CEO DUALITY,ROLE OF AUDITORS, WHISTLE BLOWING & ITS TYPES

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CEO DUALITY

- CEO duality is a situation in which the Chairman of the Board at a company is also a Chief Executive Officer at the same time. This dual role is a policy from a company that implements a position to fill as COB and CEO. CEO duality requires a person to be able to perform the role as COB and CEO at the same time to lead the company.
- The roles of the COB are different with the roles of the CEO, but in the CEO duality; the person is required to carry out these roles simultaneously. Several roles as a COB are to ensure effective operation of the Board, to support and advice the CEO in the development and implementing the strategy, and some other roles. On the other hand, the roles of the CEO are to develop strategies for recommendation to the Board and ensure that agreed strategies are reflected in the business, ensure that the business performance is consistent with the Business Principles, and several other roles.
- Some of the researchers ,regarding the duality role, argue that "having leadership that is focused with a single individual increases a firm's responsiveness and ability to secure critical resources". On the other hand "CEO duality diminishes the monitoring role of the board of directors over the executive manager, and this in turn may have a negative effect on corporate performance" . This certainly raises a very serious debate among the researchers .

EFFECTS OF CEO DUALITY

- **Clear direction of a single leader**: The advantage to be gained by the presence of CEO duality is a clear direction of a single leader. This happens because all the activities undertaken by the company only rely on one person. This of course will provide a clear direction from the CEO to their managers, stakeholders, and their subordinates regarding the strategy and business decisions that exist within the company.
- **Efficiency and Effectiveness**: In CEO duality, efficiency means the company does not need to spend more money to hire CEOs from outside ,resulting in minimization of their expenses. On the other hand, effectiveness in the presence of CEO duality means substantial power as the BOD and CEO provide the effectiveness of the company in making a decision to reach the goals of the company; this is because CEO duality does not require a long process in making a decision, so it will save more time.
- **Lack of transparency**: Strong power possessed by the CEO duality provides an opportunity to hide whatever is in the company, resulting in lack of transparency .

AUDITORS & CORPORATE GOVERNANCE

- Corporate Governance is normally defined to include the different processes and procedures which the corporations follow to direct and control their organizations. Board of directors is the highest authority in the whole entity, usually they decide alone or by consulting top level management the manner in which entity would operate. This decision needs to be made on the basis of interests of several stakeholders. These stakeholders not only include internal stakeholders like management, employees, etc., but also the external stakeholders like shareholders, bondholders and others. Once they have considered all of them, they decide about the operations. On the basis of their decision, they direct the top management to further direct and control whole organization.
- There are two types of auditors: internal auditors and external auditors. While internal auditors are included in the employee list of the organization, external auditors are independent. They are required to carry out an examination of financial statements and accounts to identify whether there is any misstatement in them. This initiates with them identifying the factors which can predict or indicate the existence of any misstatement. Follow up on those factors led them to carry out different processes like substantive audit procedures, analytical audit procedures and others to identify the actual existence of the misstatement.
- Internal auditors require efficiency to determine misstatement and bringing the same to management action so that the issue can be resolved at the earliest. Against them, the external auditors have to use efficiency to determine misstatements to report in their audit report.

ROLE OF AUDITORS IN CORPORATE GOVERNANCE

- **Incorporation in the audit plan** – Auditors get an insight of several acts being carried out in the organization which exposes them to several direction and control issues being handled by entity. This allows flow of information from auditors side to the entities in relation to different stakeholders whose interests might have been overlooked by management. This information sharing can lead to better corporate governance by management.
- **Accountability** – The auditors while identifying material misstatements may encourage the management to determine accountability of issues. It may help in recognizing the importance of accountability . It can be reasonably considered to be substantially acceptable, because the board of directors at their own level of management also need to identify people behind every activity being carried out.
- **Check on corporate governance aspects** – The auditor doesn't owns a responsibility to ensure existence of efficient corporate governance. However, he can put a check on different aspects on corporate governance. An audit is carried out to ensure that the public, who is stakeholder in different names in the entity, gets a true and fair view about the operations of the organization through financial statements.

ROLE OF AUDITORS IN CORPORATE GOVERNANCE (Contd.)

- **Internal Auditors contribution** – Though external auditors can help the entities in ensuring effective corporate governance, the support that the internal auditors can provide is highly effective. Internal auditors have a grip over several issues within management. This earns them a respectful position which they can utilize in relation to corporate governance. They can identify the different interests of different stakeholders. Once they have recognized the same, they can help the management identify the same and also determine the possible steps in relation to corporate governance which can be effective when the interests contradict.
- **Risk management** – Risk management is one of the necessities to ensure effective corporate governance. The auditors can include a risk assessment procedure within their audit procedure. Such a procedure would require the management to keep a check on issues which can result in increase in risk assessment made by auditor.

DUTIES & RESPONSIBILITIES OF AUDITOR

Every Auditor of a Company shall have a right of access at all times to the books of account and vouchers of the Company, which are kept at the registered office of the company and he shall be entitled to obtain such information and explanation as he may consider necessary for the performance of his duties into the following matters, namely:

- The loans and advances made on the basis of security have been properly secured and are not prejudicial to the interest of the company or its members,
- Whether transactions of the company which are embodied merely by book entries are in conflict with the interests of the company;
- Whether deposits are correctly shown if loans and advances made by the company;
- Whether personal expenses have been charged to revenue account;
- He should also check whether the position as stated in the account books and the balance sheet is correct, regular and not misleading.

DUTIES & RESPONSIBILITIES OF AUDITOR (Contd.)

A report has to be made by auditor for the members of the company on the accounts examined by him and is to be laid before the company in general meeting. He shall also state if the financial statements give a true and fair view of the state of the company's affairs as at the end of its financial year. The auditor's report shall also mention

- Whether proper books of account in his opinion are kept by the company as required by law;
- Whether the company's balance sheet and profit and loss account dealt within the report display true and fair view;
- Whether, while preparing financial statements, the company has followed all accounting standards as required;
- Whether the company has satisfactory internal financial control system;
- Any other matters as may be prescribed.

WHISTLE BLOWING

- Whistle blowing basically is done by an employee where he finds that the ethical rules are broken knowingly or unknowingly and there is danger for the company, consumers or the public, when an employee is working in an organization as part of the group where the decisions are made and executed.
- The decision of whistle blowing may involve destabilizing one’s life and placing the entire organization under scrutiny.
- The attempt of an employee or former employee of an organisation to disclose what he or she believes to be wrong doing in or by the organisation. Whistle blowing can be internal, external, personal and impersonal. Whistle blowing goes against the strong bonds in Indian companies and culture norms of showing loyalty.
- A moral dilemma can occur when a loyal employee observes the employer committing or assisting in an illegal or immoral act and must decide what to do. The whistle blower may not only lose his or her job but may also experience negative effect on his career and personal life. The pressure on the whistle-blower may range from outright termination to more subtle pressures.

CONDITIONS UNDER WHICH WHISTLE BLOWING IS MORALLY JUSTIFIED

- Whenever and wherever the product/service of the firm will cause considerable harm to the public.
- Whenever an employee feels serious threat or harm to him or anybody he should report to the firm.
- Before reporting any subject an employee should have documental evidence which should convince on impartial observer about the necessity of whistle blowing.
- If an immediate boss does not care for report (whistle blowing) the employee should go up to highest level to present his case.
- There is always some risk involved in whistle blowing. If the employee is fully convinced of his good intentions and serves good cause for society he should go ahead with whistle blowing.

PRECAUTIONS BEFORE WHISTLE BLOWING

- Be clear about your intentions and likely consequences. Go ahead only if you are convinced that the situation warrants whistle blowing.
- Compile documents to support your case. Do not depend upon hearsay.
- Allegations should be stated appropriately with documents and to be sent to the right person/ position.
- Preferably take the internal route. If this does not work then try external route.
- Whistle blowing can be done openly or anonymously. If identity is disclosed , be prepared to face the consequences.
- Decide if it is appropriate to take action immediately or sometime later or during the service.
- Consult a lawyer about possible legal battle and defence mechanism.

TYPES OF WHISTLEBLOWING

- **Internal Whistleblowing** -Internal whistleblowing is the act of reporting wrongdoing to another party within one's company or organization. For example, an employee at one branch of a chain of coffee shops who reports wage and hour violations at their store to the company's corporate headquarters is an internal whistleblower. Some companies have internal whistleblowing policies and procedures in place, such as an anonymous hotline for making reports. Employees must comply with these policies as stipulated by their employment contracts.
- **External Whistleblowing** - An external whistleblower, in contrast, is an individual who reports wrongdoing to sources outside his or her company, such as law enforcement or the media. With any type of whistleblowing, the party who discloses the alleged wrongdoing must do so in good faith, meaning he or she must reasonably believe wrongdoing to be occurring and take reasonable steps to report it to the correct authority. When a whistleblower does not act in good faith, he or she is not protected by the Whistleblower Protection Act and thus not protected from demotion or termination following the report. To remain covered by the law, the employee must also choose not to participate in the wrongdoing or aid in the official investigation of his or her claim.
- **Cyber Whistleblowing** -As our world and workplaces evolve, so do our security needs. In recent years, a new type of whistleblower, the cyber whistleblower, has arisen as an advocate for consumer and employee protection in online spheres. These whistleblowers report on security breaches in cloud storage systems, encryption deficiencies, hacks, and insecure practices.

THANK YOU