

Audit Committee-Internal Audit Interaction and Moral Courage

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Abstract

Purpose: We aim to offer empirical evidence about the effect of the interaction between the audit committee and internal audit function (IAF) on the moral courage of the chief audit executive (CAE).

Methodology: We follow a mixed approach. In a first stage, we sent questionnaires to CAEs of 60 listed, financial and non-financial Tunisian companies. To enhance the depth of our analysis, we performed, in the second stage, semi-directed interviews with 22 CAEs from listed financial and non-financial Tunisian companies.

Findings: We find that the existence of private access to the audit committee has a positive effect on the moral courage of the CAE. The number of meetings between the audit committee and the CAE, the examination of internal audit programs and results together with the contribution of the audit committee to the appointment and dismissal of the CAE do not show a significant link with the moral courage of the CAE. We also find an insignificant relationship between the audit committee's examination of interaction between management and the IAF and the moral courage of the CAE.

Originality: To the best of our knowledge, we fill one of the major research gaps in the auditing literature by demonstrating the critical role of audit committee-internal audit interaction in promoting the CAE's moral courage to behave ethically.

Keywords: audit committee - internal audit interaction; chief audit executive; moral courage; professional ethics; Tunisia

1. Introduction

Although the professional and ethical standards of the internal audit function guide the internal auditor to play the role of truth teller in an organizational context, internal auditors still face an ethical conflict (Roussy, 2013) when the disclosure of audit results might have a negative effect on the profit, position or survival of their companies or on their careers (Courtemanche 1988; Miceli and Near 1988). The ethical behaviour of the internal auditor may be compromised such that even the most ethical and impartial internal auditors may behave unethically to protect themselves (Roussy, 2013; Norman et al. 2010). Indeed, an increasing body of research asserts that internal auditors instead frequently remain silent out of fear of unpleasant personal and professional consequences stemming from organizational pressures (Everett and Tremblay, 2014; Norman et al., 2010; James, 2003; Chadwick; 1995; Kalbers, 1992).

In an attempt to remedy the problems generated by these ethical dilemmas and to find ways to help people resist pressure and overcome fear to behave ethically, there is a great consensus that “*we need to promote moral courage*” (Comer and Vega, 2001: p.xvii). Indeed, moral courage explains why an individual acts ethically when another who arrives at the same ethical decision point and in the same position does not (Schilpzand et al., 2015; Harbour and Kisfalvi, 2014; Koerner, 2014; Hannah et al., 2011; Sekerka and Bagozzi, 2007; Lopez et al., 2003).

Despite the existence of a fairly limited number of studies (Everett and Tremblay, 2014; Roussy, 2012; Chambers et al., 2010; Mat Zain and Subramaniam, 2007; Libby and Thorne, 2004, 2007; Thorne, 1998) focused on the importance of courage in auditor behaviour when he/she is facing ethical dilemmas, research on the factors affecting the moral courage of the internal auditor remains rare. However, we can find many studies (Alzeban, 2015; Zaman and Sarens, 2013; Stewart and Subramaniam, 2010; Scarbrough, et al., 1998; Rezaee and Lander, 1993) that emphasize the important role of the audit committee in supporting the internal auditor. These studies show that an internal audit function that receives strong support from the audit committee is likely to be more objective and powerful in the implementation of controls, thus allowing the internal auditor to address any type of conflict that may affect ethical behaviour (Mat Zain et al., 2006).

Thus, in our paper, we aim to study whether the interaction between the audit committee and the internal audit function has an effect on the moral courage of the internal auditor. The relationship between the audit committee and the internal audit function encompasses a variety of activities such as meetings of the audit committee with the Chief Audit Executive (CAE), private access for the CAE, the review of programs and results of the internal audit by the audit committee, the audit committee’s role in the appointment and dismissal of the CAE and the examination of management’s interaction with the IAF by the audit committee (Alzeban, 2015; Raghunandan et al., 2001; Scarbrough et al., 1998). We therefore examine how audit committee-internal audit interaction could affect the moral courage of the CAE.

Considering moral courage to be “*...a more rare commodity than bravery in battle ... it is the one essential, vital quality of those who seek to change a world which yields most painfully to change*”—Robert F. Kennedy (Gini, p. 5, in Comer and Vega, 2011), the main motivation that encourages us to investigate the Tunisian context is that Tunisia is in the midst of a revolution on the economic, financial and social levels to fight corruption. Hence, it is necessary to consider how to fight against fraud, illegal acts and unethical behaviour. In addition, the transformation from a dictatorship to a democratic context allows us to discuss the courage required to be honest and impartial, given the decrease in the fear of unfair consequences potentially caused by telling the truth.

Financial scandals involving the regular appearance of auditors in news headlines urge academic researchers, professional organizations and institutions (e.g., the Institute of Internal Auditors (IIA)) to develop solutions to encourage internal auditors to speak about management fraud and not keep silent. Consequently, our findings can provide a practical solution by revealing the effect of audit committee behaviour on the moral courage of the CAE to tell the truth and not remain silent.

We encourage regulators and standard setters to draft regulations and oversee the relationship between audit committees and the internal audit function to reduce the pressure exerted by management and to inhibit fear of reprisals or threats of dismissal for telling the truth. Moreover, we believe these actors can benefit from our study by obliging Tunisian public companies to

establish audit committees to cooperate with internal auditors and support them to strengthen their objectivity and autonomy, thus strengthening their moral courage.

Agreeing that auditors have lost their moral compass (Everett and Tremblay, 2014), we believe that our study enhances the IIA by rethinking the question, “*Why is ethics instruction not working?*” (Comer and Vega, 2011, p.xv) In fact, the IIA should be aware that in the ethical code, it is insufficient to focus only on the ethics of auditing; it is also necessary to consider moral courage an ethical characteristic of the internal auditor.

In addition, ethics training and education in organizational settings unfortunately continues to concentrate on demanding regulation and imposing compliance controls rather than building moral strength. We believe our study can increase the awareness of business schools about training accounting students to develop moral courage during ethical courses because it is insufficient only to know what they should do; they also must have the courage to do it.

We contribute to the auditing literature by offering the first study to identify the effect of the relationship between the audit committee and the internal audit function on the moral courage of the CAE. The study is based on a rich body of literature from different fields (organizational, accounting philosophical, ethical and socio-psychological) that highlights the significant role of moral courage in overcoming conflict and fear to behave ethically by telling the truth and, ultimately, to respect the IIA’s standards and ethical code, which enhance the CAE’s objectivity and integrity in reporting sensitive issues relating to the manager and not keeping silent. As a result, our study also may offer answers to such questions as ‘*where were the internal auditors?*’ and ‘*Why didn’t they see this crisis coming?*’, which are raised by Sarens (2014).

Our results show that the existence of private access to the audit committee has a positive effect on the moral courage of the CAE. The number of meetings between the audit committee and the CAE, the examination of internal audit programs and results together with the contribution of the audit committee to the appointment and dismissal of the CAE do not show a significant link with the moral courage of the CAE. We also find an insignificant relationship between the audit committee’s examination of the interaction between management and the IAF and the moral courage of the CAE.

Our research is based on behavioural theory, which is presented in section 2. Section 3 discusses the research background and reviews relevant literature. We develop our hypotheses in Section 4 and discuss the research design in Section 5. We present our results (concerning the questionnaires and the semi-directed interviews) in Section 6 and discuss our results in Section 7. Section 8 concludes.

2. Internal auditor’s moral courage and behavioural theory

According to Osswald et al. (2012), moral courage is defined as courageous behaviour; it “*is an important virtue in society*”, and it “*is not an innate behavior but can be learned and trained*” (Osswald et al., 2012, p.401). Similarly, Bierhoff (2002) considers moral courage a subtype of prosocial behaviour, noting that pro-social behaviour “*covers a broad range of actions intended to benefit one or more people*” (Batson, 1998, p. 282). Behaviourist theory is one learning approach; it states that behavioural change is caused by stimuli from the environment (John B. Watson, 1878-1958). According to Sekerka and Bagozzi (2007), the development of the willingness to act with moral courage is influenced by personal factors, which are in turn

dependent upon social forces, such as management, social norms, perceived rewards or punishments, and other contextual factors.

Hannah et al. (2013) view moral courage as malleable and under contextual influences. They recognize that pressure from managers is the factor that most inhibits moral courage in the workplace because managers have the power to punish their employees (Depret and Fiske, 1993). According to Zaini and Taylor (2009), this negative effect can be reduced through a close working relationship between the internal auditor and other supervisory bodies such as the audit committee. The authors support that this relationship offers the potential for the internal auditor to address any type of conflict that might affect his/her behaviour.

In the same vein, O'Leary and Stewart (2007) shed light on the audit committee as an effective means of strengthening the position of the internal audit function by providing a supportive environment (Gramling et al., 2004) in which the chief audit executive can raise matters affecting management. Alzeban (2015) supports this view by arguing that the interaction of the internal audit function with the audit committee can establish a power base for the internal audit function.

Therefore, based on behavioural theory, we consider the interaction between the audit committee and the internal audit function to be a stimulus that promotes the CAE's moral courage to disclose fraud committed by top managers.

3. Research Background and Relevant Literature

3.1 Internal auditing conflicts and fear

Unlike their external homologues, who generally report to the "principal" of an entity (e.g., shareholders), internal auditors generally report to those who are closely associated with "agents" (i.e., audit committee members) or to the agents themselves (e.g., top managers) (Norman et al., 2010; Barrett, 1988). Indeed, the internal auditor, who is considered the first line of defence against fraud (Rezaee and Lander, 1993), must inform the audit committee about any irregularities or fraudulent activities of which he/she becomes aware. In particular, if the manager is involved in fraud, the internal auditor must immediately communicate the relevant details to the audit committee (Rezaee and Lander, 1993). Conversely, internal auditors are more deeply submerged in organizational politics and are more often threatened by symbolic sanctions. Consequently, they are under pressure to submit to and satisfy the demands of management by playing the role of secret keepers (Roussy, 2013). Hence, the different motivations, incentives and threats faced by the internal auditor can generate a number of conflicts between the objectives of the internal audit function (e.g., control of the accuracy and reliability of financial information) and the objectives of the organization and management (e.g., profitability and maximizing shareholder or managers' wealth) (Chambers, 2014; Roussy, 2013; Stewart and Subramaniam, 2010). According to Van Peurse (2005), the internal auditors face various conflicting roles; they navigate between the roles of "auditor" (to be independent of his/her manager) and of "consultant" (working for the interests of his/her manager). In his study, Van Peurse (2005) finds that a close relationship of the internal auditor with his/her manager can compromise his/her independence because he/she tends to protect the interests of the manager rather than remain impartial (Colbert, 2002), although the definition of internal audit implies that internal auditors must be independent and objective in performing their duties (The Institute of Internal Auditors, 2009). He concludes that it is therefore not surprising that internal auditors can face familiarity and threats of social pressure arising from their relationships with managers.

This view is supported by Ahmad and Taylor (2009), who argue that the presence of more conflicting roles reduces the level of care the internal auditor has for his/her independence. They envision that conflicting roles are present because of the complexity of the environment in which the internal auditor works.

Drawing on role theory (Katz and Kahn, 1978) and the 'model of coping with role conflict' established by Hall (1972), Roussy (2013) attempts to reveal the roles that internal auditors actually play. She relies on the concept of "coping" to explore how internal auditors manage the role conflicts they encounter. As a result, Roussy (2013) finds that internal auditing is a function at the service of the top manager by performing a protector role, that of keeping secrets. She explains that when acting as secret keepers, internal auditors seek to hide or censor critical information that the top manager is keen to conceal from the members of the audit committee. She adds that when internal auditors conceal information from the members of the audit committee, their role as keepers of secrets is in conflict with the ethical norms and rules governing the internal audit practice.

These findings are supported in the recent study of Roussy (2015). Based again on the 'model of coping with role conflict', She examines and analyzes role conflicts experienced by internal auditors and their role conflict coping strategies during the internal audit process as demanded under IIA standards. Roussy (2015) demonstrates that internal auditor coping behaviour has a cumulative effect on their lack of independence and, eventually, on the objectivity of the internal auditing function and its capacity to perform its expected role in protecting the public interest.

The conflicted role of internal auditors generates conflicting perceptions of internal auditing quality. Drawing on framing theory, Roussy and Brivot (2015, forthcoming) find that internal auditors and audit committee members frame internal audit quality by relying on how useful they view the achieved work will be to the organization's top manager. Their view differs from that of external auditors, who describe the internal auditor as "watchdog" and highlight independence from top management as a determinant quality criterion. Internal auditors also diverge from the IIA's frame because performing in perfect accordance with professional standards matters less, from their perspective, than being of tangible and practical value to the decision makers of organizations.

Traditionally, it has been argued that audit conflicts represent an important source of ethical dilemmas that the auditor confronts (Thompson 2003; Arnold and Ponemon, 1991; Gul 1991). The auditors' ability to resist pressure from top managers in a conflict situation has been a recurring theme in the auditor independence literature (Stewart and Subramaniam, 2010; Knapp, 1985). Jones and Deckro (1993) assert that when expectations received, for a given role, conflict with the values and morals of the receiver roles, an ethical conflict occurs.

However, when the auditor is confronted with a challenge to ethics, which Rest (1986) called the recognition of a moral issue, pressure can provide the auditor a reason to act or to remain silent. The auditor faces the refrain, 'do I speak, or do I keep quiet?' (Berry 2004). When employees do not react, they become 'inactive observers' or 'silent observers' (Miceli and Near, 1992). Thompson (2003) claims that internal auditors can address situations that require them to report fraud (Barrier, 2003), but it is not always easy, particularly when management pressures them to "*go with the flow*" instead of "*making waves*" (Thompson, 2003, p.72). Business ethics literature has shown that increasing conflict between the values of

organizational actors contributes to an increase in fear and favouritism (Harris, 2003). An overwhelming body of research defines employee silence as a deliberate withholding of information and affirms that would-be speakers are kept silent by fear (Kish-Gephart and Bureaux-Soignet, 2013; Kish-Gephart et al., 2009; Milliken et al., 2003; Dutton et al., 2002; Johannesen, 1974). Being aware of their fear, would-be speakers consider the alternatives and make a conscious decision to conceal relevant input (Kish-Gephart and Bureaux-Soignet, 2013; Kish-Gephart et al., 2009). Consequently, when internal auditors withhold information and do not report the fraud committed by their superiors, this is a calculative choice to protect themselves from potential risks such as losing their job (Norman et al., 2010; James, 2003; Chadwick, 1995; Kalbers, 1992). The literature depicts such a pattern of action as a 'defensive silence' (Kish-Gephart et al., 2009).

Norman et al. (2010) note that reporting to the audit committee places internal auditors in a difficult position in relation to the top manager of the organization. In their study, Norman et al. (2010) ask experienced internal auditors to assess the risk of fraud; the results show that internal auditors who must report to their managers feel threatened in this process. However, they argue that the internal auditors feel more threatened when they report directly to the audit committee because they tend to decrease their assessment of the risk of fraud when they must report to the audit committee rather than the executive.

Chadwick (1995) reports an interview in which 12 CAEs of major publicly listed companies were asked whether they would report any of several possible offenses by senior management such as restricting the exposure of evidence from an audit and restricting information flow to the audit committee. All of the interviewees said that they would not report the incidents because they would most likely be fired and would never find another job as a chief audit executive. In the same vein, Kalbers (1992) reveals similar concerns from a survey of CAEs in which most respondents cited career concerns behind their reluctance to report problems to the audit committee.

Although extensive research has shed light on the ethical conflict inherent to the internal audit function and on the effect of fear on the reluctance of internal auditors to tell the truth, there has been little focus on how to reduce their fear and increase their moral courage to overcome ethical conflicts. Therefore, our study provides an exciting opportunity to advance our knowledge of the role of the audit committee in enhancing the moral courage of the internal auditor.

3.2 Moral courage – a guarantee of professional ethical behaviour

The concept of moral courage appears to have been initially popularized in the business ethics literature by O'Toole (1985), but he merely describes it as the quality of management when making ethical decisions during a social controversy or when addressing other similar issues (Mahoney, 1998). De George (1993) then explains the importance of moral courage in acting according to ethical standards in difficult situations in the workplace. Mahoney (1995) emphasizes the importance of this moral courage, based on examples from the conference "Development in the Underdeveloped World: A New Challenge for Business Ethics" in Hong Kong in 1995, in which moral courage was considered essential in situations of corruption and extortion (Mahoney, 1998, p.188).

According to Jackson (1996), ethical problems are not only limited to acute dilemmas or identification problems in which it is difficult to work out the best action but also include compliance issues in which the correct action is easily identified but is difficult to implement.

Indeed, acting ethically is not only acting in the pursuit of good instead of evil but also having the inner strength to refrain from giving in to moral temptations (Monin et al., 2007). This view is consistent with the Stoic view of ethics and moral courage (Putnam, 2010).

Moreover, Harris (2003) recognizes the need to encourage the development of the moral force in the workplace; according to Verschoor (2004), doing so will require more than a reinvention of programs, policies and penalties. Gates (2004) states that we must bring about a change in behaviour, and he calls for a revolution of character and a reintroduction of personal conscience, responsibility and values.

In the same vein, Sekerka et al. (2009) note that because character development can increase the value of an organization, it is regrettable that the teaching of ethics in organizational contexts continues to focus on demanding regulation and enforcing compliance rather than building a moral force. These issues are likely to motivate researchers in positive psychology and positive organizational theory to solve this problem by explaining character strength (Peterson and Seligman, 2004) and virtue based on moral performance (Cameron et al., 2003).

Peterson and Seligman (2004) conclude that courageous actions are a fusion of forces including courage, perseverance, integrity and vitality; this fusion promotes the desire to achieve objectives despite external or internal opposition. In the same context, Sekerka and Bagozzi (2007, p. 132) raise the question, “*Why is moral courage in the workplace viewed as the unusual, rather than the norm? If we want to cultivate organizational environments that exhibit moral strength, we must consider how courage can be exercised in daily organizational life as an action that can be achieved by everyone*”. They support that to confront and resolve those ethical issues that hinder the ability to perform the correct action, a strong desire is necessary. Indeed, the practice of moral courage, which is a moral force, is an important feature for members of an organization (Verschoor, 2004) and a quality or attribute necessary for ethical behaviour in organizational contexts (Hesselbein, 2005; Pears, 2004).

Moral courage has been described as a managerial virtue (Srivastva and Cooperrider, 1998) or an executive virtue associated with the will, and it is considered an important feature of efficient managers (DePree 1997). It is also an attribute that motivates and enables people to take the right course of action given the risks involved (Harris, 1999). According to Pincoffs (1986), people, as individuals, are more likely to successfully overcome difficulties if they are sufficiently persistent, not easily discouraged, and sufficiently brave to face the challenges.

Hannah et al. (2011) argue that modern organizations are morally complicated environments that therefore impose significant ethical requirements and challenges on their members; these members must have sufficient levels of moral courage to promote ethical action while refraining from any immoral action in the presence of temptations or pressures. These authors show that moral courage is positively related to ethical behaviour. In line with Kidder (2005) and Sekerka and Bagozzi (2007), Hannah et al. (2011) conclude that moral courage explains why one actor acts in an ethical manner, whereas another who faces the same ethical judgment in the same situation does not act in an ethical manner.

3.3 Moral courage and the internal auditor's ethical behaviour

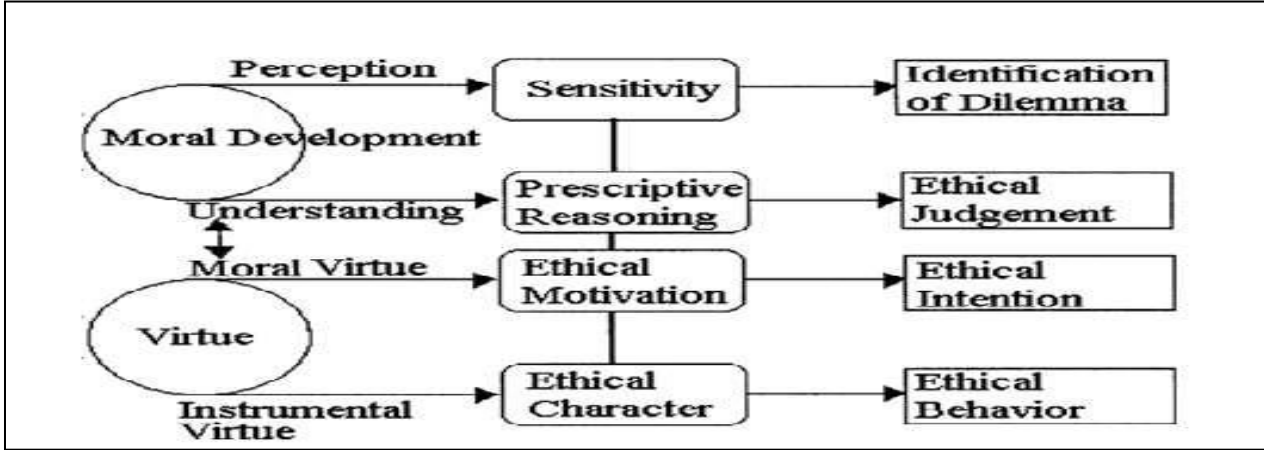
Considering moral courage to be a psychological force (Gruber, 2011) and the virtue of willpower (Harbour and Kisfalvi, 2014), several attempts have been made to reveal its significant role in enabling ethical behaviour by auditors and accountants (Armstrong et al. 2003; Libby and Thorne; 2004, 2007; Chambers et al., 2010; Roussy, 2012; Everett and Tremblay, 2014).

Building on Thorne’s (1998) model of ethical decision making, Armstrong et al. (2003) note moral courage as an instrumental virtue that explains auditors’ ability to act in accordance with their ethical intentions. Virtue, according to Thorne (1998), is a characteristic of a decision maker acting on morals because the possession and exercise of virtue tends to increase the probability that the decision maker will act in accordance with ethical judgments (Armstrong et al., 2003).

The model proposed by Thorne (1998) (Figure 1) integrates the model of ethical behaviour of James Rest (1986) and the principles of the ethical theory of virtue. This model consists of four components (Rest et al., 1999, p 101):

- (1) **Moral sensibility:** interpreting the situation by becoming aware of how different actions affect the parties concerned, imagining causes and effects from chains of events, and being aware that there is a moral problem when it exists.
- (2) **Moral judgment:** determining what action would be morally justifiable.
- (3) **Moral motivation:** the degree of commitment to following moral action by enhancing the responsibility of moral values over other values and taking personal responsibility for moral outcomes.
- (4) **Moral character:** persisting in a moral task and having the courage to implement a moral goal.

Figure 1. *Thorne’s integrated model of ethical decision making*



Source: Armstrong et al. (2003, p. 3)

Thorne (1998) states that the first two components (moral sensitivity and moral judgment) of the Rest model are primarily intellectual in nature, whereas the last two components (moral motivation and moral character) are closely related to virtue (Armstrong et al., 2003, p.3). Analyzing Thorne’s model, Armstrong et al. (2003) indicate that moral development and virtue are necessary for the auditor’s ethical behaviour. They suggest that moral development includes sensitivity to the moral content of a situation or an ethical dilemma and normative reasoning with the ability to understand the issues and to arrive at an ethical judgment. They also suggest that virtue includes ethical motivation, which describes the willingness of an individual to place the interests of others before his own and also includes ethical character.

Armstrong et al. (2003) add that virtue comprises two elements: moral virtue and instrumental virtue. Indeed, an ethical act for the benefit of others is an intention towards moral virtue. Instrumental virtue, which includes courage, helps the auditor realize his intentions. In fact, *"the integrative perspective suggests that an individual's ethical character is a reflection of his or her instrumental virtue"* (Thorne 1998, p. 299).

To conclude, Rest et al. (1999) emphasize that moral courage is an essential virtue to move from ethical intention to ethical behaviour. Sánchez and Cabello-Medina (2013) support this view and write that, despite all of the possible internal and external difficulties, this ability to perform ethical decisions is courage. Thus, the more developed a person's moral courage is, the more likely it is that the person goes from moral motivation to ethical behaviour. This view leads the authors to conclude that moral courage positively affects the moral character of individuals.

Based on Pincoffs (1986), Libby and Thorne (2007) conduct a qualitative study to identify the set of virtues that are associated with the ethical judgment of auditors and allow them to realize their ethical intentions. The authors reveal that courage is an instrumental virtue that plays a key role in promoting the ethical judgment of auditors. Similarly, courage is defined as one of the internal auditor qualities essential to ensuring integrity at the conference of General Audit Management (GAM) – *"A soul of a leader, the seven personal qualities that maximize the impact of the most efficient internal audit directors"*, organized by the IIA in 2010 in Florida and presented by Chambers (CEO of the Institute of Internal Auditors), Charles (Senior Client Partner in the Korn/Ferry International Atlanta office and a member of the Financial Officers Center of Expertise) and Park (Senior Client Partner in the Korn/Ferry International San Francisco office and a member of the Financial Officers Center of Expertise). Based on a series of interviews with many CAEs and members of audit committees in the United States and around the world led by the recruiting firm Korn/Ferry International and The Institute of Internal Auditors (IIA), Chambers et al. (2010) attempt to identify the essential qualities for a successful chief internal auditor.

In their study, responders agree about the need for courage in a context of adversity. Faced with pressures and considerable obstacles, *"You must be ready to fight alone when things go wrong and to transmit a message quickly,"* said Mark Arning (Senior Vice President and General Auditor, New York Life Insurance Company). *"You have to want to act for the good of the company and not to think about your own career"*. Chambers et al. (2010) conclude, *"Nothing is likely to cause as much harm to the entire profession and damage its reputation as a media unleashing against a chief audit executive arrested for fraud."*

In the same vein, Roussy (2012) determines how members of the audit committee appreciate the competence of the internal auditor. She conducts semi-structured interviews with fourteen members of audit committees working in Quebec's public sector. Roussy (2012) finds that members of the audit committee nourish many expectations concerning internal auditors and that they usually have a clear idea of what a competent internal auditor is. She identifies the skills and values expected in an internal auditor when considering the appropriate role of the internal audit function. Indeed, these expectations are demonstrated when the interviewees were asked about the criteria they expect in a competent internal auditor. She expressed these criteria in terms of the skills and values expected in internal auditors when considering the role of the internal audit function within a public organization. Hence, members of audit committees place importance on the values and personal skills of internal auditors when they appreciate their competence. Moral values that stand out are integrity and courage, whereas the essential skills for the internal auditor are the ability to synthesize, critical thinking, the capacity to

communicate effectively both in writing and orally, relationship skills and political sense. In addition, according to members of audit committees, possessing all of these skills and values allows the internal auditor to exercise judgment (Roussy, 2012).

In their detailed examination of Cynthia Cooper's autobiography (ex-Vice President of Internal Audit of WorldCom), Everett and Tremblay (2014) attempt to identify the crucial practical virtues that led Cynthia Cooper to behave ethically and blow the whistle. They find that Cooper's decision to step forward and bring the WorldCom fraud to light is based on her courage and her endurance of threats. Indeed, Cynthia Cooper, who was '*admired for her courage*' (Everett and Tremblay, 2014, p.6), shows her positive adaptation in the face of adversity, threats and risks. She has had to address serious consequences including demoralization, loneliness, humiliation, and several real physical costs. Everett and Tremblay (2014) describe Cynthia Cooper as a heroic accountant who earned the title of "Person of the Year 2002", an award by Time Magazine.

As shown previously, research to date has tended to focus only on the critical role of moral courage in reaching an ethical behaviour by resisting pressures and risks, but it has not addressed the factors that can influence (increase or decrease) the moral courage of the internal auditor. This paper seeks to fill this gap by examining the effect of the audit committee on the moral courage of the CAE.

4. Development of Hypotheses

Corporate governance guidelines and quotation rules (Blue Ribbon Committee, 1999; Smith Committee, 2003; the FRC's (2012); Guidance on Audit Committees and FRC's (2014) Corporate Governance Code) explicitly recognize the governance role played by audit committees in [1] supervising the relationship between management and internal auditors and [2] supporting the internal audit, and highlight the need for a strong working relationship between the IAF and audit committee to ensure good corporate governance (Alzeban, 2015; Zaman and Sarens, 2013).

Indeed, an internal audit function that receives strong support from the audit committee is likely to be more objective and powerful in its ability to implement controls (Alzeban, 2015; Lin et al., 2011; O'Leary and Stewart, 2007; Mat Zain et al., 2006; Allegrini et al., 2006).

According to Alzeban (2015), the audit committee is considered an important tool for increasing the organizational status and independence of the internal audit function. Alzeban (2015) adds that the nature of the interaction between the audit committee and the internal audit can significantly influence the effectiveness of the internal audit by affecting its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and consequently promote the internal auditor's courage when there is a need to report fraud and irregularities committed by management (Scarborough et al., 1998).

In the same vein, Stewart and Subramaniam (2010) assert that in recent years, audit committees have undertaken an important governance role in coordinating and monitoring the relationship between managers, internal auditors and external auditors. It is deemed a significant safeguard mechanism for internal auditors in managing their professional objectivity (Lin et al., 2011). Moreover, the independence of the internal auditor depends on his/her relationship with the audit committee (Stewart and Subramaniam, 2010; Allegrini et al., 2006).

Similarly, Zaini and Taylor (2009) assert that a close working relationship between the internal auditor and the audit committee is required. Furthermore, the audit committee should be considered a potential resource that the internal auditor can use to address the types of conflict that might affect his/her behaviour.

The role of the audit committee in supporting the internal audit is also evident in James' (2003) study. Indeed, James (2003) investigates the perceptions of bank lending officers concerning the effect of reporting structure on the internal audit's ability to prevent financial statement fraud. He finds that internal audit functions that report solely to the audit committee are more able to prevent fraudulent reporting compared with those functions that report to senior management.

However, interaction with the internal audit committee is a broad concept and includes various activities (Alzeban, 2015; Rezaee and Lander, 1993). In our study, guided by previous studies (Raghunandan et al., 2001; Scarbrough et al., 1998), we focus on the following five points: (1) the number of meetings between the audit committee and the CAE, (2) the existence of private access for the CAE, (3) the review of the internal audit program and its results, (4) the responsibility for the appointment and dismissal of the CAE and (5) the review of the relationship between internal audit and management.

Law 2011-06 in Tunisia, the Treadway Commission (1987), and the Toronto Stock Exchange Committee on Corporate Governance (TSECCG1994) all note that the audit committee should have a direct communication channel with the internal audit to discuss and review specific issues and to exchange pertinent information on a timely basis (Zaman and Sarens, 2013; Mat Zain et al., 2006; Scarbrough et al., 1998). Regular meetings between the audit committee and the CAE increase the probability that the audit committee will be competent and informed about relevant issues in accounting and auditing, permitting it to help the internal auditors resolve any problems identified (Mat Zain et al., 2006).

Based on a comparative study of audit committees, the Institute of Internal Auditors suggests that to be effective, an audit committee should meet with the chief audit executive at least four times per year (Raghunandan et al., 2001). Alzeban (2015) reveals that frequent meetings between the CAE and the audit committee improve internal audit conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPA).

Furthermore, a high number of meetings between the audit committee and the CAE can promote the internal auditor's willingness to act independently and objectively and can promote the courage to make an ethical decision (James 2003; Scarbrough et al., 1998). This effect will be influenced by a decrease in pressure from superiors, which in turn can decrease the CAE's fear of punishment.

Building on behavioural theory, the number of meetings between the audit committee and the chief audit executive is deemed a stimulus that increases his/her moral courage. Thus, we hypothesize that

Hypothesis 1: *The moral courage of the CAE is positively related to the number of meetings with the audit committee.*

Being aware that the internal auditor's reluctance to report problems to the audit committee appears to be exacerbated by restricted access to the audit committee (James, 2003), the Blue

Ribbon Committee report (NYSE and NASD, 1999, p.30) emphasizes that the lines of communication and reporting should encourage “[i]nternal auditors to express freely, regularly and on a confidential basis, with the audit committee”. In the same context, the BRC report (p. 39) suggests that it is essential to have formal mechanisms in place to facilitate confidential exchanges between the internal auditor and the audit committee. Indeed, due to the sensitive issues handled by internal audit, meetings between the CAE and the audit committee must be conducted in private, without the presence of top managers (Kalbers and Fogarty, 1993) because if the audit committee interacts with the internal auditor in the presence of management, he/she may become less courageous and less sincere (James, 2003). Building on behavioural theory, we consider the existence of private access to the committee to be a stimulus that fosters the moral courage of the chief audit executive. Hence, we hypothesize that

Hypothesis 2: *The moral courage of the CAE is positively related to the existence of private access to the audit committee.*

Law 2011-06 in Tunisia, the BRC report and the Treadway Commission (1987) also insist on the audit committee’s responsibility for ensuring the implementation of a system of internal controls and for this system’s efficiency. To fulfil this responsibility effectively, audit committees are required to (1) review the internal audit proposals related to programs, plans and coordination with external auditors to ensure that the scope of the internal audit program is sufficient and (2) review the results of the internal audit as it relates to financial reporting, internal control and compliance with laws and regulations (Roussy 2013; Raghunandan, et al., 2001).

Consequently, the internal auditor is responsible for providing reliable and transparent information. Based on behavioural theory, we consider the review of internal auditing programs and results by the audit committee to be a stimulus that promotes the moral courage of the chief audit executive. As a result, we hypothesize that

Hypothesis 3: *The moral courage of the CAE is positively related to the review of internal auditing programs and results by the audit committee.*

According to Norman et al. (2010) and Roussy (2012, 2013), the status of the internal auditor has significant implications for his/her effectiveness. More precisely, the more independent internal auditors are from their managers, the more likely it is that they will be objective and unbiased. Furthermore, because the top manager often makes personnel decisions concerning internal audit, an internal auditor must risk his/her job and career to report offenses and fraud by top managers (Roussy, 2013; James, 2003).

The negative effects of the manager’s authority to dismiss audit personnel with willingness to report negative information repeatedly emerge in concerns expressed by internal auditors (James, 2003). The National Commission on Fraudulent Financial Reporting (1992) and the Chartered Institute of Internal Auditors (CIIA, 2013) recognize this hazard when they recommend that the selection and dismissal of the chief audit executive occur only with the board of directors’ or audit committee’s concurrence (James, 2003; Alzeban, 2015).

According to Alzeban (2015), decisions on the appointment and dismissal of the CAE should when necessary be made without any influence from the manager to permit the CAE to fulfil his/her duties impartially (Chambers, 2014). Indeed, when the audit committee is involved in hiring and firing decisions, the internal audit function becomes able and confident to report on

poor managerial behaviour without a fear of reprisals and retaliation (Alzeban, 2015; Allison; 1994).

Stewart and Subramaniam (2010) envision that the involvement of the audit committee in decisions to dismiss the chief audit executive is an indicator of internal audit independence, and certainly the internal audit function will be more empowered (James, 2003). In other words, management pressure over the internal audit function is reduced by providing additional security for the CAE and consequently helping the internal auditor feel more comfortable, confident and courageous in undertaking audit inquiries, particularly when addressing sensitive issues that may indict senior management (Mat Zain et al., 2006).

Building on behavioural theory, the involvement of the audit committee in hiring/firing decisions is deemed a stimulus that strengthens the moral courage of the chief audit executive. Therefore, we hypothesize that

Hypothesis 4: *The moral courage of the chief audit executive is positively related to the involvement of the audit committee in decisions related to his appointment and revocation.*

To ensure the effectiveness of the internal audit, Raghunandan et al. (2001) note that good interaction between management and the internal audit function is essential. According to these authors, two issues are particularly relevant. First, management must respond appropriately to the findings and suggestions of internal auditors. Second, management should not impose restrictions or barriers on internal audit activities.

The Blue Ribbon Committee (BRC) report (1999, p. 30) recognizes the importance of examining the relationship between management and the internal auditor, noting, "*the audit committee is responsible for regularly reviewing the relationship between management and the external and internal auditors.*" Based on behavioural theory, we consider the review of management's interaction with internal auditing a stimulus that fosters the moral courage of the CAE. Thus, we hypothesize that

Hypothesis 5: *The moral courage of the CAE is positively related to the audit committee reviewing management's interaction with the internal audit.*

5. RESEARCH DESIGN

Phase I: experiment

5.1 Model

The experiment employed a multivariate analysis to test the effect of independent variables on the moral courage of the CAE. To do so, a multiple regression analysis was run to test our hypotheses.

5.2 Variables

For the selection of independent variables that capture the interaction between the audit committee and the internal audit function, we rely on Scarbrough et al. (1998), Raghunandan et al. (2001) and Mat Zain et al. (2006) and on information collected by professionals (members of audit committees and internal auditors). Therefore, we have five independent variables:

(1) The number of meetings between the audit committee and the CAE;

- (2) The existence of private access for the CAE to the audit committee;
- (3) The review of internal auditing programs and results by the audit committee,
- (4) The audit committee's involvement in decisions concerning the appointment and dismissal of the CAE; and
- (5) The review of the management's interaction with internal audit.

For variables related to the moral courage of the auditor, we rely on the measurement scale of Sekerka et al. (2009) (**See appendix 1**).

5.2 Data collection

Our sample choice was limited to listed companies because in the Tunisian context, there are only a few listed companies (75 companies) that have audit committees and internal auditors. Given the difficulty of communicating with listed companies in Tunisia, we were only able to contact 60 companies. These companies comprised 20 companies in the financial sector with a six-month turnover exceeding 12000 MDT and 40 companies in the industrial and commercial sectors with a six-month turnover exceeding 1700 MDT. The target population was the chief audit executives.

We administered questionnaires to CAEs from 60 listed companies. Thirty-five questionnaires were administered in person, and the remaining twenty-five were sent electronically. Our questionnaire consisted of two parts. The first part collected information related to the composition of the audit committee and its relationship with the internal audit function. The second part collected information related to CAE and measures his/her level of moral courage using Sekerka et al.'s (2009) measurement scale (see Appendix 2). Questions were identified in the questionnaire based on the literature and by collaboration with two accounting professors. To ensure the reliability and validity of our questionnaire, we consulted three CAEs and two members of audit committees; we also asked two psychosociologists to review it to ensure that Sekerka et al.'s (2009) measurement scale for moral courage is applicable in the Tunisian context. To measure the moral courage of the CAE, we asked the question, "How do you act when confronted by irregularities and frauds committed by your top manager?" The internal auditor was then called to answer sub-questions that measured his/ her moral courage (according to the measurement scale of Sekerka et al. (2009)) on a scale from 1 to 5 based on a 5-point Likert scale (1 = never true, 2 = rarely true, 3 = sometimes true, 4 = often true, and 5 = always true). These questions were translated from English to French by a translation specialist so that they are clear and understandable for CAEs.

The data collection lasted nine weeks (in 2015) and allowed us to receive answers from 52 CAEs; we were not able to obtain answers for eight questionnaires (sent electronically). Our final sample is composed of 52 listed companies, 20 of which are in the financial sector and 32 of which are in other sectors.

The respondents include 48 men and 4 women having between 12 and 21 years of experience. All respondents majored in accounting, and eleven of them hold a degree of chartered accountant. In addition, more than half of the CAEs asked are certified accountants (International Certificate in Internal Auditing or/and Professional Diploma of internal auditing).

Phase II: interviews

To enhance the depth of our analysis of the results found through the multiple regression and to increase our understanding about how the working relationship with the audit committee can promote the moral courage of the chief audit executive, we performed semi-directed interviews with CAEs. In total, the field study involves 22 individual semi-directed interviews conducted among chief audit executives working in 22 listed companies. The final distribution of the different companies is as follows: eight firms are in the financial sector (36%), and fourteen are in other sectors (64%).

Interviews were conducted between May and October 2015 with highly experienced chiefs audit executives who majored in accounting (mean experience = 15.6 years). The interviews lasted, on average, 1 h and were recorded and transcribed. To profoundly understand how the various activities stemmed from the interaction between the audit committee and the internal audit function can increase the moral courage of the chief audit executive; we asked respondents the questions shown in Appendix 3. We performed the content analysis of interview transcripts using the NVivo8 software.

6. ANALYSIS OF RESULTS

6.1 Quantitative test

The analysis of the findings begins with an overview of the normative and legal environment of internal auditing in Tunisian organizations.

6.1.1 Internal auditing in Tunisian organizations

In contrast to the external audit profession in Tunisia, there is no formal or legal organization that addresses the internal audit profession. We can find the Internal Audit Tunisian Association (IATA), which has only the status of an association. There are no barriers to entry or exams to pass. Moreover, there is no obligation of adhesion, unlike the Association of Chartered Accountants of Tunisia. In addition, the IATA does not have disciplinary power or dismissal authority.

We must note that several laws exist concerning internal audit that are largely promulgated in the context of credit companies (e.g., Section 34 of Law No. 2001-0065 relating to credit institutions and the circular concerning credit institutions No. 2006-19 related to internal control) and concerning initial public offerings (38 new Law No. 94-117 of November 14, 1994). Among the laws mentioned earlier, financial security law No. 2005-96, which was inspired by the Sarbanes-Oxley Act, remains the most significant law; it actually enhances internal audit and internal control mechanisms, including the creation of audit committees in credit and listed companies (Art.12). Additionally, since 2001, the creation of an audit committee has been an obligation for credit institutions respecting Law 2001-65.

To enhance corporate governance procedures and financial transparency, the Guide of Good Practice of the Governance of Tunisian companies, promulgated in 2012, again emphasizes the necessity of creating an internal audit function and the establishment of an audit committee. In addition, the Guide illustrates ethical norms for business professionals. To conclude, it is important to note that there is a common consensus among Tunisian internal auditors about complying with international internal audit standards and the internal auditing code of ethics.

6.1.2 Descriptive Statistics

Table 1 shows descriptive statistics. It shows details about number of meetings between audit committee and CAEs, with a maximum of six meetings per year. The audit committee provided private access to the chief audit executive in 16 of 52 (30.8 per cent) companies. The table also shows that all of the audit committees (100 per cent) review the internal auditing programs and results. However, only eighteen (34.6%) audit committees in our sample are involved in decisions concerning the appointment and dismissal of the *chief audit executive*. The remaining audit committees (65.4%) do not participate in these decisions because the manager has the entire authority to hire or/and fire CAEs. The last column shows that only eleven audit committees (21.2 per cent) examine the relationship between internal audit and management.

Table 1: Audit Committee – Internal Audit Interaction: Descriptive Statistics

The Number of meetings per year between audit committee and CAE	Frequency Number (Percentage)
2	6 (11.5%)
3	21 (40.4%)
4	9 (17.3%)
5	9 (17.3%)
6	7 (13.5%)
Existence of private access to audit committee	Frequency Number (Percentage)
Yes	16 (30.8%)
No	36 (69.2%)
Review of internal auditing programs and results	Frequency Number (Percentage)
Yes	52 (100%)
No	0
Audit Committee’s involvement in decisions concerning the appointment and dismissal of the CAE	Frequency Number (Percentage)
Yes	18 (34.6%)
No	34 (65.4%)
Review of the relationship between internal audit and management	Frequency Number (Percentage)
Yes	11 (21.2%)
No	41 (78.8%)

6.1.3 Empirical findings

A multiple regression analysis was performed to test our hypotheses. Moral Courage is our dependent variable. Our independent variables are the following: **MEET** = Number of meetings per year between the audit committee and the chief audit executive; **ACCE** = 1 if the audit committee provides private access to the CAE, and 0 otherwise; **REVIEW_PR** = 1 if the audit committee reviews the internal auditing programs and result, and 0 otherwise; **APP_DIS** = 1 if the audit committee is involved in decisions concerning the appointment and dismissal of the CAE, and 0 otherwise; and **MANG_AUD** = 1 if the audit committee reviews management’s interaction with internal audit, and 0 otherwise.

Table 2 shows that only the existence of private access for the chief audit executive has a significantly positive effect on his/her moral courage, indicating that a discussion of sensitive issues without the presence of the manager makes the CAE more comfortable and truthful. Private access to the audit committee makes the CAE feel secure and therefore more courageous. We find, however, insignificant results for MEET, ACCE, REVIEW_PR, APP_DIS and MANG_AUD. Therefore, we accept H2, whereas we reject H1, H3, H4 and H5. To deeply understand and analyze the findings stemming from this multiple regression, we conduct semi-directive interviews with 22 CAEs. A content analysis of interviews is presented in the following section.

Table 2: Multivariate analysis

	Coefficients	t-Stata	Significance
Constant	2.546	9.241	0.000
MEET	0.042	0.821	0.416
ACCE	1.713	12.328	0.000
REVIEW PR	0.185	0.762	0.450
APP DIS	-0.082	-0.768	0.447
MANG AUD	-0.068	-0.838	0.406
No. of observations	52		
Adjusted R Square	0.923		
F- test	123.275		
Significance	0.000		

6.2 Content analysis of interviews

The results presented and analyzed in this part are the result of coding and analysis of data that have been collected through semi-directed interviews conducted with 22 CAEs (the term ‘CAE’ is used to refer to every interviewee). First, respondents recognize that *“there are ways to tell the truth without losing your neck. They include talking to allies who can aid you such as the audit committee”* (CAE 18). They add, *“[...] the appearance of the audit committee provides more confidence for the chief audit executive and permits him/her to be more courageous”* (CAE 9).

Indeed, a working relationship between audit committees and chief audit executives can empower the latter and make them more courageous when reporting fraud manifested by their superiors:

“[...] with such interaction, a power base for the internal auditor can be established, thereby enabling him/her to perform his/her duties and obligations without fear” (CAE 21).

Due to their major role in resolving problems generated by conflicts of interest that could face an internal auditor and their position concerning the Board, *“audit committee members can largely support the chief audit executive if a fraud was reported”* (CAE7).

Respondents clarify that regular meetings between the audit committee and the chief audit executive are an indication of a strong relationship. In fact, periodic meetings permit the audit committee to be informed of any type of conflict or issues addressed and to resolve them timely. *“It is recommended for the audit committee to meet the chief audit executive at least four times per year in order to rapidly resolve any conflict between the CAE and the manager”* (CAE14).

Interviewees agree that “*a strong relationship between the audit committee and the CAE is materialized by regular meetings which reinforce the responsibility of the CAE*” (CAE 9), but they stress that the manager is generally present in these meetings, which can cause a problem for the chief audit executive. Indeed, “*the chief audit executive cannot discuss issues concerning his/her manager when the latter is present in the meeting*” (CAE 5).

“*It is highly difficult for the CAE to speak about management irregularities and malfeasances in the presence of his/her manager*” (CAE19).

“*[...] In the presence of his/her manager, the chief audit executive keeps silent by fear*” (CAE8).

Therefore, “*regular meetings between the audit committee and the chief audit executive can ensure a CAE who is more responsible but not necessarily a more courageous one*” (CAE3).

Recognizing the difficulty of the CAE discussing issues concerning the manager in his/her presence, interviewees add that the audit committee furnishes a private access for the chief audit executive to discuss sensitive issues without the presence of the manager. “*[...] access face to face without the presence of the Manager*” (CAE 2), to make him/her “*more comfortable and then more courageous in discussing issues concerning his/her manager*” (CAE 13).

Thus, when the internal auditor detects fraud committed by his/her manager, he/she must immediately communicate with the audit committee to report the fraud without informing the manager:

“*[...] I will ask for an urgent and private meeting with the audit committee with submission of the documents and proofs*” (CAE 1).

According to respondents, a review of the program and results of the internal audit by the audit committee “*generally enhances the responsibility of the internal auditor for performing his/her duties*” (CAE 14). However, “*it is not a guarantee for the courage of the CAE*” (CAE2) because it is insufficient to focus only on the program and results of internal auditing:

“*[The] audit committee must not be limited [to] examining the audit programs and results; it must follow and verify if the recommendations of the chief audit executive are taken into consideration by the management*” (CAE 18).

In addition, the audit committee must “*follow and examine the gap between the tasks noted in the plans and the tasks really done*” (CAE 20). Thus, interviewees admit that they feel more controlled and supervised by the audit committee. Moreover, they then feel more responsible and courageous to behave with impartiality. This feeling was particularly evident in the responses given by CAE 2, CAE 8 and CAE 21, who associated their courage to tell the truth with the control exerted by the audit committee when comparing their plans with their results together with following up their recommendations:

“*This kind of control exerted by the audit committee over the chief audit executives may reinforce the efficiency of internal auditing by strengthening their responsibility sense and their courage to perform their duties regarding fraud report*” (CAE 8).

Respondents insist that the status of the internal audit function has important implications for its effectiveness by increasing the courage of the chief audit executive. Therefore, every auditor should be personally, hierarchically and functionally independent from the audited entity:

“Dealing with conflict situations depends on degree of independence of the chief audit executive from his/her manager. This is one of the solutions that can necessarily reduce fear by reducing the power exerted by the manager, and then reducing risks stemming from his/her power because these are the risks that stimulate his/her fear” (CAE19).

“The greater the independence of internal auditors, including freedom from management pressure, the greater the likelihood is that they can remain objective and free from bias” (CAE1).

Interviewees believe that the greatest mistake is to let the chief audit executive be dependent on his/her manager. They claim that is insufficient for the audit committee to be only involved in hiring/firing decisions; *“it must have the absolute decisions and authorities concerning the recruitment and dismissal of the CAE” (CAE3).*

“The audit committee can ensure the independence and increase the courage of the chief audit executive by having the absolute decisions related to his/her career”(CAE21).

Therefore, *“the audit committee will be a greater empowerment of the internal function” (CAE12).*

In other words, management influence over the internal audit function decreases; consequently, internal auditors would feel more confident and courageous in undertaking audit investigations, particularly when addressing more sensitive issues that may involve their managers.

The necessity for giving complete authority to the audit committee concerning hiring/firing decisions is reiterated in the whole of responses of the chief audit executives and is revealed through the following interrogations:

“I am going to control who? The manager? The manager who recruited me and who will dismiss me?!” (CAE 2)

“To whom do I belong?” (CAE 4)

“Am I attached to the audit committee that protects and supports me? Or am I attached to the manager who appointed and pays me?!” (CAE 7)

Similarly, interviewees believe that reviewing the relationship between the manager and internal auditing permits a certain independence for the chief audit executive and permits the audit committee to be sure that the chief audit executive has all of the required tools to perform his/her work:

“[...] this is why the audit committee must review the relationship between internal audit and the top management to ensure that the internal auditor has the whole necessary means to fulfil its function” (CAE 3). Respondents agree that reviewing the relationship between the manager and internal auditing *“theoretically”* allows the audit committee to verify whether the manager imposes restrictions and barriers to limit the auditing field. However, *“in practice, it is not easy to detect if the manager puts barriers and/or exerts pressure over the CAE to restrict his/her fields of activity” (CAE 17).*

According to the respondents, audit committee members, in reality, remain incapable of detecting any pressure exerted by the manager because the above-described behaviour is a type of control that *“requires the daily presence of the members of [the] audit committee in the company” (CAE 8).*

“[F]or these reasons, examination of management’s interaction with IAF by the audit committee cannot be a guarantee for the moral courage of the CAE” (CAE14).

The responses given by interviewees and presented above can greatly explain our findings related to the effect of work relationships between the audit committee and the IAF on the moral courage of the CAE.

7. DISCUSSION

Building on behavioural theory, we propose that the audit committee-internal audit interaction is an organizational factor that influences the moral courage of the chief audit executive. We define a higher number of meetings with the audit committee and the CAE, the existence of private access for the latter, the review of internal auditing programs and results by the audit committee, the audit committee’s involvement in hiring/firing decisions and the review of management’s interaction with internal audit as organizational stimuli that promote the moral courage of the CAE to act ethically.

Regression analysis shows that the number of meetings between the audit committee and the CAE has an insignificant effect on the auditor’s moral courage. This finding is inconsistent with the ideas of Scarbrough et al. (1998), Raghunandan et al. (2001), Mat Zain et al. (2006) and Alzeban (2015), who note that direct and formal communication between the audit committee and the CAE reduces the internal auditor’s fear of being punished or dismissed because such communication decreases the overall pressure and reinforces his/her feeling of being supported by the audit committee, which promotes the courage to act independently and objectively. The responses given by respondents clarify that regular meetings between the audit committee and the CAE may not increase the moral courage of the latter because the manager is generally present in these meetings. Consequently, the CAE cannot discuss issues concerning his/her manager and keeps silent out of fear.

The existence of private access to the audit committee is significantly positively related to the moral courage of the CAE. Interviewees explain that providing an access face to face for the CAE to the audit committee makes him/her feel more protected and in turn feel less fear. Hence, he/she becomes more courageous to discuss and report related to the manager. This result supports James’ (2003) suggestion that the internal auditor’s reluctance to report problems to the audit committee appears to be exacerbated by restrictions on access to the committee; access helps the internal auditor become more comfortable and more courageous when discussing sensitive issues in the absence of his/her top manager (Scarbrough et al., 1998; Raghunandan et al., 2001).

The review of internal auditing programs and results by the audit committee cannot enhance the moral courage of the CAE. Our findings concerning this hypothesis diverge from the assertions of Roussy (2013) and Raghunandan et al. (2001), who indicate that a review of both the internal audit plans and the results makes the internal auditors more responsible in fulfilling their duties. Based on the responses provided by interviewees, we can explain our findings by noting that the audit committee does not deeply examine the programs and results of internal auditing and does not pursue gaps between the tasks noted in the plans and the tasks actually done. Consequently, this lack can make internal auditors less responsible and reliable because their work is not controlled by the audit committee.

Our findings concerning the fourth hypothesis go against the suggestions of Allison (1994), James (2003), Stewart and Subramaniam (2010) and Alzeban (2015). These suggestions note that when the audit committee is involved in decisions to appoint and dismiss the CAE, such involvement should encourage internal auditors to conduct their responsibilities and objectively report their findings without fear of reprisals or threats of dismissal. Interviewees, however, indicate that the audit committee's involvement in CAE hiring/firing decisions may not enhance the moral courage of the CAE later because the audit committee does not make the absolute decision. In fact, the audit committee must have complete authority concerning the career of the CAE to ensure his/her independence and increase his/her courage.

The result of the final hypothesis shows that the audit committee's review of the interaction between the manager and internal audit does not have a significant effect on the moral courage of the CAE. This result is inconsistent with the suggestion of Raghunandan et al. (2001), who note that when the audit committee ensures that management does not impose restrictions or barriers to the activities of internal audit, the internal auditor becomes more courageous and objective by feeling supported by the audit committee. Building on the responses furnished by interviewees, we can explain this finding by noting that the audit committee, in practice, remains unable to detect whether a manager exerts pressure on the internal auditor or whether he/she limits his/her area of activity.

8. SUMMARY, IMPLICATIONS, AND LIMITATIONS

The audit committee and internal audit are two mechanisms of corporate governance that aim to improve financial transparency and investor protection. The relationship between these mechanisms includes various activities such as meetings between the audit committee and the CAE, the existence of private access to the CAE, the review of the program and the results of the internal audit by the audit committee, the involvement of the audit committee in decisions concerning the appointment and dismissal of the CAE and the review of the relationship between internal audit and management.

Based on a mixed approach, this study shows that interaction between the audit committee and internal audit might enhance the moral courage of the CAE by providing private access for him/her. We find insignificant the relationship between the number of meetings between the audit committee and the CAE and his/her moral courage. Similarly, the contribution of the audit committee to the appointment and dismissal of CAE, the examination of internal audit programs and results together with the audit committee's examination of interaction between management and the IAF do not have a significant effect on the moral courage of the CAE. Additionally, the content analysis of interviews permits us to deeply understand and clarify how a working relationship between audit committee and internal auditing can spur the moral courage of the CAE to report fraud manifested by his/her manager.

This paper contributes to the auditing literature by providing the first study to identify the effect of the relationship between the audit committee and the internal audit function on the moral courage of the CAE. In our work, we rely on organizational psychology and the ethics literature to highlight the importance of moral courage to the ethical behaviour of the internal auditor. Recognizing that moral courage is the missing ingredient in the instruction of ethics (Comer and Vega, 2011), we believe that our study is interesting to the IIA. It can encourage

the IIA to concentrate not only on the ethics of auditing but also on considering the moral courage of the internal auditor.

In addition, the IIA's standards, which continue to focus on imposing regulation and demanding compliance controls rather than building moral strength, should rethink the question, "Why is moral courage in the workplace viewed as the unusual, rather than the norm?" (Sekerka and Bagozzi, 2007, p.132) Furthermore, we contend that our study can make business schools more aware about training accounting students to develop moral courage during ethical courses because it is insufficient to know what they should do; they also must have the courage to do it. Our findings, which note the effect of the audit committee on the moral courage of the CAE, offer a practical solution for academic researchers, professional organizations and institutions together with governance agencies (e.g., Sarbanes-Oxley Act of 2002) that seek to encourage internal auditors to speak about management fraud and not keep silent. Thus, we encourage regulators and standard setters to draft regulations and oversee the relationship between audit committees and the internal audit function to decrease the pressure exerted by the manager and to reduce fear of reprisals or threats of dismissal when reporting accurate information. Similarly, we believe these actors can benefit from our study by obliging public companies in Tunisia to establish audit committees to collaborate with internal auditors, support them and enhance their objectivity and independence.

Our study has limitations. First, we are limited to listed companies; hence, the sample size is small. Second, there is only one study (Sekerka et al., 2009) that provides a measurement scale of professional moral courage. Finally, we did not integrate individual variables such as gender and age. Future research might extend the results of this research by integrating other variables such as gender, political context (democratic or authoritarian) and national culture. Researchers who are interested in external auditing can also apply this topic to discover the effect of the audit committee on the external auditor.

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Appendix 1: Measurement scale of professional moral courage, Sekerka, Bagozzi and Charnigo (2009, p.575)

<p>Theme 1: Moral agency</p>	<p>1. I am the type of person who is unfailing when it comes to doing the right thing at work.</p> <p>2. When I do my job, I regularly take additional measures to ensure my actions reduce harms to others.</p> <p>3. My work associates would describe me as someone who is always working to achieve ethical performance, making every effort to be honorable in all my actions.</p>
<p>Theme 2: Multiple values</p>	<p>4. I am the type of person who uses a guiding set of principles from the organization as when I make ethical decisions on the job.</p> <p>5. No matter what, I consider how both my organization's values and my personal values apply to the situation before making decisions.</p> <p>6. When making decisions, I often consider how my role in the organization, my command, and my upbringing must be applied to any final action.</p>
<p>Theme 3: Endurance of threats</p>	<p>7. When I encounter an ethical challenge, I take it on with moral action; regardless of how it may pose have a negative impact on how others see me.</p> <p>8. When my job record may be affected negatively, I am unlikely to get involved with an ethical challenge.</p> <p>9. I am the type of person who wants to keep things subdued, not raise issues or put myself or others in jeopardy by bringing a moral issue forward.</p>
<p>Theme 4: Going beyond compliance</p>	<p>10. My coworkers would say that when I do my job, I do more than follow the regulations: I do everything I can to ensure actions are morally sound.</p> <p>11. When I go about my daily tasks, I make sure to comply with the rules, but also look to understand their intent, to ensure that this is being accomplished as well.</p> <p>12. It is important that we go beyond the legal requirements but seek to accomplish our tasks with ethical action as well.</p>

Theme 5: moral goals	<p>13. It is important for me to use prudential judgment in making decisions at work.</p> <p>14. I think about my motives when achieving the mission to ensure they are based upon moral ends.</p> <p>15. When engaged in action, I do not typically consider how virtuous my motives are as I move to accomplish objectives.</p>
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Appendix 2: Questionnaire

As part of the development of a research paper on the interaction between the audit committee and internal audit, I offer you a questionnaire that will be used to collect data to address the study objectives. It should be noted that the information collected will be treated confidentially.

I would be gratified for your collaboration and your close involvement in this project.

Company Name:

1- Interaction between the audit committee and the internal audit function		
1.1 How many members does the audit committee have in your company?		
1.2 What is the number of independent members of your audit committee?		
1.3 What is the number of meetings between the audit committee and you in a year?		
1.4 Are you are privileged with private access to the audit committee?	Yes	
	No	
1.5 Does the audit committee review the program and the results of the internal audit?	Yes	
	No	
1.6 Is the audit committee involved in the decisions regarding the appointment and dismissal of the head of internal audit?	Yes	
	No	
1.7 Does the audit committee review the interaction between top management and the internal audit function?	Yes	
	No	

2- Qualifications of the head of internal audit		
2-1-Training level	Level	
	Bachelor's degree or equivalent	
	Bachelor degree + 2 or equivalent	
	Bachelor degree +3 = license	
	Bachelor degree +4	
	Bachelor degree +5 or +6	
	Doctorate and +	
Other		
2-3-The number of years of experience in auditing	Experience	
	< 2 years	
	Between 2 and 5 years	
	> 5 years	

2-6- How do you act when facing an ethical dilemma (your top manager has committed fraud or irregularities)? Describe your response by checking one of the boxes.

1 Never true	2 Rarely true	3 Sometimes true	4 Often true	5 Always true
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1.You are the type of person who is unflinching when it comes to doing the right thing at work.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
2. When you do your job, you regularly take additional measures to ensure your actions reduce harm to others.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
3.Your work associates would describe you as someone who is always working to achieve ethical performance, making every effort to be honorable in all your actions.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
4.You are the type of person who uses a guiding set of principles from the organization when you make ethical decisions on the job.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
5.No matter what, you consider how both your organization’s values and your personal values apply to the situation before making decisions.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
6.When making decisions, you often consider how your role in the organization, your command, and your upbringing must be applied to any final action.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
7.When you encounter an ethical challenge, you take it on with moral action, regardless of whether it may pose a negative impact on how others see you.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
8.When your job record may be affected negatively, you are unlikely to get involved with an ethical challenge.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
9.You are the type of person who wants to keep things subdued and you do not raise issues or put yourself or others in jeopardy by bringing a moral issue forward.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
10.Your coworkers would say that when you do your job, you do more than follow the regulations: you do everything you can to ensure actions are morally sound.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
11.When you go about your daily tasks, you make sure to comply with the rules but also look to understand their intent to ensure that this is being accomplished as well.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
12.It is important that you go beyond the legal requirements but seek to accomplish your tasks with ethical action as well.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
13.It is important for you to use prudential judgment in making decisions at work.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
14. You think about your motives when achieving the mission to ensure that they are based upon moral ends.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>
15.When engaged in action, you do not typically consider how virtuous your motives are when you move to accomplish objectives.	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="5"/>

1- **Appendix 3:** As part of the development of a research paper on the effect of the interaction between the audit committee and internal audit on the moral courage of the chief audit executive

to the disclosure of fraud and irregularities committed by his/her manager, we thank you to give us a little of your time to answer questions of this investigation. Do you see that the audit committee plays a role in promoting the courage of the CAE to tell the truth? How?

- 2- Can you explain how the working relationship between audit committee members and the CAE can enhance the courage of this later?
- 3- Do you view that the meetings between the audit committee members and the CAE can spur the courage of this later? Why?
- 4- Do you consider the existence of private access to the audit committee as a guarantee for the courage of the CAE?
- 5- How reviewing the internal audit plans and results by the audit committee can increase the moral courage of the CAE?
- 6- Do you believe that the involvement of audit committee in hiring/firing decisions can be a stimulus of the moral courage of the CAE by ensuring his/her independence?
- 7- How can the review of management's interaction with the internal auditing function increase the moral courage of the CAE?