



Research Article

AN EMPIRICAL STUDY OF INTERNAL AUDIT AND FIRM PERFORMANCE: A PROPOSED RESEARCH FRAMEWORK

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ABSTRACT

This study shows that the internal audit (IAC) correlation between structural features, such as internal audit (IA), size, experience and qualifications as a professional qualification; and Results of Operations. This led to the use of the financial system and is considered an important factor is the presence of the internal audit department to review the work. Internal audit is a key corporate message, and for a sector that tracks all of its related companies viewed as. Development of the company's internal audit effectiveness of health care, the financial statements reflect the quality of the internal audit. In addition, internal audit and corporate governance structure of the organization is an important part of corporate governance (CG) process, reliable financial reporting (POC, 1994) to ensure, by the Board of Directors and Audit Committee oversight activities. The importance of internal audit in line with previous research, the study of the relationship between internal audit and business decisions give full bypass. Literary recent internal audit function (IAF) and the company or association between concepts or empirical findings show that research is lacking. The main objective of this research to fill gaps in the literature and to investigate the depth of this relationship is to offer opportunities for further research.

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INTRODUCTION

The internal audit department is very important in the community, working to assist the internal audit department to evaluate the implementation of the accounting system, are considered an important factor. Records of internal audit of all companies related to this sector as part of the basic financial statements will be considered. The internal audit of the financial statements reflects the quality of the effectiveness of internal audit, the company helped to develop. Moreover, reliable financial reporting, internal audit process (Public Supervisory Board, 1994) to ensure, by the Board of Directors and Audit Committee and CG(Corporate governance) hierarchy is an important part of the ongoing monitoring activities. Three monitoring mechanisms have been identified in the literature, University of Karachi, external audit, internal audit and directorship (Al Matarnah 2011; Anderson et al, 1993 Blue Ribbon Committee, 1999, II, 2003). Internal audit support accountability system, improve the officers and employees and the owner (Eighme and Cashell, 2002) must. In general, the internal audit capability, trusted to provide objective and neutral Management Service, the Management Board and Audit

Committee, ROI and sustainable development, leadership, safety and conducting financial activities and business of the company for reliable information about actors who are interested (Ljubisavljević and Jovanovic, 2011).

Internal Audit function

Internal audit The Company aims much and success (Ljubisavljević and Jovan, 2011) to implement the strategy. In addition, internal audit, management and the audit committee (Hutchinson and Zen, 2009) is responsible for strengthening. Similarly, internal audit, management at all levels of the relevant business decisions, are based on units of different organizations coming from the reliability of financial and operational information, the truth and establish integrity. The successful implementation of the internal audit function, which means it must be independent, the company should work, data, results, and are not affected by the measures. Internal audit and management in the internal audit reports and the company (Ljubisavljević and Jovan 2011).The key to the successful management of common principles has become a means of communication between them. In addition, the internal audit function, the audit objective supervision of compliance with reporting obligations as Audit Committee financial resources to facilitate the effective operation and work (Goodwin and Yeo, Goodwin, 2001, 2003; Scarbrough, RAM and Raghunandan,

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1998). The process of internal controls as a mechanism to increase the establishment of an internal audit function reporting Kingdom (NYSE, 2002) and is supported by previous studies.

Along this argument, Al-Shammari (2010) mentioned some factors internal audit functions and regulators they are given below:

- The internal control systems (ICS) and arithmetic evaluations in an attempt to; ensure the accounting system and ICS are appropriate; ensure that the systems facility and propos system enhancements are suitable.
- Assessing plans and procedures to determine weaknesses or defects in the systems and procedures used by the company and to propose modifications and enhancements needed, and to provide authority to the internal auditor for the examination of the aspects of establishment activity.
- Taking into consideration the staff commitment to the company policies and procedures and therefore, internal auditor has to monitor these policies and procedures' implementation and to clarify them to the employees.

In this study, four factors IAC audit department of CAE, size, capability and experience qualifications. In general, internal audit and the relationship between the company's need for specific studies in both developed and developing countries is limited. Several large study called for further studies to investigate, for example, Hutchinson, and Zen (2009), internal (audit and accounting experience, qualifications), audit and development opportunities in Pakistan as the audit committee of business performance (ROA) association. Consider the proposal. First, a study on the role of the Board and internal audit standards and the audit committee should evaluate the interaction between. Secondly, this study encourages future studies to look into the different models of factors that would possibly impact IAQ and improve corporate governance.

Yes, developing countries, including the United States and Britain, internal audit There are a number of studies on the subject, but also very little can be found in emerging markets. One Hutchinson (2009) study of brothers (review and assessment of the experience account) monitoring and development results in the (smear) and opportunities for Independence of Pakistan in the relationship between the audit committee. They improve the quality of internal control and governance factors of company can trigger a variety of models to study researchers recommend more, internal control and internal audit the ability to control and internal audit to control the size of the audit quality and performance within the company.

Most importantly, the function of internal audit of the company's relationship with among developed countries and developing research lacking in both two. Moreover, al -Matar al. (2012) Packaging Kuwait to investigate the relationship between features and functions The control and future business decisions within, or directly through care suggests that the relationship between the test. Moreover, assessment of internal audits is variable in education. In the context of this study, Davidson, NC, and Stewart (2005) Director Kent, the Commission audit, internal audit and audit committee independence and to perform the Australia including the

relationship between the structure of internal control. Using regression between the parties are free to broadly examine the relationship between changes a. Australian stock market in 2000 in a sample of 434 companies, the result of the function Check internal and external audit shows the relationship between choice. Ljubisavljevic and in this context (2011) Jovanovic community monitoring Serbia's investigation relations between work Sample of 200 SMEs in 2011, this study will survey and found that performance control the interior is weak. Thus, Pakistan Hutchinson and internal control (audit and financial experience, and Evaluation) wanted to explore the relationship between qualities of it FILS (2009), and operating company (rich). Companies listed in Malaysia in 2003. The strong through the data Online surveys collected in this study, the Commission audit independence necessary, in order to increase the independence of audit committee this decrease is a result of company growth in the positive control show the relationship between quality and operation.

Internal Audit Characteristics and Firm Performance

Qualifications of the Chief Audit Executive and Firm Performance. A dynamic business, the internal auditors and the knowledge of their business, system development and other matters of business they should be able to figure out what works and what the strengths and weaknesses, policies, systems and procedures code (Hall, 2003 Clikeman, 2003), In addition, high-quality professional CAE to improve audit quality and hence the present study variable is measured by a questionnaire. That is useful in a Certified Internal Auditor (CIA), Certified Government Auditing Professional (CGAP), Certified Financial Services Auditor (CFSA), Certified Control Self Assessment (CCSA) certification and Risk Management Assurance (CRMA), as important as the internal auditor of the certification audit information for errors. Mayor certificate of waiting or any other device without the need to consult with the fastest time is able to make the right decision. Studies suggest that the rate of improvement of the absolute performance (CAE Eighme and Cashell, 2002).

The companies that have undergone a period of strong performance, external director of the jobs can be a more suitable position. Prestige director and work (D'Avena, 1990) as the name, which comes from different sources is an external director. Moreover, many of them with greater management capability and strategic decisions (Hillman and Dalziel, 2003) contribute to the funds score overseeing mature. Managers of financial institutions and investors appreciate the company provides an external source of signal; it can affect the ability to have. Consistent recommended as the logical point of view, as said above, this research into account the capacity of the control variables Cape.

Most previous studies of all the members of the Committee and the results of business, revenue management, quality control and other devices that have focused on the impact of the qualification examination. However, no study of the presidential review and revision of the results of the Commission's internal business relationships are examined. Zen and literature and Hutchinson (2009), in line with the lack of revision, the research capacity of the members of business performance, studying the relationship trying to fill the void, therefore, and the order can be defined:

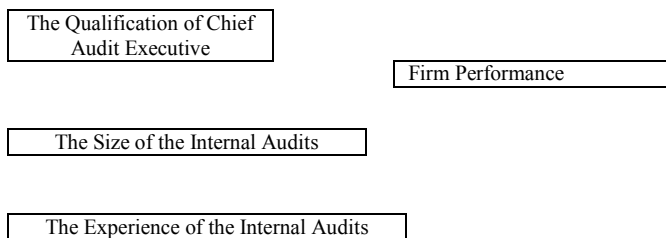


Figure 1. Theoretical research framework

H1: There is a relationship between qualifications of the chief audit executive and Firm Performance.

Size of the Internal Audit and Firm Performance

Internal Audit Service (IAS) is the size of the MAK, the second element is necessary to improve the company's performance. The size of the internal control committee for internal control was measured with seating. The role of the committee in light of the size of different theories explains. First, Jensen's (1993) study, it looks like, seven or eight would be an appropriate number of board members is proposed Lipton and Lorsch (1992), agrees with. Moreover, Firsteberg and Malkiel (1994) fee less than eight, the expert support, participation and genuine dialogue and debate that argument. Top Shaver (2005) reported, the Board of Directors Zahalka often resulting in social responsibility, are characterized by the largest spread argued that, group exercise group to reduce distribution and treatment strategies Encourage.

Resources from the point of view of the theory of dependency, the large size of the container business to contribute to the discussion on the board's expertise, knowledge and experience will create a most unusual performance that is assumed. Moreover, a large space (2010, Pearce and Zahra, 1992, Goodstein, Goodstein, Gautam and Boeker1994, gazelles; Pfeffer, in 1987) to business-critical resources and help reduce environmental risks can offer a variety of risk. In another study, Hutchinson and (2009) FILS the internal audit (accounting experience and qualifications) audit and corporate performance (ROA) and in light of the opportunities for growth in Pakistan examined the relationship between audit committee independence.

The sample was selected in two ways, and the annual report of the survey and secondary data. 60 companies listed on Karachi stock exchange in 2003. This includes the study of the relationship between internal audit and business performance regression analyzes to examine. With the good performance, internal controls are recommended to examine the new factors. Due to these proposals, current research with good performance, the size of the head of internal audit and internal controls to check the quality of firm. Despite the importance of internal controls and business performance of any study of the relationship between the IAS studies has confirmed that it has considered. Thus, this study is trying to do the same, and the size of the Internal Control Committee helps improve performance is expected. This means that an empirical study:

H2: There is a relationship between the size of the internal audit and firm performance.

Experience of the Internal Audit and Firm Performance

The third estimation of IAC is experience of inside survey. Exactly when a man has various years of experience, he/she can settle on a right decision, pick snappy and deal with any condition. This variable is measured by the amount of years the people have amassed through a survey that is sent to every firm by email. Enduring with the benefit dependence speculation and its supporters, expert individuals help in firm advancement in light of the way that they have a sensible learning about how to oversee handle and accomplish their endeavors with prevalent quality.

Besides, when the firm gives board high experts, they fathom external environment and along these lines, will improve execution of associations. There are few studies that dissected the relationship between the experience of inside audit and firm execution in both made countries and making countries. There is similarly nonappearance of studies among the making creating markets. Few studies are discussed underneath in light of this alliance. Hutchinson and Zain (2009) researched the relationship between inside (audit experience and accounting ability) survey and firm execution (ROA) with improvement opportunities and survey board flexibility in Pakistan. The sample was picked by two strategies to be particular overview and helper data from the yearly reports. It included 60 firms which were recorded on Karachi stock exchange in 2003. This study used various backslide examination to test the relationship between internal survey and firm execution and found a colossal relationship between experience of inside audit quality and firm execution.

Also, Prawitt, Smith and Wood (2009) broke down the relationship between internal survey quality (experience and capacity) and pay organization. This study gained sufficient data to gage strange gathering models for 528 firm-year observations (218 fascinating associations) for the fiscal years 2000 to 2005. It used OLS backslide to test the relationship between free variables and ward variable. The finding shows that a relationship between experience of internal survey and obtaining organization. As said above, there is a nonappearance of studies taking a gander at the relationship between the experience of inside survey and firm execution. Likewise, Al-Matari *et al.* (2012) endorsed the reconsideration of the relationship between the experience of internal survey and firm execution. Thusly, this study proposes the going with.

H3: There is a positive relationship between the experience of internal audit and firm performance.

Conclusion

The internal survey office is basic inside a firm where the inside audit is seen as the key part in the utilization of accounting structures and this along these lines, helps in evaluating the work of the division. The internal audit is considered as the establishment of the business accounting as the range records all associations related to the fragment. The profitability of internal survey develops the work of the association in light of the way that the cash related reports

reflect within audit division's quality. In like manner, an internal survey is considered as an enormous bit of the CG structure in the affiliation and CG covers the activities of oversight by the top administrative staff and audit consultative gatherings to ensure valid cash related reporting method (Public Oversight Board, 1994). Past studies have attempted to give an unmistakable photograph of the relationship between internal audit (capable abilities of the manager survey authority, experience of inside audits and inward survey capacities) and firm execution. The present study joined the ability of the internal survey's manager. On a fundamental level, the present study is exceptional in its examination of the relationship between inward survey components and firm execution. There is a striking nonattendance of examination in made likewise making nations regarding the quick relationship of inside audits limits and firm execution.

More especially, among these few studies is the one drove by Al-Matari *et al.* (2012) who explored the relationship between the board qualities and execution of Kuwaiti firms. They called for future investigators to take a gander at the association between internal audit and firm execution, both particularly and roundabout, or in light of a coordinating effect. This study has different recommendations. In any case, the future professionals to probably produce a gander at the results of segments of inward review on firm execution. Second, the future producers ought to utilize this study really taking shape nations considering the need of this sort of examination in this environment. All the more crucially, future studies could separate between two or more nations in the same economy and society; for instance in the Middle East or definitively in the delta nations.

Third, concerning the vitality of review quality, the present examination considers overview quality as a ref between the relationship of review properties and firm execution. This study contemplates inside review studies and found that just a couple studies examined the relationship between inside overview, firm execution and securing association. To wrap things up, in obvious to the estimation of the mix between bookkeeping based measure and market-based measure together to upgrade execution of firms to give a clearer picture to money related stars, future studies ought to inquire about the how this joining ought to happen.

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