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Audit Committees and Risk Assessment in the Context of Corporate Governance

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Abstract

The integrity of the financial market depends on the quality of the financial information available to investors. Clear, accurate, and trustworthy disclosure is essential for efficient capital formation and liquidity in financial markets. The higher the degree of transparency, the greater the sense of equality or fairness perceived by investors in these markets, thereby increasing their willingness to invest. In recent years, several companies have undergone public scrutiny and investigation due to allegations of accounting violations. Most of these companies, such as Livent, Global Crossing, and Enron, had global reputations. The results of their disclosures were scandalous, leading to the dismissal of their managements, increased risks to their futures, and severe declines in their stock prices. To maintain economic stability, the concept of audit committees was developed. These committees assist the board of directors by providing financial information, overseeing internal control systems, and appointing independent external auditors. This research aims to enhance the role of audit committees within companies and improve their performance by identifying the effective elements necessary for these committees. It emphasizes their supervisory and monitoring roles, focusing on evaluating risks arising from excessive pressures on management to prepare reports according to analysts' expectations, regulatory conditions, or other reasons. Consequently, audit committees should assess the organization's internal and external reporting, determine the achievement of objectives, obtain appropriate assurances regarding the completeness and accuracy of financial statements, review the impact of significant changes in accounting principles and auditing standards on the audit process, and make recommendations to the board of directors to prevent financial failure and economic crises, ensuring that necessary measures are in place to monitor management's corrective action plans and protect the company and its shareholders.

Keywords: Audit Committees, Financial Transparency, Risk Assessment

Introduction:

In recent years, the accounting and auditing profession and capital markets have been increasingly concerned with the sudden collapses experienced by major companies. This concern has led to a surge in studies on corporate governance, which is believed to be a key mechanism for protecting and ensuring the rights of shareholders and other stakeholders in the company. Although a company must go through several stages and a considerable amount of time before financial issues escalate to a scale that impedes its continuity, financial analysts, credit providers, and other stakeholders often fail to predict a company's exposure to risks before its sudden collapse. This can be attributed to the management's ability to conceal the true financial position through sophisticated accounting methods, rendering the results of financial risk prediction models inaccurate due to the initially inaccurate data derived from financial statements and reports.

The researcher expects that governance mechanisms will restore credibility to financial statements and reports. Poorly implemented governance mechanisms could lead to numerous cases of corporate collapse, failure, and bankruptcy, such as Enron and WorldCom. Audit committees are considered the core of corporate governance and an indicator of the accurate implementation of governance mechanisms.

The researcher anticipates that incorporating governance variables, such as reliability and the strength of audit committees, into these models may provide stakeholders with broader insights and early warning signals about the potential exposure of companies to risks, even if financial ratios suggest otherwise. This could ultimately improve the companies' positions and mitigate risks.

Research Problem:

The shift towards a knowledge economy, through the transfer of knowledge to make economic activities more effective and impactful through new interactions, has exposed companies to intense discussions and significant financial fluctuations. This can lead to management corruption and erroneous practices. Hence, there is a need to explore new mechanisms and tools to provide accurate financial information, ensured through an effective internal control system.

This research aims to shed light on how to activate the role of audit committees in companies and the potential outcomes that could benefit investment decisions.

Importance of the Research:

The integrity of the financial market relies on the quality of financial information available to investors, which reflects proper, clear, and trustworthy disclosure, enabling efficient capital formation and liquidity in financial markets. The higher the degree of transparency, the greater the sense of equality or fairness perceived by investors in these markets.

It is now accepted that the responsibility for overseeing and ensuring the quality of financial information disclosed to investors falls on the board of directors as representatives of the investors. Thus, there is a growing trend to rely on audit committees within companies to assist the board in fulfilling its responsibilities.

Research Objectives:

Good corporate governance is the starting point for any discussion on the quality of financial reports. Financial transparency, accounting, and auditing are part of the larger framework of corporate governance. Accounting and auditing serve as mechanisms for accountability and are ways to measure and control management to ensure that professional managers use the company's assets in ways that benefit the company and its investors. Effective oversight by management is the true guarantee of encouraging work practices under the quality of financial reports, making the audit committee play a central role in the preparation of these reports.

Research Hypotheses:

1. The extent to which management understands the concept of risk management in light of the growing trend towards corporate governance.
2. Deepening the role of audit committees through their supervisory and control roles to assess risks before they occur to avoid financial failure and protect capital under new economic concepts.

Research Scope:

By addressing the problem and its importance, the focus will be on understanding the concept of risk management and the role of audit committees as new mechanisms for providing accurate financial information to make sound economic decisions in the urgent need for economic development and combating corruption.

Research Methodology:

The researcher will rely on a desk study approach, linking risk management and its importance in corporate governance using the audit committee mechanism to apply sound management practices and ensure financial disclosure integrity.

Research Content:

The research is divided into two chapters as follows:

Chapter One: The Concept of Risk Management in the Context of Corporate Governance 1-1 Nature of Risk Management 1-2 Risk Management Methods 1-3 Risk Management in Institutional Control

Chapter Two: Audit Committees - Mechanism for Supporting Risk Assessment 2-1 The Concept and Importance of Audit Committees 2-2 The Role of Audit Committees in Supporting Corporate Governance 2-3 Risk Assessment and Combating Financial Corruption through Audit Committees 2-4 Validation of Study Hypotheses

Chapter One

The Concept of Risk Management in the Context of Corporate Governance

Many companies face various risks that may stem from the company's activities or the environment in which it operates. Therefore, these risks must be managed with an appropriate mechanism. To achieve this, comprehensive risk management procedures and reporting must be adopted, including proper oversight by the board of directors and senior management to identify, measure, and monitor all relevant risks.

1-1: The Nature of Risk Management

It is imperative and crucial for institutions today to have a risk management strategy to lead their invested environment. These strategies should be aligned with and achieve the general objectives of the institution or project being implemented. The institution must be equipped with strategic vigilance to obtain various information that allows it to predict risks before they occur and thus select an appropriate strategy for these risks.

Risk management aims to cover the risks faced by individuals or projects at the lowest possible cost. Thus, risk management refers to controlling risk by reducing its frequency on one hand and minimizing expected losses on the other, all at the lowest possible cost.

First: Economic Concept of Risk: Risk is defined as "the expectation of variations in returns (1) between planned, required, and expected outcomes. (2)"

It is also defined as "the probability of failing to achieve the expected return." (3)

Second: Risk Management: can also be defined as "the probability that forecast results will be incorrect; if there is a high likelihood that predictions are wrong, the risk level will also be high, whereas if the likelihood is low, the risk level will be low."

Definition of Risk Management:

1. Risk management is an integrated organization aimed at addressing risks with the best methods and lowest costs by:
    - Identifying, analyzing, and measuring risks.
    - Determining mitigation strategies and choosing the most appropriate response.

The concept of risk management is based on practical methods that should be considered when making decisions to address any risk to prevent or reduce potential material losses and thus minimize uncertainty. This concept also focuses on reducing the costs associated with risk, including:

- Costs of controlling loss and opportunity costs.
- Moral and material costs associated with risk.
- Actual losses resulting from risk occurrence.

It is noted that the easiest costs to measure are material and actual losses, whereas moral costs or opportunity costs are more difficult to measure. Costs of controlling risk can be reduced through measures such as employee training (4).

2. Risk management is a systematic planning procedure to identify, analyze, respond to, and monitor risks related to any project. It includes procedures, tools, and techniques that help project managers maximize the chances and reasons for achieving positive outcomes and minimize the chances and reasons for achieving undesirable outcomes (5).
3. Hamilton, C.R. (1998) views risk management as a daily activity practiced at both individual and institutional levels because any decision with future implications depends to some extent on risk management principles. Hamilton clarifies that risk management involves the following activities (6):

- Identifying expected threats for each asset.
- Pinpointing system weaknesses that allow threats to impact the asset.
- Assessing potential losses the organization might face if the expected threat materializes.
- Identifying alternative methods and tools to mitigate or avoid potential losses.
- Determining the methods and tools the organization will use for managing potential risks.

Third: Risk Management Responsibilities:

The board of directors is primarily responsible for risk management, delegating this role to other managers based on their specific functions (7). In large organizations, this responsibility can be assigned to a dedicated risk management department led by a Chief Risk Officer and supported by qualified personnel. In smaller organizations (8), this role might be assigned to a manager as part of their job description. Risk management tasks include (9):

1. Establishing a risk management policy and strategy, including creating a risk policy and structure for work units, and fostering a conducive environment.
2. Collaborating on a strategic and operational level concerning risk management.
3. Building organizational awareness through appropriate education and coordination with various functions related to risk management, while developing risk response processes.
4. Preparing risk reports and presenting them to the board of directors and stakeholders.
5. Identifying risks associated with each economic activity.
6. Analyzing each identified risk to understand its nature, causes, and relationships with other risks.
7. Measuring the level of risk and its likelihood, and estimating the potential loss.
8. Choosing the most suitable method for managing risks based on safety levels and necessary costs.

1.2. Risk Management Process:

Risk management is a logical and systematic process. The following outlines the basics of the risk management methodology:

1.2.1. Risk Management Stages:

- **Establishing the Risk Management Scope:** This involves considering internal and external factors in developing a risk management policy, such as (10):
  - **Internal Considerations:** The organization's internal environment and its goals.
  - **External Considerations:** Laws and regulations, prevailing culture, and the economic system in place.
- **Risk Assessment:** This phase involves:
  - **Identifying Risks:** The organization must identify risk sources, their areas, and consequences. The goal is to generate a comprehensive list of risks to improve, prevent, reduce, or eliminate the organization's objectives (11) (12).
  - **Risk Analysis:** After identifying risks, the potential size of losses and likelihood of those losses must be measured, and risks should be prioritized as critical, significant, or minor (13).
  - **Risk Evaluation:** Comparing risk estimates with the risk measures established by the organization, considering returns, costs, legal requirements, social, economic, and environmental factors, and

stakeholder concerns. Risk evaluation helps in making decisions regarding the acceptance or mitigation of risks (14).

- **Risk Treatment:** After identifying and evaluating risks, appropriate standards are set to manage these risks to avoid or reduce potential losses. This can be achieved through (15):
    - Avoiding certain markets or products.
    - Setting limits on activities such as credit ceilings, trading, and delegating authority to different management levels.
    - Mitigating risk impact through insurance or outsourcing.

3.2 Monitoring and Review:

- **Monitoring and Review:** Involves two main types:
    - **External Review:** Conducted by an external auditor or internal audit department. Monitoring and review are included in the risk management program for two reasons:
        - Risk management does not occur in isolation; things change, new risks emerge, and old risks may disappear. Techniques that were suitable in the past may not be appropriate now, requiring continuous attention.
        - Errors can occur, making regular review and monitoring essential for error detection and continuous improvement.

Risk management should include regular review and monitoring to ensure risks are identified, assessed, and controlled properly. Policies should be periodically reviewed for legal compliance, and performance standards should be examined to identify improvement opportunities. The organization operates in a dynamic environment, so it is crucial to recognize changes within the organization and its environment, ensuring appropriate adjustments. The review and monitoring process should ensure that (16):

- The procedures have achieved the planned results.
- The procedures and information gathered have been used to examine errors.
- Knowledge development has led to better decisions and lessons learned for future risk management.

1-2-3 Communication and Consultation:

Communication and consultation with internal and external stakeholders should be carried out at all stages of risk management. An early plan should be developed to address risk-related issues and procedures, ensuring stakeholders understand the principles applied. Both external and internal auditors should prepare reports based on integrity and clarity, supported by necessary evidence, and send them to the board of directors, senior management, and other relevant parties (17).

1-3 Risk Management within Corporate Governance:

Risk management is an essential component of corporate governance, defined as "the system through which an organization's activities are directed and monitored at the highest level to achieve its objectives and meet standards of accountability, integrity, and transparency." In other words, it involves the procedures used by stakeholders or their representatives to provide oversight on the risks faced by the organization (18). The Institute of Internal Auditors defines corporate governance as processes used by stakeholders to oversee and manage risks through management, ensuring adequate controls to avoid these risks, contributing directly to achieving organizational goals and preserving organizational values. The effectiveness of corporate governance is the responsibility of the organization's stakeholders (19).

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Chapter Two: Audit Committees

Mechanism for Risk Assessment

In recent years, economists have recognized that low-cost capital waiting for investment will not flow into financial markets or companies with poor disclosure and transparency standards. This includes incomplete financial information, inadequate or improperly applied accounting standards, and flawed accounting and auditing practices, leading to a loss of investor confidence. With the shift from an industrial to a knowledge economy, there has been a significant focus on future outlooks, policy formulation, and strategies to align with the evolving economic landscape. As a result, corporate governance practices have evolved to prevent errors and company crises (20).

The researcher believes that forming audit committees within companies can assist boards in fulfilling their responsibilities.

2-1 Concept and Importance of Audit Committees

With the increasing legal restrictions in many advanced economies, large board sizes, and the lack of homogeneity among board members, audit committees have emerged to support boards in fulfilling their oversight responsibilities. These committees consist of independent board members with financial and accounting skills to support the external auditor, determine their fees, and review financial statements and reports for quality assurance (21).

Audit committees are increasingly relied upon, given the necessary elements for their effectiveness, including independence, expertise, and due diligence, which align with corporate governance practices. The committee’s role is supervisory and not preparatory, coordinating between the board and external auditors, reviewing internal and external audit results, and examining any significant changes in accounting principles or practices.

For audit committees to be effective in overseeing financial reporting, they must operate in a context that includes open and regular dialogue with financial management, internal audit staff, and external auditors. Effective communication is crucial for producing high-quality financial reporting.

The World Bank emphasizes the importance of transparency in accounting and auditing systems to ensure credible and reliable financial reports. As part of its Reports on the Observance of Standards and Codes (ROSC) initiative, the World Bank reviews adherence to accounting and auditing standards in various countries, aiming to compare local practices with international standards and assess companies' compliance (22).

2-2 Role of Audit Committees in Supporting Corporate Governance

Shareholders and investors demand reliable, comparable, and detailed information to evaluate management performance and make investment decisions.

Recognizing the importance of financial reporting for market stability, many countries have implemented regulatory and legal measures to hold entities accountable for financial information quality. These measures include securities laws, stock exchange listing requirements, and enforcement mechanisms (23). Accounting and auditing professions play a critical role in ensuring compliance with accounting standards.

Corporate governance is the starting point for discussions about financial reporting quality. Financial transparency, accounting, and auditing are part of the broader corporate governance framework, which includes mechanisms for accountability and oversight. Effective board supervision ensures that management uses company assets effectively for the benefit of shareholders.

To assist the board in fulfilling its oversight responsibilities, there is a growing trend to rely on audit committees for independent review of financial reporting processes, internal controls, and the appointment of independent external auditors. While the audit committee does not replace the primary responsibility of financial management and external auditors, it should work with these groups to ensure a sound system for financial reporting.

Regulations and listing requirements contribute to effective oversight, but enhancing financial reporting integrity requires behavioral, not just structural, changes in management and audit committees. Audit committee members have significant

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responsibilities, as their role is critical in maintaining investor confidence in financial data. The primary task of the audit committee is to ensure that management, internal auditors, and external auditors improve the quality of financial reporting.

To support corporate governance best practices, stock exchange listing requirements in some countries mandate written charters for audit committees, approved by the board, outlining their guidelines, responsibilities, and operational procedures. This charter helps mitigate conflicts with management regarding the audit committee's financial oversight role and ensures policies and procedures remain flexible to adapt to changing circumstances. Regular reviews of the charter's adequacy help maintain high-quality accounting and reporting practices (24).

Despite variations in the role of audit committees across companies and countries, most discussions on corporate governance best practices agree that audit committees must be independent to avoid conflicts of interest and ensure effective communication. Effective communication is essential for producing reliable financial reports.

2-3 Risk Assessment and Financial Corruption Control through Audit Committees

The rapid growth of the business management environment and the shift towards a free market economy necessitate new mechanisms in the field of business, accompanied by new requirements for completing these tasks. Consequently, the anticipated risk is high due to the concentration of data, transaction paths, and the processing of this data. The cost now involves not only creating control methods but also the risk costs associated with implementing these methods. This often compels management to investigate failure causes and select a new system that undergoes further testing, which can become expensive, potentially surpassing the benefits of control and imposing a new financial burden affecting financial statements and company assets (25).

Prudent management aims to achieve a degree of reasonable assurance where the costs of control methods and mechanisms are balanced with expected losses. Absolute assurance is costly, leading management to use these methods and mechanisms to achieve alignment in this area.

Widespread corruption, a significant problem faced by businesspeople, organizations, and governments, is increasingly recognized for its negative impacts. Therefore, it must be combated in all its forms through an institutional framework based on sound management practices (26).

Audit committees play a crucial role in assessing risks arising from excessive pressures on management to prepare reports. Such pressures may stem from analysts' expectations, executive compensation plans, organizational conditions, or previous projections and the possibility of reporting a net loss for the current period.

The role of audit committees is to reduce the risk to an acceptable level, where the acceptable level of risk depends on the organization's needs and the cost management is willing to bear. Hence, understanding the company's operational environment is crucial in assessing risks associated with its activities by (27):

I. **Assessing Reporting Objectives:** Evaluating the company's internal and external reporting objectives and their fulfillment.

II. **Reviewing Financial Statements:** Reviewing annual financial statements in a timely manner before their disclosure to external parties.

III. **Obtaining Performance Information:** Acquiring necessary information about the company's key performance indicators.

IV. **Studying Accounting Impacts:** Analyzing the accounting effects of large new transactions.

V. **Reviewing Changes in Accounting Principles:** Assessing changes in elective accounting principles or their continued application.

VI. **Evaluating Audit Scope Changes:** Examining changes in audit scope resulting from risk assessments.

VII. **Verifying Internal Control Systems:** Checking the efficiency and integrity of internal control systems.

Fraud and deception are foundational elements of corruption, increasing the risks that a company may face. Detecting fraud, especially in financial matters, presents a significant challenge for accountants, who continuously develop new tools for these purposes. Therefore, it is essential to counteract these with advanced preventive measures that represent new control mechanisms operating under clearer transparency (28).

The researcher believes that good management practices and a focus on values lead to achieving the purpose for which audit committees were established, with the need to follow:

1. **Importance of Accurate Accounting and International Standards:** As globalization increases and market reforms simplify rules, there is also a growing need to align local financial reporting standards with international accounting standards to achieve greater global transparency within the accountability framework (29).

International experience demonstrates that financial statement fraud and manipulation often aim to secure additional and unrealistic compensation for senior management by falsely presenting the achievement of set targets. Therefore, developing and applying modern methods related to corporate governance and adherence to accounting, financial, and administrative laws and practices requires transparency and disclosure of corporate performance indicators, including market implementation indicators and their usage, integration with competitors, and internal operational indicators, focusing on procedural quality and cost considerations.

Accounting plays a crucial role in supporting economies, necessitating the regulation of accounting policy disclosure at both national and international levels. Accounting theory aids in the professional application of accounting principles by establishing the scientific foundations for measuring and presenting financial transactions. Accounting standards are not merely general guidelines but are expressions of how specific accounting principles are applied. Hence, linking theoretical frameworks with practical standards is essential to achieve consistency and alignment (30).

Accounting disclosure is central to accounting theory, requiring that financial statements fully, comprehensively, and clearly disclose accounting policies and information to enable stakeholders to make informed decisions.

Transparent financial reporting extends beyond merely applying accounting standards aimed at consistency and comparability. It is an integral part of a well-designed corporate governance system. In the United States, boards of directors are required to ensure that accountants, auditors, and management perform their duties properly and independently, with accounting standards providing transparency that reflects corporate economies.

As countries continue to develop democratic market-based economies, adhering to sound accounting and reporting standards becomes increasingly important for financial system integrity. Adhering to internationally recognized accounting standards can facilitate privatization efforts by instilling confidence among stakeholders.

Sound accounting standards enhance financial management efficiency, and an effective reporting system provides critical information for making sound investment decisions (31).

Given the global need for sound accounting standards, the International Organization of Securities Commissions (IOSCO) advocated in the early 1990s for a unified set of accounting standards that could be used for securities markets across different countries. IOSCO decided that the best opportunity for establishing this unified set of accounting standards was to build on the standards set by the International Accounting Standards Committee (IASC), which are principle-based compared to the rule-based U.S. standards.

Some argue that adopting a single set of accounting standards can enhance financial capabilities, provide greater flexibility in international transactions, and improve the quality of financial reports. The European Union supported this move towards international accounting standards by approving the Financial Services Action Plan in 1999, followed by the Lamfalussy Report on European securities market regulation in February 2001. Both require companies listed on EU stock exchanges to report financial results using international financial reporting standards starting from 2005.

2. Deepening the Concept of Accountability

The emergence of the concept of accountability coincided with the separation of corporate management from ownership, creating a need for owners to ensure the safety of their investments through accountability. This accountability necessitated record-keeping for reporting purposes, auditing to support trust, and analysis for understanding. The concept of accountability has become more comprehensive, offering a fair system for transferring information between the inquirer and the accountable party.

The researcher believes that deepening the concept of accountability aligns with corporate governance practices by promoting transparency and information disclosure, thereby enhancing communication and cooperation between owners and management, which in turn fosters economic growth and development.

Responsible accounting is a key tool for ensuring sound corporate governance, and thus, accountants must thoroughly understand the concept of corporate governance.

3. Good Internal Control Systems

The structural changes in production and marketing environments, coupled with developments in the global economy, have created intense competition due to factors such as advances in technology, the implementation of GATT agreements, and the separation of ownership from management. This has led management to rapidly seek new internal control methods to ensure confidence in the project and its owners through a structured internal control system, which includes accounting control methods and administrative control methods. The American Institute of Certified Public Accountants (AICPA) has emphasized the importance of the close relationship between these two types of control to achieve effective internal control (32).

An internal control system serves as a fundamental basis for ensuring the accuracy of financial data and verifying its ability to achieve optimal productivity while maintaining investment. It must ensure appropriate levels of review and examination within each company. Proper application of governance principles facilitates the auditors' work and supports mutual cooperation between management and those responsible for the internal control system.

The internal control system should be designed based on an understanding of the risks the company might face, with regular monitoring and evaluation of these risks. The internal control methods included in the system help prudent management, through corporate governance practices, achieve a reasonable assurance level when measuring and evaluating financial outputs, allowing for the estimation of benefits and comparison with costs.

Audit committees play a strategic role in ensuring the operations used by management and the quality of financial reports resulting from these operations. They assess risks that the company may face, both internal and external, and should act as a counterbalance to pressures for unnecessary innovations in compliance practices and financial reporting. They work to avoid or minimize such risks and pressures to acceptable levels.

The institutional approach to combating corruption highlights that simply importing reforms from other countries is not sufficient. Business associations and chambers of commerce play a crucial role in changing incentive structures through comprehensive knowledge of economic imbalances, legal frameworks, and bribery opportunities. Anti-corruption initiatives should originate from the private sector, governments, and civil society groups, as corruption represents an economic and moral issue. Thus, there must be a careful study of the costs imposed by corruption on economic communities, and a strong focus on establishing good governance mechanisms in both the private and public sectors.

2-6 Hypotheses of the Study

The researcher has confirmed the study’s hypotheses as follows:

1. Audit committees can play a significant role through oversight in assessing risks before they materialize to prevent financial failure. Transparency and corruption are opposing facets of the same coin; therefore, protecting capital and strengthening the role of these committees helps boards fulfill their responsibilities. Financial transparency, accounting, and auditing are part of the larger corporate governance framework, where accounting and auditing serve as mechanisms for accountability. Deepening this concept by ensuring the proper application of international accounting and auditing standards ensures the integrity of financial statements and encourages investment.

Study Results

The researcher reached several key results through this study, including:

1. **Clear Definition of Responsibilities and Scope**: Clearly defining responsibilities and scope within the company, establishing strategic goals, and outlining principles and values will lead to the creation of a robust corporate governance structure through the application of international transparency standards. Ensuring the efficiency of board members and their understanding of their roles will contribute to this structure.

2. **Role of Audit Committees**: Audit committees play a role in supporting corporate governance by overseeing company processes related to financial information, internal control systems, and the appointment of external auditors. This is governed by the committee's charter, which ensures its independence.

3. **Evaluation of Financial Risks**: Audit committees contribute to assessing financial risks that the company may face. Corruption, which is a major issue for investors and businesses, can be combated by having audit committees evaluate these risks.

4. **Importance of Internal Control Systems**: Having a good internal control system and properly applying accounting principles and standards will deepen the concept of accountability. Audit committees play a crucial role in ensuring these concepts are applied within boards of directors, thereby reassuring investors about their investments. Accountability is one of the main tools for ensuring sound governance.

Recommendations

1. **Combating Corruption**: It is necessary to track corruption, its means, and methods to counter it through political and economic reforms and a deepening of the accountability concept. This includes selecting leadership based on competency standards.

2. **Adopting Best Practices**: Identifying best practices for audit committees in different countries can help implement these practices in Arab economic organizations. Encouraging the use of these mechanisms will help in protecting funds, ensuring transparency, and guaranteeing the integrity of financial statements.

3. **Activating Business Associations' Roles**: The role of business associations and chambers of commerce should be activated to identify economic imbalances and combat corruption. Initiatives should originate from all sectors of the economy, whether private, government, or public, to avoid risks arising from corruption through prudent management, achieving reasonable assurance in company performance. Corruption has a societal cost, impacting the overall economy.

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