The Audit Committee of an Emerging Economy

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We use content analysis technique to assess independence and behaviors of members of audit committees of a large Egyptian mortgage firm when expressing their views at meetings. This study fills the gap due to inaccessibility and confidentiality of the audit committees' minutes. We measure contributions, frequency of words and phrases used in the meetings, and extent of follow-up actions by the Board. Gender equality, financial skills and knowledge, and willingness of members to participate at meetings are essential variables in determining the committees' composition. We rely on completeness and accuracy of the minutes. The findings have ramifications to regulators and policy makers on composition of independent audit committees and boards of directors in term of size, skills, background and gender equality, and willingness of members to participate and contribute toward an audit committee.

INTRODUCTION

Are audit committees relevant to a firm's strategy on accountability toward its stakeholders? Does composition of an audit committee play an important role for a firm's governance, ethics and transparencies? This paper reports behaviors of members of the audit committee while discharging their duties. Using content analysis to review minutes of six audit committee's meetings held in 2010 of a large Egyptian mortgage firm, we find that gender, boardroom sentiment and individual's culture and background (financial or technical) have affected the individual's behavior and contributions toward the meetings and decision making processes. The committee consists of four man and two women, with four members with an average of more than 15 years of work experiences in the financial sector, and two with accounting and auditing qualification and background. We use content analysis technique to replicate and validate inferences from texts to the contexts based on frequencies and quality of words and phrases used in the committee meetings. In short, these words and phrases reflect upon the members' behaviors and keenness to contribute toward the firm's internal control systems and strategies.

In 2005, the Institute of Directors, an agency authorized by the ministry of investment in Egypt issued the Egyptian Code of Corporate Governance (ECG) which was updated in 2011. The old and updated Codes are widely used among listed firms in Egypt. Though the mortgage firm in our case study is not listed, we use the ECG code to cluster minutes of six committee meetings held in 2010. This leads to four descriptive items for the coding framework. These are (a) fundamental responsibilities of audit committee including financial reporting & internal control (b) responsibilities of and relationships between the audit committee and external auditors, (c) the responsibilities and responses between the audit committee and internal audit, and (d) the audit committee's responses to the firm's business risks. Each of these headings contains many sub-headings. For example, under the fundamental responsibilities of audit committee including financial reporting & internal control heading, it contains 29 sub-headings. These include issues on review audit committee's terms of reference/approve minutes of meetings, and ensure the proper use of the committee authority in relation to obtaining needed information from employees and outside legal or professional advice on any matter within its terms of reference.

For responsibilities of and relationships between the audit committee and external auditors heading, it has 19 agenda items that include assessing appropriateness of accounting policies, estimates and judgments in light of the financial statements and auditors' reports (ECG code 2005 & 2011), and ensuring ongoing communication (written/oral) of external auditor with audit committee (ECG code 2005 & 2011).For the responsibilities and responses between the audit committee and internal audit heading, there are 8 sub-headings including items on reviewing and assessing the annual internal audit plan (ECG code 2005 & 2011), and reviewing significant internal audit reports and findings(ECG code 2005 & 2011).For the audit committee's responses to the firm's business risks heading, we include 17 items on issues relating to assessing the risks (financial and non-financial) inherent in the company's business strategies and objectives. The risks relate to the following (ECG code 2011) risk management, process and control policies and procedures especially financial reporting & earnings release risk associated with fraud, errors and earnings management, operations reviews, budget reviews, industry and market updates, information technology changes and current and emerging risk issues.

While content analysis is widely used in the analysis on corporate governance reporting and disclosure, we are not aware of prior literature that discusses the analysis on audit committees' minutes. Confidentiality, inaccessibility and to some extent, language and culture play a role of a lack of study on the content of these minutes. We use Egypt as an exploratory laboratory due to the country is the first among the Arab states that moves toward democracy after its Arab Spring uprising. Second, as an emerging economy, Egypt is increasing its international trade volume, and global partners are scrutinizing local firms' attitudes toward transparency and accountability. Audit committees play an important role on this process. Third, given the country's political stability, economic growth, and emphasis on gender equality and a good composition of committee memberships, we evaluate contributions of each member toward design and implementations of internal control systems. Coding and analysis of these minutes help match between gender and individual's financial and non-financial background, and quality of the minutes and contributions toward the firm's growth strategies. Results of the analysis contribute toward Egyptian's regulatory body on continuing to assess and review the roles and contributions and compositions of committees, on increasing the level of confidence among the investors, both internal and international, and on projecting local firms' readiness on transparency and accountability.

The next section discusses the political and economic background of the country that leads to the emphasis on audit committees' roles and contributions, and reviews on salient literature that is interdisciplinary in nature to identify relevant themes and concepts for explorations in the analysis. This is followed by a discussion of the implications of using content analysis, and concludes with policy implications to firms and regulators.

BACKGROUND

In 2005, the Institute of Directors, an agency authorized by the ministry of investment in Egypt issued the Egyptian Code of Corporate Governance (ECG) which was updated in 2011. The updated Code includes governance rules on general assembly, boards of directors, internal audit departments, external auditors, disclosure of social policies, and avoiding conflicts of interest. These rules were incorporated into other laws including companies Act number 159/1981 on shareholding joint stock, partnerships, and limited liability companies, and Capital Market Authority Law 95/1992 on regulating listed firms of the

Egyptian Stock Exchange. More specifically, the Code states that the board of directors should comprise of a majority of audit committee members with an appropriate mix of skills, and technical and analytical experiences, and all the committee members should dedicate their time and attentions while discharging their duties of care and not accepting assignments that could potentially results in a conflict of interests (Rule 3-4). The Code further emphasizes that an audit committee should comprise of at least three independent members, one of whom with adequate financial and accounting expertise (Rule 6-1). The committee is charged with the responsibility for evaluating efficiency of the financial management, examining internal controls, reviewing financial statements, reviewing the accounting policies, communicating with the external auditors on the audit plans, recommending the appointments and remunerations for the external auditors, and approving non-audit services (Rule 6-2). Further, the committee is required to meet among themselves periodically, but at least once every three months with a specified agenda (Rule 6-3) and with the executive board members at any time during the year (Rule 3-18).

In short, the Code is much in line with the Anglo-Saxon approach on aspects relating to governance issues on boards of directors, audit committees, internal audit departments, external auditors, disclosure of social policies and avoiding conflicts of interest. However, the Egyptian code is neither mandatory nor legally binding, but merely for promoting responsible and transparent behaviors among listed firms toward best practices and striking equilibrium between rules and stakeholders' needs and expectations. In an institutional setting where adoption and monitoring of corporate governance practices is not mandatory and lacks legislative force, this study explores the extent of flexibility and rigidity on complying with the Code, and extent of commitments and contributions among committee members toward designing and implementing a firm's internal control systems. We analyze the content of the committee's minutes to help understand and identify key attributes that determine effectiveness of the committee including composition, size and frequencies of meetings. Compositions help assess individuals' independence, financial background and gender equality, size helps us to understand the optimum size of a committee that allow members to freely express their views and suggestions, and finally meeting frequency helps evaluate the extent of keenness of the committee toward the firm's growth and wealth creation strategies. These attributes are mainly drawn from Anglo-Saxon literature for example, Ebrahim (2007), Zhang *et al.*(2007), Abbott *et al.*(2004),Xie*et al.*(2003), Klein (2002), Abbott *et al.*(2000),Carcello and Neal (2000), Dalton *et al.*(1999), Dechow*et al.*(1996), and Beasley (1996), and a remaining from the Egyptian perspective including Ebaid (2011), and Samaha and Hegazy (2010). The combinations of the East and West allow us to evaluate extent of willingness and readiness of the Egyptian firms in adopting and adapting the global influences and attributes. In sum, prior studies emphasize that firms need to exercise good governance, accountability and transparency in exchange for the needed investors' confidence and investments. To sustain a long-term relationship and to secure for a constant flow of wealth and supports, firms need to assure the stakeholders that all funds are vested on the most effective, efficient, economic and value-added manner, and the whole process of deployments has been accountable for.

We use the minutes of an audit committee of a large Egyptian firm as a case study to identify the best practices and more importantly areas that the committee need adjustments and the Code need improvements. Using a single-firm approach allows us to conduct an in-depth study over a one year period on how this particular large Egyptian firm formulates its strategies and internal control systems to weather off external challenges while complying with the rules, and explore readiness of this firm in adopting the international practices. Over time, we find that this firm has succeeded in implementing the best practices and could serve as an exemplary example to its counterparts, both within Egypt, and outside the country in particular those in the emerging economies.

LITERATURE REVIEW

There is no known study on the content of an audit committee. This could be due to confidentiality of the documents and regulators do not mandate firms including audit committees to disclose the minutes in the annual reports or communicate to the stakeholders. Stakeholders, in particular stockholders, are interested on many issues especially the wealth creations of the firms, rather than the process of how the wealth was created. The process of wealth creations needs a sustainable flow of stakeholders' financial and non-financial supports. The non-financial supports include confidence, trust and relationships that the investors have enjoyed over the past. Firms need to project a sense of accountability and show transparency when maximizing the fund providers' returns. Audit committees play an important role to ensure firms operate within the stipulated internal control systems and policies, and in view of limited accessibility to minutes of audit committees have made research on how the committees made decisions challenging. One of the authors to the study is a member of an audit committee of a large Egyptian firm, and has unlimited access to the past minutes. We use the content analysis technique to assess the content of these minutes to fill the gap in the literature.

Content analysis is a research technique for making replicable and valid inferences from texts to the contexts of their use (Krippendorf, 2004, p. 18). While there are several purposes of content analysis, in our study we use the technique to analysis the content and concerns of communications (Weber, 1990, p. 9) by the committee members. While some commentators (Harwood and Garry, 2003) argue that frequency counts are a soft form of quantitative research, we support that frequencies nevertheless provide an indication of the importance of elements in course of communications (Breton and Côté, 2006). Further, content analysis is qualitative in the sense that it focuses on meanings and interpretations in the sentences and context (Sarantakos, 2005, p. 299) and such context of words, behaviors, and artifacts is practically everything for determining meaning (Brady, 2005, p. 982).An essential stage in any content analysis study is to determine which documents that we need for an analysis (Krippendorff, 1980). In our study, we use audit committee minutes for understanding how a large firm, based on recommendations of a small and selected group of individuals, helps determine its strategies and efforts on accountability and transparency without compromising the rigidity of external forces including gender equality and non-mandatory exercise on firms.

Past literature seems focusing on annual reports were regarded as important documents in corporate and social responsibility (CSR) due to a high degree of credibility they lend to information reported within them (Tilt, 1994), their use by a number of stakeholders as the sole source of certain information in particular environmental information (Deegan and Rankin, 1997)), and their widespread distributions (Adams and Harte, 1998). However, Neimark (1992) argues that an annual report merely presents the world of corporate concerns in microcosm and repository both comprehensive and compact, and offers a snapshot of the firm's mindset in each period, and may not reflect upon a firm's long-term commitments (Gray et al., 1995). In short, content analysis has been widely used in analyzing the content of a firm's disclosure on commitments and discharging its social responsibilities (Woodward, 1998; Roberts, 1991, p. 63, Ernst and Ernst, 1978).

A limit must be set to the range of documents for a research study. There are two main reasons for this. First, firms are not mandatory to disclose how ideas were formulated and decisions were eventually made, in particular the process of how audit committee members arrive at their decisions. Second, many minutes may not reflect the extent of discussions and the sentiments among each member towards particular issues. The minutes merely show the abbreviated end products of the meetings, and extent that the secretary and chair of the committee willingness to include details in the minutes. Given that these are possible limitations, this prompted us to extend our study by interviewing members of the committee to ensure the meetings were conducted in compliance with the Code and to ensure completeness, reliability and accuracy of the minutes and their analysis. We have checked to subsequent minutes to ensure that the firm has followed up on the committee's recommendations. The semi-structured interviews help assure reliability of the minutes. In relation to reliability, Milne and Adler (1999) explain that there are several different ways to measure reliability and there is no single criterion of adequate reliability within a particular research method. For this study, we have checked the reliability of coding instructions and proper implementation of analyzing the content (Krippendorff, 1980, p.131).

METHODS

Source Documents

We use minutes of the audit committee of a large Egyptian firm to analyze the extent of each member's contributions at the meetings, and weight the contributions that eventually led to resolutions and agreements within the group. We examine the six committee's minutes for 2010.Though the meetings were conducted in Arabic; all the minutes were written both in Arabic and in English. One of the co-authors of this paper has ensured accuracy and reliability of the translations from Arabic to English, and requests for a reversal translation to English to check for accuracy. We check to ensure no discrepancy exists in the translations.

Content Analysis

Content analysis is a well-established technique (Robson, 1993). It is a technique for making replicable and valid inferences from texts to the contexts of their use (Krippendorf, 2004). Some commentators (e.g. Harwood and Garry, 2003) argue that frequency counts and rankings produced by content analysis are a soft form of quantitative research. Frequency counts help identify repetitions and importance of key issues, while ranking helps identify the importance of particular issues for the meetings. For our study, we made inquiry with the secretary and chair of the committee to determine completeness of the minutes for the one year period. We then refer to the Code and prior studies on audit committees to brainstorm key words and phrases including internal controls, strategies, reviewing audit committee's terms of reference and code of conduct, assessing independence, financial literacy, skills and experience of members, reviewing committee's composition with at least one member with financial literacy, assessing financial information, recommending appointment and reviewing performance of the external auditors, approving audit fees and terms of engagement, assessing external auditors' independence, and reviewing recommendations from the internal auditors and actions taken by the management. We then use these words and phrases to analyze the content of the minutes.

In our analysis, we incorporate and explore the frequency of individuals that focusing on the key words and phrases to identify any dominant members among the committee members, and whether gender and financial background of the members play a key role in the meetings. Benschop and Meihuizen (2002) and Shen and Samkin (2008) emphasize that gender equality is an important factor for a firm, in particular composition of the board of directors. We code and record the data by printing the minutes that contain the key words and phrases. We conduct this process independently to confirm consistency on coding (Abeysekera, 2008).A week later, we revisit the coding, cross check the codes, and agree upon the updates to ensure intra-coder reliability (Abeysekera, 2008; Unerman, 2000). We use frequency to rank the issues and follow up on subsequent minutes to ensure the board of directors has followed up on each issue. For those issues that were subsequently dropped by the Board, we called for a separate meeting with the Board members to inquire about reasons for dropping a particular recommendation, and any documentations to substantiate the discussions.

RESULTS

We divide our analysis under four separate headings. These are based on (a) fundamental responsibilities of audit committee including financial reporting & internal control (b) responsibilities of and relationships between the audit committee and external auditors, (c) the responsibilities and responses between the audit committee and internal audit, and (d) the audit committee's responses to the firm's business risks.

(a) The Fundamental Responsibilities of Audit Committee Including Financial Reporting & Internal Control

Table (1) provides an insight about how members of the audit committee undertake their responsibilities. We note a consistency in the minutes concerning items on the agenda for discussions including approving minutes of the previous meeting and making significant comments and updating of the minutes for any mistakes in minutes. The members are well prepared for the meetings due to minutes and agenda were circulated at least 14 days prior to the meetings. For items relating to financial matters, the committee chair ensures a thorough review of the budget and variances, reasons and planned actions for any significant variances, and consistency on the firm's accounting policies. However, there is a lack of discussion on appropriateness and sufficiency of resources for discharging the committee duties including access to secretarial assistance due to the minutes were recorded by the head of the internal audit department. Though under the committee chair supervised the process to ensure confidentiality, there is a possibility that the internal audit department may access to the discussions immediately after the meetings. In this case, some members may feel intimated for speaking out freely at the meetings.

TABLE 1
ANALYSIS OF AUDIT COMMITTEE MINUTES FOR FUNDAMENTAL PRINCIPALS, FINANCIAL REPORTING AND CONTROLS 2010

Fundamental responsibilities of audit committee including financial reporting & internal control	Frequency
1. Review audit committee's terms of reference/approve mints of meetings	37
2. Follow up recommendations made by the audit committee	7
3. Have access to sufficient resources in order to carry out the committee duties, including access to the company secretary for assistance as required	0
4. Check the proper use of the committee authority in relation to obtaining needed information from any employee and outside legal or professional advice on any matter within its terms of reference.	7
5. Give consideration to laws and regulations and the provision of the code of corporate governance.	0
6. Review the company's code of conduct and provide recommendations for improvements.	1
7. Oversee any investigation of activities which are within its terms of reference.	2
8. Review the composition of members (at least 3 non-executives members, one of them with relevant financial expertise and quorum is 2 members) (ECG code 2005 & 2011).	7
9. Assess Independence, financial literacy, skills and experience of members.	7
10. Review and recommend approval of quarterly, half yearly and annual financial statements and preliminary results announcements after assessing significant financial reporting issues and judgments they contain.(ECG code 2005 & 2011)	5
11. Review the content of the board of directors' report and profit appropriation statement before presenting them to board of directors for approval.	3
12. Review the company's budget and other financial issues before presenting to board of directors.	21
13. Assess the company's social welfare programs with the company or in the surrounding community.	0
14. Assess management account for significant and unusual transactions where different approaches are possible	3
15. Assess the clarity of disclosure in the company's financial reports	3
16. Assess the competence of the financial director, significant and primary members of the financial department. (ECG code 2005 & 2011 not in the ICSA guideline)	0
17. Review the financial statements before presentation to board of directors and give its opinion and recommendations (ECG/2005-2011).	2

18. Review report prepared by government bodies	4
19. Assess the accounting policies used by the company and provide the committee opinion and recommendations. (ECG/2005 & 2011).	5
20. Assess the internal control and prepare written report about the committee opinion and its recommendations.(ECG code 2005 & 2011)	5
21. Review and approve the statements to be included in the annual report concerning internal controls and risk management.	2
22. Carry interim review of the whistle blowing arrangements within the company and ensure that they allow proportionate and independent investigation of wrongdoing in financial reporting and other issues (ECG code 2011).	0
23. Ensure that the company is properly linked with the surrounding community including suppliers or customers with the concern for the common interests.	0
24. Ensure that the audit committee must meet at least once per month.	0
25. Ensure that the Audit committee chair establish meeting agenda and attendees required.	6
26. Ensure the chairman of the committee formally reporting to the board on its proceedings after each meeting on all matters within its duties and responsibilities with the appropriate recommendations for better performance of the company.	6
27. Compile a report to shareholders on the activities of the audit committee to be included in the annual report.	0
28. Check that at least once a year the audit committee reviews its own performance, constitution and terms of references to ensure that it is operating effectively and efficiently.	0
29. Ensure that audit committee members receive updates on current financial events and accounting standards.	0

We also note that the committee does not discuss the firm's code of conduct or the ethical requirements governing the employees' behaviour. The lack of emphasising on this issue is due to there is no disciplinary incident occurred during the year. Also, there is no discussion on assessment of social welfare programs within the firm or for the local community. Such social program is not mandatory for all Egyptian firms, both listed and non-listed. The committee is unaware of the Egyptian Institute of Directors' directive on social responsibilities for listed firms on health and safety, and social issues for the stakeholders including suppliers and customers. We also find that the committee is fully aware of the reports prepared by the Egyptian Central Audit Organization (CAO), an equivalent to the US GAO and detailed discussions of the content of the audit reports were undertaken during the meetings whenever the CAO presents an audit report to the audit committee. Also, the committee was not aware of the fact that large and listed Egyptian firms should hire professionally qualified, skilled and experienced chief financial officers (CFO) and head of internal audit. However, the firm in this case study needs immediate actions on the hiring process.

Though it is an agenda item, the committee does not consider the importance of establishing a whistle blowing system. This could be due to external culture whereby in the Arabic tradition and many other emerging economies, whistle blowing is considered a serious sign of betrayal and mistrust of friendships and colleagues. In a sense, brotherhoods and close relationships override institutional culture and practices. Firms prefer to confine and sort out the mishaps within the roof rather than to sweep them in public. The cultural practice and background on individual's image and face will outweigh the needs for accountability and transparency.

(b) Responsibilities of and Relationships between the Audit Committee and External Auditors

Table (2) presents the relationship between the audit committee members and external auditor(s) as shown in the minutes during 2010. We note that the minutes reflect that the firm maintains strong dialogs between members of the audit committee, external auditors, and the Mortgage Supervisory government Authority. Firms are required to report to the Supervisory Authority on any deficiencies in the internal control system in particular weaknesses in the documentary flows on the firm's activities, any lack of proper recording of mortgage transactions, delays in the implementation of the Great Plain software, any inappropriateness on the application of Mortgage law concerning registration of the clients' collaterals.

TABLE 2
ANALYSIS OF AUDIT COMMITTEE MINUTES FOR EXTERNAL AUDITORS 2010

The audit committee and the external auditors	Frequency
1. Propose the appointment, re-appointment and removal of the external auditor(s) and approve its/their remuneration (audit/ non-audit services) and terms of engagement (ECG code 2005 & 2011).	2
2. Monitor and review the external auditors' qualifications, independence, objectivity and effectiveness of performance (i.e. audit engagement team) taking into account professional and regulatory requirements (ECG code 2005 & 2011) Assess annually external auditor's qualifications, expertise and resources and the effectiveness of the audit process which includes a report from the external auditor on their own internal quality procedures	0
3. Ensure that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company other than in the normal course of business.	0
4. Meet regularly with the external auditor including once at the planning stage before the audit, and once after the audit at the reporting stage.	1
5. Meet at least once a year with the external auditor without management being present to discuss issues of concern arising from the audit.	1
6. Review and approve the annual audit plan and ensure that it is consistent with the scope of audit engagements. (ECG code 2005 & 2011).	0
7. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partners, the level of fees paid by the company compared to the overall fee income of the company.	0
8. Develop and implement a policy on the supply of non-audit services by the external auditor with consideration to relevant ethical guidance. The above services include tax advisory services such as tax planning and compliance which doesn't conflict with statutory responsibilities and ethical guidance.	0
9. Approve external audit's undertaken extra engagement and approving his fees for such work. (ECG code 2005 & 2011).	0
10. Discuss external auditors' views on control environment including fraud risk management.	0
11. Ensure that the audit committee receives a quarterly report on the tax advisory services provided by the external auditor (if any).	0
12. Considering whether, the compensation of individuals employed by the external auditors who are performing the audit is tied to the provision of non-audit services.	0

13. Review external audit findings including remarks on the company's financial statements included in the management letter, management's response to auditor's findings and recommendations and follow up remedy of such remarks. (ECG code 2005 & 2011). Such a process may include: a- Discussion of a major issue arising from the audit. b- Any accounting and audit judgments c- Levels of errors identified during the audit	247
14. Review any representation letter(s) requested by the external auditor before they are signed by management.	0
15. Assess the appropriateness of accounting policies, estimates and judgments in light of the financial statements and auditors' reports (ECG code 2005 & 2011).	34
16. Discuss external auditors views on control environment including fraud risk management impair, or appear to impair, the auditors' judgment or independence;	0
17. Ensure ongoing communication (written/oral) of external auditor with audit committee (ECG code 2005 & 2011).	3
18. Ensure proper monitoring of the number of former employees of the external auditors currently employed in senior positions in the company and assessing	0
19. Ensure that as a whole, the various relationships between the company and the external auditors do not impair, or appears to impair the auditors' judgment. Audit committee does not allow any wok where a mutuality of interest is created that could compromise independence of external auditor.	0

The committee assesses the adequacy of the accounting policies applied, estimates and judgments whenever annual or interim financial statements are presented to its members taking into consideration comments made by the external auditors in relation to any inconsistency related to application of such policies. Also, the committee pays particular attentions on the external auditors' views on having a proper control environment including fraud risk management impair or appear to impair, the auditors' judgment or independence. However, the committee does not (a) monitor and review the external auditors' qualifications, independence, objectivity and effectiveness of performance the audit engagement team (ECG code 2005 & 2011), or assess the external auditor's qualifications, expertise and resources and the effectiveness of the audit process which includes a report from the external auditor on their own internal quality procedures, (b) ensure that there are no close relationships (such as family, employment, investment, financial or business) between the firm and the auditor, (c)meet regularly with the external auditor including once at the planning stage before the audit, and once after the audit at the reporting stage, (d) review and approve the annual audit plan and ensure that it is consistent with the scope of audit engagements. (ECG code 2005 & 2011), (e) monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partners, the level of fees paid by the company compared to the overall fee income of the company, (f) develop and implement a policy on the supply of non-audit services by the external auditor with consideration to relevant ethical guidance. The above services include tax advisory services such as tax planning and compliance which doesn't conflict with statutory responsibilities and ethical guidance, and (g) approve external audit's undertaken extra engagement and approving his fees for such work.(ECG code 2005 & 2011). From the review, we find that members do not consider the above matters due to (a) a lack of awareness of the detailed tasks and responsibilities of the members of the audit committee according to international standards, (b) a lack of detailed guidelines issued by the Egyptian Institute of Directors concerning the role of members of the audit committee and its responsibilities, and (c) a lack of information about the responsibilities and tasks of the audit committee in the Egyptian Code of corporate governance.

(c) The Responsibilities and Responses between the Audit Committee and Internal Audit

Even though the firm has an internal audit department that compose of an audit manager and 3 staff members all of them with good accounting knowledge, only the manager has some banking experiences. Based on the findings shown in table (3), the committee has not discussed on appointing a manager with appropriate accounting qualification and experiences in mortgage business. Also, the committee expressed concern on the lack of resources in the internal audit department in particular human resources whereby the internal audit department constantly draw finance staff to help them in the internal audits and the internal audit staff do not have up to date training on using the IT facilities. Using staff from other departments to help on the internal audits reflects a lack of emphasis on internal controls, and a possible collusion between the departments and eventually loss of independence.

TABLE 3
ANALYSIS OF AUDIT COMMITTEE FOR INTERNAL AUDITORS 2010

The audit committee and the Internal auditors	Frequency
1. where no internal audit function exist, consider the audit committee discussion for the need for an internal audit function	0
2. Recommend appointment of Head of Internal Audit to the Board or top management and review his performance	0
3. Consider and approve the remit of the internal audit function and ensure it has adequate budget, staffing, resources and access to information to perform all its duties according to professional standards.	0
4. Review and assess the annual internal audit plan in relation to (ECG code 2005 & 2011):	4
a. Study and discuss the plan of the internal audit department, its effectiveness capabilities. (ECG/2005).	0
b. Study the internal audit department reports and corrective actions taken by the management, (ECG/2005).	0
c. Study interim results or findings of the internal audit department and any other review of the accounts for regulatory purposes;	0
d. Assess work related to compliance and corporate governance, including highly level controls performed by the internal audit.	0
e. Assess the level of involvement by management in internal audit services.	0
f. Assess internal audit performing regulatory reviews or reviews commissioned by the audit committee.	0
g. Assess the expertise of the internal audit department in providing accounting advice and reviews of accounting standards.	0
5. Review significant internal audit reports and findings in relation to (ECG code 2005 & 2011)	73
a. Monitoring the integrity of the company's financial statements and reviewing quality	0
b. Monitoring and reviewing the effectiveness of the company's internal audit function;	0
c. Assess the quality of reports provided to the audit committee and the board and the quality of advice given;	3
d. Assess the level of understanding of the company's business and industry.	3
6. Review progress on actions taken by the internal audit in response to the committee's representations	**7**

7. Discuss issues with the internal auditor in the absence of executives and management	**5**
a. Seeking confirmation that the auditors are, in their professional judgment, independent of the company;	0
b. May be required to audit their own work;	0
c. Participate in activities that would normally be undertaken by management; **8. Review and monitor management's responsiveness to the findings and recommendations of the internal auditors (ECG code 2005 & 2011).**	3

(d) The Audit Committee's Responses to the Firm's Business Risks

It is interesting to note in table (4) that the committee has emphasized on assessing the business risk and internal control system in particular those relating to fraud, errors and earnings management. The committee is concerned with the continuing legal cases relating to fraud and earnings management that affect the reputations of the other Egyptian firms.

TABLE 4
ANALYSIS OF AUDIT COMMITTEE MINUTES FOR ASSESSMENT OF VARIOUS TYPES OF RISK 2010

	Frequency
1. Assess the risks (financial and non-financial) inherent in the company's business strategies and objectives. The risks relate to the following (ECG code 2011): a- Risk management process and control policies and procedures especially financial reporting & earnings release risk associated with fraud, errors and earnings management. b- Operations review c- Budget reviews d- Industry and market updates e- Information technology changes	 2 5 1 12
2. Ensure that management risk policy clearly articulated and communicated to the organization? If not, why not? If yes, how has this been achieved through the work of the audit committee?	0
3. Assess risks including suspected improprieties, escalated to the appropriate levels within the organization.	0
4. Check whether the company has a comprehensive risk profile and if not why not? Assess the method used by to identify, quantify and manage its risks.	0
5. Review legal and compliance development.	0
6. Ensure that there is a common risk management language/ terminology across the organization.	0
7. Ensure accountability for risk management transparent at management level.	0
8. Review that systems are in place for measuring and monitoring risk within the organization to ensure compliance with regulations or contractual arrangements? Are the interrelationships of risks clearly identified and understood through the work of the audit committee.	0
9. Review management systems to ensure that data/information/knowledge reliable, relevant and timely and information systems reliable.	13
10. Ensure that the company security systems reflect management reliance on technology, including our e-business strategy?	0

11. Check whether the company has incurred unreasonable liabilities to support operating processes.	0
12. Carry out interim review of the whistle blowing arrangements within the company (ECG code 2011)	0
13. Review financial personnel succession planning.	0
14. Review director and officer expenses and related party transactions.	0
15. Conduct special investigations and perform other activities as appropriate.	0
16. Review report to shareholders on role and responsibilities of the audit committee.	0
17. Implement measures and perform interim self-assessment of the committee performance.	0

Limitations on Content Analysis

An essential stage in any content analysis study is deciding the key words for analysis (Krippendorff, 1980). Studies have justified the measurement of frequency in terms of words and phrases communicated (Deegan and Gordon, 1996; Zeghal and Ahmed, 1990). Communications could be in the form of oral and written format, or both. Quantification in terms of whole sentences tends to be justified in that sentences can be counted with more accuracy than words (Hackston and Milne, 1996; Tsang, 1998) and sentences tend to convey meaning whereas discerning the meaning of individual words in isolation is problematic (Hackston and Milne, 1996). Milne and Adler (1999) demonstrate that many studies on analyzing the content of disclosing and measuring corporate social responsibility may mistakenly conflate the unit used to measure disclosures with the unit used to identify and code disclosures arguably, reliable identification of a CSR disclosure requires understanding of the meaning of each disclosure, and such understanding is best achieved by consideration of whole sentences. Similar to when analyzing the committee's minutes, we recognize that individual words or individual cells in a measurement grid are unlikely to convey much meaning, and once the individual disclosures have been identified and coded using units of whole sentences, this can be achieved through a variety of units of measurement. The process helps eliminate errors that are likely to arise by counting sentences than counting words (Milne and Adler, 1999, p. 243). Sentences, as the unit of measurement, ignore the possibility that differences in using grammar and the emphasis on using particular words (Hackston and Milne, 1996; Milne and Adler 1999). This means frequency counts assume the importance of a particular issue that members want to include in the minutes but frequency may not reflect upon issues that are mandatory in the Code. For example, the Code requires audit committees to evaluate independence of the external auditors. The process of discussions may be lengthy but the frequency of using key words could be limited. This may unfortunately set a trade-off between weight and frequencies.

CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

This study fills the gap of the lack of content analysis on the minutes of audit committees. This is due to confidentiality and inaccessibility to the documents. The analysis on the committee's minutes of a large Egyptian firm for 2010 helps us understand how the committee works, and how the issues were eventually resolved. We use frequency of words and phrases to analyze the minutes and the weight that individual members have placed on the agenda items. We review subsequent minutes and conduct meetings with the board members to ensure that the board has followed up all the issues raised by the committee.

The analysis revealed regular meetings among the committee members and with the board members, internal auditors and external auditors, and composition of the committee members in terms of gender equality, relevant technical skills and qualifications, financial background, and independence from the board help improve the level of accountability, transparency and trust between the firm and its stakeholders. The long term relationships will ensure a continuing flow of capital to sustain the firm's wealth creation strategies and improving stock returns. The results draw upon the need to ensure committee members aware of their responsibilities and the need for complying with the Code. Though it remains voluntary, the Government may need to consider having to mandate all Egyptian listed firms to comply with the rules. Firms are required to comply unless stated otherwise in their annual reports. Firms may require to state in the annual reports that they have full compliance with all the provisions of the rules. Similar to the West, Egyptian firms need to ensure both the chief executive officers and chief financial officers to sign on the internal control reports. Moving from a voluntary disclosure to a mandatory regime will seem challenging, but in a long run, we feel that this will greatly project the positive and accountable image of the firms, and their sense of social responsibilities.

Although there are limitations we are aware of the issues raised by Unerman (2000) concerning reliability and validity of content analysis technique, we believe that we have taken additional care by ensuring completeness and accuracy of the minutes, and the coding process. We also have conducted separate interviews with the board members to ensure accuracy and reliability of the minutes, and have followed up on board's actions. The other limitation of this study include we confined our review to one particular firm. Future research could expand the duration and number of firms. Apart from using content analysis, future research could extend to include semi interviews, focus group discussions and questionnaire surveys. Instead of basing on a particular sector, future research could include firms from various sectors and background, including those listed and private firms. Government agencies and nonprofit organizations should be included in the list for future evaluations. We urge more research should be conducted in both developed and emerging economies to enrich the body of knowledge and share the best practices across the globe. All these help us understand on how committees react to issues that led to follow up actions, and also gender and individual committee members' background (financial or technical) has any important role in the decision making processes.

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