ECONOMIC DEMAND FOR AN EFFECTIVE AUDIT COMMITTEE TO MONITOR MANAGEMENT IN THE LIGHT OF CORPORATE GOVERNANCE MECHANISM AND OVERSIGHT OF THE FIRMS' INTERNAL CONTROL STRUCTURE: A THEORETICAL GLANCE[1]

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ABSTRACT

The common philosophies of corporate governance are equality, accountability, transparency and responsibility. Corporate governance aims at high performance, effectiveness, efficiency and competitiveness. After recent corporate scandals all over the world, the major authorities point out the critical issues as a breakdown in internal controls and the lack of adequate corporate governance mechanisms in organizations.

Audit committee monitoring effectiveness can be express as a function of independence, financial expertise, firm provided support, oversight. The audit committee characteristics examined are drawn from prior literature (independence, expertise in general, and oversight activity) and from the requirements that the Sarbanes-Oxley Act imposes on audit committees (independence, financial expertise, resources and support provided by the firm, and mandated responsibilities). By examining a set of audit committee characteristics this study provides additional evidence on the economic importance of audit committees, and takes a step toward unifying frequent studies offering evidence on diverse subsets of this occupation of audit committee characteristics.

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Key Words: Sarbanes-Oxley Act, Corporate Governance, Audit Committee, Internal Control

İŞLETME İÇ KONTROL YAPISININ GÖZETİMİ VE KURUMSAL YÖNETİM MEKANİZMASI IŞIĞINDA YÖNETİMİN IZLENMESİNDE ETKİN BİR DENETİM KOMİTESİNE DUYULAN IKTİSADİ TALEP: TEORİK BİR BAKIŞ

ÖZET

Kurumsal yönetimin temel felsefesi eşitlik, hesap verebilirlik, şeffaflık ve sorumluluk olarak genel kabul görmüştür. Kurumsal yönetimin temel hedefi ise yüksek performans, etkinlik, verimlilik ve rekabet üstünlüğü sağlamaktır. Özellikle son dönemde dünyanın çeşitli bölgelerinde yaşanan skandallardan sonra, uzmanların üzerinde durduğu en önemli nokta, kurumlarda ortaya çıkan iç kontrol eksikliği ve kurumsal yönetim mekanizmasındaki zayıflıklar olmuştur.

Denetim komitesi; bağımsızlık, finansal uzmanlık, kurum kaynaklı destek ve gözetimin bir fonksiyonu olarak ifade edilmektedir. Bu çalışmada denetim komitesinin temel karakteristiği ile ilgili güncel literatür ve Sarbanes-Oxley Yasası kapsamındaki yeni kriterler esas alınarak mevcut durum analizi yapılmıştır. Aynı zamanda mevcut durumdan yola çıkarak, etkin bir denetim komitesine olan ekonomik talep ve gelecekte atılması gereken önemli adımlar konusunda literatürde farklı bulguları ortaya koyan bulguları birleştirici yönde katkı sağlanmıştır. Etkin bir denetim komitesinin yönetimin gözetimine olan katma değeri ve ekonomik talepler üzerine kurumsal yönetim mekanizması ve iç kontrol altyapısı çerçevesinde önerilerde bulunulmuştur.

Anahtar Kelimeler: *Sarbanes-Oxley Yasası, Kurumsal Yönetim, Denetim Komitesi, İç Kontrol*

1. INTRODUCTION

Effective audit committee, as a control mechanism, should reduce agency costs to the organization by constraining management from pursuing incentives that do not maximize firm value. In September 1998, the SEC, the NYSE, and the NASDAQ jointly announced the formation of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees (hereafter referred to as the Blue Ribbon Committee). The goal of this committee was to build up a set of guidelines for implementation by the SEC, the NYSE, NASDAQ, and AMEX (hereafter referred to as Self Regulatory Organizations- SROs), and the accounting profession to reinforce the effectiveness of audit committees in their oversight of firms' financial reporting.

The financial press disclosed numerous cases of financial reporting improprieties. In some cases the financial transactions and reporting transgressions elevated to the level of fraud. Numerous reports of independent investigations placed the blame squarely on the board and its committees for their failure to monitor management effectively. For example, the Senate Committee responsible for investigating the collapse of Enron concluded in its report that the Enron Board failed in its fiduciary responsibilities to safeguard Enron shareholders.

Sarbanes-Oxley required that each member of the audit committee must be independent according to specific criteria; firms' boards of directors may no longer appoint a non-independent director to the committee. Sarbanes-Oxley elevated the criteria for independence by imposing new restrictions on financial and other relationships between directors and the firm. The independence criteria for audit committee are expressed in the below as Table 1:

Table 1. Independence Criteria for Audit Committees in the light of SOX

SRO pre-Sarbanes	**SRO post-Sarbanes**
The board of directors determines whether or not the board member has a relationship that would interfere with the exercise of independent judgment	The board of directors must determine affirmatively that the director has no material relationship with the firm (either directly or as a partner, shareholder or officer of an organization that has a relationship with the firm) If the director is an executive officer of a charitable organization where the payment exceeds the above thresholds: NYSE – disclosure in annual proxy statement or annual report on Form10- K if the company does not file an annual proxy statement NASDAQ-the director is not independent (excluding nondiscretionary charity match programs) NASDAQ-any partner in a law firm that receives payments from the firm is not allowed to serve on the audit committee A director or family member who is a current or prior partner or prior employee of the company's outside auditor during the past 3 years is not independent Directors who have participated in the preparation of the financial statements of the company during the past 3 years cannot serve on the audit committee
Persons not independent:	Persons not independent:
Employee of the firm or its affiliates, currently or during the past 3 years	Employee of the firm would not be independent until 3 years after the end of the relationship Employment as an Interim Chair or CEO would not disqualify a director from being considered independent following that employment

Receipt of compensation, other than for board service or retirement benefits, exceeding \$60,000 during the prior fiscal year (NASDAQ and AMEX, the NYSE does not have a specific materiality threshold)	Receipt of compensation by the director or a family member of the director in excess of \$60,000 per year (NASDAQ) \$100,000 per year (NYCE) would not be independent until 3 years after the payments ceased
A director whose immediate family member is a current executive officer or has been an executive officer during the past 3 years	A director who is a family member of a person who is employed by the company or any parent or subsidiary of the company during the past 3 years
Partner, controlling shareholder, or executive officer of any for-profit business that in the current or past 3 years made payments to or received payments from the firm that exceed the greater of 5% of that firm's consolidated gross revenues or \$200,000 (NASDAQ and AMEX, the NYSE does not have a specific materiality threshold)	A director who is an executive officer or an employee of a company that in the current or past 3 years made payments to or received payments from the firm that exceed the greater of 2% of that firm's consolidated gross revenues or \$1 million would not be independent until 3 years after the payment falls below this threshold (NASDAQ director or family member who is a partner in, a controlling shareholder or an executive officer of a company where the payments exceed the greater of 5% of the consolidated gross revenues or \$200,000)

Source: (Weiss 2005, 128)

Menon and Williams (1994) state that a firm's board may form a separate audit committee. However the board may not necessarily rely on that committee to monitor management. Their study provides a setting to examine two related questions. First, is there an economic demand for an audit committee? Second, given the formation of an audit committee, do boards' actually rely on the committee to monitor management? A relation between agency friction and the existence of an audit committee provides evidence with respect to the first question. A relation between agency friction and an independent or active audit committee (proxies for an effective control mechanism) provides evidence that firms' boards actually rely on the audit committee to monitor management.

In this paper, we analyzed the need for audit committee as an inseparable part of corporate governance structure within the economic demands perspective in such a global and competitive business environment. Our work is based on the comparison of recent empirical findings of relevant literature and also the prior study for highlighting the future needs and expectations in Turkey. In the next section, we discuss the current issues in corporate governance framework by referring to the relevant literature. We note the importance of audit committee as "first among equals" approach in the third section and give material findings and challenges for audit committee to monitor the financial reporting process. In the fourth section, we discuss the reportable events and the need for internal control mechanisms from the audit committee's perspective.

Finally, we give a brief summary on the issues and challenges in Turkey and conclude by mentioning the need for improvement in governance structures restoring investor confidence in financial reporting.

2. RELEVANT LITERATURE REVIEW

Numerous studies examine the connection of audit committees with the extreme cases of financial reporting fraud and earnings restatements. Beasley (1996) provides evidence that the possibility of fraud is higher when the percentage of outside board members is low. He does not discover, however, that the existence of an audit committee reduces this possibility. In contrast, Dechow et al. (1996) find that in addition to board independence, the existence of an audit committee reduces the probability of a firm being subject to enforcement actions by the SEC.

Certain empirical studies (Beasley 1996, Menon and Williams 1994; Kalbers and Fogarty 1998) question the role of the audit committee. The audit committee has little or no economic purpose if it is a merely symbolic or decorative structure. The body of literature that examines whether specific audit committee characteristics are related to outcomes associated with monitoring effectiveness provides insight to this question. Certain ranges of independence constrain earnings management (Klein 2002; Bedard, Chtourou and Courteau 2004). Firm provided support facilitates audit committee monitoring of the audit process (Kalbers and Fogarty 1993). This study evaluates audit committee monitoring effectiveness as a function of a set of audit committee characteristics.

Menon and Williams (1994) find that firms with a relatively higher proportion of outsiders on their boards are more likely to have independent audit committees. They also find that large firms and firms with a relatively higher proportion of outsiders on their boards have more active audit committees. Large firms are more likely to reap a net benefit from the costly features of this monitoring mechanism. Menon and Williams contribute certain evidence that boards rely on the audit committee to monitor management. However, they acknowledge that their findings are consistent with another possible explanation. Boards may form audit committees for appearance, possibly to protect directors from liability.

Kalbers and Fogarty (1998) build on institutional theory to investigate another possible, sociological explanation, for firms to form audit committees. Firms may create a symbolic or decorative structure that meets normative standards and is observable to the firm's external constituents.

The function of this normative, decorative structure is to deflect attention from the internal operating core of the organization. If the audit committee were serving a decorative rather than a control function, one would expect a weak association or no association between agency variables and audit committee effectiveness. Kalbers and Fogarty (1998) find no relation between the audit committee and the following agency variables; managerial ownership, director ownership, leverage, or director independence.

Klein (2002) considers an independent audit committee to be a more effective monitor of senior management. Klein (2002) finds that firms having larger boards and boards that include a higher proportion of independent members have more independent audit committees. Unlike Menon and Williams, Klein finds that large firms have less independent audit committees.

Klein also presents evident that the following factors reduce the demand for audit committee independence; growth opportunities, recent consecutive losses, the presence of non-inside block holders on the board, and the level of outside director shareholdings. Financially distressed firms report earnings with relatively lower value relevance to investors.

Hence, these firms may choose not to undertake costly monitoring (more independent audit committees). Greater uncertainty and operational complexity associated with growth firms may increase demand for inside directors who contribute firm specific expertise. The presence of an institutional shareholder on a firm's board or relatively higher levels of outside director shareholdings may serve as substitute monitoring mechanisms to an independent audit committee. Klein does find that firms with growth opportunities, recent consecutive losses, block holders on the audit committee, and outside directors with relatively higher levels of shareholdings, have less independent audit committees.

Bushman, Chen, Engel and Smith (2004) consider another definition of the demand for board monitoring; the timeliness of reported earnings. If reported earnings are not timely, then firms' boards are less able to evaluate managers' strategic plans, actions, and performance. Firms' boards must incorporate more costly characteristics in their internal governance mechanisms to compensate when reported earnings are less useful in their decision-making. Bushman et al. posit that when earnings are not timely, firms' boards substitute characteristics such as the following, smaller boards, a mix of inside and outside directors but a relatively higher proportion of inside directors, and of the outside directors, a greater number who have experience in the firm's industry and are of relatively higher quality.

Klein (2002) asserts that an independent audit committee serves to negotiate differences between management and the outside auditor. Therefore, an independent audit committee contributes to the accuracy of financial reporting and to the reduction of earnings management. Klein finds a significant inverse relationship between audit committee independence and earnings management using two definitions of audit committee independence, the percentage of outside directors on the audit committee and a committee that has a majority of outside directors.

However, Klein does not find a significant relation between earnings management and audit committee independence, when the definition of audit committee independence requires that all audit committee directors are independent. The Sarbanes-Oxley Act now mandates this definition of independence.

Xie, Davidson and DaDalt (2001) examine audit committee composition along two dimensions; outsider versus affiliated, and expertise. They test whether independent, expert, and active audit committees constrain earnings management. They define committee activity as the annual number of audit committee meetings, and find that audit committees with relatively higher proportions of outside corporate members and outside investment banking members are associated with a lower incidence of earnings management. They also find that more active audit committees are associated with relatively lower levels of earnings management.

3. "FIRST AMONG EQUALS" APPROACH OF AUDIT COMMITTEE

According to the Blue Ribbon Committee, the audit committee is one of three groups involved in monitoring the financial reporting practice and forms a "three-legged stool" with the firm's financial management and the outside auditors.

However, "the audit committee must be "first among equals" in this practice, since the audit committee is an annex of the full board, and hence the eventual monitor." The Blue Ribbon Committee's efforts culminated with a report that included 10 specific recommendations to accomplish useful oversight by the audit committee.

In Release No. 34-42266, the Securities and Exchange Commission (SEC) indicates that audit committees play a critical role in the financial reporting system by overseeing and monitoring the participation of management and the independent auditor in the financial reporting process (SEC 1999). Although the whole board of directors bears the vital responsibility for monitoring the financial reporting process, the board normally delegates this responsibility to the audit committee. In the SEC's view, the audit committee must be 'first among equals' in the financial reporting process, since the audit committee is an annex of the full board and hence the ultimate monitor of the process (SEC 1999).

The board of directors is at the top of the decision-making hierarchy within the organizations and is one of the mechanisms for monitoring management on behalf of owners of the organizations. The audit committee is part of the board of directors and as such is at the apex of the decision hierarchy. Even an organization's board of directors must delegate certain decision-making to senior managers and does so by including these insiders as directors on the board and its committees to contribute their firm specific expertise to the decision making process. Monitoring may be hierarchical, but may also occur among decision makers of the same level. Competition between same-level decision makers may stimulate mutual monitoring since sharing and accessing information may improve decision outcomes, enhance decision makers' reputations, and increase the value of their opportunity wages. The independent director may function as a referee to oversee this competition (Fama 1980).

The independent audit committee may function not only as a monitor of management, but also as a mutual monitor of the board, since the board includes senior managers and other non independent directors[1].

Fama and Jensen (1983) contend that boards assume an important role in corporate governance. The modern large corporation is characterized by the absence of the classical entrepreneurial decision maker. Instead, in order to reap the benefits of risk sharing, the company's residual claims are diffused among many investors, who generally vest their decision rights in individuals with specialized knowledge. Agency theory predicts that such delegation of decision to management creates conflicts of interests between managers and residual claimants. Agency costs are created because the managers who initiate and implement important decisions are not the major residual claimants and therefore do not bear a major share of the wealth effects of their decisions. Without effective control procedures, such managers are likely to take actions that deviate from the interests of residual claimants. For instance, managers can manipulate financial reports or commit fraud to maximize their own self-interests, and to the detriment of shareholders.

Fama and Jensen (1983) argue that agency costs can be reduced by institutional arrangements that separate decision management from decision control. Separate decision control is required to monitor the actions of the top managers, i.e. CEO or president, approving the corporation's strategy, and monitoring the control systems of the firms. Within the large corporations, decision control rights are delegated to the board, which represents the highest level of decision control. The board helps to reduce conflicts of interests between managers and residual claimants and ensure that management decisions are congruent with shareholders' interest.

1. An important feature of the Sarbanes-Oxley Act is the mandate that each member of the audit committee be independent.

4. INTERNAL CONTROL STRUCTURE: REPORTABLE EVENTS TO AUDIT COMMITTEE

The importance of the audit committee's role in the oversight of the firm's internal control system has also been highlighted by researchers. DeZoort (1997) surveys audit committee members to elicit perceptions of their responsibilities in areas related to financial reporting, auditing, and overall corporate governance. Studies have shown that more effective boards and audit committees are associated with stronger corporate governance. Dechow et al. (1996) and Beasley (1996) both find that firms with weak corporate governance characteristics, such as a lack of an audit committee, less independent boards, having a CEO who also serves as the

Chairman of the board, etc., are more likely to be subject to fraudulent reporting. Klein (2002) and Xie et al. (2001) find that more effective boards and audit committees, measured by their composition and activity, are associated with higher earnings quality. Last, studies have shown that more effective audit committees are associated with the hiring of external auditors who are more independent (Carcello and Neal 2000) and auditors who have greater industry expertise (Abbott and Parker 2000).

Despite the importance of internal controls, relatively little empirical research has been conducted on internal controls prior to the passage of SOX. One reason could be due to the fact that reports on internal controls were not widely provided by firms, limiting research in this area. Reports on internal controls were generally issued on a voluntary basis (Hermanson 2000). An exception is where firms were required to disclose any internal control problems around auditor changes, if in the prior two years internal control problems were one of the "reportable events."

Perhaps more importantly, Krishnan's study is focused on examining the characteristics of the audit committee. However, the effectiveness of the audit committee may depend on board characteristics. For instance, the report of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees (1999) states that "audit committee performance relies on the practices and attitudes of the entire board." Beasley and Salterio (2001) find that firms with strong board governance attributes are more likely to voluntarily form audit committees composed of members with relevant financial reporting and audit committee knowledge and experience. Klein (2002) provides further evidence that audit committee independence increases with board size and board independence. Hence, failure to control for board characteristics when examining the relation between audit committee characteristics and internal control quality can potentially introduce an endogeneity problem in the empirical works.

Although there has not been a mandatory requirement for internal control reporting prior to SOX, two important documents have been issued that provide guidance. First, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992) issued Internal Control – Integrated Framework, which provides a high-level overview of the internal control framework to guide chief executive and other senior executives, board members, legislators and regulators. It defines internal control as a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations.

One year later in 1993, the Auditing Standards Board issued Statements on Standards for Attestation Engagement (SSAE) No.2, Reporting on an Entity's Internal Control Structure over Financial Reporting. Similar to COSO, SSAE No. 2 restricts its scope to reporting on internal control over financial reporting. SSAE also provides guidance on the definition of internal controls and the types of auditor reports that may be issued based on the auditor's examination of the internal control structure.

The ability of audit committees to enhance the oversight of the financial reporting process is likely affected by the degree of influence exerted by the CEO. Warfield et al. (1995) find that higher CEO stock ownership helps alleviate some of the agency problems that arise in corporations. To the extent that CEO stock ownership aligns the CEO's incentives and serves as a substitute for monitoring, the influence or demand for independent and effective audit committees would likely be diminished.

Underlying the internal-controls reporting requirements is the belief that strong internal controls help ensure the credibility of financial reporting and restore investor confidence in financial reporting. The assumption that internal control deficiencies lead to fraudulent financial reporting is supported by anecdotal evidence. In 1999, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), commissioned a study and reasserted that a poor internal control environment contributed to the occurrences of fraud documented over the ten year time frame 1987-1997, consistent with the fraud surveys conducted by KPMG.

Given the importance of internal controls over financial reporting, it is important to understand what mechanisms ensure effective internal controls (Krishnan 2005) and the consequences of the internal-controls reporting requirements.

Another important internal control that curbs managers' opportunistic behavior is the internal audit function. Many of the responsibilities of internal auditors are linked directly to the production and monitoring of accounting information. One of them is to test, evaluate, and make recommendations regarding an organization's accounting system and internal controls over financial reporting. By doing so, internal auditors reduce the risk of fraud and protect assets from theft or loss, thus ensuring that accounting information generated by the firm is less susceptible to errors.

5. THE CURRENT CORPORATE GOVERNANCE STRUCTURE IN TURKEY

Corporate Governance Principles in Turkey are pioneered by the Turkish Capital Market Board (CMB) in 2003. In parallel to the OECD Corporate Governance Principles works, the Principles in Turkey are based on the perception of equality, transparency, accountability and responsibility. In addition to the OECD works, they also consider the special needs of Turkish company structures and Turkish company law and practice. The Principles apply on a "comply-or-explain" basis and include detailed guidelines on the rights of shareholders, public disclosure and transparency, stakeholders and the board of directors.

Listed companies are under an obligation to issue an annual corporate governance compliance report showing the extent of their compliance with the Principles and explaining the causes for any divergence. The board of directors and the company can be held liable by investors for deceiving them with wrong or misleading information contained in the report. As for the concrete implementation of the Principles, surveys indicate that there is room for improvement and that more time is needed for full application in Turkey.

The key basis of Turkish company law is the Turkish Commercial Code (TCC), which has been in force since 1957. The TCC is at present being revised, and a draft (hereinafter, 'Draft TCC') has been submitted to the Parliament for evaluation.

The Draft TCC also requires listed companies to set up 'an early risk recognition and management committee' in order to recognize, mitigate and manage risks that may endanger the existence, development or continuation of the company (Art. 378 Draft TCC). For non-listed companies, the Draft TCC requires such a committee to be set up if the auditor considers it needed.

The Capital Markets Law (CML) authorizes the CMB to regulate the capital markets, oversee compliance with the legislation, take necessary precautionary actions in order to avoid breaches and apply administrative sanctions in the case of a breach. The CMB also has the command to manage the proper application of the securities legislation by banks, issuers, capital markets and other capital market institutions such as brokers and investment funds.

It is noted that corporate governance models can vary according to the system of corporate ownership and management control mechanisms.

According to Okutan (2007), a market-oriented corporate governance and control system cannot be said to exist, since the flotation ratios of listed companies and share dispersion levels are low in Turkey. Based on corporate governance study conducted in 2003, the flotation ratio of listed companies in Turkey is approximately 15-20 per cent, while only 15 per cent of the Istanbul Stock Exchange (ISE) 100 Index companies have a flotation ratio of more than 50 per cent. In practice, Turkish companies are directed by the existence of one or more majority shareholders owning controlling blocks of shares. Besides, unlike in some other European most large corporations are held by families or individuals. Hence, Okutan (2007) argues that the Turkish corporate ownership and management control system can be commonly defined as insider controlled.

The CMB Principles commence a requirement such that at least one third of the directors should be independent[2]. Furthermore, the Principles state that directors' fees should be commensurate with performance and must be kept at a level not damaging independence. Finally, the Principles ask the independent members of the board to provide a written declaration to the board

2. The Principles also provide a long list of criteria to describe independence, including: not representing any share classes in the board; not owning more than 1 per cent of shares; having no family members who are managers or controlling shareholders in the company or who own more than 5 per cent of the share capital; having no employee/ shareholder/business relationship with the company or affiliated companies in the last two years; having no employee relationship in the past two years with the company's auditors or other companies rendering consulting, management or other services to the company or with the company's substantial suppliers; and having no financial gains from the company other than from his work as a director.

stating that they are independent within the meaning of the legislation, the company's articles and the criteria introduced by the Principles (IV/3.3.6). The Principles also state that the majority of the board should be made up of non-executive directors, thus giving the board a more supervisory quality.

Presently, the board of directors is in the hands of the controlling shareholders who typically occupy director's chairs, and the CEOs do not really have a very strong position, since the controlling shareholders/directors are directly involved in daily operations. The existence of independent and non-executive directors may facilitate to minimize the domination of controlling shareholders over the board of directors to achieve a strong corporate governance structure with truly independent directors and audit committees in Turkey.

6. CONCLUDING REMARKS

In an agency framework of the firm, given a separation of ownership from control, the firm's board of directors and its separately standing audit committee evolve as internal monitoring mechanisms in response to the lack of goal congruence between management and outside shareholders.

Regulators have expanded disclosure of audit committee composition and practices, and the most recent Sarbanes-Oxley legislation mandated that the audit committee have specific authority, resources, and responsibilities. The economic demand for audit committees and increased regulatory efforts to strengthen the audit committee motivate this study of audit committee characteristics likely to be associated with monitoring effectiveness.

Nevertheless, the Sarbanes-Oxley Act is the major corporate governance legislation passed in recent years that significantly affects the composition and responsibilities of the audit committee. The preliminary analysis is inconclusive since compliance with all of the requirements was not fully in place during 2008. Additional study is needed to evaluate audit committee effectiveness over a longer period of time, post full compliance with the Sarbanes-Oxley Act.

Needless to say that the corporate governance issue is quite new for Turkey and there is a plenty of room to improve the structure of Turkish companies' board of directors and audit committees in various respects depending on the new TCC. This requirement is not only an obligation for Turkish companies but also a crucial need to survive among huge multinational conglomerates in the global economy.

Hence, the demand for audit committee is not decorative for the companies but truly "first among equals" to succeed in the open economy.

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