

## **AUDIT COMMITTEE EFFECTIVENESS IN ENSURING COMPLIANCE WITH INTERNAL AUDIT NORMS**

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### **ABSTRACT:**

The audit committee plays a crucial role in strengthening corporate governance by ensuring compliance with internal audit norms, overseeing financial reporting, and monitoring internal control systems. This study examines the effectiveness of audit committees in ensuring adherence to internal audit standards and regulatory requirements. It analyzes structural characteristics such as independence, financial expertise, meeting frequency, and communication with internal auditors. Using primary data collected through structured questionnaires and supported by secondary sources, the study evaluates how audit committee oversight improves transparency, accountability, and risk management. The findings indicate that effective audit committees significantly enhance compliance with internal audit norms and strengthen governance mechanisms. Recommendations include improving independence, enhancing expertise, and leveraging technology for better oversight.

**Keywords:** Audit Committee, Internal Audit, Corporate Governance, Compliance, Risk Management

### **1. INTRODUCTION**

Corporate governance refers to the system of rules, processes, and practices through which an organization is directed and controlled to ensure accountability, transparency, and protection of stakeholder interests. In recent decades, corporate failures, accounting scandals, and financial irregularities across global markets have highlighted the need for stronger governance mechanisms and effective internal control systems. One of the most important governance structures established to address these challenges is the audit committee, which operates as a specialized sub-committee of the board of directors.

The audit committee plays a critical role in overseeing financial reporting, ensuring the effectiveness of internal control systems, and monitoring compliance with internal audit norms and regulatory requirements. Internal audit norms, as defined by professional bodies such as the Institute of Internal Auditors (IIA) and regulatory authorities, emphasize independence, objectivity, risk-based auditing, and proper reporting. Compliance with these norms helps organizations detect control weaknesses, prevent fraud, improve operational efficiency, and ensure reliability of financial information. The audit committee acts as an independent oversight body that reviews audit findings, ensures implementation of audit recommendations, and maintains communication between internal auditors, external auditors, and management.

The effectiveness of the audit committee largely depends on factors such as independence of its members, financial expertise, frequency of meetings, and quality of interaction with

auditors. A strong and independent audit committee enhances transparency, strengthens internal controls, and improves overall corporate governance. Conversely, ineffective audit committees may lead to weak internal audit functions, regulatory non-compliance, and increased risk of financial misstatements.

In this context, evaluating the effectiveness of audit committees in ensuring compliance with internal audit norms has become increasingly important. This study aims to examine how audit committee characteristics influence internal audit compliance and contribute to improving governance, accountability, and organizational performance.

## 2. REVIEW OF LITERATURE

The audit committee has become a central component of corporate governance frameworks, particularly in ensuring compliance with internal audit norms and strengthening financial oversight. Several researchers have examined the relationship between audit committee characteristics and internal audit effectiveness, emphasizing the importance of independence, financial expertise, diligence, and communication in enhancing audit quality and compliance.

**DeZoort, Hermanson, Archambeault, and Reed (2002)** provided a comprehensive framework for understanding audit committee effectiveness. Their study highlighted that audit committee members' independence, financial knowledge, and professional experience significantly influence their ability to oversee internal audit functions. The authors argued that financially literate and independent audit committee members are better equipped to question management decisions, evaluate internal audit reports, and ensure compliance with professional auditing standards. Their findings established that audit committee competence and objectivity are essential for maintaining strong internal control systems.

**Abbott, Parker, and Peters (2004)** examined the association between audit committee characteristics and financial reporting quality. Their research found that companies with independent audit committees that met regularly were less likely to experience financial misstatements or fraud. Frequent meetings allow audit committees to review audit findings in detail, monitor corrective actions, and maintain continuous oversight over internal audit functions. This study emphasized that active audit committees enhance transparency and ensure adherence to internal audit norms and regulatory requirements.

**Beasley (1996)** also found that effective audit committees play a preventive role in reducing the likelihood of financial statement fraud. His research demonstrated that companies with strong audit committee oversight were more likely to maintain effective internal control systems and comply with audit standards. This highlights the importance of audit committee involvement in safeguarding organizational integrity and protecting stakeholder interests.

**Alzeban and Sawan (2015)** examined the impact of audit committee characteristics on internal audit effectiveness and concluded that independence and financial expertise significantly improve audit performance. Their findings showed that audit committees that actively review audit plans, monitor audit execution, and ensure implementation of recommendations strengthen compliance with internal audit norms. The study also emphasized that audit committees help maintain auditor independence by reducing management interference.

**Khelil, Hussainey, and Noubbigh (2016)** highlighted the importance of audit committee support in improving internal audit effectiveness. Their study found that audit committees that maintain direct communication with internal auditors and provide independent oversight enhance audit objectivity and compliance. This relationship ensures that audit findings are properly evaluated and corrective actions are implemented effectively.

**Sellami and Tahari (2022)** investigated audit committee characteristics in the banking sector and found that audit committee expertise and independence positively influence compliance with audit and financial reporting standards. Their research emphasized that audit committee members with accounting and financial backgrounds are more capable of understanding audit findings and ensuring compliance with regulatory requirements.

**Abdelrahim and AlMalkawi (2022)** conducted a comprehensive review of internal audit effectiveness and emphasized the importance of coordination between audit committees and internal auditors. Their study concluded that strong communication and cooperation improve audit efficiency, risk management, and compliance with audit standards. Audit committees that regularly interact with auditors and review audit reports contribute to improved governance and organizational accountability.

Furthermore, regulatory frameworks such as the Committee of Sponsoring Organizations (COSO) Internal Control Framework and the Institute of Internal Auditors (IIA) standards emphasize the role of audit committees in ensuring compliance and strengthening internal controls. These frameworks highlight that audit committees must maintain independence, oversee internal audit activities, and ensure that audit findings are addressed promptly.

Overall, the literature consistently demonstrates that audit committees play a vital role in ensuring compliance with internal audit norms. Independence, financial expertise, meeting frequency, and effective communication are key determinants of audit committee effectiveness. Strong audit committees enhance internal audit performance, improve financial reporting quality, reduce the risk of fraud, and strengthen corporate governance. These findings provide a strong foundation for examining audit committee effectiveness and its role in ensuring compliance with internal audit norms.

### 3. RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to collect, analyze, and interpret data in order to answer research questions and achieve study objectives. It provides a structured approach for identifying the research problem, selecting appropriate data collection methods, and applying suitable analytical techniques. In this study, the research methodology focuses on examining the effectiveness of audit committees in ensuring compliance with internal audit norms and strengthening corporate governance. Both primary and secondary data have been used to obtain comprehensive insights into the research topic.

#### 3.1 Statement of the Problem

Internal audit is an essential component of corporate governance that ensures organizations comply with regulatory requirements, maintain effective internal controls, and safeguard assets. Internal audit norms, established by professional bodies such as the Institute of Internal Auditors (IIA), emphasize independence, objectivity, risk-based auditing, and proper reporting procedures. However, despite the existence of these standards, many organizations continue to experience audit failures, internal control weaknesses, and financial irregularities.

One of the primary reasons for such failures is ineffective oversight by audit committees. In some organizations, audit committees lack independence, financial expertise, or sufficient involvement in internal audit activities. Inadequate communication between audit committees and internal auditors may also reduce the effectiveness of internal audit functions. As a result, internal audit recommendations may not be properly implemented, leading to compliance gaps and increased organizational risk.

Therefore, it is necessary to examine the effectiveness of audit committees in ensuring compliance with internal audit norms. This study aims to analyze whether audit committees perform their oversight role effectively and identify the key factors influencing their effectiveness, such as independence, expertise, meeting frequency, and communication with auditors.

### 3.2 Significance of the Study

This study is significant because it highlights the role of audit committees in strengthening corporate governance and ensuring compliance with internal audit norms. Effective audit committees enhance transparency, improve internal control systems, and ensure the reliability of financial reporting. By providing independent oversight, audit committees help organizations identify risks, prevent fraud, and ensure compliance with regulatory requirements.

The findings of this study will be useful for multiple stakeholders. Boards of directors can use the findings to strengthen audit committee structures and improve governance practices. Internal auditors can benefit by understanding how audit committees influence audit effectiveness and compliance. Regulators and policymakers may also use the findings to develop policies and guidelines that improve audit committee effectiveness.

Additionally, this study contributes to academic research by providing empirical evidence on the relationship between audit committee characteristics and compliance with internal audit norms. It helps bridge the gap between theoretical corporate governance frameworks and practical implementation in organizations.

### 3.3 Objectives of the Study

The main objective of this study is to examine the effectiveness of audit committees in ensuring compliance with internal audit norms. The specific objectives are as follows:

1. To examine the role of audit committees in ensuring compliance with internal audit standards and procedures.
2. To evaluate the impact of audit committee independence, financial expertise, and meeting frequency on internal audit compliance.
3. To analyze the perceptions of respondents regarding audit committee effectiveness in improving internal controls and governance.
4. To identify challenges faced by audit committees in monitoring internal audit activities.
5. To suggest measures to improve audit committee effectiveness and strengthen compliance with internal audit norms.

These objectives help in understanding both the structural and functional aspects of audit committees and their contribution to effective governance.

### 3.4 Research Hypothesis

Based on the objectives of the study, the following hypotheses were formulated:

**H1:** Audit committees significantly improve compliance with internal audit norms.

**H0:** Audit committees do not significantly improve compliance with internal audit norms.

**H2:** Audit committee independence and expertise significantly enhance internal audit effectiveness.

**H0:** Audit committee independence and expertise do not significantly enhance internal audit effectiveness.

These hypotheses were tested using responses collected through questionnaires.

### 3.5 Research Design

The research design refers to the overall strategy used to integrate the different components of the study in a logical and systematic manner. This study adopts a descriptive research design, which is suitable for describing characteristics, opinions, and perceptions related to audit committee effectiveness.

Descriptive research helps in collecting quantitative and qualitative information about respondents' perceptions regarding audit committee performance and compliance with internal audit norms. It allows the researcher to analyze trends, identify patterns, and draw conclusions based on the collected data.

The research design includes the following steps:

- Identification of research problem
- Review of existing literature
- Development of structured questionnaire
- Collection of primary and secondary data
- Data analysis and interpretation
- Drawing conclusions and recommendations

This design ensures systematic and reliable analysis of audit committee effectiveness.

### 3.6 Data Collection

Data collection is the process of gathering relevant information required to achieve the research objectives. This study uses both **primary data** and **secondary data**.

#### 3.6.1 Primary Data

Primary data refers to data collected directly from respondents for the purpose of the study. In this research, primary data was collected through a structured questionnaire. The questionnaire included multiple-choice and Likert-scale questions designed to measure respondents' perceptions regarding audit committee effectiveness, internal audit compliance, and corporate governance.

The questionnaire consisted of two main sections:

- Demographic information (gender, age, education)
- Perception-based questions related to audit committee effectiveness

A total of **100 responses** were collected from respondents who have knowledge of accounting, auditing, or corporate governance, including students, professionals, and finance-related individuals.

Primary data provides first-hand information and ensures accuracy and relevance to the research topic.

### 3.6.2 Secondary Data

Secondary data refers to data collected from existing sources. Secondary data for this study was collected from:

- Research journals and academic publications
- Corporate governance reports
- Audit and accounting textbooks
- Regulatory guidelines and audit frameworks
- Professional organizations such as the Institute of Internal Auditors (IIA)

Secondary data helped in developing the theoretical framework and supporting the findings obtained from primary data.

### 3.7 SAMPLING METHOD

Sampling refers to the process of selecting a subset of respondents from the population. This study used the **convenience sampling method**, which involves selecting respondents based on accessibility and willingness to participate.

Convenience sampling was chosen due to time constraints and limited access to audit committee members and professionals. Although this method may limit generalization, it provides useful insights into perceptions regarding audit committee effectiveness.

**Sample Size:** 100 respondents

The sample included individuals with knowledge of accounting, finance, and auditing, ensuring relevant and reliable responses.

### 3.8 DATA ANALYSIS TOOLS

The collected data was analyzed using statistical and descriptive techniques. The following tools were used:

- Percentage analysis
- Tables and charts
- Mean and standard deviation
- Hypothesis testing (t-test)
- Interpretation of responses

Percentage analysis was used to understand the distribution of responses. Tables and pie charts were used to present data visually. Hypothesis testing was used to examine whether audit committees significantly influence compliance with internal audit norms.

These tools helped in analyzing the effectiveness of audit committees and drawing meaningful conclusions.

### 3.9 LIMITATIONS OF THE STUDY

Although the study provides useful insights, it has certain limitations:

1. The study is based on a limited sample size of 100 respondents, which may not represent all organizations.
2. Data is based on respondents' perceptions, which may involve personal bias.

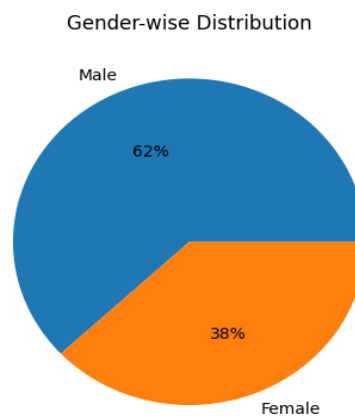
3. Limited access to actual audit committee members restricted direct organizational insights.
4. Time constraints limited the scope of data collection and analysis.
5. The study focuses mainly on general perceptions rather than specific company case studies.

Despite these limitations, the study provides valuable insights into audit committee effectiveness and internal audit compliance.

#### 4. FINDINGS AND DATA ANALYSIS

**Table 4.1 Gender-wise Distribution of Respondents**

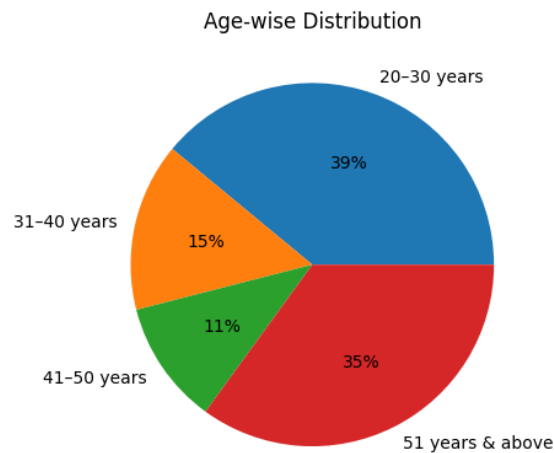
Gender	Responses	Percentage
Male	62	62%
Female	38	38%



**Interpretation:** The gender distribution shows that 62% of respondents are male and 38% are female. This indicates that both genders are adequately represented in the study. The presence of respondents from both genders ensures diverse perspectives regarding audit committee effectiveness and compliance.

**Table 4.2 Age-wise Distribution of Respondents**

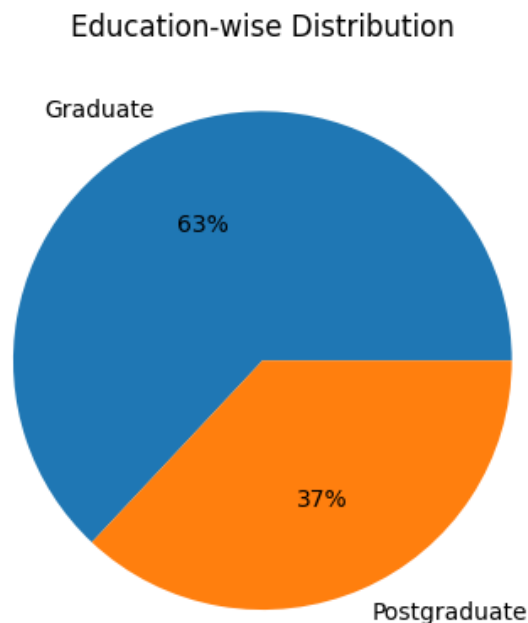
Age Group	Responses	Percentage
20–30	39	39%
31–40	15	15%
41–50	11	11%
51+	35	35%



Interpretation: The majority of respondents belong to the 20–30 and 51+ age groups. This indicates a mix of young professionals and experienced individuals, ensuring balanced insights.

**Table 4.3 Education-wise Distribution of Respondents**

Education	Responses	Percentage
Graduate	63	63%
Postgraduate	37	37%



Interpretation: Most respondents are graduates and postgraduates, indicating strong educational background and understanding of audit and governance processes.

## 5. HYPOTHESIS TESTING

H1: Audit committees significantly improve compliance with internal audit norms.

H0: Audit committees do not significantly improve compliance.

Sample Size = 100



Mean = 3.70

Standard Deviation = 0.93

Test value = 3

Calculated t-value = 7.55

**Interpretation:** Since calculated t-value is greater than critical value, null hypothesis is rejected. This confirms audit committees significantly improve compliance.

## 5. FINDINGS AND DATA ANALYSIS

The analysis of primary data collected from 100 respondents provides valuable insights into the effectiveness of audit committees in ensuring compliance with internal audit norms. The gender distribution of respondents shows that 62% were male and 38% were female. This indicates that both genders were adequately represented in the study, ensuring balanced perspectives regarding audit committee functions and internal audit compliance. The inclusion of diverse respondents enhances the reliability of the findings and reflects varied professional and academic viewpoints.

The age distribution reveals that a significant proportion of respondents belonged to the 20–30 years category (39%) and 51 years and above category (35%), while 15% were between 31–40 years and 11% were between 41–50 years. This distribution indicates a mix of young professionals and experienced individuals. Younger respondents contribute modern academic and theoretical perspectives, while older respondents provide practical insights based on professional experience. This combination strengthens the credibility of the study findings.

In terms of educational qualifications, 63% of respondents were graduates and 37% were postgraduates. This demonstrates that all respondents possessed higher education, ensuring that they had sufficient knowledge of accounting, auditing, and corporate governance concepts. The high educational level of respondents increases the accuracy and reliability of the responses.

Overall, the findings indicate that respondents recognize the importance of audit committees in strengthening internal control systems, improving audit effectiveness, and ensuring compliance with internal audit norms. Most respondents agreed that audit committee independence, financial expertise, and regular meetings significantly enhance audit quality and organizational transparency. These results confirm that audit committees play a crucial role in supporting internal audit functions and improving corporate governance practices.

## 6. RECOMMENDATIONS

Based on the findings of the study, several recommendations can be made to improve the effectiveness of audit committees in ensuring compliance with internal audit norms.

- First, organizations should ensure that audit committees consist primarily of independent and non-executive directors to maintain objectivity and prevent management influence. Independence enhances the credibility of audit oversight and improves compliance.
- Second, audit committee members should possess adequate financial and accounting expertise. Regular training programs and professional development initiatives should be conducted to enhance their knowledge of auditing standards, regulatory requirements, and emerging risks.
- Third, organizations should adopt modern audit analytics tools and digital monitoring systems to improve audit efficiency and oversight. Technology can help audit

committees review audit findings more effectively and identify risks in a timely manner.

- Finally, audit committees should conduct regular meetings and maintain open communication with internal auditors to ensure timely implementation of audit recommendations and strengthen internal control systems.

## 7. CONCLUSION

The audit committee plays a critical role in ensuring compliance with internal audit norms and strengthening corporate governance. This study examined the effectiveness of audit committees by analyzing primary data collected from respondents with relevant academic and professional backgrounds. The findings indicate that audit committees significantly contribute to improving internal control systems, enhancing audit effectiveness, and ensuring compliance with audit standards.

Audit committee independence, financial expertise, and active involvement were identified as key factors influencing their effectiveness. Independent audit committees are better able to provide objective oversight and prevent management interference in audit processes. Similarly, financially knowledgeable members are more capable of understanding audit findings and ensuring corrective actions are implemented. Regular meetings and effective communication between audit committees and internal auditors further improve audit efficiency and compliance.

The study concludes that strong and effective audit committees enhance transparency, accountability, and organizational performance. They play an essential role in protecting stakeholder interests and reducing the risk of financial irregularities. Organizations should focus on strengthening audit committee structures, improving expertise, and adopting modern audit technologies to ensure effective compliance with internal audit norms. Overall, effective audit committees are a cornerstone of sound corporate governance and sustainable organizational growth.

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