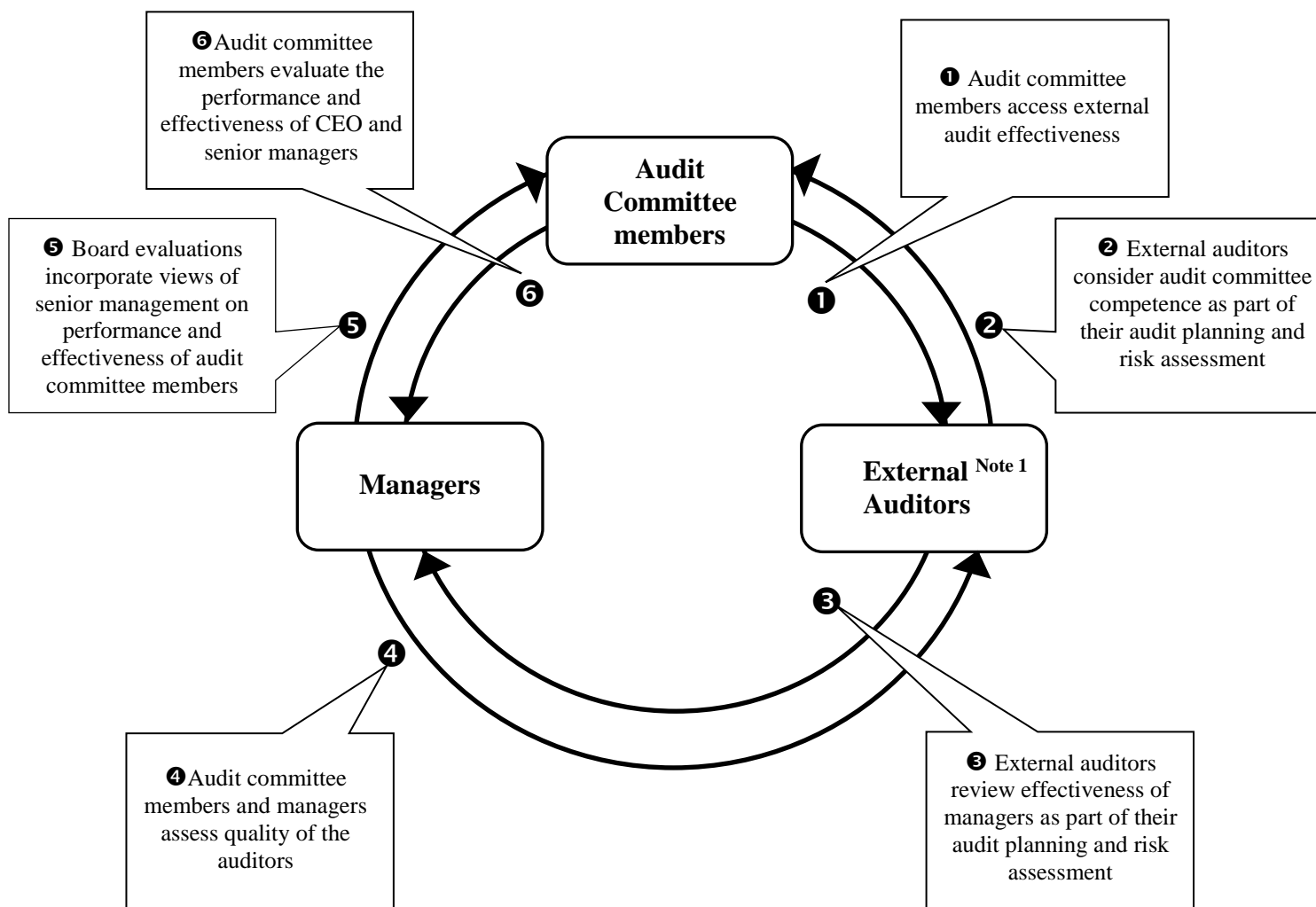
Researchers and practitioners recognise the importance of board dynamics, and the social interactions necessary for effective boards. Although board dynamics have been much studied in the management literature, these notions have not extended to the particular dynamics around audit committees. An incomplete consideration of the work of audit committees, combined with an inadequate consideration of praxis, means that there remain many aspects of audit committees for research. Unpacking the functions performed by audit committees will provide a better understanding of the role they perform. Is the role of audit committees one of oversight or assurance? Is the role of audit committees an oversight-only role or a broader role incorporating advice? As audit committee members are members of the main board, how do they make the role transition from monitor to overseer, to advisor; from distrusting to trusting; control to collaboration? Moreover, we know little of praxis around auditor letters of representation and management letters, fraud, risk management, whistleblowing and oversight of internal audit and external audit effectiveness. Researching the praxis of governance requires methods capable of “getting under the skin” (to use a colloquialism) of audit committees. McNulty *et al.* (2013) observe that qualitative research provides a basis for challenging existing assumptions and rethinking how governance practitioners actually function. In addition, qualitative research is more open to adopting a wider variety of theoretical perspectives. To a certain extent interviews, observation of meetings (e.g., Parker 2007a; 2007b), audio recording of meetings (Samra-Fredericks, 2000a; 2000b), and video taping of meetings (Bezemer *et al.*, 2014; Pugliese *et al.*, 2015a, 2015b) have opened the “black box” of corporate governance. But to properly research the lived

experience of corporate governance, Ahrens and Khalifa (2013) advocate deep ethnographic descriptions.

6.4 Role of audit committees in the guardianship circle

Governance is not something an organisation has; corporate governance is something members of an organisation do (Jarzabkowski *et al.*, 2007). Therefore, we and others have argued, understanding the “doing” of corporate governance is significant. To understand how audit committees operate in practice, we must consider the individual practitioners involved (individual level) and the relationship dynamics between individual practitioners (group level). Although, Ahrens, *et al.* (2011, p. 319) refer to the myriad of corporate governance relationships as “tiers of accountability relationships”, they also acknowledge the “mutual character” of the relationships involved, stating that no party should be “a passive consumer of information”. The Financial Reporting Council’s (2013) review of audit committee reporting in UK annual reports also highlights the reciprocal evaluation processes that takes place between audit committees, auditors and management.

We illustrate in Figure 3 the reciprocal evaluation processes between audit committees, external and internal auditors and managers, highlighted by the FRC (2013, p. 11). The mutual nature of the relationships is consistent with the “guardianship...circle” described by Braithwaite (1999, p. 92) rather than hierarchical conceptions of guardianship. Under the hierarchical model, guardians such as auditors are hired to identify abuses of trust. Braithwaite (1999) questions what happens if the guardians are untrustworthy, citing incidences in policing to support this point. Equally, guardians in a hierarchical structure may lack the resources to exercise their oversight role effectively (i.e., information, expertise and independence). The guardianship circle implies that everyone is a guardian of everyone else. If audit committees exist in a guardianship circle, it is necessary to consider their role by reference to the role of others in the guardianship circle. Thus, (i) audit committee members oversee the conduct of internal and external audits, (ii) internal and external auditors oversee the conduct of management and (iii) management has opportunities to express their views on the performance of external auditors and audit committee members.



Note 1: Diagram only includes external auditors. With a little adaptation, it is applicable to internal auditors

Figure 3.
Guardianship circle: Audit committee members, auditors and managers

Researchers and practitioners recognise the importance of board dynamics, and the social interactions necessary for effective boards and these have been much studied in the literature. However, these notions have not extended to the particular dynamics around audit committees. There is always an element of healthy tension in the relationship between executives and audit committees. Where executives perceive audit committees positively, they can be powerful supports to executives in achieving corporate compliance across their organisation. Executives can use audit committees in a manner which would potentially assist them in achieving higher levels of compliance. However, audit committee can be viewed by executives as a nuisance rather than a valued partner working toward the highest possible

control and compliance environment. Understanding these dynamics better might lead to more effective audit committees. For example, how responsive are management (the chief financial officer (CFO) in particular) to audit committees? How well do management (particularly the CFO) respond to issues raised at audit committee meetings? To what extent does the audit committee rely on experts? How much audit committee business is done during formal audit committee meetings, and what issues are addressed informally outside meetings? For example, do audit committee chairmen interact with the CEO, CFO, internal auditors and external auditors outside meetings? If such informal interactions occur, what is their nature? Do they contribute to increased audit committee / board effectiveness?

7. Concluding comment

This review reveals that research on audit committees has taken a similar path as earlier research on boards of directors. Focus has been given to audit committee structures, to compliance with practice and to agency theory. The role of audit committees is conceptualised as a singular function (i.e., monitoring), is assumed to be homogenous in all contexts, and studied at a distance from the phenomena. Thus, despite the growing body of research on audit committees, this paper has demonstrated that so far researchers have only scratched the surface in terms of our understandings of what happens within these important governance mechanisms. Taking a practice-theory perspective, the paper has set an agenda for future research derived from setting out the practices taking place at and outside audit committee meetings. Eventually, research on boards of directors has come to recognise the significance of practices, practitioners and praxis (e.g., Roberts *et al.*, 2005) is an illustration of this). However, research on audit committees, compared with research on boards of directors, is still in its infancy. Can we take what we know about boards of directors and apply it to audit committees?

In contributing to theory, Corley and Gioia (2011) recommend offering new insights with a praxis dimension. “Practice” implies the *status quo*, whereas as “praxis” suggests bringing theory and practice together with a view to changing, reshaping and improving “practice”. Prior research has tended to focus on practice rather than praxis. Ahrens *et al.* (2011, p. 321) encourages researchers not to overlook the seemingly simple activities/praxis of good governance (e.g., “distributing the board papers to non-executive directors well in advance of meetings”). They argue that “minor process changes can be recognised as important ways in which the practical understandings of corporate governance practitioners can be improved”

(Ahrens, *et al.*, 2011, p. 321). Smallman (2007) calls for an approach that clarifies similarities and differences in theories with a view to theoretical integration for a comprehensive understanding of governance that better reflects the complexity of the post-modern business world. In theorising about governance regulation and best practice, he recommends consideration of governance praxis. What scholars such as Corley and Gioia (2011), Ahrens *et al.* (2011) and Smallman (2007) are calling for is a greater focus on the praxis dimension of practice theory, recognising that praxis can influence practices.

Understanding audit committee praxis certainly requires greater attention. However, diverting focus to one aspect of practice theory, risks overlooking the other aspects of practice theory – practices and practitioners. We argue that practice theory represents a framework for developing a holistic view of audit committees' role in corporate governance practice. Practice theory encourages us to incorporate the *status quo* practices that underpin corporate governance practice, whilst recognising that effective corporate governance “in practice” is fluid, context-specific and dependent on practitioners' skills, initiative and adaptation.

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Panel A: Practices of audit committees

Paper	Focus of study	Research methods	Source of 'best practice'	Audit committee practices studied	Findings
Goodwin and Yeo (2001)	Internal audit relationship with audit committee	Survey of 65 Singaporean chief internal auditors	<ul style="list-style-type: none"> • Singapore Companies Act 1994 • Singapore Stock Exchange Best Practices Guide 	Internal auditor: <ul style="list-style-type: none"> • Private access to audit committee • Number of meetings with audit committee • Audit committee activities relating to internal audit • Working relationship • Nature of dialogue 	A strong relationship between audit committees and internal audit was found. Interaction was greater when the audit committee comprised independent directors.
Cohen <i>et al.</i> (2002)	Impact of audit committees on the audit process	36 Semi-structured interviews with external auditors	<ul style="list-style-type: none"> • New York Stock Exchange Blue Ribbon Committee on audit committees • Treadway / COSO Report • US Public Oversight Board • UK Hampel Report 	<ul style="list-style-type: none"> • Expertise of audit committee members • Items discussed at audit committee meetings • Discussion of significant audit disagreements • Audit committee engagement • Questioning • Audit committee power • Pro-active, two-way dialogue between audit committee and auditors 	Audit committees are typically ineffective and lack sufficient power to be a strong governance mechanism.
Davies (2009)	Working relationship between internal audit and audit committees	Focus group meeting with 18 heads of internal audit; Survey of eight heads of internal audit and four audit committee chairpersons	Chartered Institute of Public Finance and Accountancy Guidelines on audit committees	Audit committee: <ul style="list-style-type: none"> • Status • Core functions • Responsibilities • Effectiveness • Chairperson Internal audit: <ul style="list-style-type: none"> • Role of head • Views of head • Positioning in organisation • Value added from 	Audit committees have a role in assessing the performance of the internal audit function. Heads of internal audit need to have confidence in the audit committee.

Appendix 1. Applying the practice-theory analytical framework to prior qualitative empirical research on audit committees

Panel A: Practices of audit committees

Paper	Focus of study	Research methods	Source of ‘best practice’	Audit committee practices studied	Findings
Böhm <i>et al.</i> (2013)	Audit committee design in six continental European countries	Comparative analysis of European codes of governance. Content analysis of audit committee charters	<ul style="list-style-type: none"> • EU Eight Directive • European codes of governance • Audit committee charters 	Audit committee: <ul style="list-style-type: none"> • Member competencies • Member independence • Size • Meetings 	Substantial cross-national differences were found in responsibilities of audit committees, competencies of committee members, and proportion of independent audit committee members.
Beattie <i>et al.</i> (2013)	Influence of 36 factors on audit quality, including seven audit committee activities	Survey of chief financial officers (149), audit committee chairs (130), and audit partners (219) of UK listed companies	Sarbanes Oxley Act 2002	Audit committee: <ul style="list-style-type: none"> • Independence • Financial expertise • Personal reputation Audit committee oversight of auditor: <ul style="list-style-type: none"> • Terms of engagement • Remuneration • Appointment • Independence 	Audit quality is influenced by audit committee activities. Respondents commented that Sarbanes Oxley requirements are largely process and compliance driven, with high costs for limited benefits.

Appendix 1. Applying the practice-theory analytical framework to prior qualitative empirical research on audit committees

Panel B: Practitioners and audit committees

Paper	Focus of study	Research methods	Source of ‘best practice’	Practitioners	Audit committee practices studied	Findings
Spangler and Braiotta (1990)	Audit committee effectiveness	77 Survey questionnaires: Measures of audit committee effectiveness, transformational leadership and transactional leadership. Correlation analysis and regression analysis	Pronouncements / publications of <ul style="list-style-type: none"> • New York Stock Exchange • American Institute of Certified Public Accountants • American Bar Association • Major accounting firms 	Leadership styles of audit committee chairpersons <ul style="list-style-type: none"> • Charisma • Individual considerations • Intellectual stimulation • Transformational leadership • Contingent rewards • Passive management by exception • Active management by exception 	<ul style="list-style-type: none"> • Use of time and expertise of external auditors • Use of time and expertise of internal auditors • Responsiveness of senior management • Handling of illegal acts • Prevention of illegal acts • Overall effectiveness of audit committee 	Transformational leadership and active management by exception impact the performance of audit committees.
Zain and Subramaniam (2007)	Internal auditor perceptions of their interactions with audit committees	Semi-structured interviews with 11 Malaysian internal auditors	<ul style="list-style-type: none"> • Malaysian Code on Corporate Governance • Malaysian Institute of Internal Auditors 	Heads of the Internal Audit Function	<ul style="list-style-type: none"> • Direct versus indirect reporting lines • Meetings <ul style="list-style-type: none"> ○ Frequency ○ Attendance at • Reports/issues discussed • Audit committee characteristics: <ul style="list-style-type: none"> ○ Industry knowledge ○ Financial expertise ○ Broad-based expertise • Internal audit reporting lines to audit committees • Facilitators and barriers to communications with audit committees • Audit committee characteristics to enhance internal audit 	Results show infrequent informal communications and limited private meetings between heads of internal audit and audit committees. Results highlight the importance of the leadership role of audit committees in supporting the internal audit function.

Appendix 1. Applying the practice-theory analytical framework to prior qualitative empirical research on audit committees

Panel B: Practitioners and audit committees

Paper	Focus of study	Research methods	Source of 'best practice'	Practitioners	Audit committee practices studied	Findings
Tremblay and Gendron (2011)	Audit committee responses to social change in the form of regulations and best practice discourse	In-depth interviews with ten audit committee members of Canadian publicly listed companies	<ul style="list-style-type: none">• Sarbanes Oxley Act 2002	Audit committee members	<ul style="list-style-type: none">• Post-Enron regulations and best practice guidelines concerning increased rigor and diligence from audit committee members	<ul style="list-style-type: none">• Resistance to new regulatory prescriptions• Rhetorical strategies underlying resistance• Superficial adherence to new prescriptions• Substantive change re audit fees and audit quality• Established ways of doing maintained

Appendix 1. Applying the practice-theory analytical framework to prior qualitative empirical research on audit committees

Panel C: Praxis and audit committees

Paper	Focus of study	Research methods	Source of 'best practice'	Practitioners	Audit committee practices studied	Praxis	Findings
Spira (1999)	Audit committee activity	Interviews, 21 audit committee participants: audit committee chairs, finance directors, internal auditors, external auditors	Cadbury Report	Behaviour of: <ul style="list-style-type: none"> • Audit committee chairs • Finance directors • Internal auditors • External auditors 	Meeting documentation <ul style="list-style-type: none"> • Agenda • Minutes • Information papers Meeting logistics <ul style="list-style-type: none"> • Boardroom • Seating plan • Numbers attending • Timing 	Audit committee meeting formalities which act as a constraint on spontaneity	Conventions of behaviour act as control devices: <ul style="list-style-type: none"> • Performance of questioning • Performance of the meeting Audit committee serves as a network resource
Gendron <i>et al.</i> (2004)	Practices of audit committee members at meetings	Field study, three Canadian listed corporations; 22 semi-structured interviews	<ul style="list-style-type: none"> • New York Stock Exchange Blue Ribbon Committee on audit committees • Toronto Stock Exchange guidelines 	<ul style="list-style-type: none"> • Chief executive officers • Chief financial officers • Chief internal auditors • Audit partners • Audit committee chairpersons • Audit committee members • Corporate secretary 	<ul style="list-style-type: none"> • Audit committee: <ul style="list-style-type: none"> ○ Independence ○ Expertise ○ Authority ○ Resources ○ Number of meetings ○ Meeting documentation ○ Meeting logistics 	<ul style="list-style-type: none"> • Matters emphasised at meetings • Matters emphasised at private meetings with auditors • Criteria applied by audit committee members to judge matters at meetings 	Audit committee members highlight accuracy of financial statements, wording in financial reports, effectiveness of internal controls and external audit effectiveness. They ask challenging questions and assess responses thereto.

Appendix 1. Applying the practice-theory analytical framework to prior qualitative empirical research on audit committees

Panel C: Praxis and audit committees

Paper	Focus of study	Research methods	Source of 'best practice'	Practitioners	Audit committee practices studied	Praxis	Findings
Gendron and Bédard (2006)	Process by which meanings on audit committee effectiveness are developed and sustained	Field study, three Canadian listed corporations; 22 semi-structured interviews	<ul style="list-style-type: none"> • New York Stock Exchange Blue Ribbon Committee on audit committees • Toronto Stock Exchange guidelines • Cadbury Report • Major accounting firm publications 	<ul style="list-style-type: none"> • Chief executive officers • Chief financial officers • Chief internal auditors • Audit partners • Audit committee chairpersons • Audit committee members • Corporate secretary 	<p>Audit committee:</p> <ul style="list-style-type: none"> • Independence • Expertise <p>Features of meetings:</p> <ul style="list-style-type: none"> • Meeting structure • Meeting agendas • Comparison with best practice 	<p>Features of meetings:</p> <ul style="list-style-type: none"> • Reflective interpretations of substance of meetings • Reflective interpretations of informal practices • Post-Enron views of audit committee effectiveness 	Attendees' reflections influence audit committee processes and activities and play a key role in configuring meanings of effectiveness. Configuration of meaning is an amalgamation of heterogeneous emotions on the committee's formal duties.
Turley and Zaman (2007)	Conditions, processes and interactions of effective audit committees	Case study, archival analysis of audit committee processes and interviews with nine participants in the audit committee processes	<ul style="list-style-type: none"> • UK governance codes • SEC regulations • Audit committee charter/terms of reference • Annual report disclosures • Relevant company policies and procedures • Code of ethics • Whistleblowing policy 	<ul style="list-style-type: none"> • Audit committee chair • Group finance director • Head of finance • Head of group internal audit • Operations audit manager • Operations audit assistant • Head of risk and compliance • External audit partner 	<ul style="list-style-type: none"> • Schedule of meetings • Agenda for meetings • Ad hoc meetings 	<ul style="list-style-type: none"> • Questioning and challenging • Informal channels of communication • Informal interactions • Inter-personal power relationships – audit committee members, external auditors and managers 	Informal networks condition the impact of audit committees. The most significant effects occur outside formal structures and processes. Audit committees have pervasive behavioural effects and may be used in organisational politics.

Appendix 1. Applying the practice-theory analytical framework to prior qualitative empirical research on audit committees

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Paper	Focus of study	Research methods	Source of 'best practice'	Practitioners	Audit committee practices studied	Praxis	Findings
Beasley <i>et al.</i> (2009)	Process used by audit committees and their members in fulfilling oversight roles	Interviews with 42 US listed company audit committee members	KPMG Audit Committee Institute's <i>Building a Better Framework for Effective Audit Committee Oversight</i>	<ul style="list-style-type: none"> • Audit committee members 	<ul style="list-style-type: none"> • Acceptance and continuance due diligence processes • Selection of audit committee nominees • Meeting processes • Oversight of financial reporting • Oversight of internal and external audit • Other activities 	<ul style="list-style-type: none"> • Audit committee practices and attitudes reveal a mix of ceremonial and substantive practices 	Within six specific audit committee process areas, evidence of both substantive monitoring and ceremonial action was found.
Sarens <i>et al.</i> (2009)	Relationship between internal audit as a supporter of, and comfort provider to, audit committees	Four case studies comprising 12 semi-structured interviews with heads of internal audit and audit committee chairmen, archival research, within-case and cross-case analysis.	Belgian Code on Corporate Governance	<ul style="list-style-type: none"> • Heads of internal audit • Audit committee chairmen 	<ul style="list-style-type: none"> • Control environment • Risk management systems • Internal control systems 	Symbols of comfort provided by internal audit: <ul style="list-style-type: none"> • Internal audit reports • Internal audit presentations • Informal/private contacts 	Audit committees seek comfort on the control environment and internal controls – two areas of considerable discomfort.

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Paper	Focus of study	Research methods	Source of 'best practice'	Practitioners	Audit committee practices studied	Praxis	Findings
Salleh and Stewart (2012)	Role of audit committees in resolving auditor-client disagreements	Exploratory case studies involving 21 semi-structured interviews in seven publicly listed Malaysian companies, with chief financial officers, audit committee chairs/members and auditors	Malaysian Code on Corporate Governance	<ul style="list-style-type: none"> • Chief financial officers • Audit committee chairs • Audit committee members • Auditors 	<ul style="list-style-type: none"> • Meeting frequency • Meeting duration • Frequency of audit committee reports to their boards • Involvement of audit committee in interaction between management and auditors • Involvement of audit committee in resolving problems in audit process 	Audit committee mediating role: <ul style="list-style-type: none"> • Controlling the agenda • Gathering information • Advising • Solving problems 	Audit committees play a mediating role as third-party intermediaries by providing assistance to resolve material disputes.
Zaman and Sarens (2013) ----- Sarens <i>et al.</i> , (2013)	Existence and drivers of informal interactions between audit committees and internal audit	Questionnaire survey of 187 chief audit executives in the UK ----- Questionnaire survey of 100 chief audit executives in Australia	<ul style="list-style-type: none"> • UK Corporate Governance Code • Smith Report on Audit Committees ----- <ul style="list-style-type: none"> • Australian Securities Exchange Corporate Governance Principles and Best Practice Recommendations 	Chief audit executive	<ul style="list-style-type: none"> • Composition of audit committee • Audit committee chair characteristics • Internal audit characteristics 	<ul style="list-style-type: none"> • Informal interactions outside regular meetings 	Audit committees and internal audit engage in informal interactions which complement formal meetings.

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Paper	Focus of study	Research methods	Source of 'best practice'	Practitioners	Audit committee practices studied	Praxis	Findings
Beattie <i>et al.</i> (2012)	Extent of engagement of audit committees in relation to their responsibilities	Survey of chief financial officers (149), audit committee chairs (130), and audit partners (219) of UK listed companies. 12 follow-up interviews	<ul style="list-style-type: none"> • UK Corporate Governance Code • Smith Report on audit committees 	<ul style="list-style-type: none"> • Chief financial officers • Audit committee chairs • Audit partners 	<ul style="list-style-type: none"> • Seven audit committee responsibilities re external auditor • Involvement in 16 audit planning, performance and finalisation matters 	<ul style="list-style-type: none"> • Range of contextual factors influence audit committee discussions 	There is evidence of less than full audit committee engagement with audit-related issues.
Beattie <i>et al.</i> (2014)	Engagement of audit committees in relation to 32 financial reporting issues. Audit committee awareness of discussions and negotiations on 32 financial reporting issues, and involvement therein	Survey of chief financial officers (149), audit committee chairs (130), and audit partners (219) of UK listed companies	<ul style="list-style-type: none"> • Sarbanes Oxley Act 2002 • International Financial Reporting Standards 	<ul style="list-style-type: none"> • Chief financial officers • Audit committee chairs • Audit partners 	<ul style="list-style-type: none"> • Consolidation matters • Primary statement issues • Other accounting issues • Compliance and other regulatory issues 	<ul style="list-style-type: none"> • Audit committee engagement, i.e., awareness and involvement in financial reporting issues 	Incomplete levels of audit committee and audit committee chair engagement with financial reporting issues were found.
Cohen <i>et al.</i> (2014)	Experiences of audit committees in enterprise risk management (ERM) and financial reporting	In-depth interviews with 32 audit partners, chief financial officers and audit committee members of 11 US public companies	<ul style="list-style-type: none"> • New York Stock Exchange regulations 	<ul style="list-style-type: none"> • Audit partners • Chief financial officers • Audit committee members 	<ul style="list-style-type: none"> • Number of audit committee members • Audit committee member expertise • Understanding of ERM • Role played by audit committee in ERM 	Importance of the CFO playing an integral role in ERM as the liaison between the CEO, audit committee, board of directors and auditors.	There is a lack of consensus among key players on what constitutes ERM.

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