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Corporate Governance on the Performance of Internal Auditors in Thailand Public Limited Company

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Abstract

The issue of performance of internal auditors is important since Thailand was also affected by the accounting scandals. The expanded scope in the definition of internal auditing and new regulatory requirements such as the Sarbanes-Oxley Act 2002 has increased the demands on internal auditing. This study was conducted to examine the relationship between the corporate governance on the performance of internal auditors in Thailand public limited companies. In this study, corporate governance relates to the board of directors size and audit committee size to the performance of the internal auditor. To achieve this objective, two hypotheses were developed based on previous studies and the agency theory. Survey questionnaires were sent to the Chief Audit Executives (CAEs) to determine the effectiveness on their performance based on the professional standards issued by the IPPF (2017) indicators. A total of 520 questionnaires were distributed, but only 146 were usable. Multiple regressions were used to test the relationship between the variables. The result showed that there is insignificant relationship between board of director's size and internal auditors' performance. This study however found that audit committee size has a positive relationship on the performance of internal auditors. Therefore, audit committee need to increase higher responsibility with regard to corporate governance by overseeing financial reporting and internal control matters.

Keywords

performance of internal auditors, corporate governance, IPPF, Thailand Public Limited Company

1. Introduction

Performance of internal auditors can be encountered with significant diversity and vagueness in their work. They need skills in examining activities and management practices. They can be faced with the need to become familiar with organizational contexts and subject matters.

Performance auditors must have a clear understanding of the objectives, the effectiveness of operation, and compliance with laws, regulations and policies, audit standards and process. Performance measurement includes establishment of standards and indicators to which management and staff are held accountable. Recently, performance measurement obtained rational attention in internal auditing because it establishes one of the most essential managerial functions (Rupsys & Boguslauskas, 2007). With this basis, performance measurement evaluates to what extent the efficiency of public resources being used and to what extent the effectiveness of public service outcomes are being achieved (Tudor, 2007).

Global business scandals have prompted the responsibilities of management and organisation fiduciaries in the particular subjects of governance, control and risk management, as well as brought about additional legislation and regulation. Since the notorious collapse of energy trader WorldCom and Enron, it has focused international attention on company failures (Dibra, 2016). Thus, international regulation plays a significant role in this process.

The corporate collapses of Enron in the 2001 has focused on the audit profession. The corporate failures provoked alterations at both international and national levels to assurance and auditing standards, and related laws to address stakeholder concerns arising from the corporate collapses (KPMG, 2006). In response to this, the Stock Exchange of Thailand made a pronouncement promulgating new regulations of corporate governance in order to control Thailand listed companies. The effectiveness of corporate governance helps ensure the appropriate works the managers of the companies perform to protect shareholders' rights and welfare (Gramling, Maletta, Schneider, & Churchet, 2004; Radu, 2012).

Corporate governance and internal auditing have turn out to be a major public concern (Karagiorgos, Drogalas, Gotsamanis, & Tmpakoudis, 2010). In this concept, international guidelines recognize that effective corporation of internal auditing and corporate governance is a basis of competitive benefit and increases performance (Karagiorgos, Drogalas, Gotsamanis, & Tmpakoudis, 2010). The internal auditing contribution to corporate governance is portrayed via marking off the association between the corporate governance key elements and internal audit. In fact, the Board of Directors has been recognized as a main player in corporate governance, by governance committee and regulators worldwide (ASX, 2003; USA Congress, 2002).

In Thailand, corporate governance has been recognized since the national financial crisis in 1997. Since its relevant to a firm's value, investor confidence and the sustainable overall growth, Thai government has attempted to build the good corporate governance in order to strengthen Thai economy, maintain investor confidence and maximise the country's level of competitiveness (Calkoen, 2012). The government's national agenda has included corporate governance in 2002 under the Capital Market Master Plan (The SET Thailand, 2013). This plan emphasised on good corporate governance. The comprehensiveness and compatibility of the Principles of Corporate Governance of the Organization for Economic Co-operation and Development (OECD) of Thailand then were relevantly revised in 2006 based on The World Bank recommendations (The SET Thailand, 2013).

The role of corporate governance in internal auditing has increased a lot of attention in Thailand. The Stock Exchange of Thailand required that Thai listed companies must provide the adequate internal control and the internal auditing effectiveness and corporate governance in 1998. The purpose of the new standards is to improve investor confidence and improve the quality and credibility of audited financial reports. Therefore, auditors must to be trained in the application of the new standards to achieve these aims (ASIC, 2006). When the auditor has mistakenly conducted the audit and there is a serious distortion of the financial statements that is not shown in the audit report, audit failure arises (Arens, Elder, & Beasley, 2002). As long as the auditor has complied with Generally Accepted Auditing Standards, audit failure does not arise regardless of the accuracy and fairness of the financial statements (Tackett, Wolf, & Claypoo, 2004). Auditing requires that the CAEs or head of internal auditor must establish the strategy to fulfill the internal audit's responsibilities by ensuing the implementation of the Sarbanes-Oxley Act of 2002 and IIA's International Standards for the

Professional Practice of Internal Auditing (IIA) (Rama, Martin, Newman, & Constance, 2002).

The responses of governments worldwide to corporate scandals have been greater regulated. This response is often taken in the name of supporting the need for protecting the public's interest. Attention has been focused on flaws in the capital market and reforms to corporate reporting and auditing that may rectify them. Stock exchanges, global and local accounting and auditing standard-setters, institutional investors and other stakeholders have called for transparency and accountability in corporate governance, business ethics and corporate reporting (Kostadimovski, Trajkovska, & Javanova, 2012).

Previous research on corporate governance signifies the Board of Director's effectiveness for ensuring the prosperity of the company and the important role of the board in the strategic orientation of corporations **(**Barroso, 2011**)**.

Hence, effectiveness of corporate governance can be assessed by internal audit. Fauver and Fuerst **(**2006**)** showed that employee representation in boards delivering value for high quality corporate operational knowledge in making decisions and provide a powerful mean to monitor and reduce agency costs in a company. Based on Gramling et al. (2004) and Sarens (2009) suggested that the measurement of IA's effectiveness can be made once the quality of IA function "has a positive influence on the corporate governance quality".

2. Problem Statement

For the past 10 years, there has been a loud call for "better" governance of organizations. This call began with a focus on major public companies and has expanded to cover a broad range of organizations (Gupta, 2016). Previous studies have revealed that the auditing profession has had to manage a lot of challenges such as corporate governance on the performance of internal auditors (Mactosh, 2010). These failures of business are not new phenomenas. Exposed cases of the recent past, such as WorldCom and Enron among others have drawn increasing attention to the auditing profession. This has cumulatively and negatively impacted how informed opinion views the auditing profession and financial reporting.

The issues on accounting scandals have arised regarding auditors and accountants in general. The requirement for public accounting companies in all countries to meet a minimum level of competency was intensified by the trend toward business globalisation. The expanded scope in the internal auditing definition (The IIA, 2004) and new regulatory requirements such as the Sarbanes-Oxley Act 2002 in the USA have brought about more demands on internal auditing. The IIA commissioned the 2006 Common Body of Knowledge study in 2006. This study involved worldwide researchers "to better recognise the growing scope of internal audit practice" (Cooper, Leung, & Wong, 2006).

After the experience of Asian financial crisis in Thailand in 1997, there were many corporate scandals such as Picnic (Thailand) limited company. These include non-compliance with business, failures, and misconducts such as non-compliance of business operating conduct, failure of financial document submission, failure to hold securities for executives and directors, and false information (Calkoen, 2012).

The Thailand public limited companies have debated on corporate governance issues regarding political, public and private reform. They lacked the capacity to deal with the challenges of globalisation and risks associated with an increasingly interdependent world. There also are weak policy responses, poor governance and lopsided development which had deepened the crisis even more (The Nation, 2013).

In the wake of the crisis, Dr. Prasarn Trairatvorakul, the Deputy Secretary-General of the Securities and Exchange Commission (SEC) of Thailand outlined the challenges of the task to improve governance in a September 1999 speech. He noted that a firm's board of directors is the main force for good corporate governance practices and must be held accountable for its roles. Three specific approaches to strengthening corporate governance practices and accountability were outlined: laws and regulations, institutional set-up, and market forces. The SEC designed reform efforts to mirror the corporate governance disciplines. Using regulatory discipline, market discipline, and self-discipline, good governance principles will protect investors' rights, improve board accountability, and increase transparency and disclosure. Thus, organizations like the Bank of Thailand (Thailand's central bank), the Ministries of Finance and Commerce, the SEC, the Stock Exchange of Thailand (SET), the Thai Institute of Directors Association (IOD), professional associations for accountants, auditors, and internal auditors, and investors' associations all began to play a more direct role in creating, implementing, and enforcing corporate governance reforms (Limpaphayom & Connelly, 2004).

Corporate governance reform in Thailand has been an evolution rather than a revolution (Limpaphayom & Connelly, 2004). Rather than sweeping away existing pre-crisis regulations, laws, and institutions to replace them with something completely new, corporate governance reform in Thailand has concentrated on improving the existing infrastructure, institutions, and enforcement. Substantial progress has been made to improve virtually all aspects of governance, especially the protection of shareholders, the effectiveness of the board, disclosure, and transparency (Limpaphayom & Connelly, 2004).

The requirement that all firms provide financial statement audited by an external auditor is an important aspect of disclosure and transparency. Recent changes in the SET rules and guidelines are designed to encourage and ensure the promote independence of board members and especially of the audit committee. The SET established the "Best Practices Guidelines for Audit Committee" in June 1999. The Exchange also spelled out the qualifications and scope of work of the audit committee in the same month. By the end of 1999, all listed companies were required to establish an audit committee, composed of no less than three independent directors (Limpaphayom & Connelly, 2004).

Both national and international economists argued regarding the most effective solutions to recover Thailand's imperfect infrastructure of corporate governance. The Stock Exchange of Thailand (SET) (2002) issued the SET Code of Best Practice for Directors of Listed Companies to support a good corporate governance guideline. The Committee on Enhancing Efficiency and Standard Performance (1997) for the private and public sector have been issued to improve the standard management system and outcomes for Thailand. This first step aims to improve the companies operation and best practices in addition to good governance for Thailand's administrative system as a whole.

3. Objective of the Study

Base on the above discussion, the objective of this study is to examine the relationship between the corporate governance (Board of Director size and Audit Committee size) on the performance of internal auditors in Thailand public limited companies.

4. Significance of the Study

This study distributes empirical evidence as to the scope of the performance of internal auditors' adherence to IPPF (2017) of the Institute of Internal Audit (IIA) became effective. The IPPF is for the improvement of both the Professional Practice Framework (PPF) and the fundamental of the profession of internal auditing. It is the outcome of careful study, deliberation, and consultation about the basic principles of internal auditing.

The significance of the study can be viewed through the theoretical principals performed as auditors, which in many agencies; principals do not have the expertise and skills to check whether agents have completed their tasks. Principals need expert auditors when they encounter with the asymmetries of information.

From the practical perspective, this study concerns to the extent of the internal auditors' characteristics and corporate governance on the performance of internal auditors in Thailand public limited companies. This study could provide the measurement of how effectively public service outcome are being achieved and a basis for good performance audit practices.

5. Corporate Governance and Performance of Internal Auditors

Khan (2011) illustrates that corporate governance refers to the processes, customs, policies, laws and institutions that regulates the organizations and corporations in the way they act, administer and control their operations. It is required to accomplish the organization's goals and manage the stakeholders' relationship including the shareholders and board of directors. It as well works with the individuals' accountability via a mechanism which decreases the principal-agent issue in the organization (Khan, 2011).

Corporate governance is an important component in enhancing economic growth and efficiency and developing confidence of the investor (OECD Principles, 2004). Corporate governance is the process by which shareholders, creditors and other firm stakeholders apply an impact on manager's decisions. Anglo-Saxon concept of "corporate governance" refers to the system which is directing and controlling companies (Cadbury Committee, 1992).

The term corporate governance was defined as the public and private institutes that govern the relationship between the stakeholders and the corporate managers by using regulations, laws, and the business practices (Khan, 2011).

Good governance in a firm is a tool for organizational strategy and the key to performance. The corporate governance purposes to increase the firm performance and to harmonize the various interest groups (Morariu, Mitea, Stoian, & Crecana, 2009).

In literature, the concept of corporate governance includes components of social responsibility, ethical business practices, issues referring to internal and external audit transparency, managers' responsibility for the accuracy of information presented in financial reports (Maria, 2012). Corporate governance was defined by Monks and Minow (2001) as the existing correlation between numerous participants in finding the setting and performance of corporations. Participants refer to shareholders, management and the board of directors.

Previous research indicates that corporate governance plays a vital role in an effective performance of internal auditors (Grambling, 2004). Grambling (2004) states that one of the four cornerstones of corporate governance is internal audit function. Hence, the internal auditing function of internal auditors has an important role in assisting the board of directors monitor the effectiveness of its governance. Thus, the effectiveness of internal audit helps the company to operate in accordance with standards and regulations by evaluating a specific controls and procedures and ensure that those charged with governance that internal company processes are adequate and functional. It is recommended that effective internal auditing in organizations requires the work to be of a high standard, quoting the IIA's international standards as an example of what should be required by audit committees.

The study has a second objective which is to study the influence of corporate governance factors and internal auditors' performance in Thailand Public Limited Companies. In this study, a corporate governance factors consists of board of director and audit committee. Corporate governance in this study accesses the objectives of assuring accountability and improving performance of the internal auditor.

In the end, the board of directors is responsible for the entity's achievement of objectives, which the internal auditor's contribution is to distribute information to the board of directors (Colbert, 2002). Thus, internal audit's role is crucial to help the board of directors in its governance self-assessment.

The association among the internal auditor and the audit committee is important. They reciprocally strengthen each other's function (Goodwin & Yeo, 2001). Audit committees are required to adopt more responsibility regarding corporate governance by supervising financial reporting and internal control matters (Myers & Ziegenfuss, 2006).

5.1 Board of Directors and Performance of Internal Auditors

The board of directors is considered as a significant institution in the governance of current corporations. With regard to the problems of corporate control, agency theory views corporate governance mechanisms specifically the board of directors as being a crucial monitoring tool. This offers an attempt to ensure that issues possibly brought about by the principal-agent relationships are diminished (Mallin, 2007).

The board of directors has been known as an important player in corporate governance by governance committees and regulators worldwide (ASX, 2003; USA Congress, 2002). Due to the fact that the board of directors has responsibility for the entity's goals accomplishment, the contribution of internal auditor is to deliver information to that group (Colbert, 2002). Thus, internal audit's role is crucial in assisting the board of directors in its governance self-assessment.

Due to lack of available resources in terms of time and professional knowledge, the shareholders delegate their managing function to the board of directors, which thereby acts as their agent and is subject to reporting obligations (Semler, 1995). Likewise, internal control is assigned to either the board of directors. Internal auditor is usually an intra-company (staff) department, which performs audit and advisory services for the management at all levels of the company. Through the provision of effective support to the management in the framework of bonding and monitoring, performance of internal auditors constitutes an important element of the company's internal corporate governance (Freidank & Pasternack, 2011; Sarens & Abdolmohammadi, 2011).

The growing interest in the effect of board of directors' characteristics is because of the board's roles in providing connection to other resource dependencies (Balta, 2008; Bathula, 2008). Many research have tried to recognize the boards of directors' attributes or mechanisms that lead to better corporate performance and strategic decision-making (Maharaj, 2009).

5.1.1 Board of Director Size and Performance of Internal Auditors

The size of board differs from organization to organization. This depends on several factors such as the type, size, the board culture and its work nature. Every organization is diverse and ideal board size may not be suggested as a norm. The organization to function effectively requires a board that is small in size where every board member has a significant role to play and also need a board which is large enough so that the work of the board is done with diversity of experiences.

Board of director size is considered as an important characteristic that affects the effectiveness of the board in monitoring management. The organization to function effectively requires a board that is small in size. Hermalin and Weisbach (2003) argued the possibility that larger boards can be less effective than small boards. When boards consist of too many members agency problems may increase. Wu (2000) finds that board size diminished on average over this period and that the decline can be clarified at least partly by pressure from active investors such as California Public Employees' Retirement System (CalPERS). Coles (2008) exhibit that board size is regulated by firm specific variables, such as firm size, Tobin's Q and profitability. Preceding researches have been seriously criticised for not sufficiently controlling for endogeneity problems because firm performance has an undesirable influence on board size (Wintoki, 2007).

5.2 Audit Committee and Performance of Internal Auditors

Audit Committee (AC) assists as a communication link for the relationship between external and internal auditors and the board of directors. Their activities consist of reviewing general scope of the audit, reviewing of nominateauditors, the audit results, internal financial controls, and publication financial information. Certainly, the existence of company audit committee would offer a serious oversight of the company's auditing and financial reporting processes (Walker, 2004).

DeZoort et al. (2002) state that the effective oversight tends to have limited achievement due to the fact that audit committees have insufficient knowledge of the organization's operations, deal with "complex but inadequate second-hand information" and meet infrequently. DeZoort et al. (2002) defines an effective AC as follows: "An effective AC had eligible members with the ability and resources to care for stakeholder benefits by ensuring consistent financial reporting, risk management and internal controls through its industrious oversight efforts". Nevertheless, various factors moving the performance of AC need to be addressed in order to optimise their effectiveness and achieve their objectives.

In recent years, ACs has taken a significant governance role in overseeing and coordinating the communications between external auditor, management, and internal auditors. AC is a subcommittee under corporate governance framework to which the board delegates some of its oversight responsibilities.

Gramling (2004) emphasised that "a value relationship between the AC and the Internal Audit Function (IAF) also works towards giving the IAF with a proper environment and support system for completing its own governance related activities". In addition, corporate governance guidelines and listing rules obviously identify the governance role played by ACs in improving the relationship between management, internal auditors and external auditors (Smith, 2003; Blue Ribbon Committee, 1999). As such, ACs can be seen as a key protection mechanism for internal auditors in managing their skilled objectivity.

5.2.1 Audit Committee Size and Performance of Internal Auditors

AC size is a critical determinant of AC effectiveness. Vafeas (2007) discovered a positive relationship between AC size and performance of internal auditors. This result demonstrates that the performance of internal auditors increase as the size of the AC increases.

DeZoort et al. (2002) propose that AC size measured as the number of AC members has a positive influence on performance. Therefore, it is likely that ACs with a sufficient number of members have preferred resource over smaller ACs.

Pucheta-Martinez and Fuentes (2007) documented positive relationship between size of AC and performance based of the quality of financial reporting. A large AC may not necessarily bring about more effective functioning as more members in an AC may lead to unnecessary debates and delay the decision, even though AC size is influenced by the size of the company and the board of directors (Lin, Xiao, & Tang, 2008).

6. Agency Theory

Agency theory argues that internal auditing provides assistance in maintaining cost efficient agreement between managers and owners. Hence, internal auditing is similar to other intervention mechanisms such as external audit and financial reporting (Saren, 2007).

Adams (1994) states that agency theory provides support in clarifying the companies' existence of internal auditing. However, it can as well assist in providing a significant explanation of the internal auditor' characteristic with the performance of internal auditors.

Agency theory recognises board of director and audit committee monitoring roles as playing a key role in mitigation agent-principle conflict. Monks and Minow (2003) state that boards are the link between the people who provide capital (the shareholders) and the people who use that capital to create value (the managers). Thus, this study focuses on the internal audit function of Thailand public limited company in response to the pressure from supervisory agencies. Their impacts on performance of internal auditors are also evaluated through agency theory recently proposed.

Moreover, this study purposed agency theory to clarify the internal audit existence, the nature of the internal audit function and the specific approach adopted by internal auditors to their work. It can also forecast how the internal audit function tends to be influenced by the internal auditors' characteristics and corporate governance of the company. Thus, agency theory offers a foundation for invaluable research. This can be beneficial to both the profession of internal auditing and the academic community.

It is clear that audits serve a fundamental purpose in promoting confidence and trust in certain financial information in financial statements. The principal-agent conflict as depicted through agency theory is of particular importance in this respect and sheds light on the development of the internal audit in Thailand over the centuries. Concern about trust and the reliability of financial information helps to explain why the internal audit is seen as an important mechanism for shareholders to help ensure that the directors are running the company in the shareholders' best interests.

7. Research Framework

The independent variable of this study is the corporate governance (board of director size and audit committee size). The performance of internal auditors is the dependent variable. They are discussed in the following sections. The research study's framework is shown in Figure 1.

Independent Variable Dependent Variable

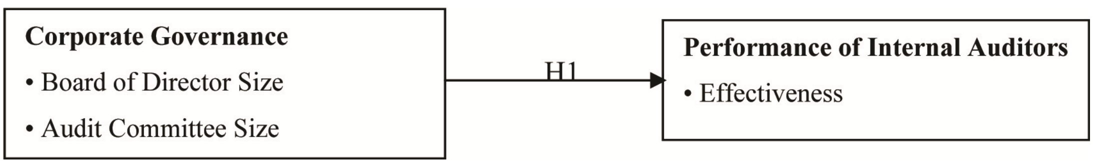

Figure 1. Research Framework

Figure 1 shows the relationship between relationship between corporate governance (board of director size and audit committee size) and performance of internal auditors. It shows how corporate governance could be influence by the performance of internal auditors, which relates to the ability to access the objectives of assuring accountability.

The proposed model is based on the assumption of the agency theory. Agency theory is beneficial as an economic theory of accountability. It offers assistance in explaining the development of the audit. Jensen and Meckling (1976) states the agency theory assumes that a firm contains a link of contracts connecting the owners of cost-effective resources (the principals) and managers (the agents) who are charged with using and controlling those resources.

Additionally, agency theory offers a theoretical framework that is beneficial for the research in the function of internal auditing. Purposes of the agency theory explain and forecast the internal audit existence. It explains the responsibilities and roles given to internal auditors by the organization and forecast how the function of internal audit is possibly be affected by organizational change.

The agency theory stated that the board of directors and audit committee might mitigate agency problems leading to reduced agency cost by aligning the interests of controlling owners with those of the company. This study can be interpreted in these mechanisms as practices or regulations resulting from coercion by legislators who impose certain practices in order to improve organizational effectiveness. Lee (2009) suggested that the context of corporate governance is under the agency theory.

8. Hypotheses Development

The research hypotheses address the corporate governance related to factors of (i) Board of Director, and (ii) Audit committee as an independent variable. The performance of internal auditors is the dependent variable. The independent variable factors may have impacts on the performance of internal auditors.

The board of directors is the highest-level of the mechanisms in the organization since they possess the ultimate power to compensate the decisions that are made through the top management. Board size is believed to be the basic aspect of effective decision making. Vafeas (2005) suggested that the board size and its performance had a non-linear relationship. Both too small and too large of the board size is likely to make it ineffective. Previous studies have shown that small boards are more effective because the directors can communicate better among them, as well as easy to manage (Vafeas, 2005; Xie, Davidson, & Dadalt, 2003).

The size of the board is also considered as an important characteristic. This characteristic affects how effective the board monitors the management. The greater the number of the board members, the more the management’s monitoring activity (Loderer & Peyer, 2002). Coles (2008) found that the firm board size is positive for large firms. Therefore, an ideal value maximizing outcome for those firms may come from large board size.

Adams and Mehran (2005) found a positive relationship between board size and performance (measured by Tobin’s Q) in the U.S banking industry.

While, Chan and Li (2008), Moustafa (2006), Ahmadu (2005) and De Andres (2005) found that larger boards are associated with poorer performance. Beiner, Drobetz, Schmid, and Zimmermann (2004), Limpaphayom and Connelly (2006) and Bhagat and Black (2002) found no significant relationship between firm performance and board size, the following hypothesis can be empirically tested.

Hypothesis 1: There is a positive relationship between the Board of Director (board size) and the performance of internal auditors.

Starting with the 1999 Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees (BRC), more formalised methods were taken to improve and issue explicit suggestions that audit committees could report to improve their effectiveness (Myers & Ziegenfuss, 2006). It is necessary for the audit committees to take more responsibility in regards to corporate governance. This can be done by supervising the matters on internal control and financial reporting. Moreover, Goh's (2009) research suggested that the internal control problems are more likely to be solved in a will-time manner when the audit committee's quality regarding its independence, size, and expertise is higher.

It appears that the audit committee size is one of the significant characteristics that contribute to its effectiveness. If the audit committee size is too small then an insufficient number of directors to serve the committee occurred and thus decrease its monitoring effectiveness (Vafeas, 2005). On the other hand, when a committee size is too large, the directors' performance may decline because of the coordination and process problems and hence, highlight another reason for weak monitoring (Vafeas, 2005). The perfect average of the audit committee size is between 3 and 4 members (Vafeas, 2005; Abbott, Parker, & Peters, 2004; Xie et al., 2003). Therefore, evidence from the previous suggested that firms with large audit committee are more effective in monitoring the management.

Pucheta-Martinez and Fuentes (2007) discovered that the size of audit committee and ratio of independent member affect the possibility that firms received appropriate audit report due to error or non-compliance qualification.

A statistical finding illustrated that the relationship between the audit committee size of fraud and non-fraud firms showed no significant difference (Farber, 2005). The relationship of audit committee size with earnings management (Bedard, 2004; Xie, 2003) and audit the interim financial disclosure level was also found insignificant (Mangena & Pike, 2005).

From the discussion above, the following is the hypothesis:

Hypothesis 2: There is a positive relationship between the audit committee (size) and the performance of internal auditors.

9. Result

The questionnaires are delivered to the Chief Audit Executives (CAEs) or the Head of Internal Auditing Department in Thailand public limited companies. Of the 520 questionnaires administered, 475 respondents were contacted. However, only 146 responses were obtained originating a response rate of 30.74%. 45 surveys were undelivered because either the firms had relocated the corporate offices to other buildings or absence of in-house internal audit functions since the firms had outsourced its internal auditing function to the accounting or external audit firms.

Table 1. Regression Coefficient

Model	Coefficients[a]			t	Sig.
	Unstandardised Coefficients		Standardised Coefficients		
	B	Std. Error	Beta		
(Constant)	3.126	1.391		2.247	.026
BOD	-.083	.058	-.148	-1.413	.160
Audit committee	.098	.048	.212	2.037	.044*

Note. a) Dependent Variable: performance of internal auditors.

b) at 0.01 significant level.

Table 1 displayed that the coefficient of board of director is -.148, which is also significant at 0.01 probability level (Beta=-.148, Sig. F=.160that is p>0.01). An increase in the board of director is expected a change of -.148 on the dependent variable, which is the performance of internal auditors since the Beta sign is negative. An examination of the t-values (t=-1.413, p>0.01) indicates that board of director do not contribute to the improvement of the performance of internal auditors. This suggests that board of director size is significant to the performance of internal auditors. Hence, hypothesis 1 is rejected.

Table 1 also displayed that the coefficient of audit committee is .212, which is also significant at 0.01 probability level (Beta=.212, Sig. F=.044 that is p<0.01). An increase in the audit committee is expected a change of 0.212 on the dependent variable, which is the performance of internal auditors since the Beta sign is positive. An examination of the t-values (t=2.037, p<0.01) shows that audit committee is stronger contributes to the improvement of the performance of internal auditors. This suggests that audit committee is significant to the performance of internal auditors. Therefore, hypothesis 2 is accepted.

10. Discussion

Based on the results, the board of director size relationship on the performance of internal auditors is not statistically significant. This is in line with previous literature such as Beiner et al. (2004), Limpaphayom and Connelly (2006) which suggests that the internal auditor's performance has no significant relationship between board size and performance of internal auditors. Hence, Thailand public limited companies board of directors' size has the optimal number of directors on their board. However, Thailand public limited companies need to ensure that the board of director and internal auditors comply with the laws, the regulations of the SET and the relevant laws to the Company's businesses.

On the other hand, the result shows that the audit committee size is statistically significant. The study also found evidences such as Vafeas (2007) and Pucheta-Martinez and Fuentes (2007) that support the positive relationship between audit committee size and performance of internal auditors. Therefore, the Thailand public limited companies audit committee need to increase higher responsibility with regard to corporate governance by overseeing the effectiveness of performance of internal auditors such as financial reporting and internal control matters.

11. Limitations of the Study

This study offers obvious evidence that the internal auditors' performance adheres to the IPPF (2017) of the Institute of Internal Auditors (IIA) for Thailand public limited companies. Hence, the limitations of the present study provide further research opportunities. The survey of CAEs in Thailand public limited companies is used as basis of this study, and the findings would benefit for internal auditors. Yet, this study has its limitations since only 146 public limited companies are incorporated in this study.

This study assumed that the corporate governance in relation to the performance of internal auditors provide measurement of how effectively public service outcome are being achieved and a basis for good performance audit practices.

12. Conclusion

The effectiveness of internal auditor's performance is based on the professional standards issued by the IPPF (2017). Thus, performance standard is a standard that describes the nature and internal audit activities.

Based on the result, board of director size is not significant to the performance of internal auditors in

Thailand public limited companies. However, the result shows that the audit committee size is statistically significant to the performance of internal auditors.

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