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empirical research in Greek banks**

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The importance of internal audit in banks – An empirical research in Greek banks

Abstract

The present dissertation aimed at investigating the importance of internal audit in the case of banks, and more specifically in the case of mergers and acquisitions. Internal audit is a function which is necessary in the modern, changing environment. Through effective internal audit systems, banks can maintain stability and confidence. In the case of the Greek banking system, Internal Control concept was first introduced in the 1980s, with the foundation of the “Greek Institute of Internal Audit”. Primary research was conducted among employees working in the four systemic banks of Greece, National Bank of Greece, Alpha Bank, Eurobank and Piraeus Bank. According to results, the internal audit contributes to problems avoidance and audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk. Also, Internal Audit strengthens the company’s attempt to achieve its targets and goals and contributes to the continuing monitoring procedure. As far as the role of Internal Audit before the merger and/or acquisition is concerned, internal audit estimates the level of the financial results accuracy for both companies and evaluates whether the financial data of both companies reasons the merger – acquisition. As far as the role of Internal Audit after the merger and/or acquisition is concerned, it contributes to training of employees so that they understand the company’s standards and develops mechanisms for the safeguarding of the new company’s assets. Also, it suggests to management mechanisms for the safeguarding new company’s assets. All results are in accordance with existing literature on the subject. And the research can act as a reference for policy makers.

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1. Introduction

Modern economies are widely based on the banking system. The role of the banking system is determining for the development of the economy and sets the framework for its operation. Besides banks create money and provides financing for business and consuming activities. It is indicative that during the recent financial crisis, banks faced severe liquidity problems which had adverse impact on the economies of countries at a global level. The operation of banks, as that of every profitable organization, entails risk and it is important to constantly monitor and try to mitigate this risk. Internal Audit is a function which is developed in order to provide accurate and prompt information on the financial status of organizations as well as on corporate governance.

Furthermore, during the last years, globalization has led to the intense competition among organizations and, banks, in order to survive, proceed to strategies like mergers and acquisitions. This development strategy requires in depth knowledge of the financial status and of the operations and management processes of the institutions which wish to proceed to mergers and acquisitions. Internal Audit is a function which can prove useful for the company wishing to acquire another company or to merge with one.

As a consequence, Internal Audit is important and in fact it is mandatory for organizations, like banks, which operate in the stock market. Thus, banks develop internal audit systems which enable them to better implement their corporate strategy, to systematically monitor and address risks, to comply with the existing legal framework and to safeguard the banks' assets. Through internal audit, banks can achieve their strategic goals and constantly improve their operation.

The purpose of the present study is to investigate the importance of Internal Audit for banks and the following research questions were developed:

- Which is the importance of the internal audit in order for banks to operate effectively and to avoid bank fraud?
- Which is the contribution of internal audit in the process of mergers and acquisitions?

In order to respond to the above stated questions, first literature review was realised and is presented in the following chapter. Also, primary research was conducted, with the use of the questionnaire tool. The research analysis is presented after the methodology chapter, while conclusions and further recommendations are presented in the last chapter of the dissertation.

2. Literature Review

Below, literature review concerning Internal Audit is presented. First, the need for internal audit is discussed, then the principles of internal audit are presented. Also, the most critical issues of the existing legal framework in Greece are referred and some insight on the strategy of mergers and acquisitions is provided. Short reference on the mergers and acquisitions strategy followed by the four Greek systemic banks is made and last, existing literature on the subject follows.

a. The need for internal audit

The importance of internal audit in the case of banks has been widely discussed in academic research. The modern global business environment requires the implementation of robust auditing systems in order for banks to maintain stability and confidence. Effective corporate governance is necessary for the competitiveness and viability of banks and through the implementation of effective internal control systems, risks are promptly recognized and mitigated. During the last years, the international financial markets develop new, complex products and services and exposure to operational and financial risk is increasing.

The Basle Committee on Banking Supervision provides adequate evidence on the internal control issues, while recommending – and imposing – rules for effective operation. The main sources of risk, which are due to the inefficient internal control are the following:

- The absence of an internal control culture and the lack of too management commitment lead to inadequate oversight and accountability. Roles and responsibilities are not clearly assigned and managers do not have the incentives to strongly supervise and control their business areas.
- The lack of adequate assessment of complex financial instruments. Banks often neglect to recognize and assess these risks, both on and off-balance sheet. New products may require new control processes and this is not always the case in banks.
- The lack of implementation of key control processes and practices, which include constant review and segmentation of duties.

- Lack of effective communication among the different management levels. The implementation of internal control requires the involvement and training of all employees, at all levels. In this way, information flows and risks are identified.
- Lack of adequate internal auditing processes which leads to the inadequate identification of risks or the lack of monitoring when changes are implemented.

Bearing the above in mind, the implementation of internal control systems requires a set of measures so as proper functioning is ensured and all banks' assets are properly recorded and are available to stakeholders. More specifically, the role of internal control in the case of banks includes the following:

- To ensure that the goals of the bank are accomplished in an efficient and effective way, by respecting all internal policies and legal requirements
- To promptly detect fraud or errors, so as to protect the bank's assets and ensure that resources are used in a way to maximize efficiency
- To ensure that financial reporting is realized according to the accounting standards followed by the bank and that the financial information is characterized by quality characteristics like relevance, controllability, accountability, availability, comparability and faithful representation (Braam & VanBeest, 2013).

b. The principals of internal audit

Internal audit needs to fulfill the objectives of effective performance, provision of timely and relevant information and compliance with existing norms and regulations. In order to do so, the Basle Committee on Banking Supervision provides a framework of directives and regulation which can be used by managers after being adjusted to the country's and bank's specific demands. The basic concept is that "internal audit function should be permanent, impartial and technically competent, operating independently, and reporting to a bank's board or to the chief executive officer" (Palfi, 2008). As a consequence, internal audit needs to be characterized by the following (Basel Committee on Banking Supervision, 2012):

Independent function

Internal auditors need to be independent regarding the activities they audit. The auditing department need to operate under the direct control of the CEO or the Board of Directors in order to ensure objectivity and impartiality.

Impartiality

The auditing process needs to be free from bias and interference, thus, auditors should not interfere with operational activities or with the selection of control measure. It is also very important that any deviation of this requirement, like the appearance of conflict of interest, need to be promptly reported.

Continuity

The internal auditing process has to be constant and senior management needs to ensure that all the required resources, both human and tangible, are in place so as the internal auditing is a permanent function.

Professional competence

Internal auditors need to be characterized by professional competence in order to be able to evaluate the function of the bank's different departments. Also, auditors need to be assessed regarding their capacity to collect, examine and evaluate information and to provide relevant conclusions.

Scope of activity

All internal activities and bank's entities need to participate in the internal audit control. In fact, the role of the auditing department is to ensure that internal control systems are functioning properly and according to pre-set goals and principles, as well as regulatory requirements. Usually, the internal audit departments are centralized, while there are cases where banks' branches which operate abroad have local units for this purpose.

Confidentiality

Confidentiality also represents an important principle of the internal audit. Auditors should tread information with discretion and cannot use it for their personal interest or in a way that opposes the bank's interests and the existing legislation.

c. The framework of internal audit in Greece

The concept of internal audit in the case of profitable organizations in Greece was first introduced in the 80s, when the “Greek Institute of Internal Audit” was founded. The Institute, which is a member of the “International Institute of Internal Audit” is an organization which provides guidance and support for the implementation of internal audits according to international standards. There are several laws, decisions and directives which are related to the internal audit in different organizations, like the decision 5/204/2000 which refers to the obligation of all firms listed on the Athens Stock Exchange to have an internal audit department (Kontogeorgis & Filos, 2012). Also, after the revealing of major financial scandals at a global level, law 3016/2002 made the existence of internal audit department compulsory, while audit committee members within listed companies need to be appointed by the Board of Directors and have access to all required information. Also, special requirements were – and still are - issued by the Bank of Greece in order to insure the effectiveness of auditing in the case of banks. More precisely, the Bank of Greece recommends the use of well accepted practices, like those proposed by COSO or the Basel Committee (Koutoupis & Tsamis, 2009). The most recent legislative action concerning the internal audit of companies listed in ATHEX, as well as SA companies is law 4706/2020, which represents an effort to modernize the previous legislative framework, set by the law 3016/2002 (Ministry of Finance, 2020).

The framework of internal audit in Greece followed the general social, financial and political changes, not only in Greece but also at a global level. In fact, the major scandals, like that of Enron, affected investors and other stakeholders’ trust in an adverse way and lead to the development of a robust framework so as to restore trust and confidence in the business world.

d. Mergers and acquisitions

Mergers and acquisitions represent a development strategy widely used in the banking sector. Globalization and intense competition lead companies in the adoption of strategies which may enhance the finance strength and the market share of these organizations. More precisely, the main reasons for mergers and acquisitions in the case of the banking sector are the following (Hitt, et al., 2001):

- The development of IT which enables banking institutions to take advantage of important economies of scale referring to the usage of payment systems, control methods and risk management processes.
- The improved financial results of the banking institutions
- The need of presence to multiple counties, due to globalization, leads banks to seek for partnerships abroad.

In the case of the Greek banking system, mergers and acquisitions were the result of the changes that took place during the 90s. Banks, in order to be able to be viable in the highly competitive environment, realized that they had to increase in size and offer new, diversified services. The development of new technologies, the creation of a common stock market, the participation of the Greek banking system (Hermes) in TARGET led Greek banks to expand, through mergers and acquisitions, especially in the counties of Southeastern Europe. The global financial crisis of 2008 affected in a very negative way the Greek economy and the Greek banking system and lead to its concentration, with four banks being the leaders in the implementation of the mergers and acquisitions' strategy. These banks, which are also the banks that participate in the present study's primary research are Piraeus Bank, Eurobank, Alpha Bank and the National Bank of Greece.

Piraeus Bank was established in 1916 as a private bank and in 1975 became a public bank and remained as such until 1991. In 1998 the bank acquired Chase Manhattan Bank and Credit Lyonnais Hellas. In 1999 it acquired full control of Chios Bank and merged with National West Bank PLC in Greece. In 2000 it acquired Macedonia-Thrace Bank and in 2002 ETBA. In 2012 Piraeus Bank acquired the "healthy" part of Agricultural Bank of Greece, and in 2014 Geniki Bank was merged with Piraeus Bank. Mergers and acquisitions continued for the following years, not only in Greece but also abroad and Piraeus Bank became one of the major banks in Greece (Piraeus Bank, 2021).

The National Bank of Greece is the oldest one in the country and since 2012 has proceeded to a lot of mergers and acquisitions in Greece and abroad, like PROTON BANK, First Business Bank, Finansbank and Banka NBG Albania (National Bank of Greece, 2021). Eurobank is also one of the four systemic banks of the country with presence in five more countries. The bank also implemented the strategy of mergers and acquisitions and proceeded to several deals with banks in the Balkan area and in

Greece (Eurobank, 2021). Last, Alpha Bank, which was established in 1879, developed business activity in the countries of Southeastern Europe, as well as in London. The bank acquired Commercial Bank of Greece in 2013, as well as the commercial banking activities of CITIBANK INTERNATIONAL in 2014 (AlphaBank, 2021).

All four systemic banks, after the strategic transformation and their recapitalization, which was agreed with the SSM, abandoned their activities in the Balkan countries, in Cyprus and in Egypt. Besides, the vulnerable capital adequacy of the four systemic banks would probably lead them to this decision anyway. The present dissertation aims at revealing the importance of internal audit generally, but also in the case of mergers and acquisitions, since all four banks represent examples of institutions which needed to operate efficiently in the framework of this specific development strategy.

e. Internal audit control literature review

The critical role of internal auditing is discussed below, through the presentation of existing academic research on the subject.

Okafor & Ibadin (2009), wished to evaluate the role of internal audit in corporate performance in the case of recapitalized banks of Nigeria. They developed a model where corporate performance (in terms of total assets) was the dependent variable and motivation of internal auditors and the efficiency of internal controls were the independent variables. They used the survey tool and developed a questionnaire, while they conducted personal interviews with the audit personnel. According to their analysis results, there is a positive relationship between motivationally trained audit personnel and corporate performance. Motivation refers to offerings of promotions, training, bonuses and other incentives. Also, there is a positive relationship between the existence of an efficient internal control system and corporate performance.

Karagiorgos, et al. (2011), wished to investigate the effectiveness of internal audits in the framework of the existing fluid business environment where constant changes occur, while globalization and technology make the transactions and operations even more complex. The researchers used a closed type questionnaire and addressed it to 450 employees of 16 banks. They gathered 100 usable questionnaires and tested the

interaction between the elements of internal control systems and the quality of banks' internal audit. According to research results, the factors which represent essential elements of the control environment are the segregation of duties, the integrity, the existence of ethical values and the use of instruments like flowcharts. Also, the risk assessment process is considered as vital for the identification and assessment of the barriers which prevent banks from achieving their objectives.

Sarens, et al. (2012), investigated the variables associated with the internal audit function, at a theoretical level and the role of the internal audit function in corporate governance. The aim was to provide adequate feedback on the ways to strengthen to role of internal audit in corporate governance. The researchers used data from 782 Chief Audit executives in the USA and the reason for conducting the research was the fact that during the recent years a lot of corporate scandals were revealed and were associated with corporate governance. The researchers found that risk-based auditing was positively related to the internal audit function and its active role in corporate governance. Also, the existence of a Quality Assurance and Improvement Program contributes to the amelioration of the internal audit function as a basic component of corporate governance. Also, there are some variables, like the input of the internal audit committee, the development of internal control frameworks which are positively associated with internal audit function being an element of corporate governance.

(Deribe & Regasa, 2014), investigated the factors determining the internal audit quality, using data from the commercial banks in Ethiopia. They conducted a quantitative, primary research, using the questionnaire tool. They addressed the questionnaire to internal banks' auditors of 15 commercial banks and gathered 154 usable questionnaires. The independent variables of the study were objectivity, competence, performance and Information Technology. The dependent variable was internal audit quality. According to research results, there is a weak, positive but not statistically significant relationship between auditors' objectivity and internal audit quality. On the other hand, the performance of the auditors, as well as the use of Information technology are positively correlated, at a statistical significant level, with the internal audit quality. Last, competence of auditors was found to be the determinant factor of internal audit quality.

Koleva, et al. (2015), argue that the progress and development of the national economy for all countries is highly related to the effective use of information referring

to the financial performance of the profitable organizations which operate in the country. Thus, it is important to have updated, relevant, clear and reliable information. As a consequence, the characteristics and the effectiveness of the internal audit process are investigated, using data from the banking sector in Macedonia. The researchers used the questionnaire tool and gathered the required data from auditors working in large, medium and small banks in the country. The researchers found that, in the case of banks in Macedonia, there are not enough resources and time to better understand the tasks and elements of the internal audit and their importance for the performance of the banks, as well as the economy as a whole.

Vousinas (2016), wished to redefine the role of the internal audit for banks and especially its role in addressing bank fraud. First, the researcher defines fraud as “any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage” (InstituteofInternalAuditors, 2013). There are five different types of bank fraud (bank fraud pentagon): card fraud, cheque fraud, electronic fraud, identity theft and loan/mortgage fraud. According to these types of fraud, the researcher developed the following conceptual framework:



Figure 1: The conceptual framework of Vousinas, 2015: 10)

This conceptual framework is a useful tool in order to demonstrate the relationship between bank fraud and internal audit, as well as the relevance with economic and reputational loss and risk. The researcher makes proposals as to the way the internal audit can improve the efficiency of the banks and reduce the potential of fraud. First, he suggested that fraud risk management should be incorporated in banks' policies and corporate culture. Also, methods and techniques for the prevention of fraudulent actions need to be in place and the exposure to fraud has to be identified and assessed, so as to be mitigated. Then, when fraud is revealed, in-depth investigation is required and the whole process of identification and action taken has to be reported, so as to address future fraud incidents. Furthermore, employees need to be aware of the processes of information communication and to feel free to report potential fraudulent incidents. Last, auditors have to constantly receive training so as to remain capable of effectively preventing and /or detecting fraud.

Siouzou, et al., (2017), investigated the importance of internal audit control in the case of mergers and acquisitions strategy. More precisely, they investigated the role of the internal auditing process before and after a merger or an acquisition. They studied the National Bank of Greece, during the period of 2013-2015, when the bank acquired the healthy segment of FBB and Probank. The researchers conducted a quantitative research by using the questionnaire tool. The questionnaire contained questions on the unity and necessity of internal audit, as well as questions on the way the internal control contributed to the merger and acquisition process. 21 participants provided their feedback and their answers concerning the necessity of internal control vary significantly. Most participants stated the internal control can increase the bank's surplus value through the provision of timely and understandable information and effective risk assessment. Other participants focused on the importance of internal audit regarding the communication of its goals as well as the control of senior managers. The researchers also investigated the relationship among demographics and participants' answers. They revealed that while age is not significantly related to answers, the level of education was statistically important. More precisely, those having postgraduate diplomas were most consistent with the view that internal control identifies deficiencies and reduces the risk of financial fraud, while it represents a way to control managers' performance. As far as the importance of internal audit in the mergers and acquisitions process in concerned, participants also identified different elements as important. First, they answered that through the internal audit a reliable assessment of the current situation regarding both banks is provided. Others replied that the internal control is able to evaluate and provide insight on the future situation that will be created after the merger or acquisition and on the way the two entities will work and co-operate. Last, participants also stated that through the internal audit the assessment of the necessity of the merger or acquisition can be performed. Last, as far as participants' answers on the importance of the internal audit control after the merger or acquisition, their answers were the following. Most participants answered that internal audit processes are important to create, organize and staff the new entity, while they supported the development of a new, single internal audit unit. Other participants argued that internal audit processes can contribute to the consolidation of new functions and activities. Last, internal audit can act as a motivator for employees.

(Riyadh, et al., 2017), investigated the effect of internal audit on good governance in the case of banks in Iraq. In particular, they investigated the role of specific factors which are listed below. First, auditors' experience is considered a factor which enables them better identify fraud and better apply auditing standards and practices, something that enhances audit quality. Then, the independence of internal auditors is considered as an important factor in order to conduct effective audits. Furthermore, the position of the auditors within the organization is of great importance since when their role is valued by top management, they are in a stronger position to run an effective internal control. In addition, risk identification is highly related with internal auditing and auditors need to proceed to risk monitoring and to contribute in the implementation of an effective risk management system. Last, management support is considered a major contributor to the effectiveness of internal auditing. The board of directors needs to be in continuous collaboration with the auditing committee and provide feedback and support. The entire above led to the development of the following conceptual framework.

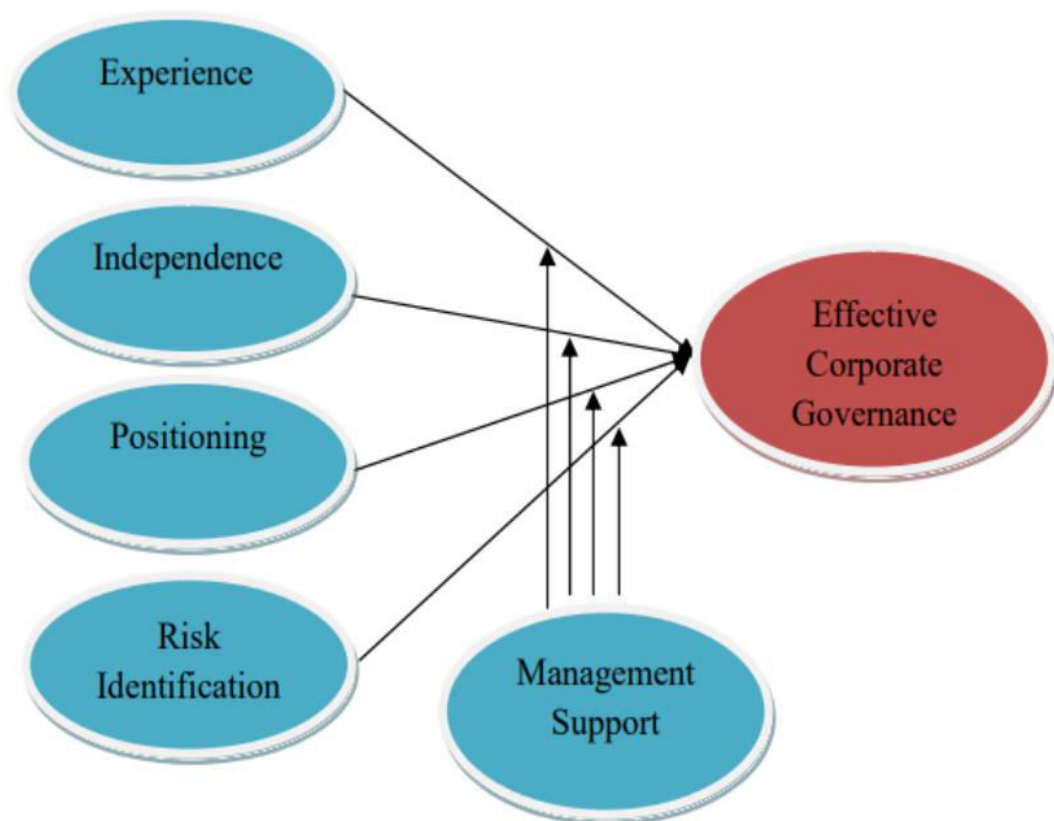


Figure 2: the research conceptual framework by Riyadh, et al. (2017:76)

According to research results, all the variables referred above, which are elements of the internal audit process, are positively related to corporate governance, while management support has a moderating effect on internal audit function in corporate governance. More specifically, management support strengthens the relationship between each variable and internal audit function in corporate governance.

Muneer, et al. (2019), examined the determinants of internal audit effectiveness in the case of the Pakistani banking sector, as well as the mediating role of Informational Technology (IT), in order to make suggestions for the improvement of the effectiveness of the banking sector in the country. The conceptual framework they developed for the purposes of their study is the following.

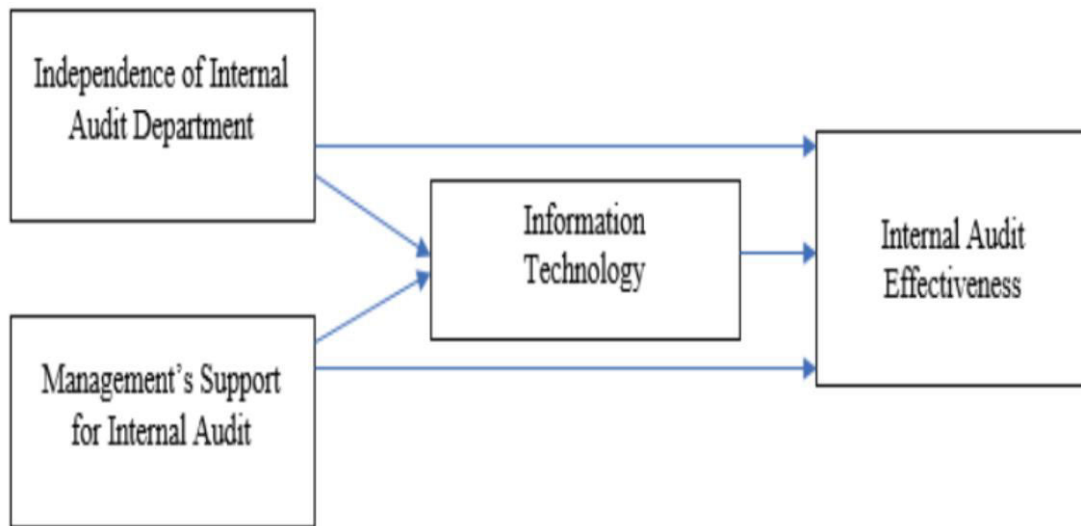


Figure 3: the conceptual framework of the research of Muneer, et al., (2019: 146)

The researchers used the quantitative research methods and conducted a cross-sectional study among internal auditors of conventional banks and Islamic banks in Pakistan. They used a closed type, Likert scale questionnaire and collected 87 usable questionnaires. The researchers found that the independence of the Internal Audit Department is positively associated with the internal audit effectiveness, since it enhances the quality of the internal audit. Also, management's support is positively related with the effectiveness of the internal audit. In addition, both the independence of the Internal Audit Department and the management support are significantly and positively related to the use of Information Technology.

3. Research Methodology

The present dissertation aims at investigating the importance of internal audit in the case of banks. In order to serve the research aim, the following research questions were developed:

- Which is the importance of the internal audit in order for banks to operate effectively and to avoid bank fraud?
- Which is the contribution of internal audit in the process of mergers and acquisitions?

In order to respond to the above stated questions, primary research was conducted, with the use of the questionnaire tool. The researcher decided to follow the positivistic research philosophy which in fact is in accordance with the way the researcher realizes the world. In other words, according to positivism, only what can be tested is considered as true. In this way, through primary, quantitative research, the existing theory was tested against real life facts (the answers of participants). The survey method was selected which is a method widely used in the case of academic research. It is an easy way to gather information on a subject under investigation. The survey was conducted with the use of a questionnaire which was developed for the purposes of the study. The research was cross sectional and participants were not followed over time (Saunders, et al., 2009).

a. The questionnaire

The questionnaire was developed in order to provide answers to the research questions. It comprised of three different sections. First, the demographics section. Then, the section which refers to the necessity of internal audit. The next section is about the function of internal audit before and after mergers and acquisitions. The questionnaire contains closed type, Likert scale questions. Closed type questions are easy to analyse and enhance objectivity since the researcher does not need to interpret results (Creswell, 2014).

The questionnaire was developed in a user friendly way, so as not to tire or confuse participants. Before the distribution to the research sample, the questionnaire was

tested in order to detect any duplicates, errors or misunderstandings. It was handed out to five friends of the researcher who are working in the banking sector.

b. The sample and the process

The sample of a research is a representative subgroup of the population under investigation. In the present case, the sample consists of 112 employees working in all four systemic banks of Greece. The survey was realized during the period of April – May 2021. The questionnaire was uploaded on Google Forms and an e-mail was sent to the Human Resources Departments of the four Banks asking to share the link of the questionnaire with employees, so as to participate in the survey. The text of the e-mail was particularly detailed in the sense that it explained the reasons for the survey and the way answers would be handled. The e-mail was sent twice to each HR department, within the period of a week.

The questionnaire as well as the e-mail text are included in appendix.

c. Ethical considerations

Ethical considerations, in the present case, mainly refer to the protection of participants' personal data. Indeed, in the text of the e-mail it was made clear that the questionnaire is anonymous and that personal data will be protected. Also, that the questionnaire will only be used for academic purposes and results will be available upon request.

d. Research limitations

Research limitations refer to the fact that the number of participants is relatively small, as well as to the fact that the research concentrate on a specific sector, the banking sector. As a consequence, further research is proposed in order to use larger samples. Also, the importance of internal audit in other sectors of the economy is suggested to be investigated.

4. Research Analysis

The analysis that follows is structured according to the structure of the questionnaire.

As a consequence, it is divided in the following sections:

- Demographics
- The necessity of Internal Audit
- Internal Audit before Mergers & Acquisitions
- Internal Audit after Mergers & Acquisitions

The analysis was realized with the use of SPSS and for each group of questions descriptive statistics are presented, as well as analytical diagrams.

a. Demographics

As far as participants' gender is concerned, 57% of participants were males and 43% of participants were females. Results are shown below.

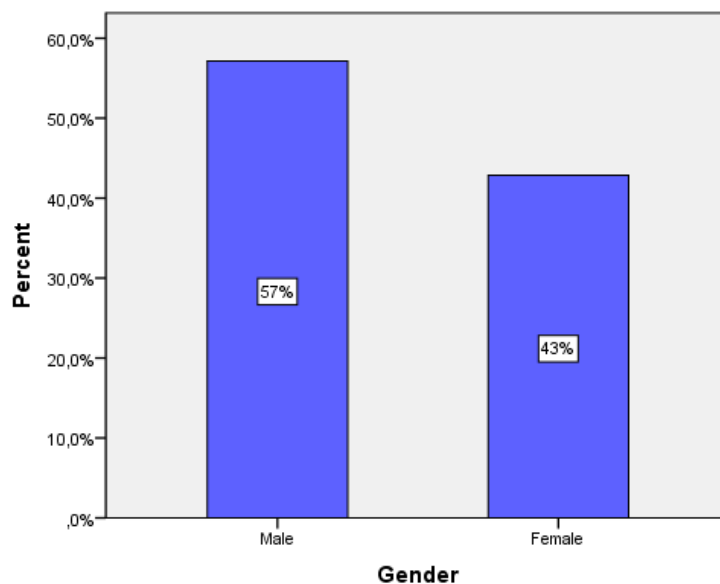


Figure 4: Participants' gender

As for their age, most participants (43%) were between 31 and 45 years old, 40% of participants were between 45 and 60 years old, 13% among them were 18-30 years old and only 4% were more than 60 years old. Results are shown below.

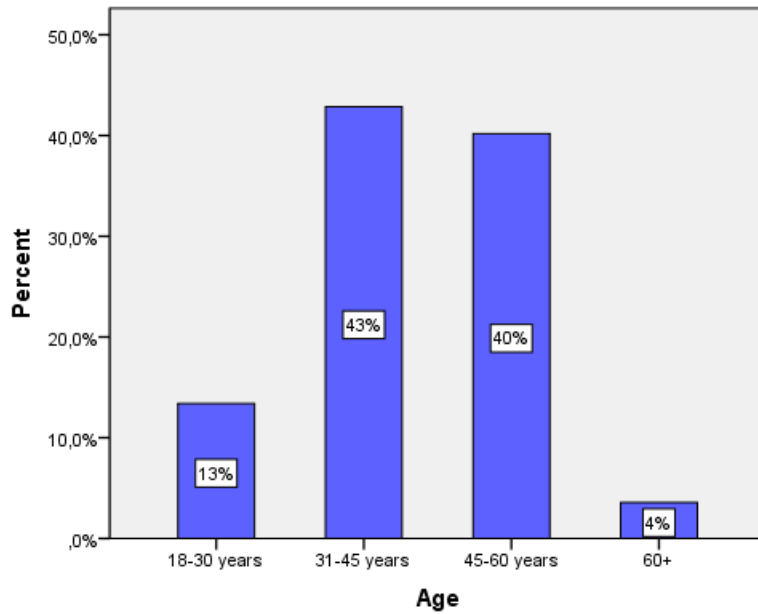


Figure 5: Participants' age

Then, participants' study level was asked. 50% of participants were university graduates and 46% among them had a post graduate degree. 4% of participants also owned a PhD. Results are shown below.

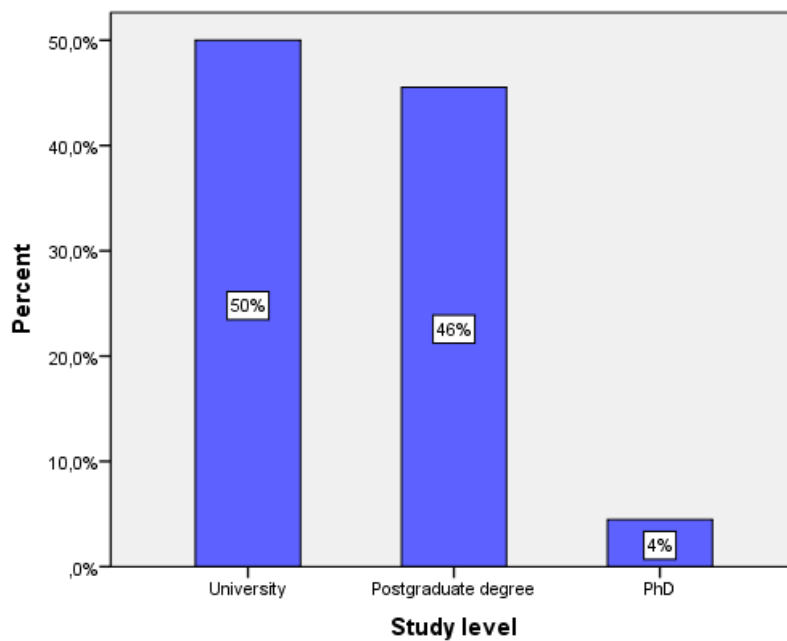


Figure 6: Participants' study level

The last question in demographics was about participants' years of professional experience. 38% of participants had 6-10 years of experience and another 38% had 11-20 years of experience. 14% of participants had more than 20 years of experience

and 10% among them worked in the sector for less than 5 years. These results are shown below.

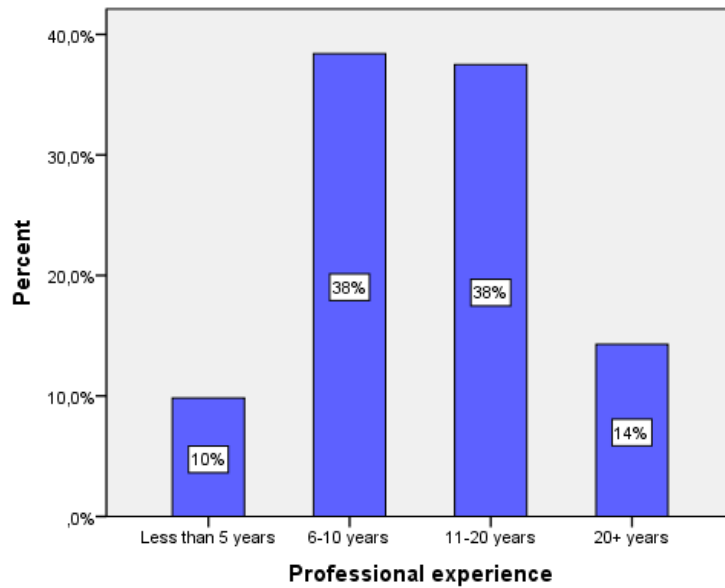


Figure 7: Years of professional experience

b. Internal Audit necessity

Next, a group of questions follows referring to the necessity of internal audit. All questions were Likert Scale ones and participants were asked to state the degree of agreement for several statements. Descriptive statistics are first presented.

Descriptive Statistics					
	N	Mini mum	Maxi mum	Mean	Std. Deviation
Internal Audit strengthens the company's attempt to achieve its targets and goals	112	3.00	5.00	4.2054	.68627
Internal Audit evaluates the reasonable assurance of risk management and suggests corrective actions	112	3.00	5.00	4.0357	.56836
Internal Audit audits management decisions and detects weaknesses	112	2.00	5.00	3.5357	.88967
Internal Audit enables estimations on the reasonable assurance of controls within the company	112	1.00	5.00	3.7054	1.00125
Internal Audit contributes to the company's reputation and value	112	1.00	5.00	3.7768	1.05446
Internal Audit controls the reliability of financial information to the interested parties	112	2.00	5.00	3.9554	.84244

Internal Audit contributes to problems avoidance i.e. mistakes at the financial statements preparation	112	3.00	5.00	4.3214	.67403
Internal Audit acts as intermediate between the company and the relevant authorities	112	1.00	5.00	3.0179	1.20047
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial	112	3.00	5.00	4.2857	.59166
Internal audit is used to fraud cases i.e. misuse of company's assets from its employees	112	3.00	5.00	4.3125	.65802
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud	112	1.00	5.00	3.1786	1.21710
Audit reports are understandable	112	2.00	5.00	3.5804	.87650
Internal Audit contributes to the continuing monitoring procedure	112	3.00	5.00	4.1518	.64668
Internal Audit may evaluate the assurance of operational risk. through the evaluation of applied procedures and recommended actions	112	3.00	5.00	3.9643	.74651
Internal Audit contributes to operational risk management. through the detection. through the detection of human mistakes and recommended actions	112	2.00	5.00	3.9375	.80853
Valid N (listwise)	112				

Table 1: Descriptive statistics for the group of questions referring to the group of questions on the necessity of internal audit

According to the descriptive statistics, most participants agree or totally agree (mean value more than “4”) that internal audit contributes to problems avoidance i.e. mistakes at the financial statements preparation (mean 4.32), that it is used to fraud cases (mean 4.31), that audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk (mean 4.29), that the Internal Audit strengthens the company’s attempt to achieve its targets and goals (mean 4.21) and that internal audit contributes to the continuing monitoring procedure (mean 4.15).

Below, each question is analysed separately.

Question: Internal Audit strengthens the company’s attempt to achieve its targets and goals

First, participants were asked to state the degree at which they believed that Internal Audit strengthens the company’s attempt to achieve its targets and goals. 49% of

participants answered that they agree with the statement, 36% answered that they totally agree and 15% remained neutral. Results are demonstrated below.

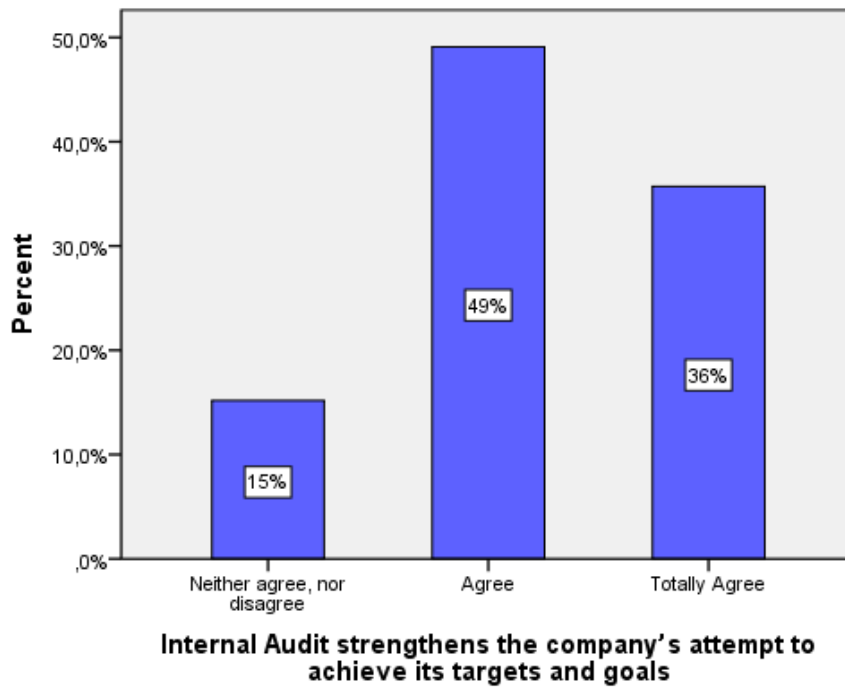


Figure 8: Answers to the question: Internal Audit strengthens the company's attempt to achieve its targets and goals

Question: Internal Audit evaluates the reasonable assurance of risk management and suggests corrective actions

Next, participants were asked to state the degree of agreement with the statement that Internal Audit evaluates the reasonable assurance of risk management and suggests corrective actions. According to results, 68% of participants answered that they agree, 18% of participants answered that they totally agree and 14% of participants answered that they neither agree, nor disagree. Results are presented below.

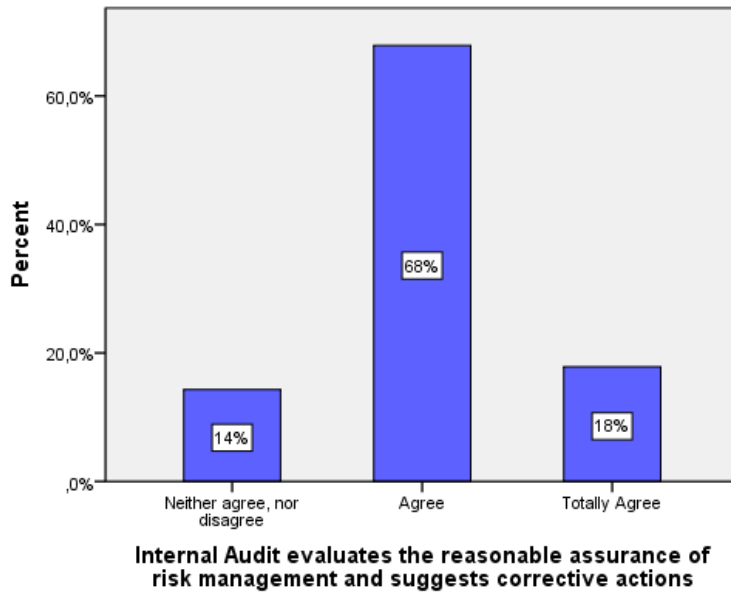


Figure 9: Answers to the question: Internal Audit evaluates the reasonable assurance of risk management and suggests corrective actions

Question: Internal Audit function audits management decisions and detects weaknesses

Participants were also asked whether internal audit function audits management decisions and detects weaknesses. Most participants answered that they agree with the statement (43%), while 13% answered that they totally agree. About one third of participants (30%) remained neutral and 14% disagreed. Results are shown below.

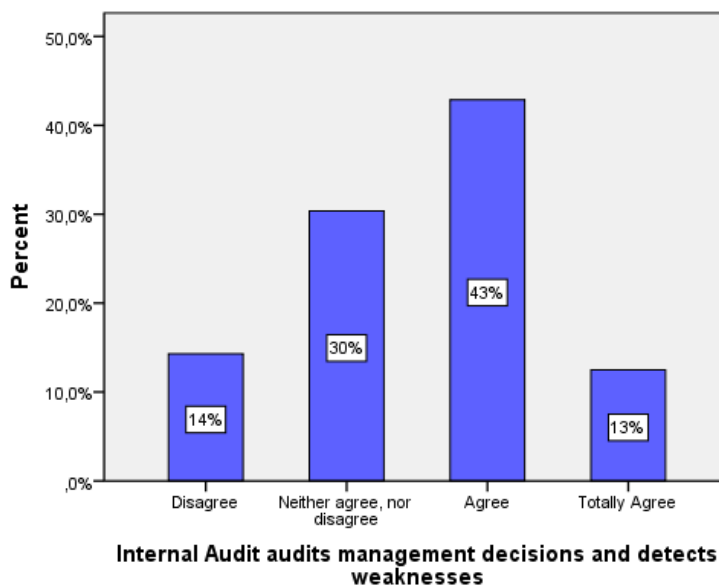


Figure 10: Answers to the question: internal audit function audits management decisions and detects weaknesses

Question: Internal Audit enables estimations on the reasonable assurance of controls within the company

The next question in this section asked participants to state whether they agree that Internal Audit enables estimations on the reasonable assurance of controls within the company. In this case, most participants (37%), neither agreed nor disagreed, while 31% agreed and 25% of participants totally agreed with the above mentioned statement. 4% of participants disagreed and another 4% totally disagreed. Results are shown below.

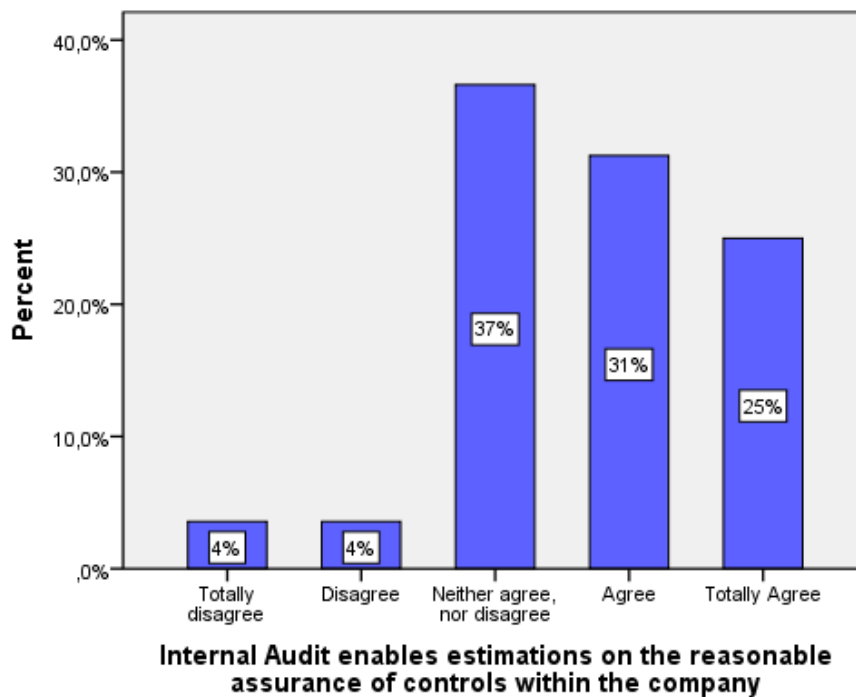


Figure 11: Answers to the question: Internal Audit enables estimations on the reasonable assurance of controls within the company

Question: Internal Audit contributes to the company's reputation and value

Participants were also asked to state whether they believe that internal audit contributes to the company's reputation and value. Most participants agreed (38%) or totally agreed (28%). 21% of participants remained neutral, while 11% disagreed and 3% totally disagreed with the above mentioned statement. answers are presented below.

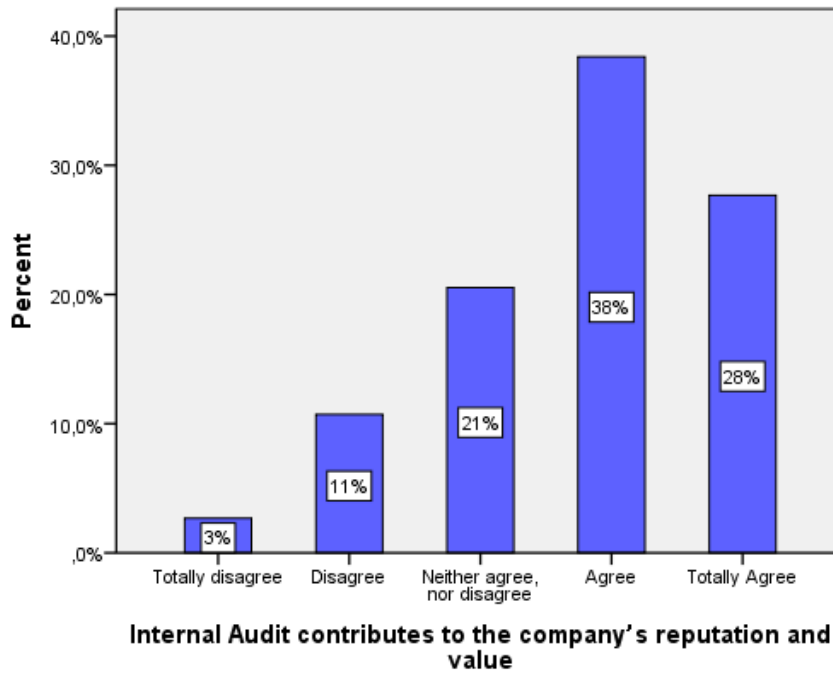


Figure 12: Answers to the question: Internal Audit contributes to the company's reputation and value

Question: Internal Audit controls the reliability of financial information to the interested parties

The next question was about whether participants agree that Internal Audit controls the reliability of financial information to the interested parties. 40% of participants agreed with the statement, 29% totally agreed, 27% neither agreed, nor disagreed and 4% disagreed. Results are shown below.

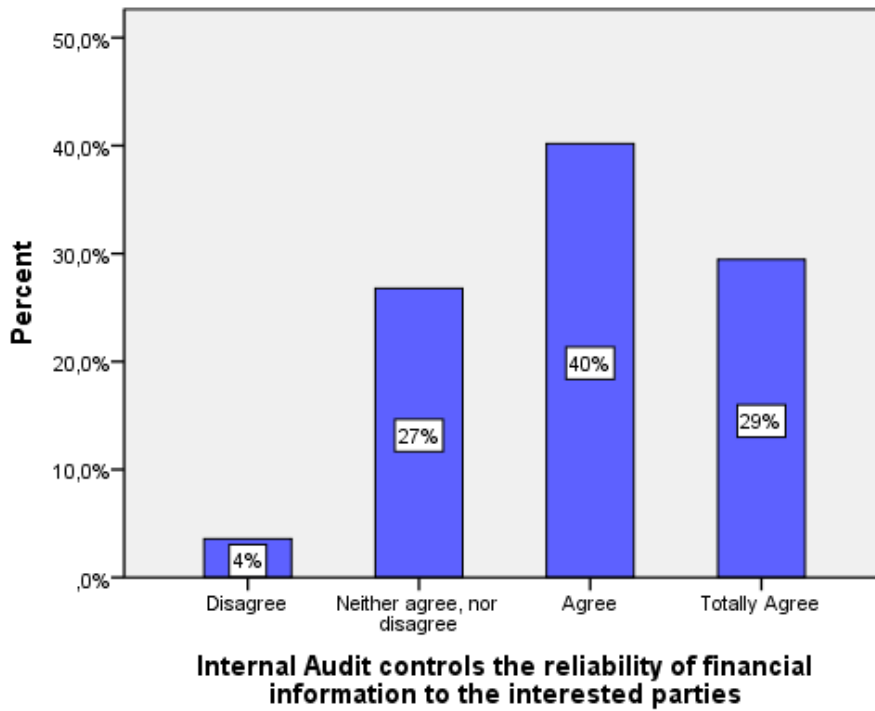


Figure 13: Answers to the question: Internal Audit controls the reliability of financial information to the interested parties

Question: Internal Audit contributes to problems avoidance i.e. mistakes at the financial statements preparation

As far as the statement that Internal Audit controls the reliability of financial information to the interested parties, participants, in their vast majority answered that they agree (45%) or totally agree (44%) and only 12% of participants remained neutral. Results are shown below.

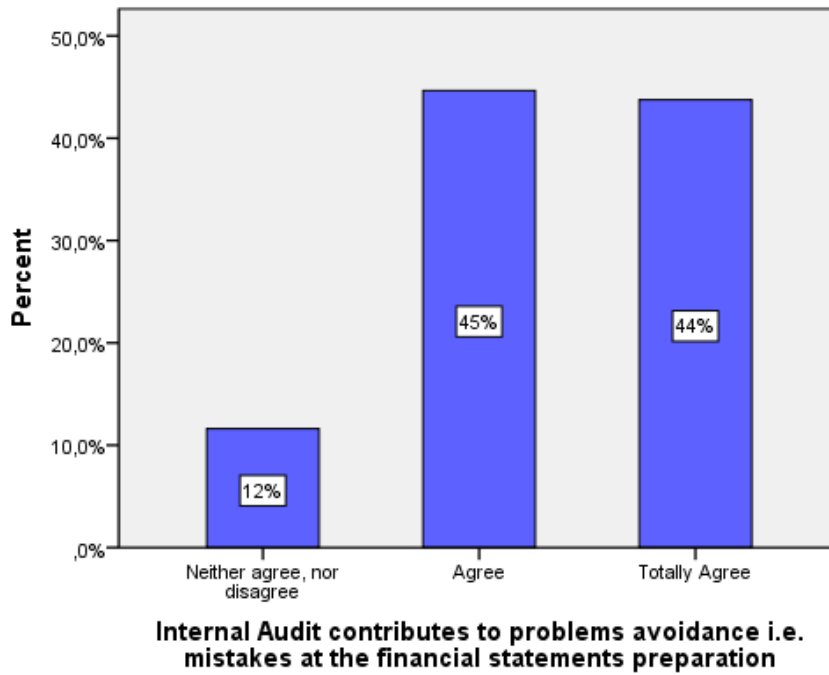


Figure 14: Answers to the question: Internal Audit contributes to problems avoidance i.e. mistakes at the financial statements preparation

Question: Internal Audit acts as intermediate between the company and the relevant authorities

As far as the statement that Internal Audit acts as intermediate between the company and the relevant authorities is concerned, participants' answers vary significantly. 29% of participants answered that they agree, 25% among them answered that they disagree, 24% of participants remained neutral, 12% of participants totally disagreed and 11% among them totally agreed. Results are shown below.

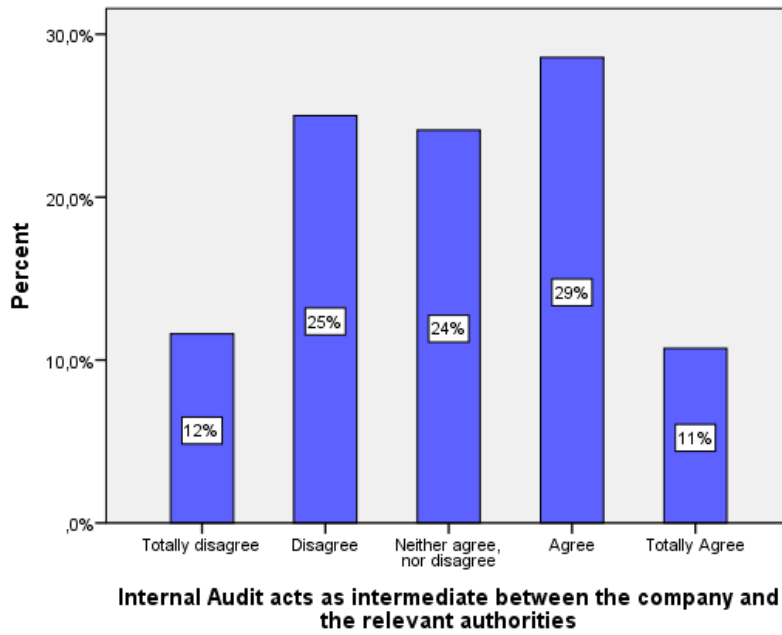


Figure 15: Answers to the question: Internal Audit acts as intermediate between the company and the relevant authorities

Question: Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk

Next, participants were asked to state whether they agree that Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk. Almost all participants either agree (57%) or totally agree (36%) with the statement and only 7% remained neutral. Results are shown below.

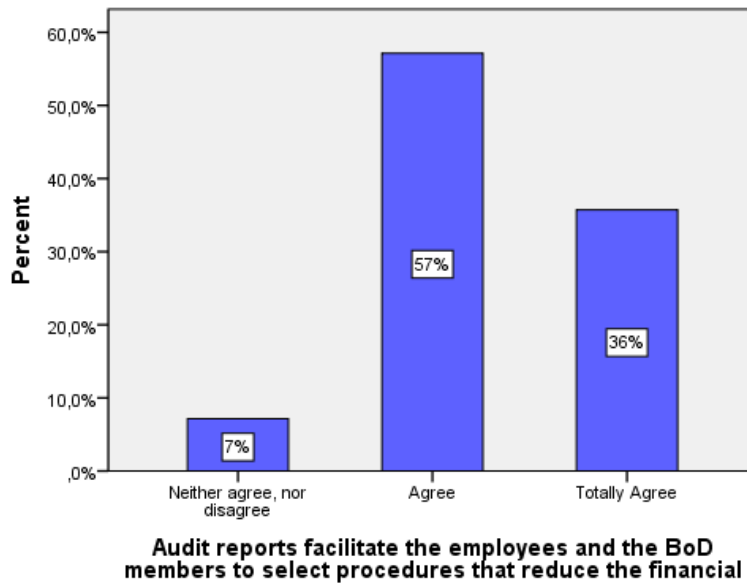


Figure 16: Answers to the question: Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk

Question: Internal audit is used to fraud cases i.e. misuse of company's assets from its employees

47% of participants agree and 42% of them totally agree that internal audit is used to fraud cases i.e. misuse of company's assets from its employees. Only 11% among them remained neutral. Results are shown below.

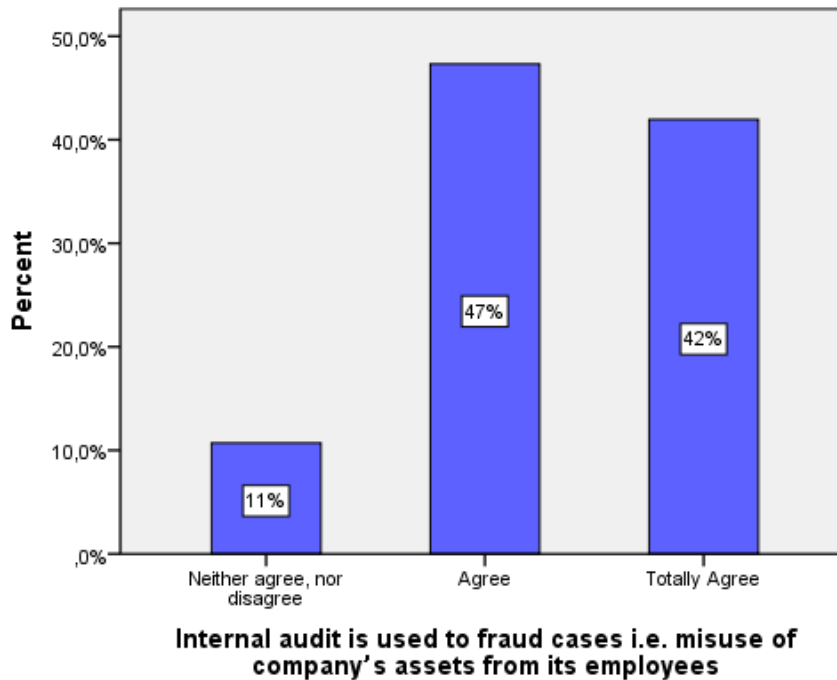


Figure 17: Answers to the question: Internal audit is used to fraud cases i.e. misuse of company's assets from its employees

Question: Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud

The next question is about whether participants believe that Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud. Answers to the question reveal that participants have different opinions on this parameter. 32% among them agree with the above mentioned statement, 25% disagree, 20% neither agree nor disagree, 14% of participants totally agree and 9% of them totally disagree. Results are shown below.

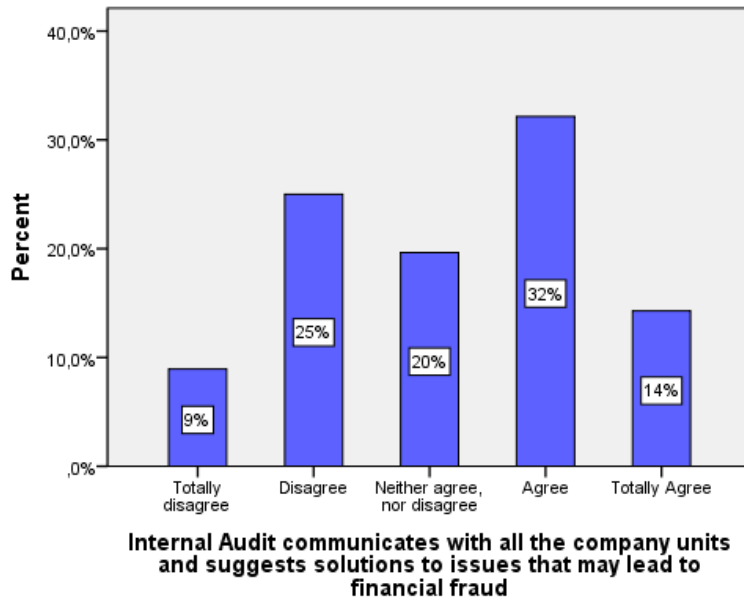


Figure 18: Answers to the question: Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud

Question: Audit reports are understandable

Participants were also asked whether they find audit reports understandable. Most of them (49%) agree or totally agree (12%) that they are understandable. 25% remained neutral and 14% disagreed. These answers need to be taken under consideration because only when reports are easy to understand, corrective action can be effectively implemented. Results are shown below.

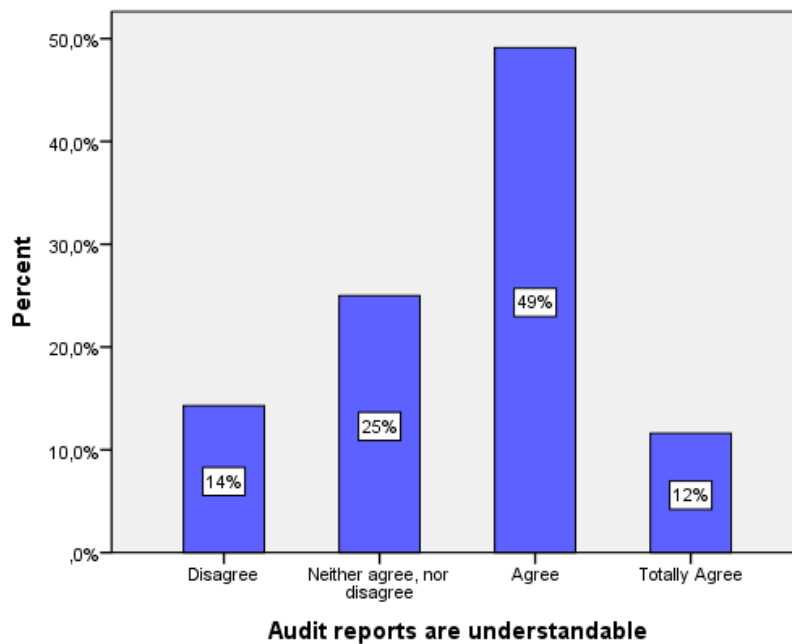


Figure 19: Answers to the question: Audit reports are understandable

Question: Internal Audit contributes to the continuing monitoring procedure

The following question refers to the contribution of Internal Audit to the continuing monitoring procedure. 56% of participants agreed that Internal Audit contributes to the continuing monitoring procedure, 29% of participants totally agreed and 14% remained neutral. It is evident that participants are convinced that Internal Audit is important for monitoring and evaluating internal processes. Results are shown below.

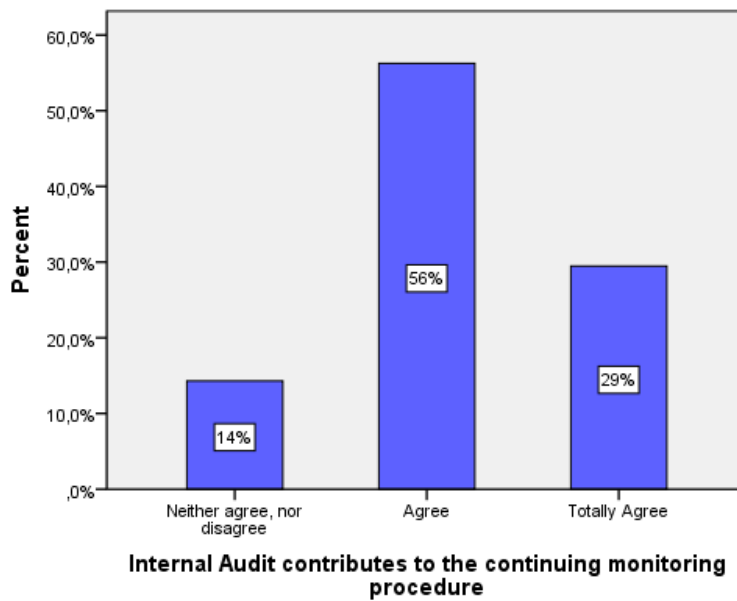


Figure 20: Answers to the question: Internal Audit contributes to the continuing monitoring procedure

Question: Internal Audit may evaluate the assurance of operational risk through the evaluation of applied procedures and recommended actions

The next question refers to the degree at which participants believe that Internal Audit may evaluate the assurance of operational risk through the evaluation of applied procedures and recommended actions. 45% of participants agreed and 26% totally agreed with the statement, while 29% among participants neither agreed nor disagreed. Results are shown below.

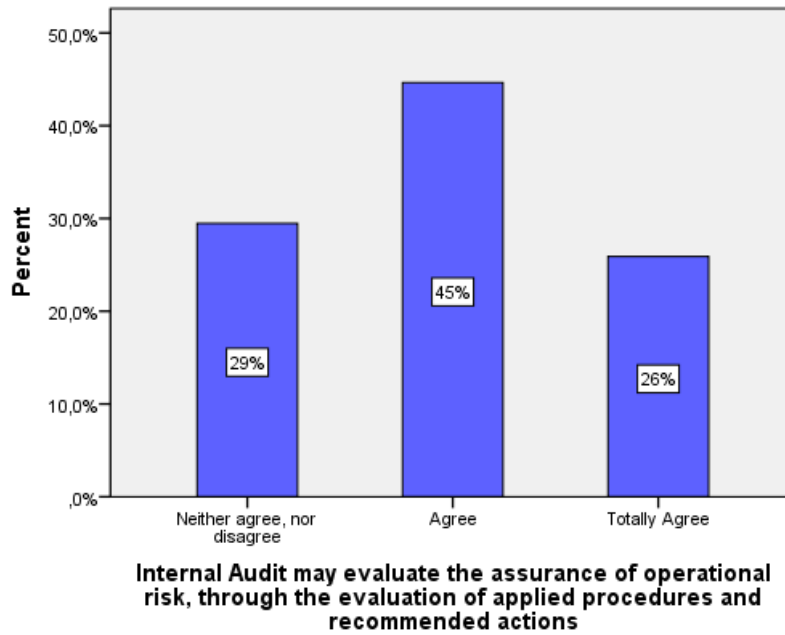


Figure 21: Answers to the question: Internal Audit may evaluate the assurance of operational risk through the evaluation of applied procedures and recommended actions

Question: Internal Audit contributes to operational risk management through the detection of human mistakes and recommended actions

The last question in the section asks participants to state the degree of agreement with the statement that Internal Audit contributes to operational risk management through the detection of human mistakes and recommended actions. Most participants either agreed (46%), or totally agreed (26%) with the statement, while 25% remained neutral and 4% disagreed. Results are shown below.

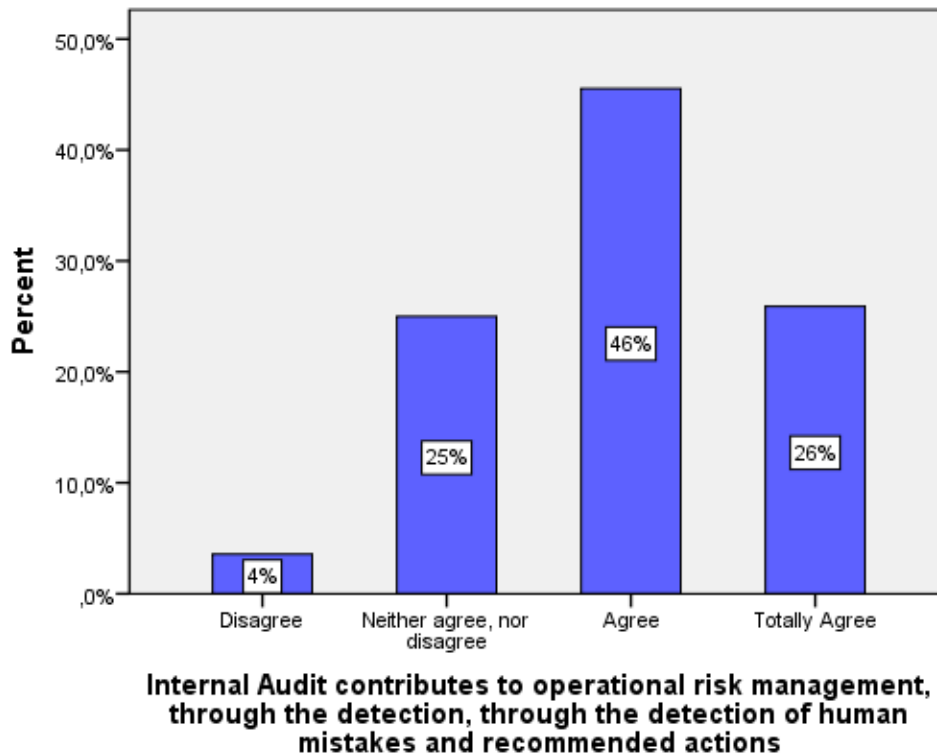


Figure 22: Answers to the question: Internal Audit contributes to operational risk management through the detection of human mistakes and recommended actions

c. Internal Audit before and after mergers and acquisitions

The next section refers to questions concerning the role of internal audit function before the commencement of the procedure of merger – acquisition. Participants were asked to state their degree of agreement to the questions mentioned in the table that follows. The table also demonstrates descriptive statistics for each question of the group.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Internal audit before M&A estimates political, financial, social and technological conditions	112	2.00	5.00	3.3571	.97590
Internal audit before M&A estimates the level of the financial results accuracy for both companies	112	3.00	5.00	4.3839	.68767
Internal audit before M&A confirms the ways that value will be added at the new company	112	2.00	5.00	3.9375	.78593

Internal audit before M&A evaluates whether the financial data of both companies reasons the merger - acquisition	112	3.00	5.00	4.1518	.67397
Internal audit before M&A evaluates the quality of the organizational structure	112	2.00	5.00	3.3036	.83654
Valid N (listwise)	112				

Table 2: Descriptive statistics for the group of questions referring to the role of Internal Audit before mergers & acquisitions

According to the mean score of each question in this section, participants mostly agree that “Internal audit before M&A estimates the level of the financial results accuracy for both companies” (mean score 4.38) and that “Internal audit before M&A evaluates whether the financial data of both companies reasons the merger – acquisition” (mean score 4.15).

Answers to each question are demonstrated below.

Question: Internal audit before M&A estimates political, financial, social and technological conditions

The first question in the group refers to whether Internal audit before M&A estimates political, financial, social and technological conditions. Most participants (36%) neither agreed nor disagreed to the statement, while 29% agreed, 21% disagreed and 14% totally agreed. Even though those that agreed or totally agreed represent the majority, the percentage of those that disagreed is also important. Results are shown below.

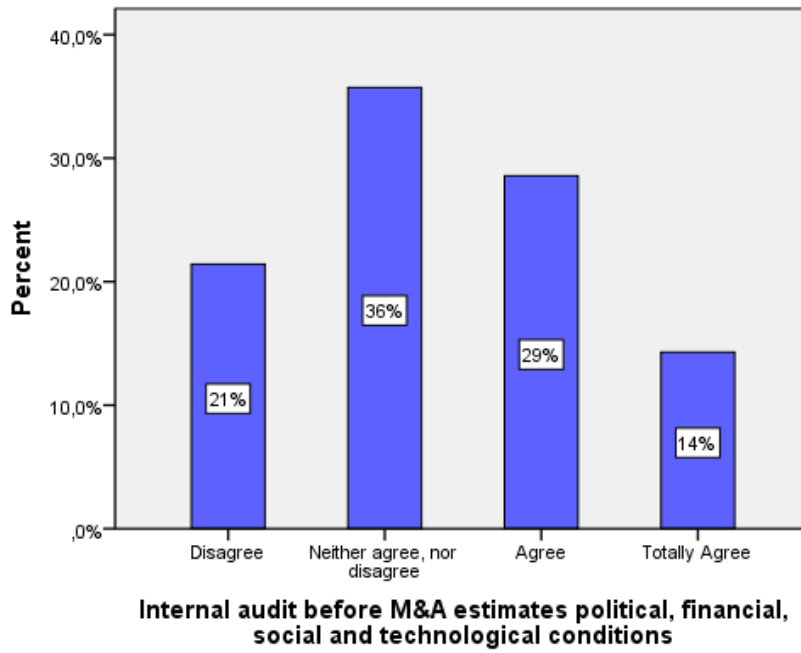


Figure 23: Answers to the question: Internal audit before M&A estimates political, financial, social and technological conditions

Question: Internal audit before M&A estimates the level of the financial results accuracy for both companies

Then, participants were asked whether they agree that Internal audit before M&A estimates the level of the financial results accuracy for both companies. In this question 38% of participants agreed and 50% among them totally agreed, while 12% remained neutral. It is clear that participants are convince that Internal Audit before mergers and acquisitions are useful in order to estimate the levels of financial results for both companies, something that is important for the final decision. Results are shown below.

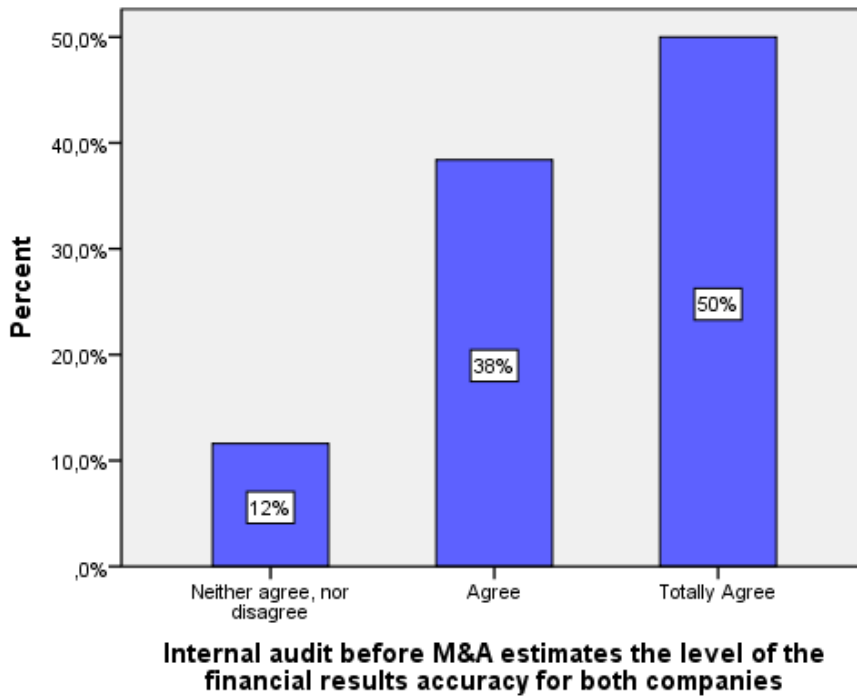


Figure 24: Answers to the question: Internal audit before M&A estimates the level of the financial results accuracy for both companies

Question: Internal audit before M&A confirms the ways that value will be added at the new company

Next, participants were asked to state whether they agree that the internal audit before M&A confirms the ways that value will be added at the new company. Once again, most participants agree (46%) or totally agree (25%), while 26% neither agree nor disagree and 3% among them disagreed. Results are shown below.

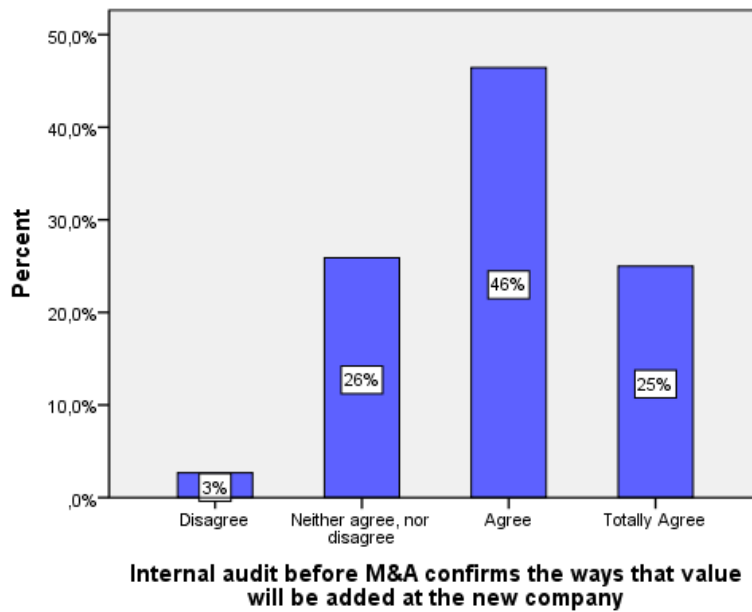


Figure 25: Answers to the question: Internal audit before M&A confirms the ways that value will be added at the new company

Question: Internal audit before M&A evaluates whether the financial data of both companies reasons the merger - acquisition

In the case of mergers and acquisition, the financial data of both companies are important for the decision making process. Thus, participants were asked whether they agree that the internal audit before M&A evaluates whether the financial data of both companies reasons the merger – acquisition. The vast majority of participants agreed (53%) or totally agreed (31%) and only 16% answered in a neutral way. Results are shown below.

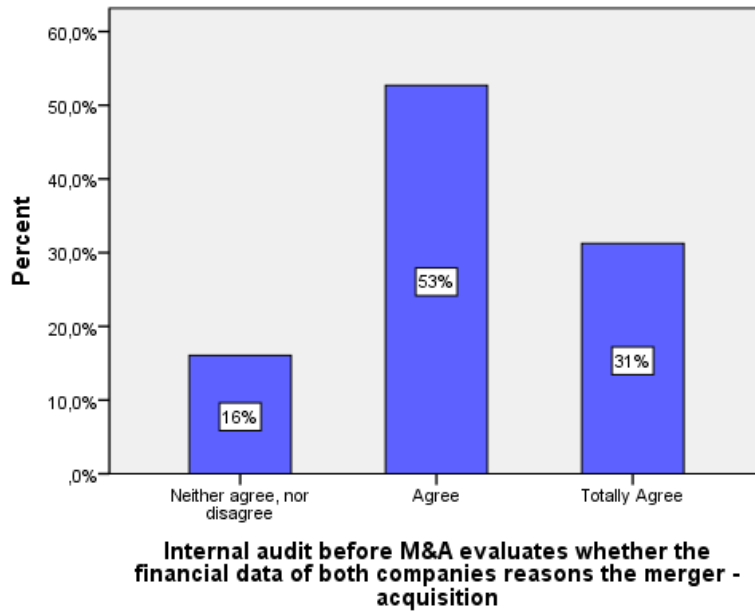


Figure 26: Answers to the question: Internal audit before M&A evaluates whether the financial data of both companies reasons the merger - acquisition

Question: Internal audit before M&A evaluates the quality of the organizational structure

The last question about the role of Internal Audit function before mergers and acquisitions refers to whether participants believe that the internal audit before M&A evaluates the quality of the organizational structure. 38% of participants agreed and another 38% remained neutral, while 5% among them totally agreed and 19% disagreed. Results are shown below.

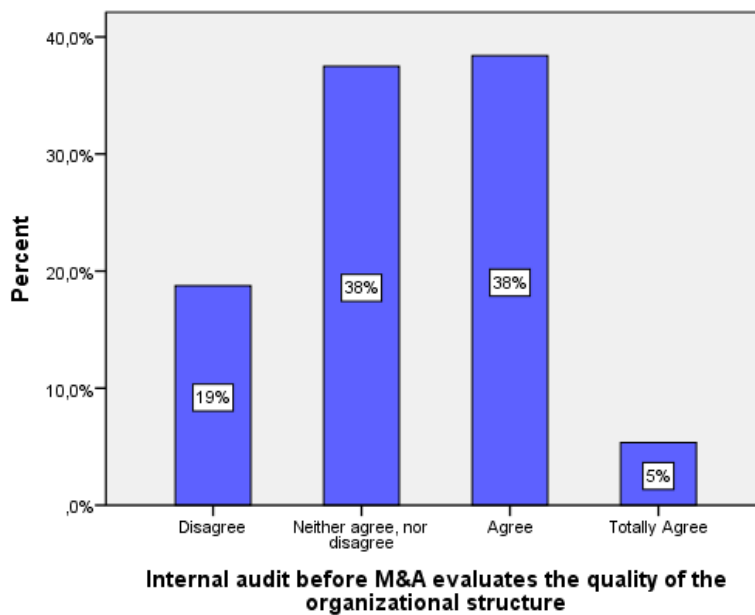


Figure 27: Answers to the question: Internal audit before M&A evaluates the quality of the organizational structure

d. Internal Audit before and after mergers and acquisitions

The last section of the questionnaire refers to questions on the Internal Audit function after the completion of the procedure of merger – acquisition. First, descriptive statistics of the answers to each question are presented.

Descriptive Statistics					
	N	Mini mum	Maxi mum	Mean	Std. Deviation
Internal audit after M&A audits the terms of merger - acquisition	112	2.00	5.00	3.7500	1.00897
Internal audit after M&A develops the new Internal Audit unit	112	3.00	5.00	4.2500	.63671
Internal audit after M&A develops mechanisms for the safeguarding of the new company's assets	112	3.00	5.00	4.3214	.77360
Internal audit after M&A helps the reconstruction with staff of both companies	112	2.00	5.00	3.6518	.98374
Internal audit after M&A contributes to training of the staff of the new internal audit unit so as to operate in uniformity	112	3.00	5.00	4.1161	.62595
Internal audit after M&A contributes to training to employees. so that they understand the company's standards	112	3.00	5.00	4.3750	.67283
Internal audit after M&A suggests to management. mechanisms for the safeguarding new company's assets	112	3.00	5.00	4.0536	.70824
Internal audit after M&A recognizes opportunities for the consolidation of operations of the companies	112	3.00	5.00	3.8482	.70019
Valid N (listwise)	112				

Table 3: Descriptive statistics of the questions referring to the Internal Audit function after the completion of the procedure of merger – acquisition

According to the table, participants mostly agree that Internal audit after M&A contributes to training to employees so that they understand the company's standards (mean score 4.37) and that Internal audit after M&A develops mechanisms for the safeguarding of the new company's assets (mean score 4.32). Also, that Internal audit after M&A develops the new Internal Audit unit (mean score 4.25) and that Internal audit after M&A suggests to management mechanisms for the safeguarding new company's assets (mean score 4.05). Detailed reference to all answers follows.

Question: Internal audit after M&A audits the terms of merger - acquisition

First, participants were asked whether they believe that the Internal audit after M&A audits the terms of merger – acquisition. The majority among them agreed (41%) or totally agreed (25%). 18% of participants remained neutral and 16% disagreed. Results are shown below.

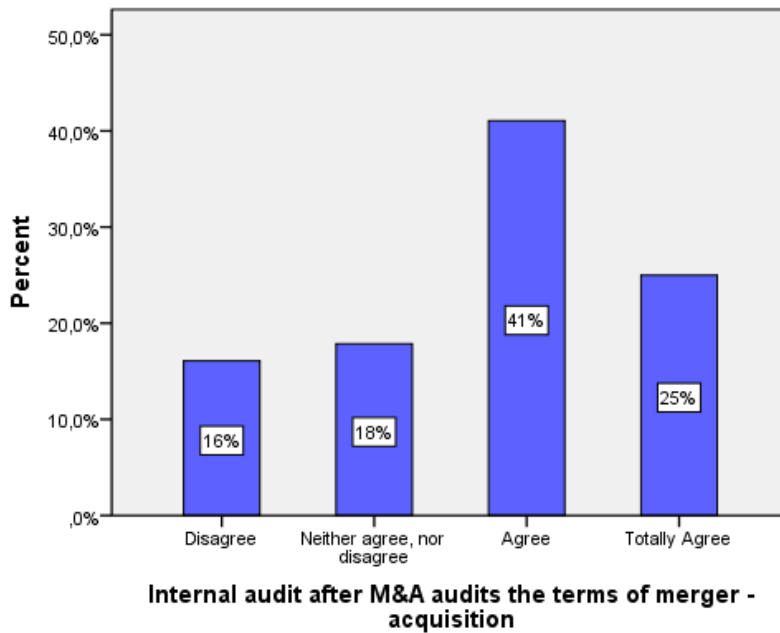


Figure 28: Answers to the question: Internal audit after M&A audits the terms of merger - acquisition

Question: Internal audit after M&A develops the new Internal Audit unit

The next question states that Internal audit after M&A is important because it develops the new Internal Audit unit, indeed, 89% of participants agreed (54%) or totally agreed (36%) with the statement, while only 11% among them neither agreed nor disagreed. Results are demonstrated below.

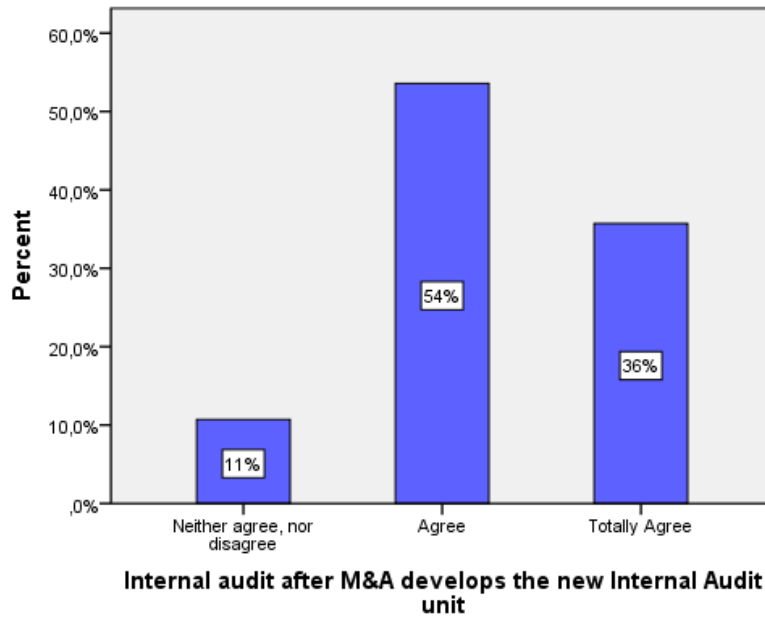


Figure 29: Answers to the question: Internal audit after M&A develops the new Internal Audit unit

Question: Internal audit after M&A develops mechanisms for the safeguarding of the new company's assets

Participants were asked to state whether they believed that the internal audit after M&A develops mechanisms for the safeguarding of the new company's assets. 51% of participants totally agreed and 30% among them agreed with the statement, while 19% among participants remained neutral. Results are shown below.

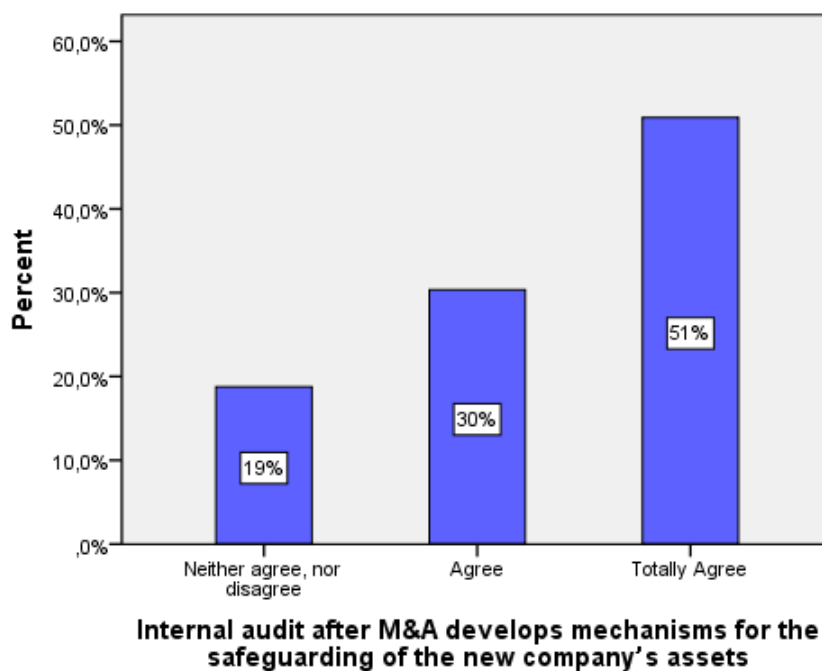


Figure 30: Answers to the question: Internal audit after M&A develops mechanisms for the safeguarding of the new company's assets

Question: Internal Audit after M&A helps the reconstruction with staff of both companies

Then, participants were asked to state whether they believe that internal audit after M&A helps the reconstruction with staff of both companies. 61% of participants agreed (40%) or totally agreed (21%) while 23% answered in a neutral way and 16% among participants disagreed. Answers are shown below.

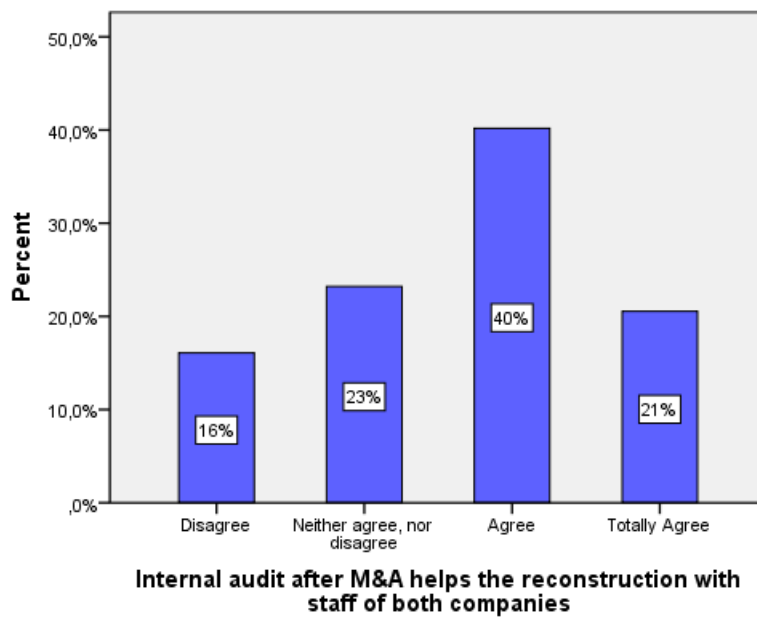


Figure 31: Answers to the question: Internal Audit after M&A helps the reconstruction with staff of both companies

Question: Internal audit after M&A contributes to training of the staff of the new internal audit unit so as to operate in uniformity

The next question is about training of the staff. 86% of participants answered that they agree (60%) or totally agree (26%) that the internal audit after M&A contributes to training of the staff of the new internal audit unit so as to operate in uniformity. 14% among them remained neutral and no one disagreed. Answers are shown below.

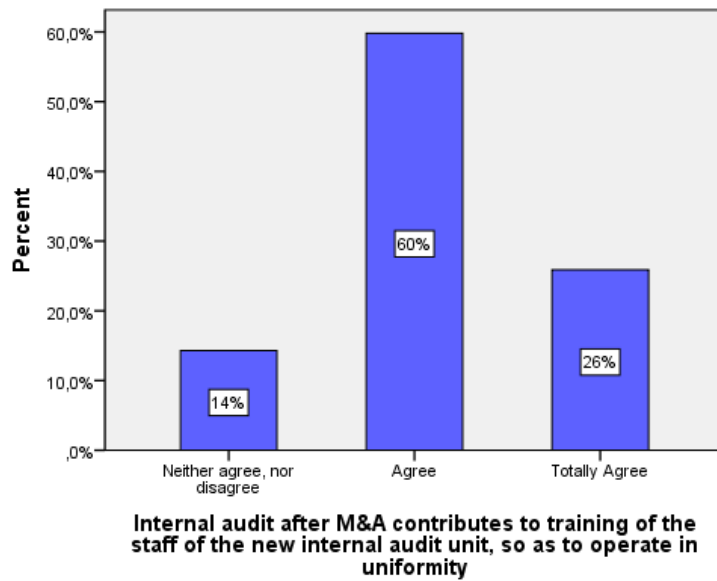


Figure 32: Answers to the question: Internal audit after M&A contributes to training of the staff of the new internal audit unit so as to operate in uniformity

Question: Internal audit after M&A contributes to training to employees so that they understand the company's standards

Another question refers to employees' training. Participants were asked whether they believe that the internal audit after M&A contributes to training to employees so that they understand the company's standards. 41% of participants agreed with the statement, 48% of participants totally agreed and 11% among them remained neutral. Answers are demonstrated below.

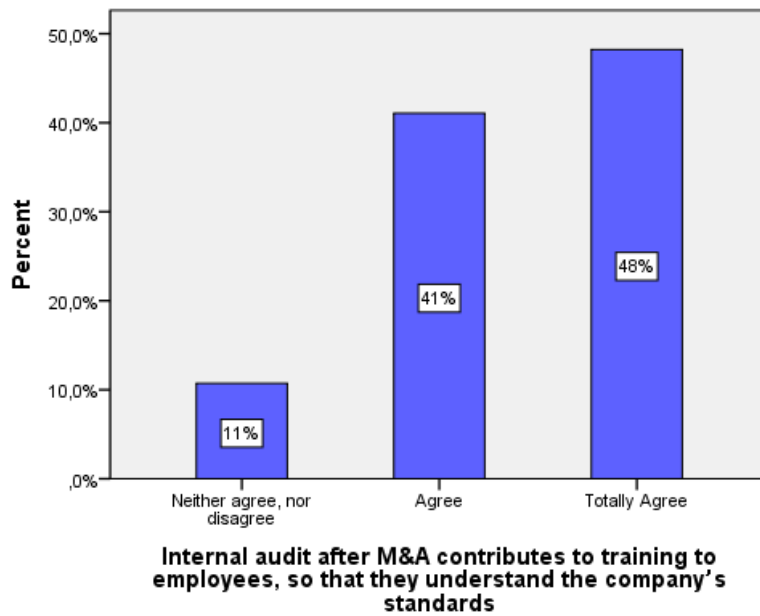


Figure 33: Answers to the question: Internal audit after M&A contributes to training to employees so that they understand the company's standards

Question: Internal audit after M&A adds to management mechanisms for the safeguarding of new company's assets

The next question is about whether participants feel that internal audit after M&A adds to management mechanisms for the safeguarding new company's assets. 50% of participants answered that they agree with the statement, 28% of participants answered that they totally agree and 22% among them answered in a neutral way. Results are shown below.

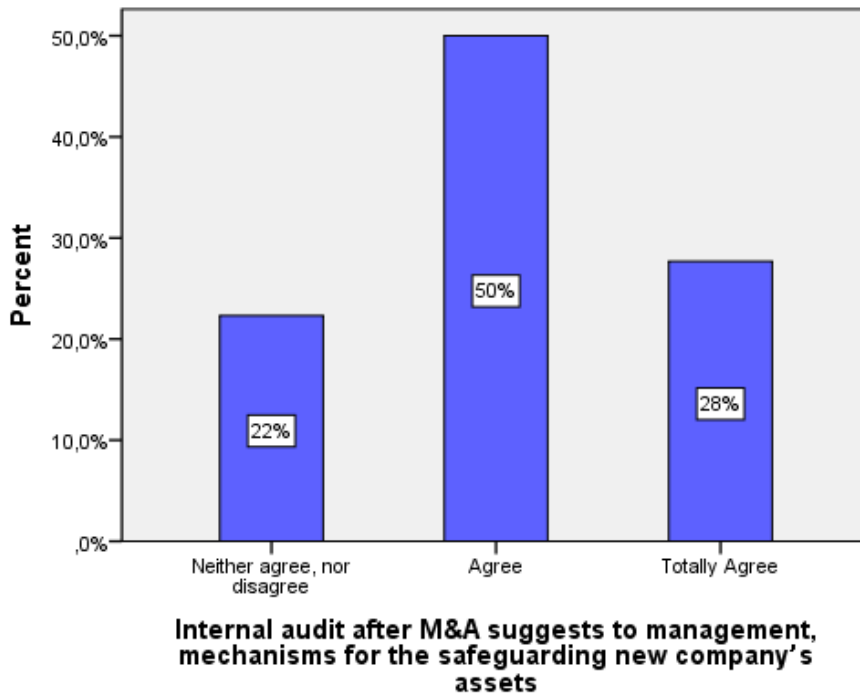
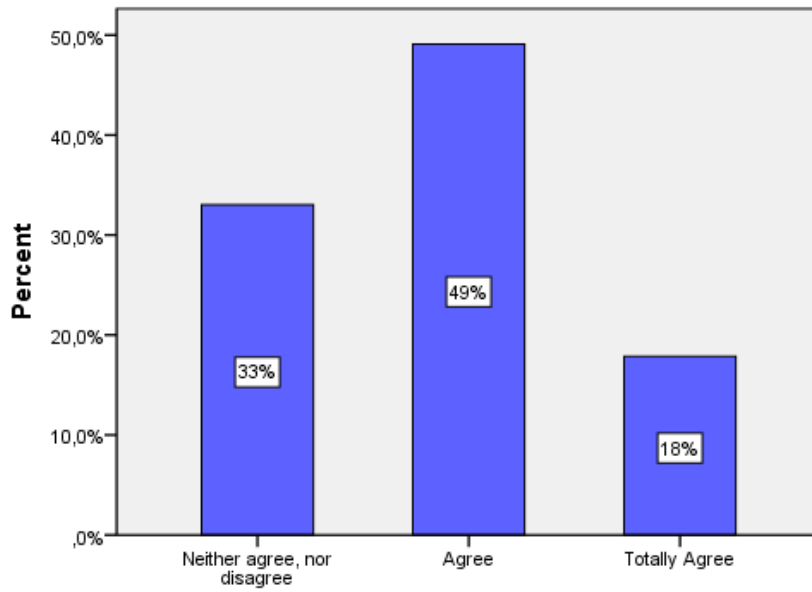


Figure 34: Answers to the question: Internal audit after M&A adds to management mechanisms for the safeguarding new company's assets

Question: Internal audit after M&A recognizes opportunities for the consolidation of operations of the companies

The last question was about the degree of agreement with the statement that Internal audit after M&A recognizes opportunities for the consolidation of operations of the companies. Participants, in their majority, answered that they agree (49%) or totally agree (18%), while about one third of them (33%) answered that they neither agree, nor disagree. Results are shown below.



Internal audit after M&A recognizes opportunities for the consolidation of operations of the companies

Figure 35: Answers to the question: Internal audit after M&A recognizes opportunities for the consolidation of operations of the companies

5. Conclusions

The present dissertation aimed at investigating the importance of internal audit in the case of banks, and more specifically in the case of mergers and acquisitions. The research questions were the following:

- Which is the importance of the internal audit in order for banks to operate effectively and to avoid bank fraud?
- Which is the contribution of internal audit in the process of mergers and acquisitions?

Internal audit is a function which is necessary in the modern, changing environment. Through effective internal audit systems, banks can maintain stability and confidence. Besides, globalization and technology make international financial markets develop new, complex products and services and financial institutions are exposed to increased risks. International organizations and official authorities develop frameworks in order to provide guidance concerning internal audits. Internal Audit, in the case of banks has an important role to play which includes ensuring the accomplishment of corporate goals, detecting fraud and ensuring that legal frameworks are implemented.

In the case of the Greek banking system, Internal Control concept was first introduced in the 1980s, with the foundation of the “Greek Institute of Internal Audit”. Later, several decisions and laws were introduced in order to better define the framework and the mandatory nature of Internal Audit.

Special reference is made in the strategy of mergers and acquisitions because it is a strategy widely followed by the four Greek systemic banks and affected their operation. Even though all four banks, under the pressure of the financial crisis and the liquidity shortage which led to their recapitalization, abandoned their activities in the Balkan countries, in Cyprus and in Egypt, they all have the experience of the drivers and consequences of mergers and acquisitions.

According to existing literature, internal audit is vital for the effective corporate performance. Motivationally trained audit personnel and the existence of an efficient internal control system are positively related with corporate performance. The researchers also argue that risk-based auditing is positively related to the internal audit

function and has an active role in corporate governance. Also, the existence of a Quality Assurance and Improvement Program contributes to the improvement of the internal audit function as a basic component of corporate governance. In the case of mergers and acquisitions, researchers argue that, through the internal audit, the assessment of the necessity of the merger or acquisition can be performed. After the merger or acquisition, the internal audit processes create, organize and staff the new entity, while they support the development of a new, single internal audit unit. Also, the internal audit processes can contribute to the consolidation of new functions and activities, while they can act as a motivator for employees.

Bearing the above in mind, primary research was conducted among employees working in the four systemic banks of Greece, National Bank of Greece, Alpha Bank, Eurobank and Piraeus Bank. The questions first referred to the importance of the internal audit in order for banks to operate effectively and to avoid bank fraud. Most participants argued that the internal audit contributes to problems avoidance i.e. mistakes at the financial statements preparation (mean 4.32), that it is used to fraud cases (mean 4.31), that audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk (mean 4.29), that the Internal Audit strengthens the company's attempt to achieve its targets and goals (mean 4.21) and that internal audit contributes to the continuing monitoring procedure (mean 4.15).

Then, participants were asked to evaluate the role of Internal Audit before and after a merger or acquisition. As far as the role of Internal Audit before the merger and/or acquisition is concerned, participants mostly agree that "Internal audit before M&A estimates the level of the financial results accuracy for both companies" (mean score 4.38) and that "Internal audit before M&A evaluates whether the financial data of both companies reasons the merger – acquisition" (mean score 4.15). On the other hand, as far as the role of Internal Audit after the merger and/or acquisition is concerned, participants mostly agree that internal audit after M&A contributes to training to employees so that they understand the company's standards (mean score 4.37) and that internal audit after M&A develops mechanisms for the safeguarding of the new company's assets (mean score 4.32). Also, that internal audit after M&A develops the new Internal Audit unit (mean score 4.25) and that Internal audit after M&A suggests to management mechanisms for the safeguarding new company's

assets (mean score 4.05). all these results are in accordance with existing literature on the subject, as presented in the literature review section.

The present study results are particularly important since they stress the necessity for robust internal audit systems by banks. All stakeholders need to realize that risk identification and prompt risk management can contribute to the mitigation of fraud and other undesired phenomena which distort the operation of the banking system and, consequently, the financial system and the business activities. The modern environment will continue becoming more and more complex, while new financial instruments are developed in the digital environment. This requires even more robust Internal Audit Systems which will be based on the use of IT tools and will ensure monitoring, not only of the financial transactions but also of the corporate governance systems. All stakeholders need to realize the importance of internal audits and especially top management needs to be committed to the implementation of best practices concerning the effective operation of banks, which leads to enhanced competitiveness and reputation.

Recommendations for further research are made in order to examine other parameters of Internal Audit, like the avoidance of fraud, or the need for training of employees in the digital environment risks. Also, qualitative research is proposed, with the realization of interviews with top managers in order to better identify the framework under which Internal Audit Systems are implemented. Last, research can include other sectors of the economy, since Internal Audit does not refer only to financial institutions but also to all business units.

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APPENDIX

A. The e-mail informative text

Dear all,

With the present message we would like to invite the employees of your bank to participate at a survey regarding the importance of internal audit for banks, generally as well as in the framework of mergers and acquisitions. The questionnaire was developed for academic reasons and your willingness to participate is important for us. The questionnaire is anonymous and all participants' personal data will be protected. The answers will be used only for the purposes on the specific study and they are available upon request.

The link for the questionnaire is the following. Please share it with your employees, at all levels of hierarchy.

https://docs.google.com/forms/d/1ACNQ1kedhWoZYei-M3AhZpLci6yk45l4zcQlwFmRrrk/viewform?ts=5fad45f7&gxids=7628&edit_requested=true

Thank you in advance!

B. The questionnaire

Unit A. Demographic details

1. Gender	Male Female
2. Age	18 – 30 years 31 – 45 years 45 – 60 years > 60 years
3. Study level - financial specialization	School graduate University Postgraduate degree PhD
4. Professional experience	< 5 years 6 – 10 years 11 – 20 years > 20 years

Unit B. Internal Audit necessity

For the below statements, indicate the level of agreement or disagreement.

5. Strengthens the company's attempt to achieve its targets and goals.	Totally disagree Disagree Neither disagree Agree Totally agree
6. Evaluates the reasonable assurance of risk management and suggests corrective actions.	Totally disagree Disagree Neither disagree Agree Totally agree
7. Audits management decisions and detects weaknesses	Totally disagree Disagree Neither disagree Agree Totally agree
8. Estimations on the reasonable assurance of controls within the company	Totally disagree Disagree Neither disagree Agree Totally agree
9. Contributes to the company's reputation and value.	Totally disagree Disagree Neither disagree Agree Totally agree
10. Controls the reliability of financial information to the interested parties.	Totally disagree Disagree Neither disagree Agree Totally agree
11. Contributes to problems avoidance i.e. mistakes at the financial statements preparation	Totally disagree Disagree Neither disagree

	Agree Totally agree
12. Acts as intermediate between the company and the relevant authorities	Totally disagree Disagree Neither disagree Agree Totally agree
13. Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk	Totally disagree Disagree Neither disagree Agree Totally agree
14. Internal audit use to fraud cases i.e. misuse of company's assets from its employees	Totally disagree Disagree Neither disagree Agree Totally agree
15. Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud	Totally disagree Disagree Neither disagree Agree Totally agree
16. Audit reports are understandable	Totally disagree Disagree Neither disagree Agree Totally agree
17. Internal Audit contributes to the continuing monitoring procedure	Totally disagree Disagree Neither disagree Agree Totally agree
18. May evaluate the assurance of operational risk, through the evaluation of applied procedures and recommended actions	Totally disagree Disagree Neither disagree Agree Totally agree
19. Contributes to operational risk management, through the detection, through the detection of human mistakes and recommended actions.	Totally disagree Disagree Neither disagree Agree Totally agree

Unit C. Internal Audit before and after mergers and acquisitions

For the below statements, indicate the level of agreement or disagreement

The Internal Audit function before the commencement of the procedure of merger - acquisition:

20. Estimates political, financial, social and technological conditions	Totally disagree Disagree Neither disagree Agree Totally agree
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21.Estimates the level of the financial results accuracy for both companies	Totally disagree Disagree Neither disagree Agree Totally agree
22.Confirms the ways that value will be added at the new company	Totally disagree Disagree Neither disagree Agree Totally agree
23. Evaluates whether the financial data of both companies reasons the merger - acquisition.	Totally disagree Disagree Neither disagree Agree Totally agree
24.Evaluates the quality of the organizational structure	Totally disagree Disagree Neither disagree Agree Totally agree

Unit C. Internal Audit before and after mergers and acquisitions

The Internal Audit function after the completion of the procedure of merger – acquisition

25.Audits the terms of merger - acquisition.	Totally disagree Disagree Neither disagree Agree Totally agree
26.Develops the new Internal Audit unit	Totally disagree Disagree Neither disagree Agree Totally agree
27.Develops mechanisms for the safeguarding of the new company’s assets	Totally disagree Disagree Neither disagree Agree Totally agree
28.Reconstruction with staff of both companies	Totally disagree Disagree Neither disagree Agree Totally agree
29. Training of the staff of the new internal audit unit, so as to operate in uniformity.	Totally disagree Disagree Neither disagree Agree Totally agree
30. Trainings to employees, so that they way that they should understand the company’s standards.	Totally disagree Disagree Neither disagree Agree

	Totally agree
31. Suggests to management, mechanisms for the safeguarding new company's assets.	Totally disagree Disagree Neither disagree Agree Totally agree
32. Recognizes opportunities for the consolidation of operations of the companies	Totally disagree Disagree Neither disagree Agree Totally agree