

Internal audit and systems of internal audit in Greek Banks

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Abstract

Prior studies have shown that internal audit plays an important role in the status of transparency and be considered as a fundamental pillar for any organization in the world.

The aim of this paper, is to investigate the necessity of internal audit and evaluation functions that can be served during the period before and after the procedure of a bank merger or acquisition.

We have recorded the current legislative framework and a modern concept of internal control systems of credit institutions was given. We carried out a research onto the potential risks which may result from acquisitions and whether the internal control can work proactively to it.

The functions of internal control before and after starting of a bank merger or acquisition and also whether internal auditors recognize the considered functions as those which must be implemented, were all considered.

Thus, we formed a questionnaire based on Salameh et al (2011) and Karagiorgos et al (2011) that fully meets the intended purpose and the research questions, which was distributed to the staff of the Internal Audit Departments of the four representative Greek banks.

The data obtained were processed using methods of descriptive statistics. The results record the value they can provide internal control in the smooth operation of a company in the stages before and after the procedure of a bank merger or acquisition, and reflected the opinion of the auditors on internal matters control according to their professional and cultural characteristics.

Keywords: Internal auditing, Risk, Mergers, Acquisitions, Systems of internal audit

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1. Introduction

The developments at the national and global level, the changing economic conditions, the speed of mergers and acquisitions, bad debts, as well as globalization, have brought many times the last years companies, facing the need to develop more effective and protective types of management.

Nowadays, companies operate in a continuous dynamic and competitive environment in which new risks emerge. Companies need to protect their business interests and they develop an audit behavior as well as internal audit systems against these risks. Consequently, the internal audit necessity, is a result of operational risk management and better corporate governance, and as a result it helps companies to achieve their goals (Drogalas et al, 2011).

The important changes (technological, political, economic, legal etc) have significant effects in the way companies are run. Companies have reduced their costs and increased their production capacity. All these changes make the internal audit function a necessity, although in many cases, they didn't manage to prevent fraud (Jensen, 1993).

When discussing about risk management and new risks, it is worth mentioning about banks. The major risks that banks need to manage include the operational, the credit, the market risk, liquidity etc. Banks have especially the last five years, developed internal audit systems, with a view to managing significant risks.

The mergers and acquisitions as well as the big amount of transactions, made the banks reconsider old internal control systems, since new risks vary and are dynamic. For example the political risk has increased due to political uncertainty, while the liquidity risk has also increased due to capital controls and financial crisis. The interesting part of this research, relies to the collection of as much data as possible, related to risks and the restructuring of internal audit systems, through the use of research questionnaire.

Restructurings and mergers, have led banks to new risk evaluations. Below, the ways the audit is performed, the detection and the evaluation of risks as well as the relevant criteria, are going to be studied.

Initially, an analysis of the definition of the internal audit is going to be performed as well as the internal control systems with the relevant reference to the legal framework which banks apply and comply with.

In addition, the whole range of risks that a bank faces, will be studied as well as the new risks will be analyzed. In any case, the continuous changes due to mergers and acquisitions will lead to a new framework which is developed based on the operations restructuring and the re-evaluation of risks. The major target of this research is to collect all the range of changes in the detection and evaluation of risks.

2. Internal Auditing and External Auditing

Auditing is a science with an increasing importance the last years, since companies and interested parties have realized the need for disclosure and reliability of published information. External audit is in a position to provide assurance on the reliability of financial information, since it is heavily involved with the compliance with accounting principles, accounting rules and accounting estimates. Internal auditing is performed from a professional with specific scientific and professional background, who is an employee of the audited company (Negakis and Tachinakis, 2013).

Internal auditing is an independent, objective consulting activity which adds value to the business operations. It supports the company to achieve its objectives and targets, evaluates the risk management process, supports the effective controlling and governance (Institute of Internal Auditors, 1999). The role of the internal auditing has been extended from the evaluation of financial data, to the evaluation of the assurance of the internal audit system of the organization. Based on Negakis and Tachinakis, 2013, the basic internal audit categories are the followings: management audit, financial audit, operational audit, as well as audit of production. Its target is to provide specialized services to management, with a view to more effective financial services of the company.

According to the Institute of Internal Auditors, 1999, the objective of the internal auditing is to support the organization in achieving its goals. This can be achieved by developing a systematic framework, which evaluates the risk management process, controls and governance.

The achievement of the internal auditing goal, has a lot of positive results as: reduction of accounting scandals and fraud (Jensen, 1993), effective risk management (Drogalas et al, 2011), achievement of companies goals' (Negakis and Tachinakis, 2013), recommendations for more effective management (Dittenhofer, 2001), adds value to the organization (Sawyer, 1995), providence of reliable information to the interesting parties (Zhang et al., 2007, Bedard, 2007), avoidance of mistakes at the financial statements preparation (Doyle et al., 2007).

In Greece, the duties of the internal auditor, are defined at the L. 3016/2002 and include the application of the internal regulation, reporting to the BoD cases of conflicts of interests, the (at least every 3 months) communication with the relevant authorities. Similar duties are the internal auditor duties for Public Companies, based on the L. 3429/2005.

It is also of great importance, the decision 5/204/14-11-2000 of the Capital Market Committee which imposes the basic rules of conduct, developing thus, the first legal framework for the internal auditors.

In 2006, the decision of the Governor of the Bank of Greece, no.2577/9-3-2006, is related to operational principles and evaluation criteria of internal audit systems of financial institutions.

3. Internal Control Systems

The term Internal Control System, is the total of rules within the organization that contribute to the effectiveness of the organization and its functions providing assurance on the reliability of financial statements and compliance (COSO, 1992).

Internal auditing is necessary since after the financial scandals at a global level, the need for a more effective business monitoring , especially for companies at the financial sector. External auditing that can be performed from the relevant authorities or the chartered accountants, can not be considered as adequate, since its character is less preventive, while it audits basically historical data (Christou, 2006).

An internal control system targets at the application of internal audit services that leads to a cooperation with external auditors (Kantzios and Chondrakos, 2006) while it offers independent appraisals for the information, the procedures and the company's systems as well as suggests solutions (Van Gansberghe, 2005).

The internal auditor is part of the human resources within the organization and he has to comply with the principles of the Code of the International Federation of Accountants (IFAC). The basic principles that he must comply with are: independence, integrity, objectivity, confidentiality (Negakis and Tachinakis, 2013).

Internal auditors can add value at the organization in risk issues and understanding (Walker et al., 2003). He can play an important role at the monitoring of the risk profile of the organization and to detect the areas for further risk management procedures (Lindow & Race, 2002).

With regards to management of the internal audit department, a culture related to risk management is necessary (Kwan, 1999). Such a culture is defined from the practices of top management and the Board of Directors (Steinmetz και Arthus, 2001) and can lead to the development of a completed framework of risk management (Kwan, 1999). Sarens and De Beelde, (2006) tested the relation between the internal auditor and the top management, and they found out that the management expectations have significant effect in internal auditing, while on the other side the internal auditor is capable of discharging these expectations that lead to the management enforcement.

Part of the management of the internal auditing department is its relation with risk management. Spira και Page, (2003) report that internal auditing is part of corporate

governance. A research between top management and internal auditors (KPMG, 1999) has shown that a higher percentage of internal auditors compared to top management is expected to be involved with the detection and evaluation of risks. The double of that percentage treat risk management as a means that adds value to the organization. Internal auditors must have a series of characteristics as being objective and sincere. Based on this, the internal audit staff plays an important role at its effectiveness (Brody & Lowe, 2000). Internal auditors cooperate with external auditors (Felix et al., 2001). Furthermore, there are cases where outsourcing is the best solution for the organization (Caplan & Kirschenheiter, 2001).

Consequently, staffing the internal auditing department is very important since top management has a lot of expectations from the internal audit department (Sarens & De Beelde, 2006).

4. Internal Audit Systems in Financial Institutions

According to WIPO 2577 / 9-3-2006, a bank's internal control system is the "set of control mechanisms and processes that continuously cover every activity of the credit institution and contributes to its efficient and safe operation". As far as banks are concerned, there are other additional texts regulating the functioning of internal control, in addition to the existing institutional framework. The main responsibility for ensuring financial stability, transparency and strengthening of competition is the Bank of Greece, which has also adopted the acts to be mentioned (Kiriakopoulos, 2006).

A principle established by Act 2577/2006 is the "four eyes" principle, as well as the consultative involvement of the Internal Audit, Risk Management and Compliance Units in the design of new products and decision-making. In addition, the Act emphasizes staffing and segregation of duties (in order to achieve independence of control and better risk management), those with a special relationship with the institution, the obligations to be met in order to better serve the clients, and the obligations of institutions to prevent money laundering (Gortsos, 2006).

Particular emphasis is given to the role of the Internal Audit and Inspection Unit, which is upgraded (Paschas, 2006). In addition, the subsidiaries of the group must maintain internal control systems, with the parent holding the role of coordinator (Andreadou, 2006). Financial institutions, due to their particular nature, face significant risks, which differ greatly from other businesses. The main types of bank risk are liquidity risk, credit risk, market risk, interest rate risk, operational risk, country risk, counterparty risk, systemic risk, foreign exchange risk and others.

The case of National Bank of Greece

The bank to be studied is the National Bank of Greece during the period 2013-2015. This is important, as in 2013 the bank proceeded to the acquisition of two banks, FBB and Probank, which absorbed the healthy segment. These acquisitions have resulted in the restructuring of the Greek banking system, as well as the risks that National Bank undertakes. However, these acquisitions did not only negatively affect the risks incurred. At the same time, they increased its deposit base, increasing its access to finance and reducing the liquidity risk (NBG, 2014). The National Bank was founded in 1841 and was the first bank of the modern Greek state, with a decisive contribution to the economic life of the country. It leads one of the largest and most powerful financial services groups in Greece, and has a significant presence in Southeastern Europe and the Eastern Mediterranean. It has a market share of 25% in deposits and retail banking. National Bank of Greece has a very wide network of 528 branches and 1,432 ATMs covering the entire geographical area of Greece. At the same time, the bank develops alternative sales channels for its products, such as Mobile and Internet Banking. In terms of human resources, the Group employs 34,554 employees, who serve a market of 125 million (according to data from 30.09.2015) (official website of the NBG). The NBG has subsidiaries in Southeastern Europe, and has recently gone through various strategic moves, such as the absorption of FBB in 2013. In the same year, the NBG acquired part of Probank's assets and liabilities (the 2014 Financial Stability Fund) . The National Bank's Internal Audit System was evaluated in 2013 by an internationally recognized external consultant for the implementation of the International Standards on Internal Audit and received the highest rating, which is Generally Conforms. The NBG uses the Thomson Reuters audit methodology to manage the audit work as a whole, and has close cooperation with external auditors. With regard to the staff employed in the Internal Audit System, this was enriched by 21 experienced executives from both its existing staff and Probank and FBB (ETE, 2013). The National Bank's Audit Committee was established in 1999 and is currently operating according to the new Basel II standards. In 2014, the internal audit methodology used was updated on the basis of the COSO 2013 principles, following the International Standards for Internal Auditing of the Institute of Internal Auditors (IIA).

5. Research Methodology

5.1 Purpose, research questions, and research hypothesis

The purpose of this research is to examine the importance of internal control in banking institutions in general and to investigate its operation before and after bank exposures and mergers. In particular, the research questions of the research, which specify the above purpose, are as follows:

1. How are internal control activities evaluated?
 2. What are the most important internal control activities?
 3. How are internal control functions assessed before a merger and acquisition process is initiated?
 4. What are the most important internal control functions before starting a redemption and merger process?
 5. How are the internal control functions evaluated after the termination of a takeover and merger process?
 6. What are the most important internal control functions after the termination of a takeover and merger process?
 7. How are all of the above demographic characteristics of Internal Audit Assessors affected?
- In connection with the above research questions, the following research hypotheses are structured:

Research Case 1: Internal Audit activities are assessed as particularly significant, in line with the degree of agreement / disagreement among the individuals involved in internal control units.

Research Case 2: There are internal audit activities that are assessed as more important, according to the degree of agreement / disagreement among the individuals involved in internal control units.

Research Case 3: The degree of agreement or disagreement among individuals participating in internal control units on the importance of internal control activities depends on their demographic characteristics.

Research Case 4: Internal Audit functions prior to the start of the takeover / merger process are assessed as particularly significant, in accordance with the degree of agreement / disagreement among the individuals involved in internal control units.

Research Case 5: There are internal control functions prior to the start of the merger process that are assessed as being more significant, according to the degree of agreement / disagreement among the individuals involved in internal control units.

Research Case 6: The degree of agreement or disagreement between individuals participating in internal control units on the importance of internal control functions prior to the start of the takeover - merger process depends on their demographic characteristics.

Research Case 7: The post-merger internal control functions are considered to be particularly significant, in accordance with the degree of agreement / disagreement among the individuals involved in internal control units.

Research Case 8: There are internal control functions after the expiration of the merger process that is considered to be more significant, according to the degree of agreement / disagreement among the individuals participating in internal control units.

Research Case 9: The degree of agreement or disagreement between the individuals participating in internal control units as to the importance of the internal control functions after the termination of the merger process depends on their demographic characteristics.

5.2 Research tool and reliability

The research tool consists of a questionnaire created for the purposes of this study. In particular, based on the questionnaires of Salameh et al (2011) and Karagiorgos et al (2011), a new enriched questionnaire was created which was judged to respond to the questions and assumptions of this study. The questionnaire, which is detailed in the Appendix of the study, consists of three modules, in which only closed-ended questions are incorporated. These modules are as follows:

- Section 1 - The Demographic Characteristics Module: This section explores the gender, age, educational level and years of service of the participants.
- Section 2 - The Unity of Internal Audit Necessity: This section investigates the internal control activities that show its necessity.
- Section 3 - The Pre-and After and After Mergers and Mergers Internal Control Roll Module. This module investigates internal control functions before and after the merger and acquisition processes. The total questionnaire consists of 40 closed-ended questions. Specifically, there are 36 Likert scale questions and 1 dichotomous and 3 multiple choice. Finally, the reliability of the questionnaire was investigated by computing the Cronbach's Alpha, which is shown in Table 1. According to this, the statistical measure receives values above 80% both in the whole questionnaire and in the question set, Which means that its reliability is considered to be extremely satisfactory.

6. Statistical Methodology

The statistical methods used are in direct relation to the type of variables they are required to analyze and to the size of the sample and the parametric or non-parametric data. With regard to descriptive statistical methods, the set of variables is categorical, which makes the frequency tables the most appropriate way of presenting participants' responses. In addition, because the variables of the 2nd and 3rd modules are also operative (Likert five-digit scale with 1 corresponds to the answer "Absolutely disagree" and 5 in the answer "Absolutely agree"), the average with the standard deviation . Using descriptive statistical methods, research cases 1, 4 and 5 were investigated. In terms of inductive statistical methods, besides the nature of the variables, the size of the sample also played a decisive role. Inductive statistical methods may be parametric or not. Non-parametric methods are used when the sample does not originate from a normal distribution or when the sample is small in nature, with the result that central boundary theorem is not applied or when the data are categorical or quantifiable (Koliva-Machera, Bora-Senta, 1998). In the present study, the last two cases, namely the inadequate sample from the nature of the category of respondents and the categorical nature of the data, have occurred, which has led to the use of non-parametric controls. In particular, the non-parametric statistical tests of Friedman and Kruskal-Wallis were used. Friedman's control is used for k dependent variables and controls the null hypothesis that they all come from the same distribution vs. the alternative that at least one dependent variable does not come from the same distribution. To accept the zero hypothesis, the p-value criterion, whose value should be greater than the significance level, is used. Otherwise, the mean values of the

variables show that statistically significant differentiations are found (Koliva-Machera, Bora-Senta, 1998). This methodology was used to test research cases 2, 5 and 8. The Kruskal - Wallis control is used for k independent variables and controls the zero assumption that they all come from the same distribution versus the alternative that at least one dependent variable does not come from the same distribution. For the acceptance of the zero hypothesis, the p-value criterion is again used, whose value should again be greater than the significance level. Otherwise, the mean values of the variables show that statistically significant differentiations are found (Koliva-Machera, Bora-Senta, 1998). This methodology was used to test research cases 3, 6 and 9. Finally, it is worth mentioning that the level of significance of the present study was chosen at 5%, while all of the above methods were implemented through the Statistical Package for Social Sciences (SPSS). The study population consists of the internal auditors of the banks to which the general rule applies that the employees in the Bank's Internal Audit Division corresponds to 1% of the number of employees as is the case with the EIB. Of the total number of these workers, our sample refers to the managers of the 25 numbering departments. This was followed by the simple random sampling method and the sample that resulted was 21 individuals of that address who completed the questionnaire following personal interviews.

6.1 Sample description

Table 2 describes the sample for its demographic characteristics. It is recalled that these refer to gender, age, level of economic study, and years of experience. Therefore, of the 21 participants in the survey: 14 (66.7%) are men and 7 (33.3%) are women. 14 (66.7%) are aged 31 to 45 and 7 (33.3%) are from 45 to 60 years of age. 8 (38.1%) hold an economics degree from University, while 13 (61.9%) hold a postgraduate degree. 3 (14.3%) have less than 5 years experience, 6 (28.6%) work in the same sector from 6 to 10 years, 7 (33.3%) have experience of 11 to 20 years, While 5 (23.8%) over 20 years.

Chart 1: Cyclic diagram for the gender of the sample

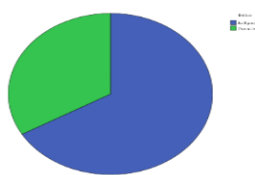


Chart 2: Cyclic diagram for the age of the sample

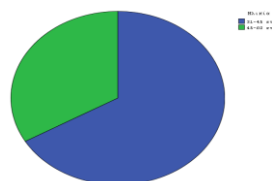


Chart 3: Cyclic diagram for the training level of the sample

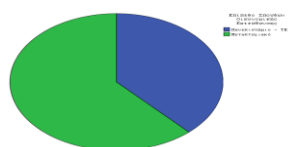


Chart 4: Cyclic diagram for the professional experience of the sample



6.2 Internal Audit necessity

6.2.1 Evaluation of the Internal Auditing

Table 3 lists the responses of the 21 participants in terms of their degree of agreement or disagreement about the need for internal control. According to the latter, in descending order of rank, the statements are classified as follows:

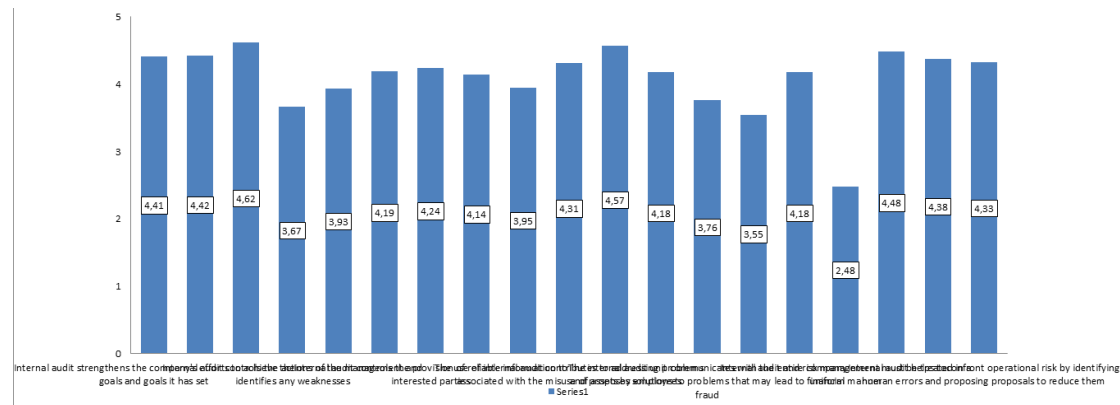
1. Internal audit evaluates the adequacy of risk management and suggests improvement actions (Average = $4.62 \pm SD = 0.50$).
2. The internal audit proceeds to assess the adequacy of the company's safety valves (average = $4.62 \pm S.D. = 0.74$).
3. Internal audit reports improve the ability of employees and the Board of Directors to choose procedures that reduce the risk of financial fraud (Average = $4.57 \pm SD = 0.51$).
4. The internal audit may judge the adequacy of the operational risk, by evaluating the procedures followed and proposing corrective actions (Average = $4.48 \pm SD = 0.75$).
5. Internal control strengthens the company's effort to achieve the goals and objectives it has set (Average = $4.43 \pm SD = 0.87$).
6. Internal control contributes to addressing operational risk by detecting system malfunctions (Average = $4.38 \pm SD = 0.74$).

7. The use of internal control helps to address problems related to employee misuse of assets (Average = $4.33 \pm SD = 1.24$).
8. Internal control contributes to addressing operational risk by identifying human errors and proposing proposals to reduce them (Average = $4.33 \pm SD = 0.91$).
9. The internal audit controls the provision of reliable information to interested parties (Average = $4.24 \pm SD = 0.89$).
10. Internal control contributes to improving the reputation and value of the enterprise (Average = $4.19 \pm SD = 0.87$).
11. Internal control contributes to avoiding problems such as profit manipulation and inadvertent errors in the preparation of the financial statements (Average = $4.14 \pm SD = 0.65$).
12. Internal control reports are easily understood (Average = $4.10 \pm SD = 0.54$).
13. The internal control unit contributes to the continuous improvement of the work monitoring process (Average = $4.10 \pm SD = 0.62$).
14. Internal control acts as a mediator in the company's relationship with the audit authorities by providing reliable information (Average = $3.95 \pm SD = 0.67$).
15. Internal Audit proposes corrective actions aimed at optimizing the utilization of corporate resources (Average = $3.90 \pm SD = 0.83$).
16. The unit communicates with the whole company and proposes solutions to problems that can lead to financial fraud (Average = $3.76 \pm SD = 1.34$).
17. The internal control controls the actions of the management and identifies any weaknesses (Average = $3.67 \pm SD = 1.15$).
18. The Internal Audit Unit contributes through suggestions so that all employees of the company understand how to reduce the risk of financial fraud. (Average = $3.57 \pm SD = 1.03$).
19. Internal control and risk management should be treated in a uniform manner (Average = $2.48 \pm SD = 0.81$).

There are significant differences in the degree of agreement of the participants in the various statements regarding the necessity of internal control. Some of these variations, according to the Friedman test, are statistically significant ($\chi^2 = 130.74$, $p < 0.05$). Therefore, statements can be grouped into three groups. The first group includes the first 13 statements as ranked in descending order of the degree of agreement, which average an average higher than 4. It is the group of internal control capabilities identified as most important by the sample and refers to its ability to increase the company's surplus value by addressing the sources of risk and the related phenomena by providing timely, valid and easily understandable information. The second group includes the next 5 statements, averaging between 3 and 4, referring to the ability of internal control to communicate its goals across the enterprise and to effectively control senior executives of its management. Finally, the third group identifies only one

statement, which identifies whether risk management and internal control should be treated in a uniform manner. This statement also brings the lowest average, which is only 2.48.

Chart 5: Internal Audit necessity



6.2.2 The effect of demographic characteristics at the evaluation of Internal Auditing

Table 4 shows the impact of the participant's gender on the evaluation of each of the statements about the need for internal control. Statistically significant differences between men and women appear in the statement: The Internal Audit controls the actions of the management and identifies any weaknesses ($\chi^2 = 7.16$, $p < 0.05$). Women appear to be more consistent with the specific proposal (Average = $4.57 \pm SD = 0.79$) versus men (Average = $3.21 \pm SD = 1.05$). Internal Audit proposes corrective actions aimed at optimizing the utilization of corporate resources ($\chi^2 = 4.79$, $p < 0.05$). The degree of agreement of women (Average = $4.43 \pm SD = 0.53$) is statistically significantly higher than that of men (Average = $3.64 \pm SD = 0.84$). Internal control helps to improve the company's reputation and value ($\chi^2 = 4.87$, $p < 0.05$). Men appear to be less (Average = $3.93 \pm SD = 0.92$) consistent with this application compared to women (Average = $4.71 \pm SD = 0.49$). The Internal Audit Unit contributes through recommendations so that all employees of the company understand how to reduce the risk of financial fraud ($\chi^2 = 5.38$, $p < 0.05$). Once again, the mean of men (Average = $3.21 \pm SD = 0.97$) is statistically significantly lower compared to women (Average = $4.29 \pm SD = 0.76$). Therefore, in all four cases there is a tendency for women to attach a higher importance to some characteristics than men.

Table 5 shows the results of the Kruskal - Wallis audit of the effect of age on the degree of agreement or disagreement among participants with the statements on the need for internal control. According to these results, age does not affect any of the statements considered, since all of the p-values are higher than 5%. The corresponding Kruskal Wallis test and its effects on the effect of the educational level on the acknowledged importance of the various statements on the need for internal control are shown in Table 6. According to it, statistically significant differences between the two levels of education are found in the statements. Internal Audit controls the actions of management and identifies weaknesses ($\chi^2 = 5,62$, $p < 0,05$). Specifically, the graduates of University (Average = $2.88 \pm SD = 1.13$) appear to be less consistent with this statement compared to holders of postgraduate diplomas (Average = $4.15 \pm SD = 0.90$). • Internal control contributes to improving the firm's reputation and value ($\chi^2 = 4.95$, $p < 0.05$). The average degree of graduate degree agreement (Average = $4.54 \pm SD = 0.52$) is higher than that of University graduates (Average = $3.63 \pm Sd = 1.06$). Use of internal control helps to address problems related to employee misuse of assets ($\chi^2 = 5.69$, $p < 0.05$). The holders of postgraduate degrees (Average = $4,85 \pm SD = 0,38$) appear in a higher agreement with the University graduates (Average = $3,50 \pm SD = 1, 69$). Internal audit reports improve the ability of employees and the BoD to choose procedures that reduce the risk of financial fraud ($\chi^2 = 10,02$, $p < 0,05$). The holders of postgraduate degrees (Average = $4.85 \pm SD = 0.38$) are again more in agreement with this statement compared to the University graduates (Average = $4.13 \pm SD = 0.35$). Following these, holders of postgraduate diplomas tend to recognize in some of the parameters of the necessity of internal control a higher importance compared to the participants of lower educational levels. Finally, Table 7 presents the results for controlling the impact of past service experience on the need for internal control. According to this, a statistically significant effect is presented in three statements. Internal Control strengthens the company's effort to achieve the goals and goals it has set ($\chi^2 = 8.02$, $p < 0.05$). Thus, people with the longest experience attribute a lower average degree of agreement to this proposal (Average = $3.80 \pm SD = 0.84$) compared to lower-years employees. Internal audit controls the provision of reliable information to interested parties ($\chi^2 = 9,75$, $p < 0,05$). Controllers with 11 to 20 years of service (Average = $4.71 \pm SD = 0.49$) and over 20 years (Average = $4.80 \pm SD = 0.45$) Show higher degrees of agreement compared to lower-years employees. The internal audit may judge the adequacy of the operational risk, by evaluating the procedures followed and proposing corrective actions ($\chi^2 = 11,45$, $p < 0,05$). The auditors with 11 - 20 years of service (Average = $5.00 \pm SD = 0$)

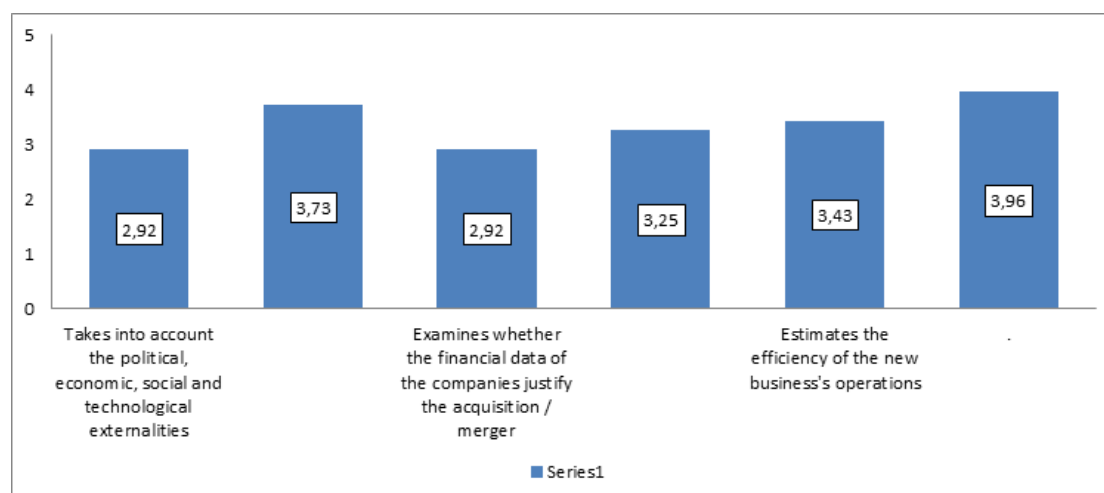
6.3.3 Internal Audit function before the merger - acquisition

Evaluation of the Internal Audit function before the procedure of merger - acquisition

Table 8 lists the responses of the 21 participants with regard to their degree of agreement or disagreement in the 6 statements regarding the functions performed by the audit before the start of the Merger – acquisition process. This table also shows the averages derived from the stated degrees of agreement and the relative standard deviations. According to the latter, in decreasing order of rank on the degree of agreement, statements are classified as follows with regard to the functioning of internal control before the opening of proceedings. Evaluates the quality of the organizational structure (Average = $3.80 \pm SD = 0.62$). Assess whether the financial results of the two companies are accurate (Average = $3.70 \pm SD = 0.80$). Estimates the efficiency of the operations of the new business (Average = $3.40 \pm SD = 0.75$). Confirms the ways in which value is added to the overall business (Average = $3.25 \pm SD = 0.77$). Takes note of the political, economic, social and technological external conditions (Average = $2.90 \pm SD = 0.91$). Examines whether the financial data of the companies justify the redemption / merger (Average = $2.90 \pm SD = 0.91$).

There are significant differences in the degree of agreement of the participants in the various statements regarding the internal control functions before the start of the merger / takeover process. Some of these variations, according to the Friedman test, are statistically significant ($\chi^2 = 30.25$, $p < 0.05$). Therefore, statements can be grouped into three groups. The first group includes the first two statements, as ranked in descending order of grade, which average an average of more than 3.5. It is the group of internal control functions identified as most important by the sample and refers to the assessment of the current situation of the two enterprises. The second group includes the following 2 statements, averaging between 3 and 3.5, referring to the ability of the internal audit to assess the future situation in which the new business that will be created will work. Finally, the third group includes the last two statements, which present an average of less than 3 and refer to the ability of the internal audit to take account of the environment and thereby assess the necessity of the merger or acquisition.

Chart 5: Internal Audit function before the merger – acquisition



6.3.4 The effect of demographic characteristics at the Internal Audit function before the merger – acquisition

Table 9 shows the impact of the participant's gender on the assessment of each of the statements about internal control functions before the start of the takeover or merger process. Statistically significant differences between men and women appear in the statement. Takes into account the political, economic, social and technological external conditions ($\chi^2 = 5.35$, $p < 0.05$). Women appear to be less consistent with this proposal (Average = $3.62 \pm SD = 0.66$) versus men (Average = $3.57 \pm SD = 0.98$). Examines whether the financial data of the companies justify the acquisition / merger ($\chi^2 = 5.35$, $p < 0.05$). The degree of agreement of women (Average = $2.54 \pm SD = 0.66$) is statistically significantly lower than that of men (Average = $3.57 \pm SD = 0.98$). Confirms ways to add value to the overall business ($\chi^2 = 4.32$, $p < 0.05$). Men appear to be more (Average = $3.71 \pm SD = 0.76$) consistent with this application compared to women (Average = $3.00 \pm SD = 0.58$). Therefore, in all three cases there is a tendency for women to attribute less importance to some internal control functions than to men. Table 10 shows the results of the Kruskal - Wallis audit on the effect of age on the degree of agreement or disagreement among the participants with the statements referring to the internal control functions before the start of the merger - According to these results, age does not affect any of the statements considered, since all of the p-values are higher than 5%. The corresponding Kruskal-Wallis test and its effects on the effect of the educational level on the recognized importance of the various statements on internal control functions before the start of the takeover and merger process are shown in Table 11 below. Accordingly, there are no statistically significant differences between the two levels of education in this case. Finally, Table 12 presents the results for controlling the effect of past service experience on

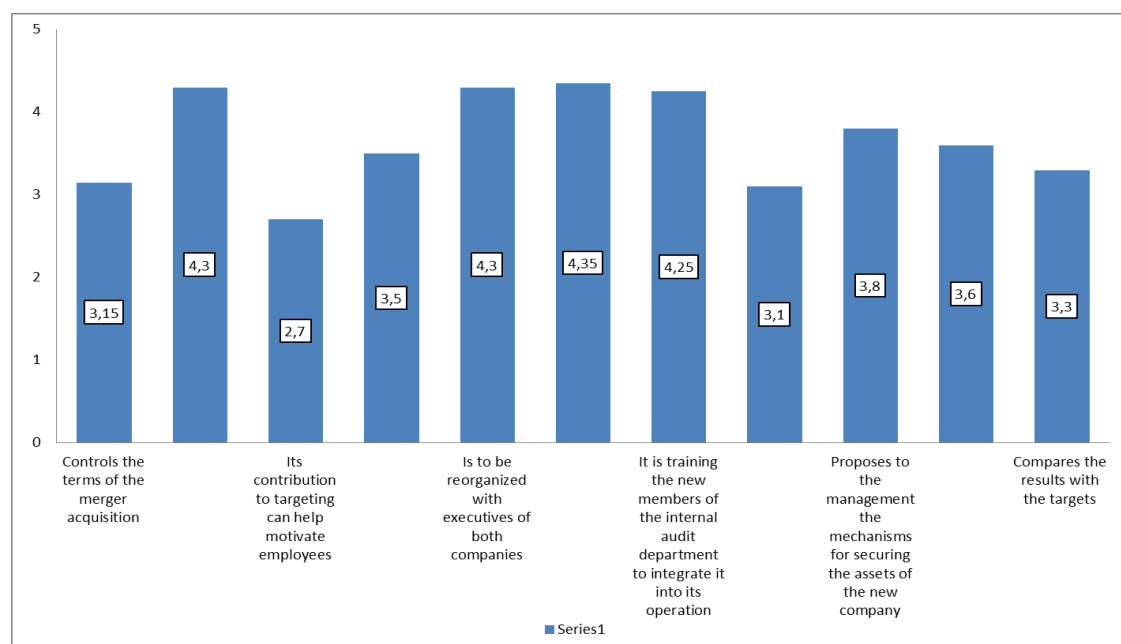
recognizing the importance of internal control functions. Accordingly, statistically significant effect does not occur in any statement.

6.3.5 The Internal Audit function after the merger - acquisition

Table 13 shows the distribution of 21 respondents' responses to their degree of agreement or dissent in the 6 statements about the functions performed by the audit after the expiration of the Merger – acquisition process. This table also shows the averages derived from the stated degrees of agreement and the relative standard deviations. According to the latter, in decreasing order of rank in the degree of agreement, declarations are classified as follows with regard to the operation of internal control after the end of the procedure. Configures the new internal control unit (Average = $4.30 \pm SD = 0.57$). It is called to be reorganized with executives of both enterprises (Average = $4.24 \pm SD = 0.62$). Proceeds to training the staff of the new internal audit department to operate in a uniform manner (Average = $4.24 \pm SD = 0.83$). Proceeds with the training of the new members of the internal control division to integrate in its function (Average = $4.24 \pm SD = 0.89$). Proposes to the management mechanisms for securing the assets of the new company (Average = $3.80 \pm SD = 0.77$). Recognizes opportunities to consolidate the work of the two companies (Average = $3.60 \pm SD = 0.75$). Finds mechanisms to safeguard the assets of the new company (Average = $3.50 \pm SD = 1.00$). Compares the results with the set goals (Average = $3.30 \pm SD = 0.66$). Controls the terms of the acquisition - merger (Average = $3.15 \pm SD = 0.67$). It goes on to educate employees to understand how they should work (Average = $3.10 \pm SD = 1.37$). Its contribution to targeting can contribute to motivating workers (Average = $2.70 \pm SD = 1.13$).

There are significant differences in the degree of agreement of the participants in the various statements regarding the internal control functions after the merger - acquisition process. Some of these variations, according to the Friedman test, are statistically significant ($\chi^2 = 86.60$, $p < 0.05$). Therefore, statements can be grouped into three groups. The first group includes the first 4 statements as ranked in descending order of the degree of agreement, which average an average higher than 4. It is the group of those internal control functions identified as most important by the sample and refer to the creation, organization And staffing of the new single internal audit unit. The second group includes the following 6 statements, averaging between 3 and 4, referring to the capacity of the internal audit to consolidate the activities and functions of the new single entity, and to check the conditions by which they were consolidated. Finally, the third group includes only the last statement, which shows an average of less than 3 and refers to the contribution of internal control to the motivation of employees.

Chart 6: The Internal Audit function after the merger - acquisition



6.3.6 The effect of demographic characteristics after the merger - acquisition

Table 14 shows the effect of the participant's gender on the assessment of each of the statements about internal control functions after the termination of the takeover or merger process. Statistically significant differences between men and women are not presented in any of the statements. Table 15 shows the results of the Kruskal - Wallis audit of the effect of age on the degree of agreement or disagreement of participants with the statements referring to the internal audit functions after the merger - acquisition process. According to these results, age does not affect any of the statements considered, since all of the p-values are higher than 5%. The corresponding Kruskal Wallis test and its effects on the effect of the educational level on the acknowledged importance of the various statements about internal control functions after the termination of the takeover and merger process are shown in Table 16. Accordingly, there are statistically significant differences between the two levels of education in the following statements:

- Forms the new internal control unit ($\chi^2 = 5.94$, $p < 0.05$). The holders of postgraduate diploma appear to be less in line with the specific proposal (Average = $4.08 \pm SD = 0.49$) versus University graduates (Average = $4.71 \pm SD = 0.49$).
- Finds mechanisms to safeguard the assets of the new company ($\chi^2 = 4.14$, $p < 0.05$). The degree of agreement between postgraduate degree holders (Average = $3.15 \pm SD$

= 0,90) is statistically significantly lower than that of University graduates (Average = 4,14 \pm SD = 0.90).

- It goes on to educate employees to understand how they should work ($\chi^2 = 4.54$, $p < 0.05$). Holders of postgraduate diplomas appear to be more (Average = 3.62 \pm SD = 1.04) in accordance with this statement compared to University graduates (Average = 2.25 \pm SD = 1.49).

Therefore, there is a tendency for University graduates to attach a higher importance to some internal control functions after the completion of the merger and takeover process compared to holders of postgraduate diplomas. Finally, Table 17 presents the results for controlling the effect of past service experience on recognizing the importance of internal control functions after the completion of the merger or redemption process. Accordingly, statistically significant effect does not occur in any statement.

7. CONCLUSIONS

With regards to the need for internal control in the NBG, all participants are at least neutral with respect to the activities they are considering with a majority of at least agreeing, which demonstrates the importance that internal auditors recognize in their internal audit activities. Indicatively, the only statement that gathered an average of less than 3 (a price that corresponds to, nor disagree or agree) was the statement that "internal control and risk management must be treated in a uniform manner", while all other statements are averaged Terms higher than 3,57. However, the degree of agreement between auditors differs according to the subject matter of the statement in question. Thus, the highest degree of agreement is made by the proposals that refer to the need for internal control to improve the value of the firm either by providing reliable information or by effective risk management. Following are the proposals referring to the ability of internal control to diffuse its principles and rules in the whole of the enterprise, while the last sentence with the difference is the above proposition which gathers the lowest arithmetic mean. Therefore, internal auditors recognize the high value of internal control in improving the bank's operations, but appear less confident about achieving this improvement. Finally, women with postgraduate diplomas and auditors with more years of experience assess some aspects of internal control as more useful than men, university graduates and younger auditors respectively. Regarding the internal control functions before the start of the bank redemption or merger process, the internal auditors recognize four of the six functions considered as those that will necessarily have to be implemented. Therefore, once again, the internal auditors appear as advocates of the functions that the internal audit is required to implement before the process begins. Exceptions here are the suggestions that internal control "takes into account the political, economic, social and technological external conditions" and "examines whether the financial data of the companies justify the acquisition / merger", which are the only ones with an average lower by 3. However, the functions considered do not gain the same degree of agreement on the part of the participants. In particular, the highest level is those in the assessment of the former situation of the two companies, intermediate in the ones referred to in the assessment of the internal control for the future consolidated situation of the two enterprises, while the lowest degree of those mentioned in the assessment by the domestic control of the environment in which the process is implemented. Finally, only gender has a statistically significant impact on the views of internal auditors. In particular, women appear to attach less importance to some internal control functions than men. Finally, with regard to the internal control functions after the end of the bank redemption or merger process, the internal auditors recognize seven of the eleven functions considered as those that will necessarily have to be implemented. Again, in other words, internal auditors appear as advocates of the functions the internal audit

is called upon to carry out after the end of the process. Exceptions here are the suggestions that internal control compares the results with the objectives set, "controls the terms of the merger", "advances employee training to understand how they should be active", and "Its contribution to targeting can help motivate workers" which average an average of less than 3.5. The features considered once again do not gain the same degree of agreement on the part of the participants. In particular, the highest grade is those relating to the creation, staffing and organization of the new single internal audit unit, intermediate to those relating to the ability of internal audit to consolidate the activities and functions of the new single entity, while the lowest grade Those referring to the contribution of internal control to the motivation of employees. Finally, only the educational level has a statistically significant impact on the internal auditor's views on internal control functions after the end of the takeover and merger process.

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APPENDIX 1

Table 1: The Cronbach's Alpha for the research questionnaire

Unit	No. of questions	Cronbach's a
Internal Audit necessity	19	0,939
Internal Audit before and after mergers and acquisitions	17	0,891
Internal Audit before mergers and acquisitions	6	0,828
Internal Audit after mergers and acquisitions	11	0,856
<i>Total questionnaire</i>	<i>36</i>	<i>0,954</i>

Table 2: The demographic characteristics of the sample

Demographics	Replies	N	%
Gender	Male	14	66,7%
	Female	7	33,3%
Age	31-45 years	14	66,7%
	45-60 years	7	33,3%
Level of studies at an economic direction	University	8	38,1%
	Postgraduate studies	13	61,9%
Years of experience	< 5 years	3	14,3%
	6-10 years	6	28,6%
	11-20 years	7	33,3%
	>20 years	5	23,8%

Table 3: Replies related to Internal Audit necessity and Friedman test

Internal Auditing							Friedman Test		
		Totally disagree	Disagree	Neither disagree, nor agree	Agree	Totally agree	Average	SD	
Strengthens the company's attempt to achieve its targets and goals.	N	0	1	2	5	13	4,43	0,87	130,74*
	%	0,0%	4,8%	9,5%	23,8%	61,9%			
Evaluates the reasonable assurance of risk management and suggests corrective actions.	N	0	0	0	8	13	4,62	0,50	
	%	0,0%	0,0%	0,0%	38,1%	61,9%			
Estimations on the reasonable assurance of controls within the company.	N	0	0	3	2	16	4,62	0,74	
	%	0,0%	0,0%	14,3%	9,5%	76,2%			
Audit management decisions and detects weaknesses.	N	0	5	3	7	6	3,67	1,15	
	%	0,0%	23,8%	14,3%	33,3%	28,6%			
Suggests corrective actions with a view to the effectiveness of company resources.	N	0	2	2	13	4	3,90	0,83	
	%	0,0%	9,5%	9,5%	61,9%	19,0%			
Contributes to the company's reputation and value.	N	0	2	0	11	8	4,19	0,87	
	%	0,0%	9,5%	0,0%	52,4%	38,1%			
Controls the reliability of financial information to the interested parties.	N	0	1	3	7	10	4,24	0,89	
	%	0,0%	4,8%	14,3%	33,3%	47,6%			
Contributes to problems avoidance i.e. mistakes at the financial statements preparation.	N	0	0	3	12	6	4,14	0,65	
	%	0,0%	0,0%	14,3%	57,1%	28,6%			
Acts as intermediate between the	N	0	1	2	15	3	3,95	0,67	

Internal Auditing company and the relevant authorities.		Neither disagree, nor agree					Friedman Test		
		Totally disagree	Disagree	Agree	Totally agree	Average	SD	X ²	p- value
Internal audit use to fraud cases i.e. misuse of company's assets from its employees.	%	0,0%	4,8%	9,5%	71,4%	14,3%			
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.	N	2	0	1	4	14	4,33	1,24	
	%	9,5%	0,0%	4,8%	19,0%	66,7%			
Internal Audit contributes to the continuing monitoring procedure.	N	0	0	3	13	5	4,10	0,62	
	%	0,0%	0,0%	14,3%	61,9%	23,8%			
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.	N	2	3	0	9	7	3,76	1,34	
	%	9,5%	14,3%	0,0%	42,9%	33,3%			
Internal Audit contributes through recommendations, so that company employees understand the ways to reduce financial fraud.	N	0	5	2	11	3	3,57	1,03	
	%	0,0%	23,8%	9,5%	52,4%	14,3%			
Audit reports are understandable.	N	0	0	2	15	4	4,10	0,54	
	%	0,0%	0,0%	9,5%	71,4%	19,0%			
Risk management should be dealt in the same way.	N	1	11	8	0	1	2,48	0,81	
	%	4,8%	52,4%	38,1%	0,0%	4,8%			
May evaluate the assurance of operational risk, through the evaluation of applied procedures and recommended actions.	N	0	0	3	5	13	4,48	0,75	
	%	0,0%	0,0%	14,3%	23,8%	61,9%			
Contributes to operational risk management, through the detection of system weaknesses.	N	0	0	3	7	11	4,38	0,74	
	%	0,0%	0,0%	14,3%	33,3%	52,4%			
Contributes to operational risk management, through the detection, through the detection of human mistakes and recommended actions.	N	0	2	0	8	11	4,33	0,91	
	%	0,0%	9,5%	0,0%	38,1%	52,4%			

* Statistical material at a 5% level

Table 4: The effect of gender at the necessity of Internal Auditing

	Men		Women		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Strengthens the company's attempt to achieve its targets and goals.	4,50	0,85	4,29	0,95	0,27	0,61
Evaluates the reasonable assurance of risk management and suggests corrective actions.	4,57	0,51	4,71	0,49	0,38	0,54
Evaluates the reasonable assurance of risk management and suggests corrective actions.	4,50	0,85	4,86	0,38	0,72	0,39
Audit management decisions and detects weaknesses.	3,21	1,05	4,57	0,79	7,16*	0,01
Estimations on the reasonable assurance of controls within the company.	3,64	0,84	4,43	0,53	4,79*	0,03
Contributes to the company's reputation and value.	3,93	0,92	4,71	0,49	4,87*	0,03
Controls the reliability of financial information to the interested parties.	4,00	0,96	4,71	0,49	3,01	0,08
Contributes to problems avoidance i.e. mistakes at the financial statements preparation.	4,00	0,68	4,43	0,53	1,92	0,17

	Men		Women		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Acts as intermediate between the company and the relevant authorities.	3,79	0,70	4,29	0,49	2,85	0,09
Acts as intermediate between the company and the relevant authorities.	4,14	1,46	4,71	0,49	0,34	0,56
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.	4,43	0,51	4,86	0,38	3,33	0,07
Internal audit use to fraud cases i.e. misuse of company's assets from its employees.	3,93	0,62	4,43	0,53	2,98	0,08
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.	3,43	1,50	4,43	0,53	1,82	0,18
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.	3,21	0,97	4,29	0,76	5,38*	0,02
Audit reports are understandable.	4,00	0,39	4,29	0,76	1,49	0,22
Internal Audit contributes to the continuing monitoring procedure.	2,29	0,61	2,86	1,07	1,46	0,23
May evaluate the assurance of operational risk, through the evaluation of applied procedures and recommended actions.	4,36	0,84	4,71	0,49	0,74	0,39
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.	4,29	0,73	4,57	0,79	0,98	0,32
Contributes to operational risk management, through the detection, through the detection of human mistakes and recommended actions.	4,14	1,03	4,71	0,49	1,78	0,18

* Statistical material at a 5% level

Table 5: Effect of the training level at the Internal Audit necessity

	University		Postgraduate studies		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Strengthens the company's attempt to achieve its targets and goals.	4,50	0,53	4,38	1,04	0,11	0,74
Evaluates the reasonable assurance of risk management and suggests corrective actions.	4,63	0,52	4,62	0,51	0,00	0,97
Evaluates the reasonable assurance of risk management and suggests corrective actions.	4,38	0,92	4,77	0,60	1,36	0,24
Audit management decisions and detects weaknesses.	2,88	1,13	4,15	0,90	5,62*	0,02
Estimations on the reasonable assurance of controls within the company.	3,63	0,92	4,08	0,76	1,78	0,18
Contributes to the company's reputation and value.	3,63	1,06	4,54	0,52	4,95*	0,03
Controls the reliability of financial information to the interested parties.	4,13	0,83	4,31	0,95	0,44	0,51
Contributes to problems avoidance i.e. mistakes at the financial statements preparation.	3,88	0,64	4,31	0,63	2,15	0,14

	University		Postgraduate studies		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Acts as intermediate between the company and the relevant authorities.	3,88	0,83	4,00	0,58	0,01	0,93
Acts as intermediate between the company and the relevant authorities.	3,50	1,69	4,85	0,38	5,69*	0,02
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.	4,13	0,35	4,85	0,38	10,02*	0,00
Internal audit use to fraud cases i.e. misuse of company's assets from its employees.	3,88	0,64	4,23	0,60	1,58	0,21
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.	3,13	1,81	4,15	0,80	1,00	0,32
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.	3,13	1,25	3,85	0,80	1,80	0,18
Audit reports are understandable.	4,13	0,35	4,08	0,64	0,02	0,89
Internal Audit contributes to the continuing monitoring procedure.	2,75	1,04	2,31	0,63	0,72	0,40
May evaluate the assurance of operational risk, through the evaluation of applied procedures and recommended actions.	4,38	0,92	4,54	0,66	0,06	0,80
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.	4,13	0,83	4,54	0,66	1,44	0,23
Contributes to operational risk management, through the detection, through the detection of human mistakes and recommended actions.	3,88	1,25	4,62	0,51	2,00	0,16

* Statistical material at a 5% level

Table 6: The effect of professional experience at the Internal Audit necessity

	< 5 Years		6-10 Years		11-20 Years		>20 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	Average	SD	Average	SD	X ²	p-value
Strengthens the company's attempt to achieve its targets and goals.	4,67	0,58	4,17	1,17	5,00	0,00	3,80	0,84	8,02*	0,05
Evaluates the reasonable assurance of risk management and suggests corrective actions.	4,33	0,58	4,50	0,55	4,71	0,49	4,80	0,45	2,25	0,52
Evaluates the reasonable assurance of risk management and suggests corrective actions.	4,67	0,58	4,00	1,10	5,00	0,00	4,80	0,45	5,16	0,16
Audit management decisions and detects weaknesses.	3,67	0,58	3,17	1,33	3,86	1,35	4,00	1,00	1,67	0,64
Estimations on the reasonable assurance of controls within the company.	4,00	0,00	3,50	1,05	4,14	0,38	4,00	1,22	2,21	0,53
Contributes to the company's reputation and value.	4,00	0,00	3,83	1,47	4,43	0,53	4,40	0,55	1,27	0,74
Controls the reliability of financial information to the interested parties.	3,67	0,58	3,50	1,05	4,71	0,49	4,80	0,45	9,75*	0,02

	< 5 Years		6-10 Years		11-20 Years		>20 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	Average	SD	Average	SD	X ²	p-value
Contributes to problems avoidance i.e. mistakes at the financial statements preparation.	4,33	0,58	4,00	0,63	4,29	0,95	4,00	0,00	1,42	0,70
Acts as intermediate between the company and the relevant authorities.	4,67	0,58	4,17	0,41	3,71	0,49	3,60	0,89	7,50	0,06
Acts as intermediate between the company and the relevant authorities.	4,33	0,58	3,67	2,07	4,71	0,49	4,60	0,89	1,35	0,72
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.	4,67	0,58	4,50	0,55	4,71	0,49	4,40	0,55	1,35	0,72
Internal audit use to fraud cases i.e. misuse of company's assets from its employees.	4,00	0,00	3,67	0,82	4,57	0,53	4,00	0,00	7,00	0,07
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.	4,00	0,00	2,83	1,72	4,00	1,41	4,40	0,55	3,67	0,30
Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.	3,33	0,58	3,17	1,33	3,71	1,25	4,00	0,00	2,03	0,57
Audit reports are understandable.	3,67	0,58	4,00	0,63	4,43	0,53	4,00	0,00	4,92	0,18
Internal Audit contributes to the continuing monitoring procedure.	2,33	0,58	3,17	0,98	2,14	0,69	2,20	0,45	6,05	0,11
May evaluate the assurance of operational risk, through the evaluation of applied procedures and recommended actions.	4,33	0,58	3,67	0,82	5,00	0,00	4,80	0,45	11,45*	0,01
Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.	4,00	1,00	3,83	0,75	4,71	0,49	4,80	0,45	6,92	0,07
Contributes to operational risk management, through the detection, through the detection of human mistakes and recommended actions.	4,33	0,58	3,50	1,22	4,71	0,49	4,80	0,45	7,00	0,07

* Statistical material at a 5% level

Table 7: The Internal Audit function before the procedure of merger – acquisition and Friedman test

		Totally disagree	Agree	Neither disagree, nor agree	Agree	Totally agree	Average	SD	Friedman Test	
									X ²	p-value
Internal Audit function at the stage before the commencement of the procedure of the merger - acquisition:										
Estimates political, financial, social and technological conditions.	N	0	8	7	4	1	2,90	0,91	30,25*	0,00
	%	0,0%	40,0%	35,0%	20,0%	5,0%				
Estimates the level of the financial results accuracy for both companies.	N	0	2	4	12	2	3,70	0,80		
	%	0,0%	10,0%	20,0%	60,0%	10,0%				
Evaluates whether the financial data of both companies reasons the merger - acquisition.	N	0	8	7	4	1	2,90	0,91		
	%	0,0%	40,0%	35,0%	20,0%	5,0%				
Confirms the ways that value will be added at the new company.	N	0	2	12	5	1	3,25	0,72		
	%	0.0%	10.0%	60.0%	25.0%	5.0%				

		Totally disagree	Agree	Neither disagree, nor agree	Agree	Totally agree	Average	SD	Friedman Test	
									X ²	p-value
<i>Internal Audit function at the stage before the commencement of the procedure of the merger - acquisition:</i>										
Evaluates the operations effectiveness of the new company.	N	0	2	9	8	1	3,40	0,75		
	%	0,0%	10,0%	45,0%	40,0%	5,0%				
Evaluates the quality of the organizational structure.	N	0	0	6	12	2	3,80	0,62		
	%	0,0%	0,0%	30,0%	60,0%	10,0%				

* Statistical material at a 5% level

Table 8: The effect of gender at the Internal Audit function before the procedure of merger - acquisition

	Men		Women		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Estimates political, financial, social and technological conditions.	2,54	0,66	3,57	0,98	5,35*	0,02
Estimates the level of the financial results accuracy for both companies.	3,62	0,87	3,86	0,69	0,20	0,65
Estimates the level of the financial results accuracy for both companies.	2,54	0,66	3,57	0,98	5,35*	0,02
Confirms the ways that value will be added at the new company.	3,00	0,58	3,71	0,76	4,32*	0,04
Evaluates whether the financial data of both companies reasons the merger - acquisition.	3,38	0,65	3,43	0,98	0,00	1,00
Evaluates the quality of the organizational structure.	3,77	0,60	3,86	0,69	0,07	0,78

* Statistical material at a 5% level

Table 9: The effect of age at the Internal Audit function before the procedure of merger - acquisition

	31-45 Years		45-60 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Estimates political, financial, social and technological conditions.	2,86	1,10	3,00	0,00	0,62	0,43
Estimates the level of the financial results accuracy for both companies.	3,86	0,86	3,33	0,52	3,51	0,06
Estimates the level of the financial results accuracy for both companies.	2,86	1,10	3,00	0,00	0,62	0,43
Confirms the ways that value will be added at the new company.	3,36	0,84	3,00	0,00	1,27	0,26
Evaluates whether the financial data of both companies reasons the merger - acquisition.	3,57	0,85	3,00	0,00	3,55	0,06
Evaluates the quality of the organizational structure.	3,86	0,66	3,67	0,52	0,32	0,57

* Statistical material at a 5% level

Table 10: The effect of the studies level at the Internal Audit function before the merger - acquisition

	University		Postgraduate degree		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Estimates political, financial, social and technological conditions.	2,71	1,11	3,00	0,82	0,94	0,33
Estimates the level of the financial results accuracy for both companies.	3,57	1,13	3,77	0,60	0,01	0,93
Estimates the level of the financial results accuracy for both companies.	2,71	1,11	3,00	0,82	0,94	0,33
Confirms the ways that value will be added at the new company.	3,57	0,79	3,08	0,64	1,72	0,19

	University		Postgraduate degree		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Evaluates whether the financial data of both companies reasons the merger - acquisition.	3,86	0,69	3,15	0,69	3,76	0,05
Evaluates the quality of the organizational structure.	3,86	0,69	3,77	0,60	0,07	0,78

* Statistical material at a 5% level

Table 11: The effect of Professional Experience at the Internal Audit function before the procedure of merger - acquisition

	< 5 Years		6-10 Years		11-20 Years		>20 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	Average	SD	Average	SD	X ²	P-value
Estimates political, financial, social and technological conditions.	3,33	1,15	2,83	1,17	2,71	0,95	3,00	0,00	1,47	0,69
Estimates the level of the financial results accuracy for both companies.	4,00	0,00	3,17	1,17	4,14	0,38	3,50	0,58	5,57	0,13
Estimates the level of the financial results accuracy for both companies.	3,33	1,15	2,83	1,17	2,71	0,95	3,00	0,00	1,47	0,69
Confirms the ways that value will be added at the new company.	3,33	0,58	3,17	0,98	3,43	0,79	3,00	0,00	1,92	0,59
Evaluates whether the financial data of both companies reasons the merger - acquisition.	3,00	1,00	3,50	1,05	3,71	0,49	3,00	0,00	3,92	0,27
Evaluates the quality of the organizational structure.	3,33	0,58	3,50	0,84	4,14	0,38	4,00	0,00	6,60	0,09

* Statistical material at a 5% level

Table 12: Replies related to the Internal Audit function after the completion of the merger – acquisition procedure and Friedman test

		Totally disagree		Neither disagree, nor agree		Totally agree		Average	SD	Friedman Test	
			Agree		Agree					X ²	p-value
<i>The Internal Audit function at the stage after the completion of the procedure of merger - acquisition:</i>											
Audits the terms of merger - acquisition.	N	0	2	14	3	1	3,15	0,67	86,60*	0,00	
	%	0,0%	10,0%	70,0%	15,0%	5,0%					
Develops the new Internal Audit unit.	N	0	0	1	12	7	4,30	0,57			
	%	0,0%	0,0%	5,0%	60,0%	35,0%					
Its contribution at the target setting, may contribute to the employees motivation.	N	3	6	6	4	1	2,70	1,13			
	%	15,0%	30,0%	30,0%	20,0%	5,0%					
Develops mechanisms for the safeguarding of the new company's assets.	N	0	4	5	8	3	3,50	1,00			
	%	0,0%	20,0%	25,0%	40,0%	15,0%					
Reconstruction with staff of both companies.	N	0	0	2	12	7	4,24	0,62			
	%	0,0%	0,0%	9,5%	57,1%	33,3%					
Training of the staff of the new internal audit unit, so as to operate in uniformity.	N	0	1	2	9	9	4,24	0,83			
	%	0,0%	4,8%	9,5%	42,9%	42,9%					
Trainings to new internal audit staff, so that they join the unit.	N	0	2	0	10	9	4,24	0,89			
	%	0,0%	9,5%	0,0%	47,6%	42,9%					
Trainings to employees, so that they way that they should understand the company's standards.	N	4	1	10	1	5	3,10	1,37			
	%	19,0%	4,8%	47,6%	4,8%	23,8%					
Suggests to management, mechanisms for the safeguarding new company's assets.	N	0	1	5	11	3	3,80	0,77			
	%	0,0%	5,0%	25,0%	55,0%	15,0%					

		Totally disagree	Agree	Neither disagree, nor agree	Agree	Totally agree	Average	SD	Friedman Test	
									X²	p-value
<i>The Internal Audit function at the stage after the completion of the procedure of merger - acquisition:</i>										
Recognizes opportunities for the consolidation of operations of the companies.	N	0	2	5	12	1	3,60	0,75		
	%	0,0%	10,0%	25,0%	60,0%	5,0%				
Compares the results with the targets.	N	0	1	13	5	1	3,30	0,66		
	%	0,0%	5,0%	65,0%	25,0%	5,0%				

* Statistical material at a 5% level

Table 13: The effect of gender at the Internal Audit function after the completion of the merger – acquisition procedure

	Men		Women		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Audits the terms of merger - acquisition.	3,08	0,64	3,29	0,76	0,12	0,73
Develops the new Internal Audit unit.	4,38	0,65	4,14	0,38	1,12	0,29
Develops the new Internal Audit unit.	2,46	1,05	3,14	1,21	1,22	0,27
Develops mechanisms for the safeguarding of the new company's assets.	3,69	0,85	3,14	1,21	1,16	0,28
Reconstruction with staff of both companies.	4,14	0,66	4,43	0,53	0,87	0,35
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,14	0,95	4,43	0,53	0,24	0,63
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,14	1,03	4,43	0,53	0,11	0,74
Trainings to employees, so that they way that they should understand the company's standards.	2,71	1,33	3,86	1,21	3,08	0,08
Suggests to management, mechanisms for the safeguarding new company's assets.	3,77	0,73	3,86	0,90	0,32	0,57
Recognizes opportunities for the consolidation of operations of the companies.	3,38	0,77	4,00	0,58	2,95	0,09
Recognizes opportunities for the consolidation of operations of the companies.	3,23	0,44	3,43	0,98	0,27	0,61

* Statistical material at a 5% level

Table 14: The effect of age at the Internal Audit function after the completion of the merger – acquisition procedure

	31-45 Years		45-60 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Audits the terms of merger - acquisition.	3,07	0,73	3,33	0,52	1,26	0,26
Develops the new Internal Audit unit.	4,29	0,61	4,33	0,52	0,01	0,92
Develops the new Internal Audit unit.	2,57	1,22	3,00	0,89	0,73	0,39
Develops mechanisms for the safeguarding of the new company's assets.	3,57	0,85	3,33	1,37	0,27	0,60
Reconstruction with staff of both companies.	4,14	0,53	4,43	0,79	1,31	0,25

	31-45 Years		45-60 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,21	0,70	4,29	1,11	0,42	0,52
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,07	1,00	4,57	0,53	1,25	0,26
Trainings to employees, so that they way that they should understand the company's standards.	2,86	1,51	3,57	0,98	1,16	0,28
Suggests to management, mechanisms for the safeguarding new company's assets.	3,86	0,86	3,67	0,52	0,41	0,52
Recognizes opportunities for the consolidation of operations of the companies.	3,57	0,85	3,67	0,52	0,01	0,93
Recognizes opportunities for the consolidation of operations of the companies.	3,29	0,73	3,33	0,52	0,09	0,77

* Statistical material at a 5% level

Table 15: The effect of the studies level at the Internal Audit function after the completion of the merger – acquisition procedure

	University		Postgraduate degree		Kruskal Wallis Test	
	Average	SD	Average	SD	X ²	p-value
Audits the terms of merger - acquisition.	3,29	0,76	3,08	0,64	0,12	0,73
Develops the new Internal Audit unit.	4,71	0,49	4,08	0,49	5,94*	0,01
Develops the new Internal Audit unit.	2,43	1,40	2,85	0,99	0,89	0,35
Develops mechanisms for the safeguarding of the new company's assets.	4,14	0,90	3,15	0,90	4,14*	0,04
Reconstruction with staff of both companies.	4,25	0,71	4,23	0,60	0,02	0,90
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,13	1,25	4,31	0,48	0,06	0,81
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,13	1,36	4,31	0,48	0,36	0,55
Trainings to employees, so that they way that they should understand the company's standards.	2,25	1,49	3,62	1,04	4,54*	0,03
Suggests to management, mechanisms for the safeguarding new company's assets.	3,86	0,69	3,77	0,83	0,02	0,90
Recognizes opportunities for the consolidation of operations of the companies.	3,86	0,69	3,46	0,78	0,90	0,34
Recognizes opportunities for the consolidation of operations of the companies.	3,57	0,79	3,15	0,55	1,38	0,24

* Statistical material at a 5% level

Table 16: The effect of the professional experience at the Internal Audit function after the completion of the merger – acquisition procedure

	< 5 Years		6-10 Years		11-20 Years		>20 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	Average	SD	Average	SD	X ²	p-value
Audits the terms of merger - acquisition.	3,33	0,58	3,50	1,05	2,86	0,38	3,00	0,00	3,35	0,34
Develops the new Internal Audit unit.	4,00	0,00	4,17	0,41	4,43	0,79	4,50	0,58	2,58	0,46
Develops the new Internal Audit unit.	2,67	0,58	2,67	1,86	2,86	0,90	2,50	0,58	0,30	0,96

	< 5 Years		6-10 Years		11-20 Years		>20 Years		Kruskal Wallis Test	
	Average	SD	Average	SD	Average	SD	Average	SD	X ²	p-value
Develops mechanisms for the safeguarding of the new company's assets.	3,00	1,00	3,83	0,75	3,43	0,79	3,50	1,73	1,38	0,71
Reconstruction with staff of both companies.	4,00	0,00	4,17	0,41	4,14	0,69	4,60	0,89	3,23	0,36
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,00	0,00	3,83	0,75	4,57	0,53	4,40	1,34	5,08	0,17
Training of the staff of the new internal audit unit, so as to operate in uniformity.	4,00	0,00	3,50	1,22	4,57	0,53	4,80	0,45	7,62	0,05
Trainings to employees, so that they way that they should understand the company's standards.	3,00	1,00	2,67	1,51	3,00	1,63	3,80	1,10	1,85	0,61
Suggests to management, mechanisms for the safeguarding new company's assets.	3,33	1,15	3,50	0,84	4,14	0,69	4,00	0,00	3,66	0,30
Recognizes opportunities for the consolidation of operations of the companies.	3,67	0,58	3,50	1,05	3,43	0,79	4,00	0,00	1,81	0,61
Recognizes opportunities for the consolidation of operations of the companies.	3,00	1,00	3,33	0,82	3,29	0,49	3,50	0,58	1,11	0,77

* Statistical material at a 5% level

APPENDIX 2

Research questionnaire

Unit A. Demographic details:

1. Gender:

<i>Male</i>	<i>Female</i>

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 at the relevant area.

	<i>Question</i>	<i>Totally disagree</i>	<i>Disagree</i>	<i>Neither disagree, not agree</i>	<i>Agree</i>	<i>Totally agree</i>
5.	Strengthens the company's attempt to achieve its targets and goals.					
6.	Evaluates the reasonable assurance of risk management and suggests corrective actions.					
7.	Evaluates the reasonable assurance of risk management and suggests corrective actions.					
8.	Audit management decisions and detects weaknesses.					
9.	Estimations on the reasonable assurance of controls within the company.					
10.	Contributes to the company's reputation and value.					
11.	Controls the reliability of financial information to the interested parties.					
12.	Contributes to problems avoidance i.e. mistakes at the financial statements preparation.					
13.	Acts as intermediate between the company and the relevant authorities.					

	<i>Question</i>	<i>Totally disagree</i>	<i>Disagree</i>	<i>Neither disagree, not agree</i>	<i>Agree</i>	<i>Totally agree</i>
14.	Acts as intermediate between the company and the relevant authorities.					
15.	Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.					
16.	Internal audit use to fraud cases i.e. misuse of company's assets from its employees.					
17.	Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.					
18.	Audit reports facilitate the employees and the BoD members to select procedures that reduce the financial fraud risk.					
19.	Audit reports are understandable.					
20.	Internal Audit contributes to the continuing monitoring procedure.					
21.	May evaluate the assurance of operational risk, through the evaluation of applied procedures and recommended actions.					
22.	Internal Audit communicates with all the company units and suggests solutions to issues that may lead to financial fraud.					
23.	Contributes to operational risk management, through the detection, through the detection of human mistakes and recommended actions.					

Unit C. Internal Audit before and after mergers and acquisitions

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

	<i>Question</i>	<i>Totally disagree</i>	<i>Disagree</i>	<i>Neither disagree, not agree</i>	<i>Agree</i>	<i>Totally agree</i>
The Internal Audit function before the commencement of the procedure of merger - acquisition:						
24.	Estimates political, financial, social and technological conditions.					
25.	Estimates the level of the financial results accuracy for both companies.					
26.	Estimates the level of the financial results accuracy for both companies.					
27.	Confirms the ways that value will be added at the new company.					
28.	Evaluates whether the financial data of both companies reasons the merger - acquisition.					
29.	Evaluates the quality of the organizational structure.					

	<i>Question</i>	<i>Totally disagree</i>	<i>Disagree</i>	<i>Neither disagree, not agree</i>	<i>Agree</i>	<i>Totally agree</i>
The Internal Audit function after the completion of the procedure of merger - acquisition:						
30.	Audits the terms of merger - acquisition.					
31.	Develops the new Internal Audit unit.					
32.	Develops the new Internal Audit unit.					
33.	Develops mechanisms for the safeguarding of the new company's assets.					
34.	Reconstruction with staff of both companies.					

	<i>Question</i>	<i>Totally disagree</i>	<i>Disagree</i>	<i>Neither disagree, not agree</i>	<i>Agree</i>	<i>Totally agree</i>
35.	Training of the staff of the new internal audit unit, so as to operate in uniformity.					
36.	Training of the staff of the new internal audit unit, so as to operate in uniformity.					
37.	Trainings to employees, so that they way that they should understand the company's standards.					
38.	Suggests to management, mechanisms for the safeguarding new company's assets.					
39.	Recognizes opportunities for the consolidation of operations of the companies.					
40.	Recognizes opportunities for the consolidation of operations of the companies.					