

Covid-19 Impact on Financial & Non-Financial Reporting Quality: Greek Listed Entities

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Abstract

There has been a drive towards transparency, and so official structures have placed Audit Committees to safeguard the high quality financial and non-financial reporting requirements and corporate responsibilities that businesses ought to present on their accounts and annual reports. However, due to the recent pandemic that changed the world in just a few months, the dynamics of communication in the corporate world have completely changed. This change in normality will have an impact on the already challenging communication between Audit Committees and management. This paper presents a longitudinal study on the interaction of the Audit Committees of smaller-sized listed companies in Greece, while also evaluating the financial reporting quality before and after Covid-19.

Keywords

Audit Committees, Financial & Non-Financial Reporting Quality, Communication Levels, Covid-19 Impact, Greek Listed Entities

1. Introduction

In an era of continuous transformation, shareholders, stakeholders, and the government seek financial credibility and higher levels of corporate transparency. The role of Audit Committees on ensuring both financial and non-financial quality is essential, as they are accountable for monitoring and reviewing the internal audit function, as well as assessing its effectiveness (FRC, 2015). An Audit Committee is also the mediator between the audit firm and the management and ensuring good practice and compliance with the reporting frameworks and regulations. It is also in charge of the annual audit plan, and the review of the auditors' reports, which they have to communicate then, if not "interpret" to firm's management (ICAEW, 2019a).

In a firm, Audit Committees are part of a mechanism. They need to be in close contact with management to disclose any decisions, observations, or any potential improvements on a corporate level, and contrariwise. Thus, for this required level of communication and mutual understanding, there need to be collective objectives, as well as pragmatic expectations from both sides, as this, according to [Haji & Anifowose \(2016\)](#), ensure high levels of quality and corporate transparency, which cost-effectively impacts the business.

The 2015 FRC Discussion Paper focused on smaller listed companies and showed that their level of compliance with the latest reporting requirements is not as high as it was expected. Thus, guidelines as to the communication between management and Audit Committees were suggested for the improvement of the quality levels of financial reporting.

Since 31 December 2019, material disruptions to businesses all around the globe due to the outbreak of Covid-19 have led to an economic slowdown. However, the unexpected pandemic of Covid-19 has disrupted most professions, including accounting and auditing. When governments around the world imposed strict measures and went on lockdowns to stop the spread of the virus, employees were introduced to a new way of working remotely. This meant that the auditors, Audit Committees, and management of firms were no longer performing their duties on-site, which created several implications, despite the existing digitalization and communication outlets. The ACCA's Covid-19 global survey ([ACCA, 2020](#)) points out some implications for auditors, such as the inability to meet reporting deadlines, even though governments were a bit more flexible given the circumstances, difficulty in assembling audit evidence, and increased audit risk regarding the valuation of assets, completeness of liabilities, or going concern issues. All these impacted the firms themselves, as processes were delayed, and decisions could not be formed.

Both academic and business research has examined the impact of Audit Committee characteristics, such as 1) size, 2) meeting frequency, 3) member expertise, and 4) independence. Moreover, most research has been conducted on samples comprised of larger companies ([Alzeban & Sawan, 2015](#); [Al-Shaer et al., 2017](#)). However, institutions, such as the [FRC \(2015, 2018\)](#), [ICAEW \(2019b\)](#), and [Competition & Markets Authority \(CMA, 2019\)](#), are showing an interest in smaller-listed companies too. To investigate the levels of communication between the Audit Committee and financial management before and after the outbreak of the global pandemic, we use the results on communication levels collected in November 2019 from 36 small-medium sized listed companies on the Athens Exchange Group and compare them to those obtained in June 2020. As no academic research has been published regarding the impact of the global pandemic on the communication levels of Audit Committees, we use corporate bibliography and official institutions' publications. The results of the present study will be of interest of both the academic and corporate environment, as this matter concerns the firms themselves, the Audit Committees, the audit firms

and provides valuable information that adds to the extensive literature while taking into consideration an unexpected global crisis which reshaped the corporate world.

2. Literature Review

Entities' strategic objectives and perceived risks require both the Audit Committee's and management's involvement. However, several factors affect the effectiveness of internal audit, such as the number of Audit Committee members, the number of meetings throughout the year, the expertise of the parties involved, and the committee's independence.

Extensive academic research has been performed on all the above, but the focus of this paper is on the relationship between the Audit Committees and management regarding their level of communication. The need for decision-useful information and high quality financial and non-financial reporting was the incentive behind the FRC's 2015 discussion paper, where considerations and guidelines to improve overall audit quality were mentioned, including the planning and resourcing, the production of financial reports, and the compliance with the relevant requirements (FRC, 2018).

Regarding the size of the committee, Alzeban & Sawan (2015) found that it affects both the internal control quality and audit committee quality; however, this result was not found in isolation, but in combination with the rest of the before-mentioned characteristics. Moreover, significant emphasis is given to the frequency of the meetings by the FRC (2012), as the Audit Committees, the auditors, and the management need to preserve an effective communication mechanism. According to Alzeban & Sawan (2015), the suggested recommendation implementation levels increase following more frequent meetings. Similarly, Haji & Anifowose (2016) observe a positive impact on the integrated reporting practice due to the increased meeting frequency, and Khlif's (Khlif & Samaha, 2016) remarks an increase in the trust between the Audit Committee and the entity's management. However, Khlif & Samaha (2016) point out the negative impact of a weak legal system on communication levels and Audit Committee effectiveness.

Concerning the expertise of Audit Committees, Ghafran & O'Sullivan (2017), the fulfilment of the skill set and expertise requirements of Audit Committees depends on current developments in the regulatory system. Nonetheless, a similar level of experience and expertise is required by the company's finance team, whose primary responsibility is to fulfil the corporate financial requirements and deliver high-quality reporting. ICAEW (2019b) & the FRC (2018) urge the Audit Committees to monitor the CPD requirements to ensure the overall financial quality, while also monitoring the required relevant financial experience of Audit Committee members, which positively impacts the risk management mechanisms of businesses, and limits earnings overestimation (Sultana et al., 2015). The overall audit quality is also found by Ghafran & O'Sullivan (2017) to be af-

fectured by expertise levels and associated with the audit fees. In line with this remark, a link between the expertise and the influence of the CFO is observed (Lisic et al., 2016, 2019), positively impacting the information reception, acceptance, and effectiveness of the Audit Committee.

When it comes to the assurance of the Audit Committee's independence, Klein (2002) observed a decrease and compromise when found across financial opportunities or losses. Moreover, Tepalagul and Lin (2015) note that earnings management is affected by the notion of independence. Lastly, overall financial quality and anti-corruption are associated with the Audit Committee's independence levels (Lisic et al., 2016; Gorshunov et al., 2019).

Covid-19

In the face of the global pandemic, most businesses faced financial and operational challenges due to the governments' restrictions, which increased uncertainty in the market (ACCA, 2020; GT, 2020; IFAC, 2020; PwC, 2020) and changed the dynamics of business monitoring (KPMG, 2020). However, reliable and steady-flow of timely, high quality financial and non-financial decision-useful information are needed by investors and capital markets more than ever. Thus, the financial reporting mechanism with all its practitioners (preparers, auditors, Audit Committee members, regulators, and standard setters) needs to continue its active coordination and engagement (SEC, 2020).

Even in global crises, listed companies ought to maintain Disclosure Controls and Procedures and Internal Control over Financial Reporting, which are evaluated concerning their effectiveness by the management. Additional operational controls need to be in place to ensure reliability and minimize the telework output's risk. The CFO and Finance Team should also need to assess the entity's ability to meet its obligations as they become due (GT, 2020; SEC, 2020), as well as to evaluate several scenarios around the best estimate considering the cash flow difficulties as a result of Coronavirus, which must be factored into the forecasts (Deloitte, 2020; GT, 2020).

Further assessment by an entity's management deals with the constant change in terms concerning debt obligations, government assistance (ACCA, 2020), fluctuating exchange rates, and fair value calculations (EY, 2020; GT, 2020). These functions are more effective when there is an increased engagement of the management and the Audit Committees, and two-way communication regarding the oversight of financial reporting in times of heightened uncertainty (SEC, 2019). Audit Committees perceived market developments differently; thus, the engagement with their members needs to be consistent and close to achieve high-quality reporting.

During the Covid-19 pandemic, the "subsequent events period" is often mentioned (CEAOB, 2020), as management must determine how to reflect on the financial statements the year-end developments. However, the global pandemic's impact is a non-adjusting subsequent event for reporting periods ended on or before 31 December 2019 (GT, 2020), and thus, the recognition and measure-

ment of assets and liabilities are not affected. In the case of year-ends in 2020, reliable audit evidence regarding the necessary adjustments made by management following the applicable financial reporting framework needs to be disclosed for a thorough examination by the auditors and any other changes to the business's internal control system (ACCA, 2020). All these events and decisions require the collaboration of all parties involved, so communication between employees, internal and external stakeholders is crucial in enabling corporate continuity and minimizing both commercial and financial risk (KPMG, 2020; PwC, 2020).

Lastly, high quality and credibility are safeguarded by ensuring auditor independence, which is "shared responsibility among Audit Committees, management, and their auditors" (SEC, 2020). A joint effort and disclosure regarding economic dependence from these accountable groups positively impact compliance, effectiveness, and enhancement of financial and non-financial reporting output (GT, 2020; SEC, 2020).

3. Research Objective, Questions and Hypotheses

The main research question that arises develops from the assumption that the Audit Committee's efficiency and effectiveness stem from the competence, expertise, and thorough, timely planning of financial reporting. The levels of involvement and collaboration between the parties involved and specific characteristics affect the entity's reporting outcomes. Thus, the primary research question of this research is:

"The extent to which the Audit Committees of smaller listed companies in Greece communicate with the management, following the FRC's general guidelines on 1) Planning, 2) Formulating Action for Next Year, 3) Timing & Planning, and 4) Skill-set and Experience, and to assess the impact of Covid-19 on the existing level of communication".

Considering the size of the company as a determining factor, we examine whether the observations by other studies apply to the Greek context of smaller listed entities, with the following hypotheses:

H1: Smaller listed companies demonstrate lower levels of communication than larger ones.

H2: Smaller listed companies demonstrate higher levels of communication in the post-Covid-19 period.

3.1. Methodology: Research Design

Define examining the communication levels of Audit Committees and Management pre-and-post the Coronavirus global pandemic period, we are conducting a longitudinal questionnaire survey method focusing on smaller listed companies in Greece. Researchers use qualitative research to identify the factors affecting Audit Committees and examine interactions and general communication. However, as extensive research has been conducted on the matter, this study aims to quantify the level of communication on several listed companies under

what considered to be “normal” circumstances, to then compare it with a period following a global crisis.

3.2. Methodology: Source of Questionnaires

ICAEW and the FRC’s guide “Smaller Listed and AIM Quoted Companies: A Practical Guide for Audit Committees on Improving Financial Reporting” (ICAEW, 2019b) potential questions destined for the Audit Committees were gathered, resulting to a total of 24 questions, parted in 4 thematic sections: 1) planning, 2) formulate action for next year, 3) timing & planning, and 5) skill-set and experience (**Table A1** in **Appendix A**). It is worth mentioning that the nature of these questions was not compulsory, but rather suggestive.

To the original list, we modified question A8 based on its relevance to the British financial and regulatory system and the fact that the Greek competent authority is not obliged to issue a year-end letter. From the “Skill-set & Experience” thematic section, we excluded a question due to respondents’ bias. Participants were asked to rate the suggested questions on a 5 point Likert-scale (1: Never, 5: Always) in case members of the entity’s Audit Committee have asked, either the CFO or an executive member of the Finance Team, to examine the level of communication from the management’s viewpoint.

3.3. Methodology: Sample Size & Selection

To investigate the levels of communication between Audit Committees and Management of smaller listed companies in Greece and evaluate the adequacy of financial reporting function, we selected a suitable sample through secondary research. With the source being the Athens Exchange Group (ATHEX Group, 2019), all 177 listed companies (excl. financial institutions and insurance companies) were gathered. Information on their size was the parting criteria, which lead to a final sample of 74 listed companies with less than 150 employees, excluding medium and large-sized companies—according to parting criteria in Greece. The reason why revenue was not the determining factor for entity size, was the differentiation of our research using a different business size scale.

The questionnaires were delivered via namely e-mail to either the Financial Management Dept. (CFO or an executive member of the Finance Team—EFT), with a disclaimer ensuring anonymity and confidentiality of the results, and data privacy assurance in November 2019. To ensure validity and reliability of the measures tested, we derived our data set from respondents who are members of either executive or senior management that involve in the financial reporting process of their firm, and it is assumed that they are highly qualified to provide accurate responses regarding the survey. The response rate was 48.6%, which is reasonable comparing to prior studies examining listed companies (Zaman & Sarens, 2013). The final sample of 36 listed firms, with employees up to 150 employees.

The specific characteristics of the sample data set are described in detail in **Table 1**—“Descriptive Statistics”, broken down in six main variables. In terms of

Table 1. Descriptive statistics.

Variables		Frequency	%	Cumulative %
Position	CFO	13	36.1	36.1
	EFT	23	63.9	100
Gender	Male	30	83.3	83.3
	Female	6	16.7	100
Age group	24 - 34	5	13.9	13.9
	35 - 44	11	30.6	44.4
	45 - 54	14	38.9	83.3
	55+	6	16.7	100
Experience (years)	1 - 5	0	0	0
	5 - 10	8	22.2	22.2
	10 - 15	17	47.2	69.4
	15+	11	30.6	100
Current position (years)	1 - 5	16	44.4	44.4
	5 - 10	16	44.4	88.9
	10+	4	11.1	100
Company Size (employees)	1 - 49	15	41.7	41.7
	50 - 99	11	30.6	72.2
	100 - 150	10	27.8	100

working experience and retention of current position, as shown, the 77.8% has over 10 years of relative working experience and 55.5% retaining their current position for at least 5 years.

To examine the impact of the unexpected global pandemic of Covid-19, we contacted the 36 companies that took part in the first part of this research (after confirming that they were still listed) and requested the completion of the questionnaire, and thankfully got responses from all of them in the first two weeks of June 2020, when corporate life had already returned to its normality.

4. Key Results

This longitudinal study's objective is first to assess communication levels between the Audit Committees of smaller listed entities in Greece with the management before and after an unexpected global event that shook the corporate world. The four thematic areas that this research focuses on are: 1) planning, 2) formulating action for next year, 3) timing & planning, and 4) skill-set and experience.

Table 2 and **Table 3** present the ranges, the means, the standard deviation values, and the frequencies of both studies. Even though the sample consists of 36 participants, we observe a closeness regarding the mean scores across all four

Table 2. Means, SD and frequencies of communication levels Pre-Covid-19.

A. Planning									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	1	5	3.11	1.09	4	5	12	13	2
Q2	1	5	3.39	0.99	2	4	11	16	3
Q3	2	5	3.42	0.73	-	4	14	17	1
Q4	2	4	3.36	0.64	-	3	17	16	-
Q5	1	4	2.61	0.99	6	9	14	7	-
Q6	3	5	4.03	0.74	-	-	9	17	10
Q7	1	4	2.64	0.90	5	8	18	5	-
Q8	2	5	3.78	0.76	-	1	12	17	6
			3.29		5.90%	11.81%	37.15%	37.50%	7.64%
B. Formulating action for next year									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	2	5	4.03	0.91	-	2	8	13	13
Q2	2	5	3.31	0.86	-	6	16	11	3
Q3	2	5	3.78	0.90	-	3	10	15	8
Q4	2	5	3.86	0.90	-	2	11	13	10
			3.74		-	9.03%	31.25%	36.11%	23.61
C. Timing & Planning									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	2	5	3.14	0.72	-	6	20	9	1
Q2	2	5	3.31	0.79	-	5	17	12	2
Q3	2	5	3.75	0.81	-	2	11	17	6
Q4	2	4	3.08	0.65	-	2	21	9	-
Q5	2	5	3.33	0.79	-	5	16	13	2
Q6	1	5	3.31	0.89	2	2	17	13	2
			3.32		0.93%	10.19%	47.22%	33.80%	6.02%
D. Skill-set & Expertise									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	2	5	3.75	0.69	-	1	11	20	4
Q2	1	5	3.53	0.94	2	2	10	19	3
Q3	2	5	3.67	0.83	-	3	11	17	5
Q4	1	5	3.00	1.04	5	3	16	11	1
Q5	1	5	3.19	1.04	3	5	12	14	2
Q6	2	5	3.25	0.77	-	6	16	13	1
			3.40		4.63%	9.26%	35.19%	43.52%	7.41%

Table 3. Means, SD and frequencies of communication levels Post-Covid-19.

A. Planning									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	1	4	2.64	0.93	4	12	13	7	-
Q2	1	4	2.75	0.81	1	14	14	7	-
Q3	2	5	3.83	0.85	-	2	10	16	8
Q4	2	5	3.92	0.81	-	1	10	16	7
Q5	1	5	3.17	1	2	6	15	10	3
Q6	3	5	4.39	0.73	-	-	5	12	19
Q7	2	5	4.39	0.80	-	4	17	12	3
Q8	2	5	4	0.83	-	2	6	18	10
			3.64		2.43%	14.24%	31.25%	34.03%	17.36%
B. Formulating action for next year									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	3	5	4.25	0.77	-	-	7	13	16
Q2	2	5	3.44	0.81	-	4	15	14	3
Q3	2	5	4.19	0.82	-	1	6	14	15
Q4	3	5	4.33	0.76	-	-	6	12	18
			4.05			3.47%	23.60%	36.80%	36.11%
C. Timing & Planning									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	2	5	3.61	0.69	-	2	12	20	2
Q2	2	5	3.47	0.94	-	6	12	13	5
Q3	3	5	4.17	0.85	-	-	10	10	16
Q4	2	4	3.39	0.64	-	3	16	17	-
Q5	2	5	3.53	0.65	-	1	17	16	2
Q6	1	4	2.61	0.87	5	8	19	4	-
			3.46		2.31%	9.25%	39.8%	37.04%	11.57%
D. Skill-set & Expertise									
	Minimum	Maximum	Mean	Std. Deviation	Frequency				
					1	2	3	4	5
Q1	3	5	3.92	0.65	-	-	9	21	6
Q2	2	5	3.86	0.87	-	3	7	10	16
Q3	2	5	3.28	0.74	-	4	20	10	2
Q4	1	5	3.36	0.93	1	4	16	11	4
Q5	1	4	2.69	0.95	4	11	13	8	-
Q6	2	5	3.25	0.91	-	7	17	8	4
			3.39		2.31%	13.43%	37.96%	31.48%	14.81%

areas, with the highest being “Formulating action for next year,” which has a difference of 0.34 from the next highest “Skill-set & Expertise” in the pre-Covid-19 results. In the post-Covid-19 results we notice the same section being the scored higher (Mean: 4.05), but with the “Planning” coming second (Mean: 3.64), replacing the “skill-set & Expertise” that now is found in the bottom of the four sections (Mean: 3.39). It is also noteworthy the lack or small amount of “Never” responses in the “Formulating Action for Next Year” and “Timing & Planning” in both the pre and post Covid-19 period.

Examining the mean scores of the inter-thematic sections, we also observe the frequently asked questions. In the pre-Covid-19 section these were questions A6 and B1 (**Appendix A**), with mean scores 4.03 for both, whereas the least asked question was A5 (Mean: 2.61). After the pandemic, the most frequent questions were A6 & A7 (Mean: 4.39), B4 (Mean: 4.33) and B1 (Mean: 4.25%), and the least was A1 (Mean: 2.64).

Independent samples t-tests test whether company size has a significant impact on communication levels on all four thematic areas both for the pre and post-Covid-19 period. The findings (**Table 4**) indicate no significant differences depending on entity size, except in the “Timing and Planning: section, and between the companies with 50 - 99 and 100 - 150 employees for the pre-Covid-19 period. However, in the post-Covid-19 period (**Table 5**) all sections and across all business sized entities there is a significance in communication levels, indicating that they have all improved due to the pandemic, as the nature of the new workplace environment has changed.

The KMO for sampling adequacy and Bartlett’s Test for Sphericity generated a 0.396 value for the pre-Covid-19, and a 0.390 for the post-Covid-19 dataset. This value to be factor analyzable needs to be above 0.50 or even 0.40, but for this small sample size, we are accepting this value. Moreover, the inter-item correlation matrix shows both positive and negative correlations. The factor analysis (**Appendix B**) indicates that all items were surpassing the 60% in terms of commonalities (**Table B1**), and only one factor was extracted (**Table B2**) for the pre-Covid-19 period. The post-Covid-19 factor analysis (**Table B3** and **Table B4**) showed that nine values were extracted.

To examine the level of communication between the Audit Committee with the management, a study conducted on CFOs and Executive Finance Team members of smaller listed companies in Greece, based on employee size and not revenue. Evaluating the frequency of the questions, we notice several differences between the thematic areas of the suggested/recommended items of the questionnaire. In the “Planning” pre-Covid-19 section (Mean: 3.29), items A2, A3 & A4 regarding the financial policy, requirements, and reporting changes, there are no (A3 & A4) or very few (A2) “Never” responses. Additionally, item A6 “*What are the company’s key financial reporting risks for this year?*” has one of the highest mean scores in the whole questionnaire (Mean: 4.03, SD: 0.74), with responses ranging only between 3 - 5 on the 5-point Likert scale. These high-scoring

Table 4. Paired t-tests: company size and communication levels Pre-Covid-19.

Variables	Groups	N	Mean	SD	t	df	p-value
Pair 1 (Planning)	1 - 49 employees	15	25.33	3.92	-1.21	24	0.240
	50 - 99 employees	11	26.91	2.12			
Pair 2 (Planning)	1 - 49 employees	15	25.33	3.92	-1.273	23	0.216
	100 - 150 employees	10	27.20	3.01			
Pair 3 (Planning)	50 - 99 employees	11	26.91	2.12	-0.258	19	0.799
	100 - 150 employees	10	27.20	3.01			
Pair 1 (Formulating action for next year)	1 - 49 employees	15	15.26	2.22	0.962	24	0.346
	50 - 99 employees	11	14.55	1.29			
Pair 2 (Formulating action for next year)	1 - 49 employees	15	15.26	2.22	0.292	23	0.773
	100 - 150 employees	10	15.00	2.26			
Pair 3 (Formulating action for next year)	50 - 99 employees	11	14.55	1.29	-0.573	19	0.574
	100 - 150 employees	10	15.00	2.26			
Pair 1 (Timing & Planning)	1 - 49 employees	15	19.20	3.10	0.193	24	0.849
	50 - 99 employees	11	19.00	1.73			
Pair 2 (Timing & Planning)	1 - 49 employees	15	19.20	3.10	-2.45	23	0.022
	100 - 150 employees	10	22.00	2.26			
Pair 3 (Timing & Planning)	50 - 99 employees	11	19.00	1.73	-3.43	19	0.003
	100 - 150 employees	10	22.00	2.26			
Pair 1 (Skill-set & Experience)	1 - 49 employees	15	19.67	4.43	-0.16	24	0.877
	50 - 99 employees	11	19.91	2.98			
Pair 2 (Skill-set & Experience)	1 - 49 employees	15	19.67	4.43	-1.38	23	0.181
	100 - 150 employees	10	22.00	3.65			
Pair 3 (Skill-set & Experience)	50 - 99 employees	11	19.91	2.98	-1.44	19	0.165
	100 - 150 employees	10	22.00	3.65			

Note: $p < 0.001$, $p < 0.05$.

Table 5. Paired t-tests: company size and communication levels Post-Covid-19.

Variables	Groups	N	Mean	SD	t	df	p-value
Pair 1 (Planning)	1 - 49 employees	15	27.67	1.95	-52.92	14	0.000
	50 - 99 employees	11	28.27	2.80			
Pair 2 (Planning)	1 - 49 employees	15	27.67	1.95	-31.16	10	0.000
	100 - 150 employees	10	28.50	2.37			
Pair 3 (Planning)	50 - 99 employees	11	28.27	2.80	-34.04	9	0.000
	100 - 150 employees	10	28.50	2.37			
Pair 1 (Formulating action for next year)	1 - 49 employees	15	16.47	1.30	-46.01	14	0.000
	50 - 99 employees	11	16.00	1.90			

Continued

Pair 2 (Formulating action for next year)	1 - 49 employees	15	16.47	1.30	-24.47	10	0.000
	100 - 150 employees	10	16.10	2.18			
Pair 3 (Formulating action for next year)	50 - 99 employees	11	16.00	1.90	-18.97	9	0.000
	100 - 150 employees	10	16.10	2.18			
Pair 1 (Timing & Planning)	1 - 49 employees	15	20.73	2.40	-31.79	14	0.000
	50 - 99 employees	11	19.91	2.21			
Pair 2 (Timing & Planning)	1 - 49 employees	15	20.73	2.40	-26.86	10	0.000
	100 - 150 employees	10	21.80	1.93			
Pair 3 (Timing & Planning)	50 - 99 employees	11	19.91	2.21	-30.77	9	0.000
	100 - 150 employees	10	21.80	1.93			
Pair 1 (Skill-set & Experience)	1 - 49 employees	15	19.87	3.18	-22.97	14	0.000
	50 - 99 employees	11	20.36	2.29			
Pair 2 (Skill-set & Experience)	1 - 49 employees	15	19.87	3.18	-26.57	10	0.000
	100 - 150 employees	10	21.10	3.00			
Pair 3 (Skill-set & Experience)	50 - 99 employees	11	20.36	2.29	-19.10	9	0.000
	100 - 150 employees	10	21.10	3.00			

Note: $p < 0.001$, $p < 0.05$.

questions assess the external influence, which explains the Audit Committee's increased attention to the management. The post-Covid-19 results show that items A6, A7 (Mean: 4.39) and A8 (Mean: 4) score higher, and deal with the reporting risks, and other financial matters that may arise.

In section B, "Formulating Action for Next Year", the management scored all four matters (B1: investors, B2: reporting quality, B3: compliance, and B4: reporting requirements) highly evaluated, implying that the future strategy is prioritized, and communicated in both the pre and post-Covid-19 period. In the "Timing & Planning", the third most frequently asked section before and after the pandemic (Mean: 3.32 and 3.46 respectively), the focus is on the time component and the changing regulations. The post-pandemic results show a steady increase in all items, except C6. Lastly, the "Skill-set & Experience" section is the second high-scored section on the pre-Covid-19 part of the research, but the last on the post-pandemic part. In the pre-Covid-19 study, question D4, on CPD requirements and whether they are used as a KPI, was scored the lowest. Still, in the post-pandemic period, D5 regarding the knowledge gaps and training needs was scored the lowest (Mean: 2.69). This indicates that entities are more interested in enhancing their external performance, rather than identifying internal KPIs, and that after the pandemic companies were focusing on other matters that had to do with planning their actions following the global crisis rather than the skill-set assessment and training.

Moreover, results should be interpreted with caution due to potential bias, as

this section was completed by parties involved (i.e., the management) and involves their professional expertise. When adding the size aspect into the equation (number of employees), we observe that there is a pattern in the “Planning” section, where larger entities exhibit higher communication levels, a similar trend also observed in the “Skill-set & Experience” section. Contrariwise, in “Formulating action for next year” is higher in entities of 1-49 employees, whereas in “Timing & Planning” larger listed companies scored higher.

5. Conclusion

“Audit Committees have responsibility for overseeing the integrity, compliance, and quality of the financial statements and disclosures prepared by management.” (ICAEW, 2019b). Thus, it is of paramount importance to ensure high-quality reporting. Audit Committees and management should be involved and be more aware of their responsibilities and expectations from the corporate world. Communication and interaction levels of Audit Committees has been on the microscope for quite some time with a lot of academic and professional research, as they examine the impact on the overall reporting quality. However, unexpected global crises may disrupt normality, and this explains the nature of this longitudinal pre and post-Covid-19 research. The present study is using the FRC’s guidelines and recommendations regarding communication in four crucial aspects of auditing, where Audit Committees are involved. Examining communication levels through the frequency of the questions asked, we provide evidence of their focus in each of the two periods studied.

5.1. Implications

The aim is to assess communication levels of Audit Committees with the management from the management’s perspective; however, the focus of previous research is on the frequency of meetings, which was altered due to the present post-Covid-19 circumstances. Moreover, company size was determined by the number of employees, instead of the annual revenue. Audit Committees, managers of listed, and unlisted companies, CFOs, executives, and other members of the finance team benefit from this study as it gives information for both “normal” and “under crisis” periods, while also considering the suggestions of ICAEW (2019a) and the FRC (2018) to improve reporting quality and ensure compliance with the changing requirements.

5.2. Limitations and Future Research

Limitations included the small sample size (48.6%). Larger companies could have been used in order to have a broader sample selection. Moreover, in our effort to keep the questionnaire relatively short, we did not include other factors, for example, the number of official and meetings with management/finance team/other teams, number of other informal interactions, the annual revenue of the company, size of the finance team and board size. Future research should

consider and examine the above-mentioned limitations to share more insight into the level of the two-way communication between Audit Committees and management, on a bigger sample, even from other countries, for a more insightful cross-country analysis. Also, the communication levels could be examined later throughout time, to examine the effects of Covid-19 in the beginning and during the several lockdowns.

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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Appendices

Appendix A

Table A1. List of questions for the audit committee to consider.

A. PLANNING

1. What lessons can we learn from last year's financial reporting process?
 2. What action has been taken to ensure that the key financial reporting issues during last year's audit are less of a challenge this year?
 3. Have there been any financial reporting standard changes during the year?
 4. Will there need to be any changes to our key accounting policies?
 5. Have our systems been adapted to take account of any changes?
 6. What are the company's key financial reporting risks for this year?
 7. Are there any unusual transactions or areas of significant judgment that will affect the preparation of the annual report and accounts? What action has been taken to manage risks of misstatement that may arise from these?
 8. How have the CFO and finance team addressed matters previously raised by the auditor? (partly modified question No. 8)
-

B. FORMULATE ACTION FOR NEXT YEAR

1. What information are current and future investors likely to be interested in? Are there gaps in the current information the company communicates?
 2. What financial and non-financial information and reports are used for internal management purposes, and how does this information compare to the scope and content of our external reporting?
 3. How do we ensure that the company is complying with its reporting obligations?
 4. How does the audit committee ensure that it is up to date with the latest reporting requirements?
-

C. TIMING & PLANNING

1. When does planning for the year-end begin? What factors drive this decision, and could the timing be improved?
 2. Was there a clear timetable for last year's financial reporting process? Was it realistic and was it met?
 3. What are the key deadlines for this year? Where are the pressure points and how will we manage this?
 4. How will we gather and collate the data needed to comply with new standards and regulations?
 5. How do we ensure that financial reporting systems continue to be robust and fit for purpose as the company grows?
 6. What process is in place to identify errors and inconsistencies in the annual report, for example, between narrative sections and the financial statements?
-

D. SKILL-SET & EXPERIENCE

Continued

1. What level and type of resourcing does the finance team need at different times of the year, have any gaps been identified, and how can those be filled?
2. What knowledge, including financial and other relevant qualifications, and experience do members of the finance team and board bring?
3. How do we ensure that the finance team complies with continuing professional development (CPD) requirements? Is this documented and reviewed?
4. Is complying with CPD requirements a key performance indicator within the company's appraisal system?
5. How are knowledge gaps and training needs identified and addressed?
6. How does the audit committee ensure that it is up to date with the latest reporting requirements?

Appendix B**Table B1.** Factor analysis of communication levels pre-Covid-19.

	Communalities	
	Initial	Extraction
PL1	0.666	0.085
PL2	0.771	0.116
PL3	0.827	0.202
PL4	0.767	0.058
PL5	0.696	0.069
PL6	0.647	0.005
PL7	0.604	0.002
PL8	0.682	0.008
FORM1	0.828	0.010
FORM2	0.813	0.031
FORM3	0.666	0.010
FORM4	0.817	0.266
TIM1	0.586	0.110
TIM2	0.850	0.211
TIM3	0.736	0.172
TIM4	0.662	0.121
TIM5	0.623	0.269
TIM6	0.802	0.506
SKEXP1	0.664	0.257
SKEXP2	0.861	0.589
SKEXP3	0.925	0.417
SKEXP4	0.817	0.441
SKEXP5	0.871	0.516
SKEXP6	0.818	0.251

Extraction Method: Maximum Likelihood.

Table B2. Total variance explained (pre-Covid-19).

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.468	22.784	22.784	4.722	19.676	19.676
2	2.479	10.331	33.115			
3	2.196	9.149	42.264			
4	1.889	7.870	50.134			
5	1.510	6.293	56.426			
6	1.370	5.710	62.137			
7	1.222	5.091	67.228			
8	1.137	4.739	71.966			
9	1.005	4.186	76.152			
10	0.914	3.807	79.958			
11	0.792	3.300	83.258			
12	0.682	2.842	86.100			
13	0.624	2.599	88.699			
14	0.548	2.282	90.982			
15	0.498	2.076	93.058			
16	0.384	1.599	94.657			
17	0.352	1.466	96.123			
18	0.260	1.085	97.208			
19	0.247	1.030	98.238			
20	0.190	0.791	99.029			
21	0.095	0.394	99.423			
22	0.062	0.259	99.682			
23	0.046	0.190	99.872			
24	0.031	0.128	100.000			

Extraction Method: Maximum Likelihood.

Table B3. Factor analysis of communication levels post-Covid-19.

	Communalities	
	Raw	Rescaled
	Initial	Extraction
PL1b	0.866	0.781
PL2b	0.650	0.464
PL3b	0.714	0.619

Continued

PL4b	0.650	0.488
PL5b	1.000	0.783
PL6b	0.530	0.376
PL7b	0.644	0.546
PL8b	0.686	0.524
FORM1b	0.593	0.445
FORM2b	0.654	0.520
FORM3b	0.675	0.508
FORM4b	0.571	0.326
TIM1b	0.473	0.168
TIM2b	0.885	0.717
TIM3b	0.714	0.523
TIM4b	0.416	0.219
TIM5b	0.428	0.244
TIM6b	0.759	0.590
SKEXP1b	0.421	0.221
SKEXP2b	0.752	0.526
SKEXP3b	0.549	0.310
SKEXP4b	0.866	0.732
SKEXP5b	0.904	0.757
SKEXP6b	0.821	0.670

Table B4. Total variance explained (post-Covid-19).

Component	Initial	Extraction Sums of			Total	% of Variance	Cumulative %
	Eigenvalues	Squared Loadings					
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	2.236	13.782	13.782	2.236	13.782	13.782	
2	1.963	12.103	25.885	1.963	12.103	25.885	
3	1.538	9.479	35.364	1.538	9.479	35.364	
4	1.530	9.431	44.795	1.530	9.431	44.795	
5	1.237	7.626	52.421	1.237	7.626	52.421	
6	1.093	6.735	59.156	1.093	6.735	59.156	
7	0.963	5.938	65.093	0.963	5.938	65.093	
8	0.783	4.827	69.921	0.783	4.827	69.921	
9	0.715	4.407	74.328	0.715	4.407	74.328	
10	0.627	3.863	78.191				
11	0.575	3.545	81.736				
12	0.507	3.127	84.863				

Continued

	13	0.436	2.686	87.550		
	14	0.376	2.316	89.865		
	15	0.332	2.048	91.914		
	16	0.299	1.845	93.759		
	17	0.271	1.671	95.431		
	18	0.213	1.316	96.747		
	19	0.156	0.963	97.710		
	20	0.099	0.611	98.321		
	21	0.086	0.533	98.854		
	22	0.081	0.498	99.352		
	23	0.058	0.357	99.709		
	24	0.047	0.291	100.000		
	1	2.236	13.782	13.782	3.055	12.729
	2	1.963	12.103	25.885	2.826	11.777
	3	1.538	9.479	35.364	2.228	9.285
	4	1.530	9.431	44.795	2.015	8.396
	5	1.237	7.626	52.421	1.782	7.424
	6	1.093	6.735	59.156	1.829	7.622
	7	0.963	5.938	65.093	1.332	5.550
	8	0.783	4.827	69.921	1.116	4.650
	9	0.715	4.407	74.328	1.082	4.508
	10	0.627	3.863	78.191		
	11	0.575	3.545	81.736		
	12	0.507	3.127	84.863		
Rescaled	13	0.436	2.686	87.550		
	14	0.376	2.316	89.865		
	15	0.332	2.048	91.914		
	16	0.299	1.845	93.759		
	17	0.271	1.671	95.431		
	18	0.213	1.316	96.747		
	19	0.156	0.963	97.710		
	20	0.099	0.611	98.321		
	21	0.086	0.533	98.854		
	22	0.081	0.498	99.352		
	23	0.058	0.357	99.709		
	24	0.047	0.291	100.000		