

Internal Audit Excellence Orientation and Firm Survival

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ABSTRACT

The current, internal audit department has developed a function of operations audit, by focusing on excellence. The all organizations have believed that the internal audit that focused on excellence will be able to create value for the internal audit function and to survive to the organization. This research aims to study the impact of internal audit excellence orientation and firm survival by having mediating variable composite; internal audit practice quality, risk management effectiveness, fraud error detection success, operational efficiency outstanding, business excellence, goal achievement. The 94 food export firms are the samples. The statistics used is the OLS regression. The study found that the internal audit excellence orientation has a positive impact on internal audit practice quality, risk management effectiveness, fraud error detection success, operational efficiency outstanding, business excellence, goal achievement, and firm survival. The result shows that operation of internal audit that focused on excellence can create value for the internal audit and operation of organization. In addition, that internal audit practice quality has a significant positive effect on goal achievement, that risk management effectiveness has a significant positive effect on the business excellence, fraud error detection success has a significant positive effect on the business excellence and goal achievement has a significant positive effect on the firm survival. The future research, we suggest to study antecedent variables that affect on the internal audit excellence orientation, the benefits for internal audit departments and organizations into adaptation for improving the operation to have efficiency and effectiveness.

Keywords: Internal Audit Excellence Orientation, Internal Audit Practice Quality, Risk Management Effectiveness, Fraud Error Detection Success, Operational Efficiency Outstanding, Business Excellence, Goal Achievement, Firm Survival

INTRODUCTION

The internal audits are being developed for the management of both public and private (Cohen et. al., 2002), which the concept internal audit is the foundation of discipline in important internal audit. It is the main business philosophy that can reflect activity and behavior of organizational. The process of managing operational of internal audit to ensure in the effective which must be consistent with the standard make the operational internal audit has quality. In addition, the internal audit that is effective will help operations of the organization to achieve and survive.

The accounting scandal in the United States about fraudulent financial reporting as of the beginning impaired and threatened the confidence of capital market participants (Ball, 2009). The internal audit thus came into a role and has been developed ongoing role. By focusing on internal audit function to remove barriers that can occur and cause a negative effect on the operation of the organization such as, fraud issues, risk management, internal control. However, these problems did not go away, because of rapidly changing environment which makes a complex in operational processes within the organization. The current, internal audit function has developed to focus on excellence to respond to the administration of the internal audit department and organizations have effectiveness and efficiency of its operation.

The past, the scholars have reconstruction to entrepreneurs who are interested in internal audit both the concepts and operations. Which internal audit is an activity that adds-value. By the internal auditors must be operational in accordance with the standards of professional practice of internal audit to bring about the success in operation of organizational to effectively and effectiveness (Al-Twaijry et al., 2003). For research in recognition of internal audit excellence and effects of operational internal audit focused on excellence. The literature in the past, the lack of integrity to answer that the internal audit focused on excellence have effect on survival in operation of organization. We try to pay attention in studies to answer this and this research is the first empirical study. This paper aims to study the effects of internal audit excellence orientation and firm survival by the development model of research, which is the synthesis of the literature in the past. The sample used in this study was food export firm in