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**Audit Committees in Financial Institutions in Saudi Arabia:
A Dichotomy of Perceptions of Functional Independence and
the Reporting of Financial Crime**

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Journal of Financial Crime

Audit Committees in Financial Institutions in Saudi Arabia: A Dichotomy of Perceptions of Functional Independence and the Reporting of Financial Crime

1. Introduction

In 2018 Saudi Arabia was found to be fully compliant with recommendations of the Financial Action Task Force (FATF) in terms of the adequacy of laws and regulations for the prevention of money laundering (Naheem, 2019). As the body responsible for implementing FATF recommendations across the domestic financial services sector, the Saudi Arabian Monetary Authority (SAMA) has extensive investigative and enforcement powers. Recommendations have been made in the Corporate Governance Code of 2016 aimed at ensuring the effectiveness of audit committees (ACs) in fulfilling their oversight roles and that reporting obligations conform to FATF expectations (Alzharani and Aljaaidi, 2015). Ostensibly, the Kingdom complies with international standards. However, in 2015 the country was listed by the European Commission as being among 23 nations with deficiencies concerning the detection and prevention of money laundering (ML) and terrorist financing (TF) (European Commission, 2015). The FATF has also observed that although the country has a high degree of inter-agency coordination, robust supervision of financial institutions, and a good level of understanding amongst supervisors and senior bank personnel of the characteristics of ML and TF, it does not investigate for and prosecute ML/TF activities to a standard which meets FATF expectations (Pol, 2018). Saudi Arabia's vulnerability to AML/FT mainly lies outside the formal banking sector, in the *hawala* system, which effectively renders these activities beyond the scope of audit committees (Standing and Van Vuuren, 2003; Petraşcu and Tieanu, 2014). *Hawala*, the Arabic word for transfer or trust, is an informal, unregulated value transfer system which is not based upon cash payment but on the performance and honour of a network of money brokers known as *hawaladars*. Claims are not legally enforceable but instead the system functions on the basis of trust or honour between *hawalardars* to perform the agreed transfer between beneficiaries and recipients, who may be located in different cities or countries. Informal records are kept by the intermediaries but these are not

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3 publicly available, nor are they accessible by state agencies. According to Cordesman and Obaid
4 (2005) illegal money is channeled through this system by inadequately supervised religious
5 charities, as well as *Hajj* and *Umrah* pilgrimages, before being laundered into the banking system
6 through legitimate accounts.(El-Rehim Mohamed Al-Kashif, 2009).
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11 Audit committees (ACs) in financial institutions provide the ‘lynchpin’ between boards, SAMA,
12 and external stakeholders. National strategies aimed at combatting financial crime and the
13 channeling of laundered funds through the domestic banking system are largely dependent on the
14 effectiveness of these committees in two ways. First, in translating international standards as
15 prescribed by the FATF into effective internal systems through which information can be
16 disseminated within, across, and outside financial organisations (Naheem, 2016). Second, in
17 encouraging the reporting of suspicions of financial crime both internally to the board and
18 externally to SAMA. The independence of audit committees from influence by boards and senior
19 management is essential if they are to discharge their responsibilities with the degree of
20 impartiality necessary to make disclosures reliable in accordance with national strategies (Menon
21 and Williams, 1994; Al-Najjar, 2011). Non-executive directors (NEDs) on ACs enhance oversight,
22 AML/TF regulatory compliance, and the development and enforcement of proper internal risk
23 management frameworks (Haniffa and Hudaib, 2007; In'airat, 2015; Naheem, 2016). However,
24 ACs may be rendered ineffective if members lack the formal qualifications or technical skills to
25 identify complex money laundering transactions or if they are subject to undue influence by boards
26 or senior management, for example to ameliorate reports or findings to present the bank in a better
27 light to external stakeholders. AC members may also be ambivalent as to whom their duties are
28 owed: to the board and the bank, or to external stakeholders and wider society? This dichotomy
29 can result in an expectations gap between the AC, the board, and SAMA, which can undermine
30 national efforts to combat financial crime (Petraşcu and Tieanu, 2014; Alzeban, 2015).
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47 The purposes of this paper are twofold. First, is to investigate the extent to which ACs in Saudi
48 Arabian banks reconcile sometimes conflicting duties owed to boards, SAMA, and external
49 stakeholders in the context of reporting financial crime in general and money laundering
50 specifically. Second, to explain how AC members perceive boards’ perceptions of the role of the
51 committees and the requirement of independence (Spira *et al.*, 2004); if they believe that boards
52 have a view of their role and loyalties which differs from how they see them, then there is potential
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3 for an expectation gap (Houghton *et al.*, 2011; Vinten *et al.*, 2005). Independence from influence
4 by the board underpins the effectiveness of ACs: without the ability to investigate freely and
5 without restriction, and then to report findings through formal channels notwithstanding that these
6 may trigger investigation by SAMA, the *raison d'être* of the committees comes into question. The
7 research questions can be stated thus. First, what are the reporting obligations of ACs in detecting
8 and reporting ML and TF in financial institutions in Saudi Arabia as perceived by, first, committee
9 members, and second, by the board as interpreted by AC members? Second, to what extent are
10 disagreements between ACs and boards, for example regarding the reporting of systemic failings
11 or weaknesses to SAMA, resolved through formal or informal mechanisms? If the latter, then a
12 greater risk is presented to the independence of the AC and its reporting duties if the board can
13 silence criticism or bring pressure to bear to prevent unfavourable information reaching outsiders.
14 Third, in which ways can AC independence be protected? The methodology is qualitative, drawing
15 upon results of a questionnaire administered to past and present AC members of Saudi financial
16 institutions. The remainder of the paper is organised as follows. The next section provides a
17 literature review of the functions of ACs in financial institutions in the context of detecting and
18 reporting suspicions of ML and TF, with reference to Saudi Arabia. Section 3 provides the paper's
19 empirical investigation, and discussion of findings. Section 4 discusses the issues of numerical
20 composition of ACs and technical expertise of members, based upon autobiographical information
21 provided by respondents. Section 5 concludes.

2. Literature review

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24 In'airat (2015), and Alzeban (2015) described how organisations which have independent internal
25 audit functions are more likely to adopt effective risk management strategies, find evidence of
26 fraud, and allocate adequate resources to the internal audit function. In Saudi banks the nature,
27 function, and standing of ACs, and the appointment and role of NEDs, are less determined by
28 formal legal and regulatory frameworks or codes than by the complex organisational, cultural, and
29 situational contexts in which they operate (Al-Twajjry *et al.*, 2002; Al-Twajjry *et al.*, 2003;
30 Jayasuriya, 2006). For example, Bartlett (1993) proposed that independence relates to a mental
31 attitude that is impossible to formally define and verify; to presume that NEDs are independent
32 because of an absence of explicit connections at board level through which influence can be
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3 exerted may be naive. For Zaman and Sarens (2013), independence is more of a state of mind that
4 an outcome of compliance with formal and legalistic requirements. Al-Twajjry *et al.* (2002), and
5 Al-Twajjry *et al.* (2003) extended this notion of mental attitude, asserting that the AC's ability to
6 perform its function is ultimately dependent on the quality of information available to it which in
7 turn depends on the informal and formal interactions across, and communication within,
8 organisational structures. Behavioural and sociological aspects of corporate governance and the
9 interactions between boards and committees has been considered extensively in the literature
10 (Davis, 2005; Huse, 2005; Ahrens and Khalifa, 2013). These informal interactions are powerful
11 when formal external regulations and codes are generalised and relatively non-specific in terms of
12 prescribing the nature of and boundaries to accountability.
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21 Although the autonomy of the AC and its independence from influence by the board or
22 management are essential to its role in detecting and reporting ML, these may be weakened if there
23 is ambivalence regarding its status or functions either amongst its members, or on the part of the
24 board. Collier (1992), Al-Moataz (2003), and Adams and Ferreira (2007) suggested that the AC
25 may encroach upon and dilute the executive management's function and authority to the extent
26 that it may pre-empt managerial responsibility. This has the potential to result in internal conflict,
27 as well as board reticence towards it or willingness to share information with it. The AC requires
28 self-confidence to challenge the adequacy of internal systems and to question the board regarding
29 shortcomings in compliance with external standards and expectations as set by, for example, the
30 FATF. This potentially adversarial role may undermine co-operation with it by senior management
31 and other accounting officers within the organisation ((Wolnizer, 1995; Eulerich *et al.*, 2017).).
32 Effective AML requires an atmosphere of collaboration, disclosure, and a sense of common
33 purpose between the AC and the board, and other parts of the organisation. Al-Moataz (2003) and
34 Adams and Ferreira (2007) suggested that internal pressures, principally informal and behavioural
35 in nature, can result in ACs becoming 'lapdogs instead of watchdogs'. The board expects the AC
36 to guide it and to make recommendations, but ultimately owing its first responsibility and loyalty
37 to the economic wellbeing of the organisation. This paper tests this proposition in the context of
38 Saudi Arabia. Independence becomes desirable but not if it results in embarrassing disclosures to
39 outsiders regarding shortcomings in AML systems. However, the wider public as well as regulators
40 may have a different perspective, seeing ACs as part of an essential set of checks and balances,
41 and guarantors of accurate disclosure to stakeholders, which are prerequisites to good corporate
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3 governance (Al-Tawil, 2016). This can result in an expectations gap (Standing and Van Vuuren,
4 2003). Differences between the public and ACs about the responsibilities and duties of the latter,
5 as well as the message conveyed in its reports, have persisted (Fadzly and Ahmad, 2004). Standing
6 and Van Vuuren (2003) suggested that AC members are not always aware of AML and TF laws
7 and accounting rules, their formal purpose, and procedures and channels through which suspicions
8 of money laundering should be reported to external law enforcement agencies. While a more
9 proactive role for ACs in combatting ML may be desirable, Standing and Van Vuuren (2003)
10 proposed that effectiveness is dependent on part-time NEDs who are often ill-equipped to process
11 and act on surveillance information. Even if they could, the inherently complex nature of ML,
12 limited audit durations and scope, legal protection for confidential information, and even collusion
13 between corrupt employees and customers, undermine effectiveness (Ruhnke and Schmidt, 2014).
14 The resulting expectations gap corrodes the legitimacy of statutory audits (Porter *et al.*, 2012), and
15 comprises two components: reasonableness and performance. Reasonableness derives from the
16 differences between society's expectations of ACs and what they may reasonably be expected to
17 deliver, while performance pertains to the public's expectations of the auditors and its assessment
18 of the auditors' actual performance (Masoud, 2017; Ruhnke and Schmidt, 2014). The next section
19 describes and critiques the functions of ACs in Saudi Arabia, the distinction between formal
20 requirements as prescribed in relevant codes and the informal as resulting from cultural and
21 behavioural factors, this being one of the principal themes of this paper (Turley and Zaman, 2007).
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40 **3. Audit committee effectiveness in Saudi Arabia: empirical investigation**

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43 Article 54 of the Saudi Arabian Code of Corporate Governance 2016 provides for the establishing
44 of an AC comprising three to five members by a resolution of the Company's Ordinary General
45 Assembly. These persons must not be members of the firm's executive management or external
46 auditing team, or employees in the company's finance department. Article 54(b) requires that the
47 AC is chaired by a NED, while Article 54(c) mandates the General Assembly, on the
48 recommendation of the board, to issue regulations and terms for the AC. Articles 55 and 59 set out
49 the powers, role, competencies, and responsibilities of the AC. Other than the existence of
50 information asymmetry between executive directors and NEDs, Saudi's unitary board structure
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3 and collective responsibility as stipulated in Articles 76, 77, and 78 of the Companies Act,
4 predispose NEDs to protect executive management (Witney, 2016). Although Article 56 provides
5 that whenever there are conflicts which cannot be resolved between the board and the AC the
6 subsequent report shall be qualified, it is unclear whether this will be sufficient to exonerate NEDs
7 should ML subsequently be found to be present. The independence expected of ACs may be further
8 undermined by organisational subcultures which predispose NEDs and ACs to align themselves
9 with executive management (Zaman and Sarens, 2013). This in turn undermines the ACs
10 willingness to scrutinise internal systems in an objective manner: informal ties of friendship,
11 loyalty, and a desire to avoid embarrassment of the board, can lead to the suppression of damaging
12 disclosures to SAMA and a striving to remedy systemic weaknesses in a secretive way. In the
13 context of these informal dichotomies between public expectations of independence and pressures
14 to function within management's constraints and limitations exercised informally, Al-Twaijry *et al.*
15 (2002), and Ruhnke and Schmidt (2014) argued that the formality of mandating and instituting
16 ACs is insufficient to achieve effectiveness. Specific attitudes amongst auditors regarding the role
17 of ACs, and independence from the board, are considered next as part of the empirical
18 investigation.

3.1 Methodology and sample selection

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39 Saudi Arabia has 25 licensed banks operating in the Kingdom, 13 of which are domestic banks,
40 while the rest are branches of foreign banks (SAMA, 2020). Collectively, these banks had 2071
41 branches by the close of 2019. Article 54 of the Code of Corporate Governance 2016 provides for
42 between 3 to 5 members of the AC, and it is expected that members of the AC are less than 100
43 and the proportion of corporate managers is less than 15% of the branch managers. For the
44 purposes of this paper a list of bank branches in Saudi Arabia was compiled from relevant websites
45 and internet search engines. A total of 1754 branches were identified and then contacted. Data was
46 collected by way of questionnaires emailed to randomly selected respondents. 180 complete
47 responses were received out of 537 respondents contacted. Where applicable, descriptive statistics
48 were computed to summarise and present the survey data. The rank-ordered data were analysed
49 using non-parametric Friedman's test. This test is appropriate in ascertaining whether there is a

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3 significant difference in the rank given to a different set of items by a group of respondents (Pereira
4 *et al.*, 2015). The one-sample t-test was used to test whether there is an overall agreement with a
5 particular statement. The data on agreement scale questions used a range of strongly agree (5) to
6 strongly disagree (1) options to collect the data, thus, the overall agreement with the statement is
7 tested by performing a one-sample t-test with null hypothesis $\mu = 4.0$ (agree) ($p > .05$).
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13 More than 80% of the respondents were either internal auditors or members of the AC and 65%
14 had more than 6 years of experience in their positions. Only 1.67% were NEDs. Others were
15 external auditors (12.8%). The results show 80% of the ACs had 5-6 members. Only 7.8% of the
16 members were permanent, while the rest were temporary (41%) or outsourced (50.6%). Most of
17 the committees (99.4%) held at least two meetings annually and had access to specific
18 operational/transaction data and other internal/external information to assess inherent ML/FT risks
19 present in its customer base, products, delivery channels, and services offered. Only 16.7% of the
20 committee had more than five meetings annually. The questionnaire was administered to auditors
21 and AC members rather than to a wider audience comprising, for example, board members for two
22 reasons. First, to determine how auditors perceive the role of ACs in detecting and reporting ML
23 and TF under the Corporate Governance Code of 2016 and Companies Act 2015. Second, to
24 determine how auditors interpret board perception of the functions of the AC (how respondents as
25 auditors think the board sees the AC, and whether it diverges from their own view).
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39 *3.2. Board and auditor perceptions of the role of audit committees*

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43 Results from the questionnaire indicated that, from the perspective of respondents who are active
44 or former members of ACs, boards generally perceive audit committees as being part of the
45 organisation rather than an independent entity within it (Mean = 4.31, SD = .72, $t = 5.81$, $p < .001$),
46 Although most respondents were not of the opinion that boards regarded AC criticism of internal
47 risk management as being negative and to be resisted, and indeed perceived it as being
48 constructive, a majority believed that boards assumed that the first duty of ACs was to the
49 company: shareholders were secondary to this. This has significant implications. First, to be
50 effective ACs must be formally independent, for example in not having positions on the board or
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in management, but also and of perhaps more importance, they must be independent of informal pressures and influence, for example, social or familial connections at board level. If the perception at board level is that ACs owe the first duty to the organisation and only after this to other stakeholders such as shareholders, this can result in subtle expectations that AC members will withhold or conceal, or address through opaque channels, disclosures which may have tangible negative effects upon the business, triggering a SAMA investigation or perhaps a decline in the share price. The results are shown in Table 1.

	SDA	DA	Neutral	AG	SAG	Mean	SD
Board perception: the AC is a part of the organization rather than an independent unit within it.	0(0.0)	2(1.1)	21(11.7)	75(41.9)	81(45.0)	4.31 ⁽⁺⁾	.72
AC should present a favourable impression of the firm	69(38.3)	76(42.2)	24(13.3)	9(5.0)	1(0.6)	1.87 ⁽⁻⁾	.87
Criticising internal risk management processes is helpful, and is not negative or damaging to the organisation	0(0.0)	15(8.3)	52(28.9)	76(42.2)	36(20.0)	3.74	.88
AC owes the first duty/loyalty to the business, and a secondary duty to shareholders and society.	54(30.0)	73(40.6)	42(23.3)	9(5.0)	1(0.6)	2.05 ⁽⁻⁾	.89

Table 1: Board perception of the role of the AC as interpreted by auditor respondents.

3.3 Disagreements between management and the AC regarding disclosure obligations

To identify the formal-informal dichotomy between ACs and boards in terms of dispute resolution, six factors were tested in the questionnaire. If disagreements, for example regarding systemic weaknesses or errors which may have facilitated money laundering, were resolved informally through subtle and opaque channels, then this could militate against AC effectiveness. It could also compromise the degree of transparency necessary to give confidence in processes to stakeholders and, of greater importance, drawn the attention of SAMA and in this way close loopholes which may be exploited by organised crime and terrorist organisations. If instead disagreements were formally recorded in documents which are publicly available, and boards did

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3 not shy away from disclosure of weaknesses or failings, in this way other financial institutions
4 would learn from their experience and greater confidence would be engendered amongst domestic
5 stakeholders as well as potential foreign counterparts in the quality of investigative and
6 prosecutorial processes. The questionnaire made propositions to respondents as to the likely
7 outcome of disagreements or criticisms regarding anti-money laundering processes between ACs
8 and boards, and the results are shown in Table 2. A principal result was that in the event of
9 disagreement, respondents believed that these would not be resolved through informal discussions
10 between the board or management and the AC ($M=2.56$, $SD = 1.00$). A t-test showed that the mean
11 score of the responses on this item was significantly less than 4.00 ($t(172) = -19.21$, $p = <.001$).
12 Instead, they would be resolved through formal channels and mechanisms, and would be disclosed
13 in board meeting minutes which would subsequently be available to shareholders which in turn
14 would be available to SAMA. Respondents were also of the view that the AC should be at liberty
15 to bypass the board and report their findings and suspicions to external auditors, and directly to
16 SAMA. However, respondents were by a significant majority of the view that if the disagreement
17 between the AC and the board could not be resolved, the committee should not resign. These
18 findings are significant in several ways. First, respondents eschewed resolution of disputes *in*
19 *camera* or through informal meetings between the AC and the board the decisions of which would
20 not be available to stakeholders or SAMA. In an environment in which cultural and behavioural
21 factors are significant in the relationship between ACs and boards, this gives cause for optimism:
22 disagreements regarding findings relating to systemic weaknesses or suspicions of money
23 laundering will be brought into the public domain via board minutes and notification of external
24 auditors and SAMA if necessary. Second, respondents who are or have been involved in ACs or
25 have acted as NEDs have shown a robust approach in their attitudes towards boards: they evidence
26 an independence of mind in which the board is not able to silence their concerns or to intermediate
27 between them and the external environment, determining which information is disclosed and to
28 whom, and when. However, this must be considered alongside the earlier finding in Table 1 that
29 respondents believed that boards regarded ACs as owing their first duty to the organisation and
30 not to shareholders. This presents a potential conflict point. The results regarding the processing
31 of disagreements are shown in Table 2.
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	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std Deviation	T	T
If there is a disagreement between the board and the Audit Committee, the Committee should informally discuss this with the board and reach a common position.	27(15.0)	60 (33.3)	60 (33.3)	28 (15.6)	4 (2.2)	2.56	1	-19.21*	-19.21*
If there is a disagreement between the board and the Audit Committee, the Committee should formally identify the disagreement in minutes of meeting with the board, and these should be made available to shareholders.	0 (0.0)	1 (0.6)	6 (3.3)	33 (18.3)	139 (77.2)	4.73	0.55	17.92*	17.92*
If there is a disagreement between the board and the Audit Committee, on matters concerning suspected money laundering or other financial crime, the Committee should bypass the board and report its suspicions directly to the external auditors	0 (0.0)	2 (1.1)	17 (9.4)	70 (38.9)	90 (50.0)	4.39	0.71	7.32*	7.32*
If there is a disagreement between the board and the Audit Committee, on matters concerning suspected money laundering or other financial crime, the Committee should bypass the board and report its suspicions directly to the external auditors	0 (0.0)	7 (3.9)	44 (24.4)	76 (42.2)	52 (28.9)	3.97	0.83	-0.54	-0.54
If there is a disagreement between the board and the Audit Committee, on matters concerning suspected money laundering or other financial crime, the Committee should bypass the board and report its suspicions directly to SAMA	0 (0.0)	7 (3.9)	20 (11.1)	80 (44.4)	72 (40.0)	4.21	0.79	3.58*	3.58*
If there is a disagreement between the board and the Audit Committee, the Committee should resign if the disagreement cannot be resolved.	122(67.8)	52 (28.9)	5 (2.8)	0 (0.00)	0 (0.0)	1.35	0.33	-66.64*	-66.64*

Table 2: Disclosure of disagreements between board and AC. Note: values in parenthesis are percentages. *significant at .05 level of significance.

4. AC numerical composition, and technical competence of members

Regarding compositional aspects of the AC system in Saudi Arabia and technical skills and competencies as manifested in the qualifications of appointees, numbers on boards, and previous working experience, background information provided by respondents indicated strengths and weaknesses. Previous literature has identified factors contributing to the general effectiveness of the AC, including technical qualifications and training of members (Hurt, *et al.*, 1999), financial literacy, experience or certification in accounting, finance, and/or law (Defond *et al.*, 2005), and understanding of internal controls (Walker, 2004; DeZoort, 1997), and provision of adequate training in the specific field of practice to ensure the AC members are adequately updated (Al-Twajry, *et al.*, 2002). The results from the questionnaire suggest that several of these factors are either absent or weak in Saudi financial institutions. Although 80% of ACs had more than five members, the existence of three and four member committees as well as the variations in the time spent on auditing activities (which may be a function of size), experience, permanence, and technical and educational qualifications, suggest substantial discretion, and an unwillingness by firms to do more than that stipulated in the corporate governance regulations (Sharman, 2008). However, unlike earlier findings by Al-Moataz (2003) that 85.2% of AC members lacked professional qualifications in accounting or finance, nearly all respondents held professional qualifications in accounting. This evidences a significant improvement in AC membership competence in a relatively short period of time. Further, while the Al-Moataz study found that 83.2% of ACs comprised three or fewer members, this has increased substantially in recent years; now, only 4.4% of the ACs comprised three or fewer members. These changes have been driven by Article 54 of the Code of Corporate Governance 2016 which provides for three- to five-member committees, with at least a single adequately qualified member, but the regulations remain broad and general in application and prescription. For DeZoort (1997), and Mahadevaswamy and Salehi (2008), widely drafted laws and regulations which lack specificity invite the personal and informal exercise of discretion that ultimately serves short-term interests for the individuals involved and not the broader stakeholder body. Given the prevalence of *hawala* in Saudi Arabia, as well as the informal channels such as *hadj* through which physical cash is channeled and which, for this reason, is susceptible to money laundering, loosely drafted regulations which provide a high degree of discretion to organisations as to how and by whom ACs are composed, present a risk of tokenistic and relatively easy compliance. The Basel Committee on Banking Supervision (2016) recommend that the AC's effectiveness for ensuring AML/TF compliance demands continual monitoring of banking activities (access to transactional data), proactivity, provision of independent assurance to the board and senior management, and effective oversight over the internal audit function (Al-Twajry, *et al.* 2002). These specific and focused requirements are arguably at odds with present regulatory and legislative provisions in Saudi Arabia which tend to be non-specific in nature, affording significant discretion to boards as to appointments and remit of ACs.

5. Conclusion

Audit Committees in financial institutions in Saudi Arabia appear to have sufficient independence from board influence, and function in a conducive organisational culture. The questionnaire was administered to AC members and auditors, and although it may be the case that board members would have arrived at a different view, reporting greater conflict between the AC and themselves than the findings indicate, this would have been reflected in responses by those auditor respondents who have routinely dealt with boards throughout their professional careers. This cooperative working relationship between the board and the AC is important because the latter need the goodwill, support, and authority of boards to be effective when requesting information from across the organisation and requiring constructive and open dialogue with management regarding systemic weaknesses (Hamdan, *et al.*, 2018; Hassink, *et al.*, 2009). If ACs lacked this legitimacy and board imprimatur of authority, it would be difficult for them to enlist management and internal auditors in efforts to counteract money laundering and ensure that internal systems are sufficiently robust to do so. The unitary board envisaged under Articles 76, 77, and 78 of the Companies Act 2015 binds together the NEDs, the AC, and the management in terms of legal liability and responsibilities: none are exempt, and all are equally culpable. This may explain the finding in Table 1 that according to respondents the board perceived the AC as being an intrinsic part of the organisation, even though it undertook a differentiated role (DeZoort, 1997). As seen in Table 1, the fact that ACs perceive their duty as being to society and to shareholders first is in contrast to how they consider boards perceive their role, which is as an integral part of the organisation rather than being independent of it. This contrast feeds through into the finding, again in Table 1, that for AC members the reputation of the organisation is not a paramount consideration: if damaging information regarding systemic weaknesses enters the public domain and causes embarrassment, then this will be the route which respondents would be willing to take. This result evidences an expectations gap, albeit from respondents as they look through their own eyes, and then through the eyes of the boards which they serve (DeZoort, 1997). Future research could test this perception by administering the same questionnaire to board members to determine whether this gap exists in practice rather than solely within the minds of AC members alone. Regulations and best practices must strike the correct balance between the need for there to be close and cooperative working relationships between the board and the AC, and the AC's need to maintain its independence (Hamdan, *et al.*, 2018; Hassink, *et al.*, 2009). This independence is best protected when ACs' responsibilities to wider society and external stakeholders are clearly prioritised in codes and laws above those owed to the organisation of which they are part.

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