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Short Paper

Corporate Governance Performance of External Auditors

Velissa C. Rubaya
VSPS Bookkeeping Services
velissaprof@gmail.com, bookkeepingvsps@gmail.com/
https://www.facebook.com/villy.ruby

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Abstract

The study aims to assess the corporate governance performance of a corporation's external auditors. It uses mixed methods employing questionnaire as the main data gathering tool which was answered by 1,142 randomly selected external auditors from different corporations. Frequency and Percentage Distribution, Weighted Mean, ANOVA, and ranking were utilized as the statistical tools. The majority of respondents were in the middle management. They had been in the company for 4-6 years. These people were college graduates, have 6-10 related pieces of training/seminars, and have 6-10 years of work experience. Respondents assessed that corporate governance performance of external auditors is graded as very satisfactory in terms of efficiency, effectiveness, punctuality, accessibility, communication skills, responsibility, and accountability when grouped by profile. There were significant differences in respondents' assessment of corporate governance performance of external auditors in terms of efficiency, effectiveness, punctuality, accessibility, communication skills, knowledge, responsibility, and accountability when grouped by the number of years in the company and their work experience. There were no significant differences when grouped by job position level and highest educational attainment. It can be concluded that external auditors have improper communication skills in their corporate governance performance. External auditors should learn to improve financial reports, update knowledge on audits, and attend meetings/ appointments. To improve audit effectiveness and efficiency, the external auditor may collaborate with internal auditors. To improve, external auditors should have initiative, apply professional standards, dispel myths, start from the top, select appropriate targets, increase communication and instigate training. The findings of this

study will be utilized to advance business education by the proper selection of external auditors and evaluation of their corporate governance performance of the management specifically the Board of Directors. Knowing the proper performance of external auditors in the light of corporate governance will help the educators in the business sectors to let their business students be mindful of how to choose the qualified external auditors that will help the business sustain and eventually grow. Likewise, the educators in the accounting and auditing subject should understand well and adapt it to the aspiring external auditors the needed skills that the management needs to see. Future researchers may extend this study by including the corporate governance performance of internal auditors and conduct a comparative study of the internal and external auditors.

Keywords – accountant, accounting scandal, corporate governance, external auditor

INTRODUCTION

Business nowadays is facing its ups and downs. The people behind them must be equipped with tools, competencies, and strategies that are needed on the battlefield at any time and any place. To start a business is easy but its operations require hard work and sleepless nights of thinking about what will be best for the clients and enable the business to generate income and have its market share - this is the advice that the late Arthur Andersen, one of the biggest auditing and accounting firm globally failed to establish. In just one erroneous client, ENRON, their competence, and credibility as a creator of excellent external auditor suffered the most. The company was affiliated before with SGV and Co., CPAs of the Philippines who are top-ranked companies during 2001. Now, the company collapsed. SGV and Co., CPA's found another international auditing firm affiliate. The profession as an external auditor suffered most in the process.

The unethical practice by employees, the management, or members of the Board may be mitigated under the corporate governance policies. While decisions to improve the company's policies such as incorporating this corporate governance and its proper implementation, will lead to business sustainability or closure. The decision to provide a budget for corporate governance execution and seeing its benefits can be one of the factors for the business to have its ups and downs. There are many business stories such as ENRON in 2001 and RCBC in 2016 that were heard of and wisdom from these cases will help the management and Board of Directors to act wisely, especially in terms of corporate governance implementation amidst its cost of losses and fraud detection. According to an article in rappler.com(2016) entitled, "RCBC reorganizes board after Bangladesh Bank heist scandal", cited the importance of independent member of the Board of Directors to set and direct control in choosing the qualified external auditor to minimizes or removes inside accounting fraud. The Enron scandal, publicized in October 2001, finally led to the bankruptcy of the Enron Corporation, and the de facto dissolution of Arthur Andersen, which was one of the largest audit and accountancy partnerships in the world.

ENRON was formed by Kenneth Lay in 1985 and became the largest seller of natural gas in North America by 1992 and earned $122 million(before interest and taxes). ENRON has valued the most innovative large company in America in Fortune's Most Admired Companies Survey by

December 31, 2000. To further expand, Enron pursued a diversification strategy. The company operated and owned a range of assets including electricity plants, pulp and paper plants, gas pipelines and water plants, and broadband services across the world. Enron increased revenue by trading contracts for the same collection of products and services with which it was involved. This included setting up power generation plants in developing countries and emerging markets including The Philippines (Subic Bay), Indonesia, and India (Dabhol). The Enron scandal, publicized in October 2001, finally led to the bankruptcy of the Enron Corporation, and the de facto dissolution of Arthur Andersen, which was one of the largest audit and accountancy partnerships in the world. In addition to being the largest bankruptcy reorganization in American history at that time, Enron was quoted as the biggest audit failure according to Wikipedia (2020).

There were many reasons for the bankruptcy. Some of the reasons are a misapplication of accounting principles, conflict of interest and lack of knowledge or intended misunderstanding as to derivatives presented by the Auditor of the members of the Board of Directors, lack of professional independence of the external auditor, incompetent Enron's internal Audit Committee members, accounting issues related to special purpose entities, and soft implementation of the corporate governance policy. With proper corporate governance, transparency, protection of shareholders value, efficiency in the operations may take place. And to promote more transparency and protection of shareholders' value, help from external auditors is a must in every corporation. The goal of this study covered the assessment of the performance of external auditors of corporations concerning corporate governance functions.

Outcomes of this research study could impart important contributions to Education Sectors of Accountancy, Management & Entrepreneurship, Auditing Firms, Board of Directors (BOD), Securities and Exchange Commission (SEC), Bureau of Internal Revenue (BIR), Certified Public Accountants (CPAs), Corporations, External Auditors, and Future Researchers.

THEORETICAL FRAMEWORK

The study was conceived on the theory that the performance of external auditors shall be assessed in response to the corporate governance call for the betterment of corporations they served. As per Don Elger, The Theory of Performance (ToP) develops and relates six foundational concepts to form a framework that can be used to explain performance as well as performance improvements cited in "Can performance measurement systems be used to measure effectiveness of the procurement function in an organization?", by Nyanza, Mukulu & Amuhaya (2015).

In this study, the researcher involved aspects for assessing the performance of external auditors which were in line with the corporate governance principles. Such factors include efficiency, effectiveness, punctuality, accessibility, communication skills, knowledge, responsibility, and accountability. The level of performance of each external auditor is important and needs to be assessed properly. The role of the external auditor in the corporation is essential in terms of transparency of the financial status of each corporation wherein the user of such financial reports are the public such as the stakeholders, government agencies, employees, suppliers, banks, and their clients or customers.

STATEMENT OF THE PROBLEM

This study aimed to assess the corporate governance performance of external auditors of domestic corporations. Specifically, this attempted to find answers to the following questions: (1) What is the profile of the respondents in terms of Job position level, Number of years in the company, Highest educational attainment, Average number of related pieces of training/seminars within two years, Work experience,(2) What is the respondents' assessment on the corporate governance performance of external auditors in terms of the Efficiency, Effectiveness, Punctuality, Accessibility, Communication Skills, Knowledge, Responsibility and Accountability when grouped by profile?(3) Is there a significant difference in the respondents' assessment of the corporate governance performance of the external auditors in terms of the indicators when grouped by highest educational attainment?

RESEARCH OBJECTIVE

The main objective of the study covered the assessment of the performance of external auditors of corporations concerning corporate governance functions. This study aimed to appreciate the importance of corporate governance in terms of transparency and objectivity of financial reports which were reviewed and audited by an independent external auditor wherein such audited financial reports are more credible to the stakeholders especially the Board of Directors and thus help the Board of Directors in its decision making. Likewise, the clarifications as to the role and responsibilities of external auditors and recommendations as to how to be an effective external auditor as guided by the corporate governance policy were also the other goal of this study.

HYPOTHESIS

The researcher used the null hypothesis in this study that there is no significant difference in the respondents' assessment on the corporate governance performance of the external auditors in terms of the indicators when grouped by highest educational attainment. In inferential statistics, the null hypothesis is a general statement or default position that there is no relationship between two measured phenomena or no association among groups. The null hypothesis is generally assumed to be true until evidence indicates otherwise.

CONCEPTUAL FRAMEWORK

The study was posited on the concept that external auditor's role and responsibilities in the light of corporate governance can be improved through the assessment of evaluation criteria when choosing an external auditor, the efficiency and effectiveness of external auditor, evaluation of the performance of the chosen external auditor with the proper implementation of corporate governance policy. The independent variables of this study included the job position level, years in the company, educational attainment, and an average number of related pieces of training/seminars within two years, and working experience. On the other hand, the dependent variables consisted of efficiency, effectiveness, punctuality, accessibility, communication skills, knowledge, responsibility, accountability, problems encountered when choosing poor external auditors, and areas for improvement.

Corporate Governance

Corporate governance plays a vital role in business creation for the business to have a place in the market and move up the ladder of success. If one wants to create a business, then it's important to explore corporate governance as stated in the study, "Importance of corporate governance and how it can help your company" (Klazema, 2014). The corporation may sustain, successful and surpass all the challenges in the business arena and be one of the top corporations through enhanced transparency and corporate governance, and achieve a balance of interest between the company's stakeholders: management, shareholders, employees, creditors, and other parties of interest (Al-Kassar & Al-Nidawiy, 2014). According to the Institute of Internal Auditor (IIA)'s "Supplemental Guidance: The Role of Auditing in Public Sector Governance"(2012), governance refers to how an organization makes and gears decisions — "the processes by which organizations are focused, controlled, and alleged to account."

The board of directors and the individual members encompassing it are the emphasis of corporate governance. Stakeholders, including minority interests, presume the board to be accountable to them and expect the board to enhance the value of the corporation and protect their rights and interests. It has become a foregone conclusion that a strategic, working board and good company performance are interlinked. There is a need for the individual directors to upgrade their knowledge of what they should be doing in the boardroom and how they can contribute to the effectiveness of their boards. The other focuses of corporate governance are the Certified Public Accountants (CPA's) or Chartered Accountants (CA) and any other equivalent names of being a licensed accountant. Financial reporting and disclosures, on which corporate governance is premised, are the area of the CPAs, there is hardly any way, without financial data, that the accountability and performance of the board, individual directors, top management, and the company as a whole can be quantified objectively and fairly. All governance players are therefore fortified to have a better understanding of the significant role of CPAs in corporate governance (Vivas, 2003).

Corporate Governance is the system that directs or controls the corporation to maximize profits and minimize risk exposures (Vivas, 2003). This definition shows the two objectives of corporate governance such as maximization of profits which increases the stakeholder value and minimization of risk exposures which protects the business from fraud and losses.

External Auditor

This is a certified public accountant or a graduate of accounting course or its equivalent who gives an opinion to a corporation's subject under audit usually the financial reports under the financial statement audit as mandated by SEC Code of Corporate Governance and neither part of corporation's management team nor consider as an employee of such corporation and thereby conducts audits, reviews, and other work for the clients.

As per the article entitled, "Role of an External Auditor in Corporate Governance", the most important role of external auditors in corporate governance is protecting the interest of shareholders. External auditors through the expression of their opinion in the fairness and reliability of the financial statements prepared by a corporation ensure the Board of Directors receives accurate and reliable information. Likewise, they can answer questions that the shareholders may ask about the appropriateness of the accounting principles used and views and assessments as to the assumption that the corporation will continue to exist beyond the fiscal period under the accounting principle of going concern concept (Keith, 2018).

The Philippine Securities and Exchange Commission released a Memorandum Circular No.19 Series of 2016 dated November 22, 2016, with the subject Code of Corporate Governance for Publicly-listed Companies for such publicly listed corporations to submit a new Manual on Corporate Governance to the Commission on or before May 31, 2017. Included in the said Code of Corporate Governance under the Board's Governance Responsibilities of Disclosure and Transparency Principle 9 that the company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality. Likewise, an audit committee will be set up to discusses with the External Auditor nature, scope, and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. The Audit Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence.

In an article published online entitled, "The Role and Responsibilities of an External Auditor in Corporate Governance", it stated that external auditor plays a vital part in corporate governance in terms of transparency by attesting to the reliability and accuracy of the corporation's financial reports and with indirect responsibility as to the discovering of misappropriation of assets and fraud. Likewise, the set of criteria when hiring an external auditor or assessing the performance of an external auditor shall be technical know-how, professional skepticism, professional judgment, independence in fact and appearance, objective mindset, eloquent communicator, a teamwork spirit, embrace and exhibit the professional ethics, courageous act with humility and loyalty and time management skills (Rubaya-Tolibas,2017).

Efficiency

Efficiency is defined as one of the corporate governance performance of external auditors that measures the ability of an external auditor to act properly his role to his clients as per their agreement and mutual understanding with the ability to avoid wasting materials, energy, efforts, money, and time in doing something or in producing the desired result. In “Global Perspective: The Fall of Parmalat” (2003).

The Parmalat scandal, Food giant Parmalat, Italy's eighth-largest industrial empire, distorted amid fraud accusations, involving several foremost players from the world of international finance, against top company executives and scandal. In disparity to Enron where the manager's pushed accounting regulations to the limits, Parmalat falsified its records; it simply forged a set of completely different ones. The likeness with Enron is the role of external auditor as an aid to the management. Parmalat environment then was there was efficiently no law such as poor endorsement systems allowing unconcealed forgeries, lack of voluntary compliance with financial disclosure and transparency principles of corporate governance. It seems that Italian corporate governance has been far too loose, with Grant Thornton and Deloitte Touche Tohmatsu, two global accounting/auditing firms that were involved. The study entitled, "Best Practices for Audit Efficiency" (Dennis, 2000) explicitly cited that the first step to achieving audit is efficiency in managing and training clients.

Effectiveness

This is one of the corporate governance performances of external auditors that measure the ability of an external auditor in terms of the degree to which objectives are achieved and the extent to which targeted problems are being solved. In the article published by Deloitte LLP (2013) entitled "Governance in focus: Effectiveness of the external audit process", the author presented a framework that will be used to assess annually the external audit process in each of their clients. This assessment responded to the Corporate Governance Code that requires a statement in the Report of Audit Committee in the annual report about how the audit committee evaluated the effectiveness of the external audit process.

The essay posted on the internet, "The role of the external auditor in corporate governance"(2016), emphasized that the external auditor plays a key role in the corporate governance framework. The audit of financial statements makes disclosures more reliable, thus increasing confidence in the company's transparency. Specifically, the role of external auditors is to make sure that the Board of Directors and the management is acting responsibly towards the shareholders' investment interests.

Punctuality

This is one of the corporate governance performances of external auditors that measure the ability of an external auditor to complete a required task or fulfill an obligation before or at a previously designated time. The study, "Role of External Auditor, The Role, Compromise and Problems of External Auditor in Corporate Governance"(Alabede, 2012), recommended that since there was a change of expectations by the public to the report prepared by an external auditor, therefore the external auditor should adjust himself to what the public expected of him which is to validate the reliability and objectivity of the financial reports and thus any misappropriation of assets or fraud may be uncovered in the process of external audit.

A study entitled "External auditor's characteristics, corporate governance and audit reporting quality" (Sakka & Jarboui, 2015) resulted in the quests of the Board of Directors for external auditor who has a brighter reputation that will supply earnest and with reliable data and information.

Accessibility

This is one of the corporate governance performances of external auditors that measure the external auditor as to his quality or characteristic to be always available and approachable to the clients in times of need. The study "Corporate Governance: Role of auditor and auditing committee" (Ruia, 2016) enumerated the responsibilities of an auditor; these are duty to make certain queries, make a report on accounts examined, make a proclamation in terms of provision set, detection, and prevention of fraud, fraud reporting and duty as to substantial precision. It concluded with stakeholders who expect the external auditor to be loyal and can be trusted.

Foo et al. (2009) wrote that in the appointment of the external auditor, audit committees place importance on the audit partner's independence, responsiveness to meeting deadlines and audit issues, communication of major issues, trustworthiness, and audit partner's involvement. On the other hand, in a change of external auditor, communication of major issues, unreasonable audit fees, and knowledge of the industry were key impetuses for the change. Audit committee oversight activities placed importance on financial reporting risk and accessibility. For financial reporting risk, these key oversight activities were the review of major audit findings; and issues raised in the external auditor's management letter. For accessibility, these key activities included external auditor's access to the audit committee and the audit committee's access to the auditor in absence of management.

Communication Skills

This is one of the corporate governance performances of external auditors that measure the ability of an external auditor to convey information to another effectively and efficiently such as to have skills of proper presentation of reports verbally and in written wherein clients properly understand what they are saying and understood what they want to impart. The statement "Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence: A Statement of the Technical Committee of the International Organization of Securities Commissions (IOSCO)" (2002) suggested that the establishment of standards governing auditor independence is insufficient to the sureness that auditor is independent. Present standards should have numerous requirements to establish and uphold internal systems and processes for monitoring, classifying, and addressing extortions to independence and compliance with the standards confirmation.

As per the Center for Audit Quality (CAQ) and the Audit Committee Collaboration (2017) at Washington, DC, the 2017 External Auditor Assessment Tool is available for Audit Committees. This contains questions in 3 specific areas: (1) quality of services and sufficiency of resources provided by the auditor, (2) quality of communication and interaction with the auditor; and (3) auditor’s independence, objectivity, and professional skepticism.

CareersinAudit (2013) noted the tips for maintaining happy clients as an external auditor. It wrote that external auditors should be professional at all times. Five important aspects of professionalism are attitude, character, competency, excellence, and conduct. These five factors cover important concepts such as being accountable and being responsible. It also means showing respect not just to clients but also to co-workers. External auditors should have great communication skills. Some clients can feel uneasy when the external auditors are in. After all, you are there to check that they are doing all the right things when it comes to financial reporting. Your task is to scrutinize their work and find mismanagement if there is any. Although the client may be nervous about your presence (even if they've done everything correctly) this shouldn't hinder you from trying to keep them happy. The best thing that you can do is to make sure you communicate with your clients clearly and respectfully. Find ways how you can send your message across without alienating them. Learn to praise the things that they're doing properly and remind them of the areas that need improvement. Be courteous at all times.

Knowledge

This is one of the corporate governance performances of external auditors that measure the ability of an external auditor to have familiarity, awareness, or understanding of someone or something, such as facts, information, descriptions, or skills acquired through experience or education by perceiving, discovering, or learning. The research entitled "Audit within corporate governance paradigm: a cornerstone built on shifting sand? Gwilliam and Marnet (2009) presented the existence of good corporate governance will be costly due to fees for internal and external auditors and non-executive directors. The auditors' fee is primarily due to advice in the improvement of internal control where good corporate governance will be the result.

An article posted on April 6, 2011, entitled "What is the role of auditors in corporate governance in 21st century" defined an external auditor in a simple way as an auditor independent from the entity, appointed to express an opinion on an accountability matter. The purpose of external auditors is to audit the company's annual reports carefully and provide correct and fair information to stakeholders of the company. Likewise, an external auditor shall have the following basic duties and power: independent, objective, fair and equitable, and to be a reliable judge and jury.

Responsibility

This is one of the corporate governance performance of external auditors that measures the duty or obligation of external auditors to satisfactorily perform or complete a task (assigned by someone or created by one's promise or circumstances such as a mutually signed audit engagement and SEC Memorandum Circular No.19 Series of 2016that one must fulfill, and which has a consequent penalty for failure. The study entitled "Objectivity and Independence: The Dual Roles of External Auditors" (DiGabriele & Ojo, 2014) concluded that the external auditor who will act as internal and external auditor of an entity immensely will bring the entity benefits but as per Section 201 of Sarbanes Oxley Act of 2002 such roles shall be checked and be on the limit because the objectivity and independence will be in questioned at hand. The study entitled "The role of the Auditors in the UK corporate governance" mentioned that in terms of audit of financial statements fundamentally there is a division of responsibility between external or independent auditors and the company's management (Mabanza, 2003).

Accountability

This is one of the corporate governance performances of external auditors that measure the ability of an external auditor in response to his obligation to account for his activities, accept responsibility for such, and reveal the outputs transparently. According to the study "Role of auditors in Corporate Governance" (Samantha & Das, 2009) explained that the Enron 2002 scandal clearly showed that the mere presence of accounting standards will not suffice in the absence of independently functioning external auditors. The researchers suggested that to make auditing even more transparent and independent interested parties not directly connected with the day to day management of a company should be analyzed in an extraordinary general meeting, disallowed to outsource of audit-related work by auditing firm, and a gap between re-appointment of auditors should be observed. The Business World article entitled, "Coping with the challenges: The 2016 Corporate Governance Code for Publicly Listed Companies" (2016), cited significant changes implemented to uphold more central principles of fairness, accountability, and transparency.

METHOD OF RESEARCH

In directive to accomplish research objectives, a combination of qualitative method and quantitative method or mixed-method had been employed specifically: document study (study the International Standard on Auditing 240 and 200 and Sarbanes-Oxley Act of 2002, literature review (assessment of previous researches, studies, and other related materials), deduction (criteria in the assessment of corporate governance performance of external auditor have been deduced from the information consequent from literature review and document study) and collection of empirical data(statistical results of previous researches, studies, and other related materials) and survey questionnaires as a main data gathering tool. Frequency and Percentage Distribution, Weighted Mean, ANOVA, and ranking were utilized as statistical tools.

This research aimed to gather a thorough understanding of the roles and responsibilities of external auditors through assessment of corporate governance performance and its impact on the principle of transparency. The qualitative method observed the why and how of decision making, not just what, where, when, or "who", and has a strong basis in the field of sociology to understand government and company and social programs. The record-keeping qualitative method had been employed that results with the corporate governance performance of external auditors: efficiency, effectiveness, punctuality, accessibility, proper communication skills, knowledge, responsibility, and accountability. Record keeping employs the use of already existing reliable documents and sources of similar information as the data source which can be employed in the new research. Quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical, or computation techniques (Given, 2008). To assess the corporate governance performance of external auditors descriptive statistics were utilized in the study. In addition, it provides further understanding of the research problem by describing the variables employed in the study (Baac, 2015).

FINDINGS

The profile of the respondents presents that in terms of job position level, 575 or 50.4% of the respondents were middle managers, and 14 or 1.2% were top managers. In terms of the number of years in the company, 845 or 74% have been in the company for 4-6 years and 34 or 3% with 11 years and above. In terms of highest educational attainment, 1,098 or 96.1% were college graduates and 4 or 0.4% were high school graduates. In terms of the average number of related pieces of training/seminars within two years, 485 or 42.5% had 6-10 average pieces of training/seminars within two years and 10 or 0.9% with 16 to 20 average number of pieces of training/seminars. In terms of work experience, 746 or 65.3% had 6-10 years of experience and 36 or 3.2% with 16 years and above.
Below is the table that presents the general weighted mean of the respondents' assessment on the corporate governance performance of external auditors in terms of efficiency, effectiveness, punctuality, accessibility, communication skills, knowledge, responsibility, and accountability (Table 1).

Table 1. Overall Respondents' Assessments on the Corporate Governance Performance (CGP) of External Auditors in Terms of Efficiency, Effectiveness, Punctuality, Accessibility, Communication Skills, Knowledge, Responsibility, and Accountability

Aspects of Corporate Governance Performance	Profile of Respondents										TOTAL	GWM	Ranked
	Job Position Level		Years in the Company		Educational Attainment		Number of Related Trainings/Seminars		Working Experience				
	WM	VI	WM	VI	WM	VI	WM	VI	WM	VI			
Efficiency	3.63	VS	3.63	VS	3.63	VS	3.63	VS	3.63	VS	18.15	3.63	7
Effectiveness	3.77	VS	3.77	VS	3.77	VS	3.77	VS	3.77	VS	18.85	3.77	3
Punctuality	3.7	VS	3.7	VS	3.7	VS	3.7	VS	3.7	VS	18.5	3.7	5
Accessibility	3.68	VS	3.68	VS	3.68	VS	3.67	VS	3.68	VS	18.39	3.678	6
Communication Skills	3.88	VS	3.87	VS	3.88	VS	3.88	VS	3.87	VS	19.38	3.876	1
Knowledge	3.77	VS	3.76	VS	3.77	VS	3.77	VS	3.76	VS	18.83	3.766	4
Responsibility	3.79	VS	3.79	VS	3.79	VS	3.79	VS	3.79	VS	18.95	3.79	2
Accountability	3.79	VS	3.79	VS	3.79	VS	3.79	VS	3.79	VS	18.95	3.79	2

Legend: "4.21-5.00 (Outstanding (S)), 3.41-4.20 (Very Satisfactory (VS)), 2.61-3.40 (Satisfactory (S)), 1.81-2.60 (Fair (F)) 1.00-1.80 (Poor (P))"

All aspects of corporate governance performance of external auditors as perceived by the respondents were assessed as Very Satisfactory'. Among the eight (8) aspects communication skills ranked number 1st with a general weighted mean of 3.876, responsibility and accountability ranked 2nd both general weighted mean of 3.790, effectiveness ranked 3rd with 3.770, knowledge ranked 4th with 3.766, punctuality ranked 5th with 3.700, accessibility ranked 6th with 3.678 and efficiency ranked last 3.630.

The efficiency of the external auditors shows when the audit findings presented are all complete, on-time submitted to the management, and relevant which complete the BIR, SEC, and other government regulations needed of such reports. This aspect ranked the least due to the accounting and tax new rulings for the corporations as mandated by the Bureau of Internal Revenue that the external auditors unable to apply in the proper time. This limitation may be due to the incapacity to attend training and seminars after passing the CPA Board Examinations. Likewise, the Continuing Professional Development (CPD) units that are required for professional accountants to renew as a registered accountants in the Philippines' Professional Regulation Commission (PRC) may need to revisit.

Table 2 exhibits the significant difference in the respondents' assessment of the corporate governance performance of external auditors in terms of the indicators when grouped by highest educational attainment. The results implied that respondents don't have a difference in their assessment of the corporate governance performance of the external auditors. This only means that they agree on the performance of these auditors regardless of their highest educational attainment. It is expected that these auditors perform their job efficiently and effectively.

Corporate governance plays a vital role in business creation for the business to have a place in the market and move up the ladder of success. If you wanted to create a business, then it's important to explore the importance of corporate governance and how it can help your company" (Klazema 2014). The corporation may sustain, successful and surpass all the challenges in the business arena and be one of the top corporations through enhanced transparency and corporate governance, and achieve a balance of interests between the company's stakeholders: management, shareholders, employees, creditors, and other parties of interest (Al-Kassar & Al-Nidawiy, 2014). According to the Institute of Internal Auditor (IIA)'s "Supplemental Guidance: The Role of Auditing in Public Sector Governance", governance refers to how an organization makes and gears decisions— "the processes by which organizations are focused, controlled, and alleged to account."

Table 2. Significant Difference in the Respondents' Assessment on the Corporate Governance Performance of External Auditors in Terms of the Indicators When Grouped by Highest Educational Attainment

Indicator	Highest Educational Attainment	Mean	F test	p value	Decision	Remarks
Efficiency	Post Graduate	3.00	2.258	0.080	Accept Ho	Not Significant
	College	3.64				
	Vocational Course	3.90				
	High School	3.47				
Effectiveness	Post Graduate	3.18	2.286	0.077	Accept Ho	Not Significant
	College	3.78				
	Vocational Course	3.97				
	High School	3.00				
Punctuality	Post Graduate	3.23	1.493	0.215	Accept Ho	Not Significant
	College	3.70				
	Vocational Course	4.01				
	High School	3.33				
Accessibility	Post Graduate	3.10	1.991	0.114	Accept Ho	Not Significant
	College	3.69				
	Vocational Course	3.83				
	High School	2.87				
Communication Skills	Post Graduate	3.60	1.155	0.326	Accept Ho	Not Significant
	College	3.88				
	Vocational Course	4.17				
	High School	3.20				
Knowledge	Post Graduate	3.54	0.669	0.571	Accept Ho	Not Significant
	College	3.77				
	Vocational Course	4.03				
	High School	3.45				
Responsibility	Post Graduate	3.55	0.758	0.518	Accept Ho	Not Significant
	College	3.79				
	Vocational Course	4.15				
	High School	3.60				
Accountability	Post Graduate	3.36	1.457	0.225	Accept Ho	Not Significant
	College	3.79				
	Vocational Course	4.10				
	High School	3.35				

CONCLUSIONS

Based on the findings, conclusions were derived. First is that the majority of the respondents were in the middle management, had been in the company for 4-6 years, were college graduates, had 6-10 related pieces of training/seminars, and with 6-10 years of work experience.

Second, that the respondents assessed that the corporate governance performance of external auditors is very satisfactory in terms of efficiency, effectiveness, punctuality, accessibility, communication skills, responsibility, and accountability when grouped by job position level, number of years in the company, highest educational attainment, the average number of related pieces of training/seminars and work experience.

The last is that there were significant differences in the respondents' assessment on the corporate governance performance of external auditors in terms of efficiency, effectiveness, punctuality, accessibility, communication skills, knowledge, responsibility and accountability when grouped by number of years in the company and work experience; there were no significant differences when grouped by job position level and highest educational attainment. There were significant differences in the respondents' assessment on the corporate governance performance of external auditors in terms of efficiency, effectiveness, accessibility, communication skills, knowledge, responsibility, and accountability when grouped by the average number of related pieces of training/seminars; whereas, no significant difference in terms of punctuality.

RECOMMENDATIONS

The following recommendations are offered based on the findings and conclusions: The first recommendation is to improve audit efficiency; the external auditor may coordinate efforts with the internal auditors by having a scheduled meeting before the audit. This meeting will give way for open communication as to the primary needed financial reports such as the prior-year financial statement, monthly tax form filed, bank statements, internal audit report as to cash audit and the like, payment vouchers and attachments and accounting manuals to be submitted to the external auditor as their point of reference. In this meeting the duplication of work may be mitigated and through planning the audit coverage may be maximized at a minimum cost of resources and time.

Another recommendation is that the Corporations should reveal additional information and augment testing to make sure the disseminated information is precise. To improve the coordination efforts, auditors should take the initiative, study and master professional standards, start from the top, select suitable targets and instigate training is another recommendation. The external auditors should attend focused pieces of training/seminars that will update them of their knowledge on accounting and auditing is also another recommendation. The focused training efforts will increase their competency.

A high priority should be given to attendance at meetings. External auditors must remember that clients need updates as to the audit progress. Thus regular meeting attendance and being prompt in the said meetings entail the client's importance and audit engagement commitment. External auditors should exercise professional skepticism and perform a quality audit through the reportorial requirements submitted by them. External auditors should be accessible at all times to properly communicate specific matters about material transactions occurrence that will affect a corporation's financial status regularly and promptly. The external auditors should coordinate any significant difficulties that they have encountered in executing their audit plan to meet the corporation's or client's expectations. External auditors should free their time when the scheduled review of the corporation's quarterly financial reports occurred and report their findings to the audit committee directly to the corporation's Board of Directors or stakeholders on time. This gives them a scheduled opportunity to account for the efficiency of the progress of the annual audit. Lastly, a recommendation is that the external auditors should observe efficiency, effectiveness, punctuality, accessibility, proper communication skills, knowledge, responsibility, and accountability in the performance of their roles and duties.

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Author's Biography

Velissa Castaňeda Rubaya simply "Dr.Yzah" is a Doctor in Business Administration, Certified Public Accountant, Certified Bookkeeper, TESDA National TVET Trainer, and Competent Assessor. In her profession, awarded for 2020 Best Senior Researcher Excellence Award (Female/Above 40 years old & Overseas Category) in the International Academics and Research Excellence (2nd IARE-2020) and Resilient Entrepreneur of the Year in International Business and Academics Excellence (2nd IBAE-2020) Awards given by GISR Foundation in India, October 3, 2020, and December 26, 2020, and One of 2017 Entraprofessional Awardee in the Philippines given by Moores Rowland and Professionals of the Future. She is an author of the book entitled "Rejection a Success Avenue" and of technical eBooks majority in the topic of Bookkeeping, "The Secrets of Successful Bookkeeping" and the "Great Bookkeeping Amid Covid19 pandemic" to name a few. She is an entrepreneur, educator, and a sought-after speaker in conferences for accounting, bookkeeping, corporate governance, entrepreneurship, accounting education, audit, and research topics. She lives in the Philippines, the eldest daughter of Mr. Salvador and Mrs. Virginia Castañeda Rubaya, loves to be with kids, passionately supports foundations/ministries, and her key advice to learners and researchers of today, "Success comes out when you surpass rejections and failures with a Happy Heart."