AN INVESTIGATION OF ATTITUDE OF CHIEF EXECUTIVE OFFICERS ABOUT THEIR ROLES AND RESPONSIBILITIES

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Abstract- The objectives of this paper were to study attitude of Chief Executive Officers or CEOs towards roles and responsibilities of the internal auditing function; to investigate variations of attitude of CEOs towards roles and responsibilities of the internal auditing function based on their personal background and other business- related characteristics as the dependent variables. The study employed the quantitative approach with use of questionnaire. The finding reported good attitude of the CEOs in all aspects of ethics of operation, standards of job description and standards of operations. Difference in gender, age, educational level and field of graduation of the CEOs were reported to result in different attitudes of them. In contrary, other business- related characteristics, for instance different years of working in the CEO position and business scale had no influence on different attitudes of the CEOs.

Index Terms- Attitude, Chief Executives Officers, Responsibilities, Roles,

I. INTRODUCTION

Internal audit profession in Thailand was not widely recognized neither in accounting profession nor other related professions until the year 1989 when the Institute of Internal Auditors of Thailand was established. In 1992, the Stock Exchange of Thailand (SET) established the criteria requirement for companies to be listed in the SET, that those companies are required to provide an evidence of appropriate internal audit system (Usana Phattaramontri, 2007, p. 10). Many companies have thereafter started to establish their own internal audit function, whereas some have outsourced. Internal audit function is required to conform to the standards and code of ethics for the professional practice of internal auditing for instance independence, objectivity and unbiased attitude to avoid any conflict of interest. Many registered companies in Thailand had been originated from family business, before they were registered with the SET in order to increase more capital for further investment. With limited capability of family business main stakeholders in performing to manage larger entity, risk exists. Therefore, some companies have hired a CEO or Chief Executive Officer to be in charge with planning, organizing, commanding and controlling the organization's day-to-day operations, and to take all the decisions regarding the upliftment of the company to achieve the goals

II. LITERATURE REVIEW

Roles and responsibilities of internal auditor deliver positive benefits to companies in many forms. Companies with internal auditing will be of good record for good governance, accountability, availability of assessment reports, operational efficiency and effectiveness, and preventive measures against organizational corruption. Internal auditors must conform to Mandatory Guidance established by the Institute of Internal Auditors of Thailand, which provides the International Professional Practices Framework (IPPF). One of the mandatory elements of the IPPF is Code of Ethics. Internal auditors are expected to apply and uphold the following principles: Integrity, Objectivity, Confidentiality and Competency. Furthermore, the International Standards for the Professional Practice of Internal Auditing (Standards) also provides statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance.

This paper studied attitude of chief executive officers or CEOs of SET listed companies towards roles and responsibilities of internal audit function. Internal audit is very significant in the assurance environment of many organizations, and it gives valuable contributions to organizations ranging from providing consultancy, managing risk, monitoring and controlling operations. These roles require cooperation from all departments. Internal auditing therefore is the function that concerns all organizational units. It should be noted that directions of roles and responsibilities of internal audit function in Thailand at present have been improved, in which fraud and corruption monitoring action, especially only to the accounting and finance units was changed to a more preventive action given to all units in organization, and in which focus only on building positive image of the internal audit function was changed to more actions of supports to organizations in order to assist them to accomplish their goals and create long- time value. The aim of this study was thus to understand attitude of CEOs towards the internal

auditing function in terms of their present roles and responsibilities. CEO personal background and other business- related characteristics were also examined to investigate variations of attitudes.

III.DETAILS EXPERIMENTAL

3.1. Research Methodology

The objectives of this paper were to study attitude of CEOs towards roles and responsibilities of the internal auditing function; to investigate variations of attitude of CEOs towards roles and responsibilities of the internal auditing function based on their personal background and other business- related characteristics as the dependent variables. The conceptual framework was provided, as shown in Fig. 1. The study employed the quantitative approach using survey for the fieldwork. The samples of the study was the CEOs of the 340 companies located in Bangkok and listed in the Stock Exchange of Thailand (SET) from the population of 556 listed companied (the data as of August 27, 2008). The fieldwork used questionnaire for collecting the data directly with the CEOs, returning back 70 percentages of the all questionnaires distributed. The analysis used descriptive statistics including mean and standard deviation, and t- test, One Way Analysis of Variance or ANOVA and Least Significant Difference or LSD as the inferential statistics.

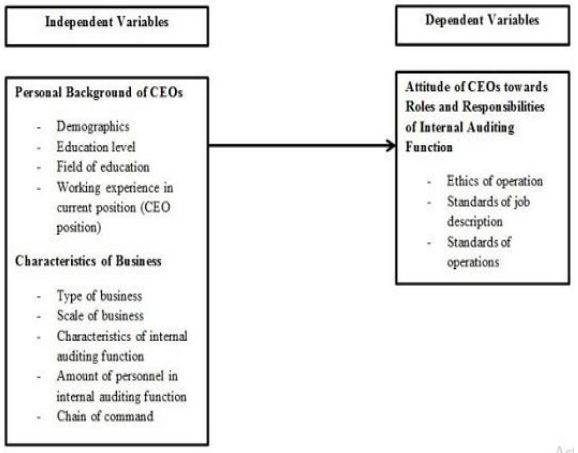


Fig.1. The Conceptual Framework

IV. RESULTS AND DISCUSSION

The findings of this paper were divided into 4 parts in responding to the research objectives: the personal background and other business- related characteristics of the CEOs; attitude of the CEOs towards roles and responsibilities of the internal auditing function; attitude of CEOs towards roles and responsibilities of the internal auditing function based on their personal background; and attitude of CEOs towards roles and responsibilities of the internal auditing function based on their other business- related characteristics.

4.1. Personal background of the CEOs

The majority of the CEOs were male represented by 80.90 percentages, with age between 51- 60 years old or 46.80 percentages. Most of them, 68.10 percentages, achieved graduate level education, of which 45.20 percentages of them graduated from the business administration program. The majority, or 62.20 percentages, has already been working in the current position for 10 years.

4.2. Attitude of the CEOs towards roles and responsibilities of the internal auditing function

The finding unveiled that an average level of attitude of the CEOs towards roles and responsibilities of the internal auditing function was good with a mean score of 4.14. The report by items presented good level in all aspects of ethics of operation, standards of job description, and standards of operations.

4.3. Attitude of the CEOs towards roles and responsibilities of the internal auditing function based on their personal background

The study found that the CEOs with different genders had different attitudes towards roles and responsibilities of the internal auditing function especially in the standards of job description, and standards of operations. In regards to age difference, it found that the CEOs with age of and lower than 30 years old had very good attitude with a mean score of 4.95, and the scores were significantly different in all three aspects of ethics of operation, standards of job description, and standards of operations.

Level of education also showed an influence on the CEOs' attitude. The study found that those with the educational level lower than bachelor degree level had very good attitude with a mean score of 4.68. Those who graduated from accounting and economics also have very good attitude towards the internal auditing function with a mean score of 4.36. This could be concluded that fields of graduation had a significant influence on the CEOs' attitude.

Concerning the working years in the CEO position, the finding reported a mean score of 4.41 which represented the very good attitude of the CEOs who had worked in the position for 7-9 years. However, the study found that different number of working years had no relation with the attitude towards the aspects of standards of job description, and standards of operations.

4.4. Attitude of the CEOs towards roles and responsibilities of the internal auditing function based on their business- related characteristics

The study reported the very good attitude of the CEOs working in the companies in the business of technology, with a mean score of 4.43. It also found that the attitudes significantly varied in all aspects of ethics of operation, standards of job description, and

standards of operations. Moreover, the CEOs working for the companies with the business size of more than 10,000 million Baht were reported with very good attitude, with a mean score of 4.31. It also found that different business scales were influential on the attitude of the CEOs in the aspects of ethics of operation, standards of job description, and standards of operations.

Furthermore, different characteristics of internal auditing function of the companies were found to be significantly influencing on the attitude of the CEOs, especially in the aspects of standards of operations and standards of job description. The CEOs also have good attitude towards the internal auditing function with 1-5 staffs with a means core of 4.22. Nevertheless, the amount of 1-5 personnel working in the internal auditing function was not a factor that influenced the difference of the CEOs' attitude in any aspects. Lastly, the study unveiled that the CEOs working for the companies with the internal auditing function reporting directly to the president had very good attitude towards the roles and responsibilities of the internal auditing function, with a mean score of 4.42. However, only 2 aspects, standards of operations and standards of job description, were found not significantly influential on the CEOs' attitude.

The findings contributed to some interesting issues, which could be discussed as follows.

The attitudes of the CEOs who work in the companies listed in the SET explained that the CEOs had trust in the code of ethics for the operations of the internal auditing function, for instance unbiased attitude and objectivity, which meant that the comments and opinions expressed in the report should be objective and unbiased.

Difference in gender, age, educational level and field of graduation of the CEOs resulted in different attitudes of the CEOs towards roles and responsibilities of the internal auditing function. Contrarily, the CEOs with different years of working in the CEO position did not have any association with the attitude of the CEOs. This finding was opposite to the hypothesis; this could be inferred that assessing the performance of internal auditing function did not require CEOs with more years of working as the CEO position, due to the fact that the internal auditors were usually mandated by the International Professional Practices Framework established by the Institute of Internal Auditors of Thailand.

Different business scale was not found as the factor that influenced different attitudes of the CEOs. This may be by the reason that all types of business scaled, if listed in the SET, require complying with the rules and regulations of the SET. Moreover, different characteristics of internal auditing function of the companies influenced the attitude of the CEOs to be varied; the study found that the attitude towards the internal auditing unit established within the companies gained higher mean score than that towards the outsourced one. This is probably owing to the fact that monitoring and reporting could be done more easily and regularly when they were the internally established internal auditing unit.

The amount of 1-5 personnel working in the internal auditing function was not a factor that influenced the difference of the CEOs' attitude in any aspects. This finding did not agree with the hypothesis. It could be explained that each individual personnel in the internal auditing unit, regardless of the number, were required to comply with the internal auditor standard practices, and to manipulate the principles to assist the organizations they were working with to achieve the goals.

CONCLUSIONS

Some suggestions were derived from the findings as follows:

(1) Units in charge of internal control should widely publicize an importance, roles and responsibilities of internal auditing function to all personnel in the management level and CEOs in order that the information would be used as good supports for decision making in managing risk.

(2) Chain of command has an influence on roles and responsibilities of internal auditing function in the aspect of ethics of operation. This raised an issue of, for instance, the fact that the internal auditors should be able to stay independent and objective when reporting to the management or the CEOs by the chain of command. Thus, all personnel in the management level and CEOs should be acknowledged about advantages and disadvantages of different chains of command in organizations, which have different effects on ways in which the internal auditing function executes its roles and responsibilities, and quality and accuracy of the internal auditing reports.

(3) There should be an evaluation of satisfaction of audited organizations towards the operation quality of internal auditing function for further improvement.

(4) Interpersonal and communication skills should be taken into account by internal auditing function, as these skills are useful in operating the auditing. Moreover, internal auditing tasks should cover all aspects in fulfillment with the internal auditing principles, which include auditing for operations, system and implementation. These, as a result, assist audited organizations to evaluate and improve their effectiveness and efficiency of operations, financial management, safeguarding of assets and governance process in preventing fraud and corruption, and equity.

(5) Internal auditors should be able to give consultancy and recommendations in ways that contribute values to organizations, especially in terms

of business concept. Risk management framework should be more of concerned by the internal auditing function. Writing a manual, formulating a policy, arranging meetings and publicizing on boards and emailing can be done in order to bring realization towards risk and an importance of risk management, with monitoring and assessment.

(6) The management of internal auditing function should provide trainings for internal audit personnel and personnel in other related units, whereas they should be encouraged to take examination of Certified Internal Auditor (CIA Exam). Lastly, ethics must be emphasized as the tasks require internal auditors to possess objectivity, clarity, accuracy, and brevity in providing concise report.

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