

Audit Committee Effectiveness, Internal Audit Quality, Financial Reporting Quality, and Organizational Success: An Empirical Investigation of Thai Listed Firms

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ABSTRACT

This study aims at investigating the influences of audit committee effectiveness on organizational success of Thai listed firms through mediating effects of internal audit quality and financial reporting quality. A questionnaire survey was distributed to the in-house internal audit function in approximately 589 listed firms in Thailand. In this study, only 186 listed firms in Thailand are the samples of the study. Auditing executives of the listed firms are the key informants of the study. Both structural equation model and multiple regression analysis are applied to test the research relationships. The findings show that audit committee' effectiveness is significantly and positively related to internal audit quality, financial reporting quality, and organizational success. In addition, internal audit quality has an importantly positive effect on financial reporting quality and organizational success while financial reporting quality has a potential positive impact on organizational success. Empirically, both internal audit quality and financial reporting quality are the mediators of the audit committee effectiveness-organizational success relationships. In this study, the associations among audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success of Thai listed firms are empirically and systematically verified. However, some listed firms in Thailand do not have the in-house internal audit function, but they have outsourced internal audit. Thus, future research needs to classify and separate Thai listed firms that use the outsourced internal audit from the database before collecting the data in order to increase the response rate of the study. In summary, for surviving and sustaining in rapidly environmental changes and conditions, firms can apply, implement and utilize audit committee effectiveness as the strategically value tool for achieving their goals in long-term operations.

JFL Classification: M41

Keywords: audit committee effectiveness; internal audit quality; financial reporting quality; organizational success; Thai listed firms

I. INTRODUCTION

Recently, firms have dealt with uncertain environmental situations and conditions, and rapidly competitive changes and movements. They need to apply, implement and utilize appropriate techniques and strategies in doing business operations in order to gain outstanding competitive advantage, achieve superior performance and success and enhance long-term survival and sustainability. The techniques and strategies from several disciplines have been considered systematically and objectively. In this study, audit committee is one of firms' efficient techniques and strategies and it is a critical driver of good corporate mechanisms in an organization. In addition, audit committee has become significantly stronger and more efficient in fulfilling its oversight responsibilities. It has the functions, duties and responsibilities to give the comments and recommendations relating to financial reports and internal audit systems. Audit committee also assists their top managements, executives and auditors to manage and deal with possible risks and enhance financial reports to have accurate and complete disclosure, being congruent with accounting standards and other related regulations. Audit committee is a means of monitoring financial reporting, the external auditors and internal control strength (Zgarni et al., 2016). Hence, audit committee is a key mechanism of corporate governance system and it can help explicitly promote credibility, reliability, quality, and value-added of financial reports. It plays a significant role in reducing information asymmetry and improving disclosure quality. Accordingly, greater effectiveness of audit committee is positively related to more organizational success within dynamic competitive environments.

In this study, audit committee effectiveness is a score of corporate governance best-practice principles and it is an important determinant of firms' performance, success, survival, and sustainability in volatilely environmental changes. Audit committee effectiveness is defined as the characteristics of an effective audit committee as having qualified members with the authority and resources to protect stakeholders' interests by ensuring reliable financial reporting, internal controls and risk management through diligent oversight efforts (DeZoort et al., 2002). It presents making judgments that are in the best interest of shareholders, asking questions to the auditors, having access to relevant documents, and having adequate number of committee members to perform its jobs (Ika and Mohd Ghazali, 2012). Audit committee effectiveness also provides the willingness of committee members to work together as needed to prepare, ask questions and pursue answers when dealing with management, internal auditors, external auditors, and other relevant constituents. Similarly, audit committee effectiveness is an ability to maintain external auditor independence, promote shareholders' interests by purchasing higher quality audit services and vet the integrity of the financial statements (Lary and Taylor, 2012). It can help create good corporate practices, monitor financial reporting and disclosure, preserve and enhance the independence of internal auditors, strengthen the roles of non-executive directors, prevent fraud and other irregularities and errors, restrain managerial opportunism, and create organizational performance and success (Spira, 1998). Hence, audit committee effectiveness has an important role in determining firms' good outcome under complex business environments.

Audit committee effectiveness becomes a valuable determinant of firms' internal audit quality, financial reporting quality and organizational success. It potentially

enhances firms to present the integrity of the financial statements, comply with legal and regulatory requirements, guarantee the independent auditors' qualifications and independence, provide the performance of the internal audit functions and independent auditors, and establish the system of disclosure controls and internal controls regarding finance, accounting, legal, compliance, and ethics (Thibodeau and Packwood, 2008). Accordingly, audit committee effectiveness tends to have a positive influence on internal audit quality. Firms with best audit committee effectiveness are able to have superior internal audit quality that possibly relates to financial reporting quality and organizational success. In addition, audit committee effectiveness is explicitly relevant to certify better monitoring of the management in ensuring a good financial reporting quality (Jamil and Nelson, 2011). Thus, audit committee effectiveness is proposed to have a positive effect on financial reporting quality. Firms with more audit committee effectiveness are likely to have greater financial reporting quality that naturally leads to organizational success. Additionally, audit committee effectiveness can help perform firms' business activities and operations well that relate to their achieved performance and continued success in the long-term aspects. Firms with better audit committee effectiveness seem to have more outstanding organizational success.

To utilize the concepts and characteristics of audit committee effectiveness, this study considers and proposes internal audit quality, financial reporting quality and organizational success as the consequences and outcomes of the research relationships. Firstly, internal audit quality refers to an ability to possess the knowledge, skills and other competencies needed to perform internal audit functions, works and responsibilities in order to achieve the goals and objectives of internal audit standards and other related regulations (Prawitt et al., 2009). It has a significant role in affecting the quality of the firms' financial reporting and the goal achievement of business operations and managements. Secondly, financial reporting quality is defined as the completeness, neutrality and freedom of financial information from errors and the useful predictive and confirmatory information about firms' economics resources and claims and their underlying economic position and performance (Gaynor et al., 2016). It is useful to existing and potential stakeholders, namely executives, investors, lenders, and other creditors in making decisions about providing resources to the entity. Therefore, financial reporting quality significantly leads to increased organizational success. Lastly, organizational success is an outcome of efficient business practices and operations, and effective competition techniques and strategies that are measured by increased profitability, shareholder return, market share, growth, increased customer, employee and executive satisfaction and improved teamwork (Simon et al., 2011). Thus, organizational success reflects the effectiveness of audit committee, the quality of internal audit and the quality of financial reporting.

This study aims at examining the effects of audit committee effectiveness on organizational success of Thai listed firms through mediators of internal audit quality and financial reporting quality. Here, Thai listed firms are the appropriate samples of the study because the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) have legally required these listed firms to provide the importance, necessities and roles of audit committee and has set the qualifications and scopes of audit committee operations since 1999 to present. Thus, these firms have paid attention to study, understand, implement, and utilize audit committee characteristics in order to build, create, gain, and achieve their long-term survival and sustainability. In

existing literature, the relationships among audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success have been investigated by using market-based approach via secondary data from listed firms. In Thailand, some market-based approach via secondary data from listed firms has been used to test these research phenomena while this study has applied the survey research via the questionnaire to test the research relationships. To verify these relationships, the key research question is how audit committee effectiveness leads to organizational success. The specific research questions are: (1) How audit committee effectiveness relates to internal audit quality and financial reporting quality, (2) How internal audit quality influences financial reporting quality and organizational success, (3) How financial reporting quality affects organizational success, (4) How internal audit quality mediates the audit committee effectiveness-organizational success relationships, and (5) How financial reporting quality mediates the audit committee effectiveness-organizational success relationships.

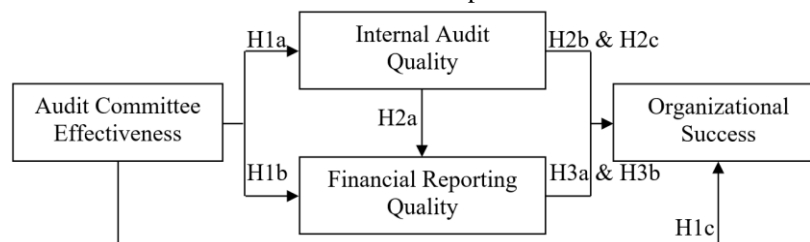
The remainder of this study is as follows. Firstly, relevant literature review of stakeholder theory, audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success are provided. Secondly, research methods, namely samples of the study, data collection procedure, test of non-response bias, measures, instrument test, and statistics are considered. Thirdly, research results and discussions with reasonable explanations from existing literature and empirical supports are presented. Lastly, limitations of the study, contributions for theory and management, directions for future research, and conclusion of the study are provided in details.

II. RELEVANT LITERATURE REVIEW OF AUDIT COMMITTEE EFFECTIVEVESS AND HYPOTHESES DEVELOPMENT

In this study, stakeholder theory is applied to explain the audit committee effectiveness-organizational success relationships. Stakeholder theory identifies the generation of value as a critical driver of firms to be shared by a group of stakeholders that includes all actors in society that may have an interest in how the firms operate (Freeman, 2004). Stakeholder theory addresses how firms perform their duties and is intimately connected to the practices of business, of value creation and trade. Firms must go beyond merely maximizing stockholder value to address the interests of their stakeholders who can affect or are affected by their purposes (Cordeiro and Tewari, 2015). Hence, satisfying all requirements, expectations and needs of the stakeholders become potential functions and duties of the firms to maximize their total organizational wealth. To meet and generate the stakeholders' values, audit committee is a basic mechanism for building, creating and guaranteeing the transparency, reliability and credibility of firms' business operations in the long term and in the future. Accordingly, effective audit committee can help firms gain and achieve their success, stability, growth, survival, and sustainability. Here, audit committee effectiveness explicitly determines firms' reasonable and valuable outcomes, namely internal audit quality, financial reporting quality and organizational success. Thus, the research relationships of these variables are discussed and hypothesized. The conceptual model presents the aforementioned relationships, as shown in Figure 1.

Figure 1

The conceptual model of the audit committee effectiveness-organizational success relationships



A. Audit Committee Effectiveness

Audit committee is a valuable mechanism of firms in enhancing successful operations and surviving long-term sustainability. It helps review the external auditors' compensation, terms of engagement and independence, the appointment and replacement of the chief audit executive, the results of the external audit, management letters and management's responses, and the annual financial statements and any significant disputes between management and the external auditors in this regard (Van der Nest, 2008). It considers major changes and other questions of choice regarding the appropriate auditing and accounting principles and practices to be followed when preparing the department's financial statements and meet periodically with management to review the department's major risk exposures (Lary and Taylor, 2012). Also, audit committee serves as a channel of communication between the board and both external and internal auditing, the consultation with the external auditors and the chief audit executive, the adequacy of the organization's system of internal control (Spira, 1998). Thus, audit committee explicitly fulfills their oversight responsibilities, namely monitoring financial reporting, the external auditors and internal control strength, managing and dealing with possible risks and enhancing their competitive advantage and performance (Zgarni et al., 2016). Effectiveness of audit committee can increase firms' business operations and activities and achieve their goals and objectives in the current, future, and long-term aspects. Accordingly, audit committee effectiveness is considered as a significant driver of increased internal audit quality, enlarged financial reporting quality and expanded organizational success. It is a key determinant of firms' survival and sustainable success in turbulent and complex competitive environments and conditions.

In this study, audit committee effectiveness refers to the characteristics of qualified members in the audit committee with the authority and resources to protect stakeholder interests by ensuring reliable financial reporting, internal controls and risk management through diligent oversight efforts (DeZoort et al., 2002). It reflects an ability to ensure external auditor independence, promote shareholder interests by purchasing higher quality audit services, maintain the integrity of corporate financial reporting and disclosure, namely the extent of prior period restatements of financial statements and the fraud disclosers of financial statement, and vet the non-adopted abnormal accruals in the financial statements (Lary and Taylor, 2012). In addition, audit committee effectiveness can make judgments that are in the best interest of

shareholders, ask questions to the auditors, have access to relevant documents, and have adequate numbers of committee members to perform its jobs (Ika and Mohd Ghazali, 2012). Audit committee effectiveness provides the willingness of committee members to work together as needed to prepare, ask questions and pursue answers when dealing with management, internal auditors, external auditors, and other relevant constituents. Accordingly, audit committee effectiveness can create good corporate practices, monitor financial reporting and disclosure, preserve and enhance the independence of internal auditors, strengthen the roles of non-executive directors, prevent fraud and other irregularities and errors, restrain managerial opportunism, and enhance organizational performance and success (Spira, 1998). It is a significant driver of firms' best outcome and good performance. Firms with great audit committee effectiveness are likely to have superior outcome and performance in the complex business competitions and environments. Thus, audit committee effectiveness becomes an important determinant of firms' sustainable competitiveness and long-term organizational success.

Audit committee effectiveness plays a critical role in determining, explaining and driving firms' consequences. Here, these consequences consist of internal audit quality, financial reporting quality and organizational success. Firstly, audit committee has a significant function of reviewing and monitoring firms' appropriate internal control and effective internal audit system and considering an independence of internal audit department. In addition, the audit committee gives recommendations and suggestions of appointing, removing and dismissing executives of internal audit department or other related internal audit units. Audit committee effectiveness has a valuable effect on internal audit quality. It can enhance firms to correct the systems of disclosure controls and internal controls regarding finance, accounting, legal, compliance, and ethics that management and the board have established and enhance the independence of internal auditors (Thibodeau and Packwood, 2008). An effective audit committee can help review reports from the internal audit activities that are material to the firms as well as management's response to these reports (Van der Nest, 2008). It ensures reliable internal controls and risk management and plans, monitors and reports the activities to provide assurance to the internal auditing functions, practices and responsibilities. Great audit committee effectiveness is likely to affect an outstanding of internal audit quality. Firms with audit committee effectiveness tend to explicitly have their internal audit quality. Then, audit committee effective is possibly to have a significant positive influence on internal audit quality. Therefore,

Hypothesis 1a: Audit committee effectiveness is positively related to internal audit quality.

Secondly, audit committee effectiveness has a critical determinant of firms' financial reporting quality. It can monitor firms' financial reporting and disclosure and enhance higher level of corporate voluntary disclosure (Akhtaruddin and Haron, 2010). In addition, audit committee effectiveness can reduce discretionary accruals and constrain earnings management in the financial statements (Zgarni et al., 2016). It helps increase the transparency, reliability and credibility of financial and non-financial information from these financial statements. Firms with an effective audit committee seem to provide a high quality of financial reporting. They can have good and usable

financial information for gaining best decision making and achieving their organizational success. Moreover, audit committee effectiveness explicitly ensures better monitoring of the management in guaranteeing a good financial reporting quality (Jamil and Nelson, 2011). It can increase the values, benefits, contributions, and advantages of financial statements, reporting and disclosure. It definitely leads to transparent, timely, reliable, and credible presentation of financial information from the quality of financial reporting. Thus, audit committee effectiveness is likely to have a significant effect on financial reporting quality. It is hypothesized to have a positive relationship with financial reporting quality. Therefore,

Hypothesis 1b: Audit committee effectiveness is positively related to financial reporting quality.

Lastly, audit committee effectiveness is importantly related to organizational success. It can enhance firms to successfully achieve their goals, purposes and objectives in rapidly complex competitive environments and conditions. Firms with great audit committee effectiveness can create ability, competency and capability of firms in order to provide operational efficiency, have business excellence and gain organizational success. More effectiveness of audit committee explicitly leads to greater organizational success. In addition, audit committee effectiveness enables firms to deal with environmental changes, uncertainty and heterogeneity. It is a valuable mechanism of committed corporate governance that helps promote firm survival and sustainability in future and long-term operations (DeZoort et al., 2002). Thus, audit committee effectiveness can create business competitiveness and encourage firms' outcomes, performance and success. It is proposed to have an important impact on organizational performance. Accordingly, audit committee effectiveness positively relates to organizational success. Therefore,

Hypothesis 1c: Audit committee effectiveness is positively related to organizational success.

B. Internal Audit Quality

Internal audit quality is the first outcome of audit committee effectiveness in an organization. Better audit committee effectiveness leads to greater internal audit quality. In this study, internal audit quality is defined as an ability of firms' internal auditors and internal audit members to possess the knowledge, skills and other competencies needed to perform internal audit functions, works and responsibilities in order to achieve the goals and objectives of internal audit standards and other related regulations (Prawitt et al., 2009). It explicitly reflects the usefulness of the internal auditors' works, the value provided by internal audit reports and the frauds discovered by the internal auditors (Gramling and Hermanson, 2009). It relates to effective compliance with regulations and other issues, increased operational efficiency, added resource utilization, reliable financial reporting and disclosure, and sustainable goal achievement. Thus, internal audit quality is likely to affect financial reporting quality and organizational success. It has a significant role in affecting the quality of firms' financial reporting and the goal achievement of business operations and managements. Internal audit quality refers to the competence, objectivity and work performed by

internal auditors (Alzeban, 2015). Firstly, competence is an ability of internal auditors to use the knowledge, skills and other competencies needed to perform their individual responsibilities (Mazza and Azzali, 2015). Secondly, objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made (Messier et al., 2011). Lastly, work performance is the management's support of internal audit, external auditor's satisfaction with previous internal audit work, supervision of internal audit work, follow-up procedures, and internal audit scope (Lin et al., 2011). As mentioned earlier, internal audit quality can increase reliability, credibility and integrity of financial reporting and disclosure and promote firms' outcomes, performance and success. In addition, internal audit quality plays a significant role in linking audit committee to organizational success. It can help mediate the relationships between audit committee effectiveness and organizational success. More audit committee effectiveness is positively related to internal audit quality while internal audit quality positively leads to organizational success. Then, internal audit quality is proposed as a mediator of the aforementioned relationships. Then, the mediating effects of audit committee effectiveness on organizational success is reasonably considered and empirically investigated. Therefore,

Hypothesis 2a: Internal audit quality is positively related to financial reporting quality.

Hypothesis 2b: Internal audit quality is positively related to organizational success.

Hypothesis 2c: Internal audit quality mediates the audit committee effectiveness-organizational success relationships.

C. Financial Reporting Quality

Financial reporting quality is the second consequence of achieving audit committee effectiveness. Audit committee effectiveness positively relates to financial reporting quality (Kantudu and Samaila, 2015). Here, financial reporting quality refers to the completeness, neutrality and freedom of financial information from errors and the useful predictive and confirmatory information about firms' economic resources and claims and their underlying economic position and performance (Gaynor et al., 2016). It provides insight into firms' underlying economic position and change in position and presents information about the effects of transactions and other events that change a reporting entity's economic resources and claims. In addition, financial reporting quality potentially makes and enhances the usefulness of information provided in financial reports, namely relevance, reliability, faithful presentation, comparability, verifiability, timeliness, and understandability (Kaur and Goel, 2017). It is useful to existing and potential stakeholders, namely executives, investors, lenders, and other creditors in making decisions about providing resources to the entity. Great financial reporting quality explicitly leads to superior decision making that affects sustainable organizational success. Thus, financial reporting quality is positively related to organizational success. In addition, financial reporting quality is defined as the extent to which financial reports present transparent, understandable and unbiased information that reflects economic reality and facilitates decision making by their users (Elayan et al., 2016). Firms with more financial reporting quality can have better information relating to ongoing business activities and operations, and efficient cash flows from operations. This information increases best decision making of firms that helps gain

their success in doing businesses. Financial reporting quality is the faithfulness of the information conveyed by the reporting process, including disclosure of firms' transactions, information about the selection and application of accounting policies and knowledge of the judgments made (Martinez-Ferrero et al., 2015). It can be measured by the degree of earnings management using accruals that is management discretion over accruals, the degree of accounting conservatism and the accurate accruals predicted associated future operating cash flows (Choi and Pae, 2011). It provides useful information for decision-making purposes. An efficient decision-making tends to have an important effect on firms' organizational success. Thus, financial reporting quality significantly leads to increased organizational success. Moreover, financial reporting quality plays a mediating role in determining the audit committee effectiveness-organizational success relationships. Financial reporting quality is a critical outcome of receiving audit committee effectiveness while it has a potential determinant of organizational success. Then, financial reporting quality is hypothesized to mediate the aforementioned relationships. Therefore,

Hypothesis 3a: Financial reporting quality is positively related to organizational success.

Hypothesis 3b: Financial reporting quality mediates the audit committee effectiveness- organizational success relationships.

D. Organizational Success

Organizational success is the last outcome of gaining audit committee effectiveness in an organization. Greater audit committee effectiveness explicitly leads to organizational success. In this study, organizational success is defined as an outcome of efficient business practices and operations, and effective competition techniques and strategies that are measured by increased profitability, shareholder return, market share, and growth, increased customer, employee and executive satisfaction and improved teamwork (Simon et al., 2011). It arises from the potentiality, efficiency, effectiveness and excellence of firms' operations, practices and activities in rapidly complex environments and conditions. Additionally, organizational success can be measured by financial outcomes (return on assets, profitability and shareholder value) and non-financial outcomes (intention to stay, productivity, innovation, customer loyalty, brand equity, customer satisfaction, and organizational performance) (Bhuvanaiah and Raya, 2014). Here, organizational success reflects to the effectiveness of audit committee, the quality of internal audit and the quality of financial reporting. Thus, organizational success is a goal achievement of doing businesses under dynamic competitive markets and environments. It is hypothesized to become a result of audit committee effectiveness, internal audit quality and financial reporting quality.

III. RESEARCH METHODS

A. Thai Listed Firms as the Sample of Study

In Thailand, only Thai listed firms are legally required from the stock exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) to provide and set

good corporate governance system through appointing and implementing audit committee since year 1999 to present. Similar to the U.S. stock market, good corporate governance is significantly required for all Thai listed firms in the stock market to provide their business operations and activities according to audit committee rules and regulations. In addition, the SET has required for Thai listed firms to have at least three audit committee members and one of three parts for audit committee must be an independent audit committee member. The SET has issued best practice guidelines for audit committee. The primary objectives of audit committee are to provide oversight on the financial reporting process by reviewing significant accounting and reporting issues and recent professional and regulatory pronouncements. Audit committee identifies the potential impact on financial statements through understanding that management develops internal interim financial information is necessary to assess whether reports are complete and accurate. Next, monitoring audit process is another function of audit committee by reviewing the results of the audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards. Lastly, respecting the system of internal controls and compliance with laws and regulations is paid attention to audit committee by considering internal controls and reviewing their effectiveness through reports on and management responses to observations and significant findings and controls over financial reporting, information technology security and operational matters. Accordingly, an effectiveness of audit committee is likely to affect the reliability, credibility and integrity of financial reporting and disclosure, the efficiency and quality of internal controls and internal audit and the goal achievements of organizational operations, activities and responsibilities. Thus, Thai listed firms are appropriate samples of the study.

B. Sample Selection Procedure and Data Collection

In this study, all 589 listed firms in Thailand are the samples of the study by using a mail survey procedure via the questionnaire. The questionnaire includes the objectives of the study, the data relating to the demography of the samples, and the numbers of item scales for each variable, explicitly determining the dateline of questionnaire returned and systematically following up for the questionnaires. Here, the questionnaires were sent to the listed firms in Thailand during April-August, 2017. The key informants of the study are the executives of internal auditing department of Thai listed firms, namely chief internal auditing officer, internal auditing directors, internal auditing managers, internal auditing chiefs, or internal auditing heads because they have taken the highest functions, duties and responsibilities of internal auditing practices and operations and other related activities in an organization. These informants have worked very closely with Thai listed firms' audit committee in both direct and indirect functions, duties and responsibilities. Likewise, some listed firms have assigned these informants to be the secretaries of the listed firms' audit committee. With regard to the questionnaire mailing, the valid mailing was 584 surveys because some listed firms have moved to other addresses and locations, from which 193 responses were received. Of the surveys completed and returned, 186 were usable. The effective response rate was approximately 31.85%. In summary, the descriptions of questionnaire mailings are presented in Table 1. If response rate for a mail survey, with

an appropriate follow-up procedure, is greater than 20% is considered acceptable according to Aaker et al. (2001). Accordingly, the usable 186 Thai listed firms are empirically appropriate for investigating the research relationships. To understand the demographic characteristics of the sample firms, the profiles of these firms are shown in Table 2.

Table 1
Descriptions of questionnaire mailings

Descriptions	No. of the samples
Mailed questionnaires	589
Undelivered questionnaires	5
Valid questionnaires mailed	584
Received questionnaires	193
Unusable questionnaires	7
Usable questionnaires	186
Usable questionnaires	186
Response rate (186/584) x 100	31.85%

Table 2
Demographic characteristics of listed firms in Thailand

Descriptions	Categories	Frequencies	Percentage
No. of operation periods	=<15 years	100	53.76
	>15 years	86	46.24
No. of full-time employees	=<500 employees	125	67.20
	>500 employees	61	32.80
Firm capital	=<10,000 million baht	79	42.47
	>10,000 million baht	107	57.53

To verify potential non-response bias and to detect possible problems with non-response errors, a comparison of the first and the second wave data as recommended by Armstrong and Overton (1977) is considered. In this regard, neither procedure showed significant differences because there were no statistically significant differences between first and second groups at a 95% confidence level as firm size ($t = 0.14$, $p > .05$), firm age ($t = 0.16$, $p > .05$) and firm capital ($t = 0.13$, $p > .05$). Thus, this study has no response bias problems and it can appropriately use the samples of this for testing the research relationships and approving the research results.

C. Measures

All constructs were measured using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree), except for firm size, firm age and firm capital. A source of measurements is presented in Table 3. Measurements of these constructs are self-developed from existing literature as shown in Appendix A. In this study, measurements of audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success are empirically developed. Multiple items are for measuring each construct. Despite that all constructs are obviously defined, the measurement is impossible for one to directly manifest or observe the scale due to the abstract nature of the construct. Certainly, variables are estimated scales from their

definitions and are applied from relevant accounting and auditing research and other related studies. Hence, the measurement contents include the dependent variable, independent variable, mediating variable, antecedent variable, moderating variable, and control variable that are described as follows.

Audit committee effectiveness. Here, audit committee effectiveness is defined as the characteristics of qualified members in the audit committee with the authority and resources to protect stakeholder interests by ensuring reliable financial reporting, internal controls and risk management through diligent oversight efforts (DeZoort et al., 2002). Twelve-item scale was developed to assess how audit committee has effectively acted, practiced and performed its functions, duties and responsibilities in an organization according to implementation of best practice guidelines for audit committee.

Internal audit quality. In this study, internal audit quality is defined as an ability of firms' internal auditors and internal audit members to possess the knowledge, skills and other competencies needed to perform internal audit functions, works and responsibilities in order to achieve the goals and objectives of internal audit standards and other related regulations (Prawitt et al., 2009). Fifteen-item scale was established to measure how internal auditors have efficiently practiced their functions, works and responsibilities relating to internal audit standards and other related regulations.

Financial reporting quality. Financial reporting quality is also defined as the completeness, neutrality and freedom of financial information from errors and the useful predictive and confirmatory information about firms' economics resources and claims and their underlying economic position and performance (Gaynor et al., 2016). Seven-item scale was initiated to evaluate how firms have reported and disclosed information about firms' economics resources, positions and claims and changes in position in financial statements, namely relevance, reliability, faithfulness, comparability, verifiability, timeliness, and understandability.

Organizational success. In addition, organizational success is defined as an outcome of efficient business practices and operations, and effective competition techniques and strategies that are measured by increased profitability, shareholder return, market share, and growth, increased customer, employee and executive satisfaction and improved teamwork (Simon et al., 2011). Eight-item scale was defined to gauge how firms have gained and achieved the increased levels of profitability, shareholder return, market share, and growth, the increased levels of customer, employee and executive satisfaction and the improved levels of teamwork in an organization.

Control variables. To investigate and verify the research relationships among audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success in this study, firm size, firm age and firm capital are also considered as the control variables of the study. Firstly, firm age was measured by the number of years a firm has been in existence by using a dummy variable as less than 15 years = 0 and equal to or greater than 15 years = 1. Secondly, firm size was measured by the number of employees in a firm by using a dummy variable as less than 500 employees = 0 and equal to or greater than 500 employees = 1. Lastly, firm capital was measured by the amount of money a firm has invested in doing business by using a dummy variable as less than 10,000 million baht = 0 and equal to or greater than 10,000 million baht = 1.

Table 3
A summary of measurements of all variables

Variables	Items	References
Audit committee effectiveness (ACE)	12	Collier (1996); DeZoort et al. (2002)
Internal audit quality (IAQ)	15	Prawitt et al. (2009)
Financial reporting quality (FRQ)	7	Kaur and Goel (2017)
Organizational success (OSC)	8	Simon et al. (2011)

D. Methods

The validity and reliability of the study are verified. Appendix A shows the results of measure validation, namely factor loadings, item-total correlation and Cronbach alpha coefficients. Firstly, confirmatory factor analysis is applied to evaluate the underlying relationships of a large number of items and to determine whether they can be reduced to a smaller set of factors. Thus, all factor loadings as values of 0.70-0.93 are greater than the 0.40 cut-off and are statistically significant (Nunnally and Bernstein, 1994). Secondly, discriminant power was considered to assess the validity of the measurements by item-total correlation. In the scale validity, item-total correlations as values of 0.70-0.95 are greater than 0.30 (Churchill, 1979). Lastly, the reliability of the measurements was gauged by Cronbach alpha coefficients. In the scale reliability, Cronbach alpha coefficients as values of 0.93-0.98 are greater than 0.70 (Nunnally and Bernstein, 1994). Thus, the scales of all measures express an accepted validity and reliability in this study. Accordingly, the research instrument of the study is qualified for collecting the data in order to investigate the aforementioned research relationships.

This study uses structural equation model as an appropriate statistical method for investigating the relationships among audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success because structural equation model can fit the composite approach previously discussed and is the safest option when estimating data from an unknown population (Sarstedt et al., 2016). In addition, multiple regression analysis is utilized to examine the research relationships. Here, audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success are the variables of the study. Accordingly, the results of this study are presented and the discussions of the study provided in the next section.

IV. RESULTS AND DISCUSSION

In Table 4, the descriptive statistics and correlation matrix for all variables are presented. Multicollinearity might occur when inter-correlation in each predict variable is more than 0.80, which is a high relationship (Hair et al., 2010). The correlations ranging from 0.41 to 0.72 at the $p < 0.05$ level, which means that the possible relationships of the variables in the conceptual model could be tested. In addition, variance inflation factors (VIFs) were used to provide information on the extent to which non-orthogonality among independent variables inflates standard errors. Here, VIFs range from 1.13 to 3.23, well below the cut-off value of 10 as recommended by Neter et al. (1985). Thus, there are no substantial multicollinearity problems encountered in this study. All independent variables are appropriate for the study because they have no inter-correlations in the study.

Table 4
Descriptive statistics and correlation matrix

Variables	ACE	IAQ	FRQ	OSC
Mean	4.19	4.34	4.33	3.83
Standard deviation	0.63	0.51	0.53	0.73
Audit committee effectiveness (ACE)				
Internal audit quality (IAQ)	0.70***			
Financial reporting quality (FRQ)	0.59***	0.72***		
Organizational success (OSC)	0.46***	0.41***	0.54***	

*** $p < .01$

Table 5 presents the results of path coefficients and hypotheses testing of the research relationships among audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success. Table 6 also shows the results of the aforementioned research relationships by using multiple regression analysis. To verify and prove the conceptual model of the relationships, the goodness of fit of the models, including the comparative fit index (CFI), the goodness of fit index (GFI), the incremental fit index (IFI), and the root mean square error of approximation (RMSEA) are considered in the study (Herda and Lavelle, 2012). CFI values always lie between 0 and 1, with values over 0.90 indicating a relatively good fit (Bentler, 1990). Also, GFI value is an index that ranges from 0 to 1, with value over 0.90 indicating a relatively good fit (Byrne, 1998). Next, IFI values exceeding 0.90 indicate a relatively good fit (Kline, 1998). Lastly, a RMSEA value of less than 0.05 indicates a close fit and less than 0.08 suggests a marginal fit (Bollen and Long, 1993). Accordingly, this study shows that the initial test of the measurement model resulted in a good fit to the data (CFI = 0.91; GFI = 0.92; IFI = 0.93; RMSEA = 0.03).

Interestingly, the effects of audit committee effectiveness on internal audit quality, financial reporting quality and organizational success are empirically investigated. Firstly, audit committee effectiveness definitely plays an important role in determining internal audit quality in Tables 5 and 6. It has a significant positive influence on internal audit quality ($b = 0.61, p < 0.01$; $b = 0.60, p < 0.01$). In existing literature, internal audit effectiveness can enhance to correct the systems of disclosure controls and internal controls regarding finance, accounting, legal, compliance, and ethics that management and the board have established and enhance the independence of internal auditors (Thibodeau and Packwood, 2008). It ensures reliable internal controls and risk management and plans, monitors and reports the activities to provide assurance to the internal auditing functions, practices and responsibilities. Firms with audit committee effectiveness can provide and perform the quality of internal audit functions, activities, duties, and responsibilities according to internal audit standards, frameworks and other regulations. Thus, audit committee effectiveness can enhance firms to gain the goal achievements of internal audit functions, namely the competency, capability, potentiality, and success of internal audit. Therefore, *Hypothesis 1a* is supported.

Table 5

Results of path coefficients and hypotheses testing

Hypotheses	Relationships	Coefficients	Standard error	t-value
H1a	ACE → IAQ	0.61***	0.13	4.63
H1b	ACE → FRQ	0.02	0.13	0.11
H1c	ACE → OSC	0.35*	0.25	1.42
H2a	IAQ → FRQ	1.05***	0.19	5.67
H2b	IAQ → OSC	0.42**	0.48	1.88
H3a	FRQ → OSC	0.54**	0.29	2.54

*p<.10, **p<.05, ***p<.01, CFI = 0.91, GFI = 0.92, IFI = 0.93, RMSEA = 0.03

Table 6Results of multiple regression analysis^a

Independent Variables	Dependent variables						
	IAQ	FRQ	OSC	FRQ	OSC	OSC	OSC
ACE	0.60*** (0.14)	0.50*** (0.08)	0.56*** (0.11)			0.43*** (0.15)	0.28** (0.12)
IAQ				0.84*** (0.07)	0.11 (0.21)	0.23 (0.19)	
FRQ					0.84*** (0.20)		0.57*** (0.15)
FA	-0.02 (0.04)	0.01 (0.04)	-0.01 (0.06)	0.02 (0.03)	-0.04 (0.06)	-0.01 (0.05)	-0.02 (0.04)
FS	0.08 (0.06)	-0.01 (0.02)	0.05 (0.04)	-0.01 (0.02)	0.07 (0.05)	0.07 (0.06)	0.04 (0.05)
FC	-0.02 (0.03)	-0.01 (0.05)	-0.01 (0.07)	-0.01 (0.04)	-0.01 (0.04)	-0.01 (0.04)	-0.01 (0.02)
AdjR ²	0.22	0.31	0.26	0.63	0.33	0.26	0.37

p<.05, *p<.01, ^aBeta coefficients with standard errors in parenthesis.

Secondly, audit committee effectiveness is significantly related to financial reporting quality in Table 6. It has a critical positive effect on financial reporting quality ($b = 0.50$, $p < 0.01$). With regards to existing literature, audit committee effectiveness can monitor firms' financial reporting and disclosure and enhance higher level of corporate voluntary disclosure via reducing discretionary accruals and constraining earnings management in the financial statements (Akhtaruddin and Haron, 2010). It can ensure better monitoring of the management in guaranteeing a good financial reporting quality. Firms with great audit committee effectiveness can have superior increase values, benefits, contributions, and advantages of financial statements, reporting and disclosure. According, all information about firms' economic positions, resources and claims from their financial statements explicitly enhance to successfully decision making in doing businesses under rapidly complex business environments and conditions. Thus, audit committee effectiveness is a key determinant of firms' financial reporting quality. It definitely leads to financial reporting quality. Therefore, *Hypothesis 1b* is supported.

Lastly, audit committee effectiveness has an important impact on organizational success in Tables 5 and 6. It is a significant positive driver of organizational success (b

= 0.35, $p < 0.06$; $b = 0.56$, $p < 0.01$). In this study, audit committee effectiveness can enhance the efficiency, potentiality and excellence of firms' operations, activities and businesses. They explicitly increase and expand their competitive advantage and competitiveness and clearly promote and encourage survived and sustainable outcomes, performance and success. Accordingly, audit committee effectiveness positively relates to organizational success. It is a main player of defining and explaining firms' organizational success. Therefore, *Hypothesis 1c* is supported.

This study also investigates the roles of internal audit quality in the consequences of the study. Here, internal audit quality has a potential effect on both financial reporting quality and organizational success. For testing the internal audit quality-financial reporting quality relationships, internal audit quality outstandingly affects financial reporting quality in Tables 5 and 6. It has an important positive influence on financial reporting ($b = 1.05$, $p < 0.01$; $b = 0.84$, $p < 0.01$). In existing literature, internal audit quality explicitly reflects to the usefulness of the internal auditors' works, the value provided by internal audit reports and the frauds discovered by the internal auditors (Gramling and Hermanson, 2009). It can increase the reliability, credibility and integrity of financial reporting and disclosure and promote firms' outcomes, performance and success. Better internal audit quality is positively related to greater financial reporting quality. Firms with internal audit quality can provide and perform their financial reporting quality. They explicitly have valuable information from the quality of financial reporting and disclosure. Therefore, *Hypothesis 2a* is supported. In addition, internal audit quality significantly leads to organizational success in Table 5. It has a critical positive association with organizational success ($b = 0.42$, $p < 0.04$). Interestingly, internal audit quality is a beneficial mechanism in helping firms increase operational efficiency, provide organizational excellence and gain goal achievement in rigorous competitive environments. It can influence the change levels of organizational success. Firms with great internal audit quality can achieve survived and sustainable success in long-term and future operations. Thus, internal audit quality positively leads to organizational success. Therefore, *Hypothesis 2b* is supported.

Additionally, financial reporting quality has a significant relationship with organizational success in Tables 5 and 6. It positively relates to organizational success ($b = 0.54$, $p < 0.02$; $b = 0.84$, $p < 0.01$). In existing literature, financial reporting quality explicitly provides insight into firms' underlying economic position and change in position and presents information about the effects of transactions and other events that change a reporting entity's economic resources and claims, namely relevance, reliability, faithful presentation, comparability, verifiability, timeliness, and understandability (Kaur and Goel, 2017). It can enhance firms to have valuable information in the decision-making process. Firms with great information usefulness can gain and achieve their outcomes, performance, success, survival, and sustainability. They tend to have increased success continuously. Thus, financial reporting quality definitely leads to organizational success. It plays an important role in determining organizational success. Therefore, *Hypothesis 3a* is supported.

To test the mediating effects on the research relationships, both internal audit quality and financial reporting quality are proposed as the mediators of the study. Internal audit quality is the mediator of the audit committee effectiveness-organizational success relationships. In Table 6, audit committee effectiveness has a significant effect on internal audit quality ($b = 0.60$, $p < 0.01$) while internal audit

quality does not lead to organizational success ($b = 0.23, p < 0.12$). Internal audit quality is not both independent variable and dependent variable of the study in the same time. It is not the mediator of the study as recommended by Baron and Kenny (1986). Thus, internal audit quality does not mediate the relationships between audit committee effectiveness and organizational success. Therefore, *Hypothesis 2c* is not supported. Similarly, financial reporting quality is considered as a mediator of the audit committee effectiveness-organizational success relationships. In Table 6, audit committee effectiveness significantly relates to financial reporting quality ($b = 0.50, p < 0.01$) while financial reporting quality critically links to organizational success ($b = 0.57, p < 0.01$). According to a study of Baron and Kenny (1986), financial reporting seems to become a mediator of the study. It outstandingly mediates the relationships between audit committee effectiveness and organizational success. Therefore, *Hypothesis 3b* is supported.

In summary, audit committee effectiveness is a valuable mechanism in positively determining, driving and explaining internal audit quality, financial reporting quality and organizational success. Internal audit quality has a significant positive effect on both financial reporting quality and organizational success. In addition, financial reporting quality has an important positive influence on organizational success. To test the mediating effects, only financial reporting quality explicitly mediates the audit committee effectiveness-organizational success relationships. Table 7 shows a summary of the hypotheses testing.

Table 7
A summary of hypotheses testing

Hypotheses	Relationships	Results
H1a	Audit committee effectiveness is positively related to internal audit quality.	Supported
H1b	Audit committee effectiveness is positively related to financial reporting quality.	Supported
H1c	Audit committee effectiveness is positively related to organizational success.	Supported
H2a	Internal audit quality is positively related to financial reporting quality.	Supported
H2b	Internal audit quality is positively related to organizational success.	Supported
H2c	Internal audit quality mediates the audit committee effectiveness-organizational success relationships.	Not supported
H3a	Financial reporting quality is positively related to organizational success.	Supported
H3b	Financial reporting quality mediates the audit committee effectiveness-organizational success relationships.	Supported

V. CONTRIBUTIONS AND DIRECTIONS FOR FUTURE RESEARCH

A. Theoretical Contribution, Limitations, and Directions for Future Research

This study attempts to examine the relationships among audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success. It explicitly confirms and verifies the stakeholder theory because audit committee is a

governance mechanism that can enhance firms to meet stakeholders' expectations and requirements in the present, future, and long-term operations. In this study, audit committee effectiveness is a key determinant of internal audit quality, financial reporting quality and organizational success. In addition, internal audit quality is a significant driver of both financial reporting quality and organizational success while financial reporting quality is an important antecedent of organizational success. Interestingly, this study definitely points out that the effectiveness of audit committee can promote firms' corporate governance practices and it explicitly enhances firms to achieve their outstanding performance and success. To expand the current study, future research may firstly use a comparative study for testing the audit committee effectiveness-organizational success relationships in order to verify and prove the generalizability of the study by classified collecting data from Thai listed firms in each industry. For example, finance industry is required to perform their duties and practices following several laws, rules and regulations, namely Bank of Thailand's principles, insurance laws, fraud detection regulations, and the securities and exchange acts. Thus, this industry is expected to have a higher level of corporate governance practices. Secondly, state-owned enterprises in Thailand are required to provide audit committee in an organization. Thus, future research may apply the state-owned enterprises as the samples of the study. Thirdly, future research may collect data from listed firms in different countries in order to assess the similarities and differences of the research results and generalize the research results. Fourthly, future research may provide a following up method for enhancing a response rate of the study in order to confirm the research results. Fourthly, this study has applied the survey research via the questionnaire in collecting the data. However, the self-reporting approach may provide some limitation of the study because judgments of the key informants may not be appropriate with the research results. In Thailand, using a secondary data from Thai listed firms may be needed to test the research relationships because little studies have investigated the antecedents and consequences of audit committee. The compared results of the current study and the future study can make more contributions to accounting and auditing literatures and the stock market in Thailand and the rest of the world. Lastly, future research may explore and investigate effects of audit committee effectiveness on market-based variables or financial accounting outcomes, namely firm value, earnings quality or others in order to increase the reliability and generalizability of the study.

B. Managerial contribution

This study presents the importance, necessities, potentialities, benefits, contributions and advantages of audit committee in an organization. Accordingly, firms need to pay attention on studying, understanding, implementing, and utilizing the concepts, characteristics and qualifications of audit committee. They must invest their resources and assets for initialing and establishing audit committee and monitoring its functions, duties, activities, and responsibilities. In addition, firms need to search for valuable committee members of audit committee because these committee members can increase, expand and add more superior beneficial outcomes and performance. While audit committee can be a strategic valuable approach and method in doing businesses under complex, uncertain and heterogeneous business environments, conditions and

situations, they can apply and implement audit committee as a source of competitive advantage and competitiveness in order to gain and achieve sustainable outcomes, performance, growth, success, and survival in present, long-term and future operations. Also, firms must set, initiate, establish, monitor, and renew best practice guidelines for audit committee continuously to be congruent with competitive markets and environments and concepts and standards of corporate governance and other regulations. The best practice guidelines can enhance firms to achieve their goals, objectives and purposes. While both internal audit quality and financial reporting quality are important in the study, firms can also develop and improve their characteristics, benefits and advantages through investments of valuable resources, assets, abilities, capabilities, and competencies in order to increase their success, survival and sustainability. In addition, while other businesses are not required to provide best practice guidelines for audit committee, this study definitely confirms the importance of audit committee functions. Thus, these businesses can set best practices and guidelines for audit committee according to the listed firms in this study.

VI. CONCLUSION

Audit committee effectiveness plays a significant value mechanism of corporate governance and it explicitly affects the efficiency and potentiality of internal controls, the quality and goal achievement of internal audit, the reliability, credibility and quality of financial reporting and disclosure, and the outcomes, performance and success of firms' business operations, activities and practices. In this study, the relationships among audit committee effectiveness, internal audit quality, financial reporting quality, and organizational success of Thai listed firms are empirically investigated. Audit committee effectiveness is the independent variable of the study, internal audit quality and financial reporting quality are the mediating variables of the study and organizational success is the dependent variable of the study. Only 186 listed firms in Thailand are the samples of the study by using a questionnaire survey. The results show that audit committee effectiveness has a significant positive influence on internal audit quality, financial reporting quality and organizational success. Next, internal audit quality importantly leads to both financial reporting quality and organizational success. It is also a critical mediator of the relationships between audit committee effectiveness and organizational success. Lastly, financial reporting quality potentially relates to organizational success and it strongly mediates the audit committee effectiveness-organizational success relationships. Accordingly, firms need to study, understand, implement, and utilize the concepts, characteristics and qualifications of audit committee through investing their resources and assets for initialing and establishing audit committee and monitoring its functions, duties, activities, and responsibilities. The best practice guidelines for audit committee to be congruent with competitive markets and environments and concepts and standards of corporate governance and other regulations need to be initiated and renewed continuously. In addition, future research may collect data from Thai listed firms in each industry for using a comparative study, listed firms in different countries and stated enterprises in Thailand in order to verify and prove the generalizability of the study. It may also provide a following up method for enhancing a response rate of the study.

Appendix A
Measurement of all variables

Items	Factor Loading	Item-total correlation	Cronbach Alpha
Audit committee effectiveness	0.78-0.88	0.71-0.86	0.93
ACE1: Audit committee has encouraged firms to provide good corporate practices.	0.82	0.74	
ACE2: Audit committee has strengthened the roles and effectiveness of non-executive directors.	0.80	0.77	
ACE3: Audit committee has assisted directors in discharging their statutory responsibilities as regards financial reporting.	0.88	0.82	
ACE4: Audit committee has preserved and enhanced the independence of internal auditors.	0.82	0.73	
ACE5: Audit committee has assisted the auditors in the reporting of serious deficiencies in the control environment or management weaknesses.	0.78	0.71	
ACE6: Audit committee has improved communications between the board and internal auditors.	0.81	0.76	
ACE7: Audit committee has improved communications between the board and external auditors.	0.83	0.82	
ACE8: Audit committee has increased the confidence of the public in the credibility and objectivity of financial statements.	0.84	0.80	
ACE9: Audit committee has assisted management to discharge its responsibilities for the prevention of fraud, other irregularities and errors.	0.82	0.79	
ACE10: Audit committee has increased the confidence of investment analysts in the credibility and objectivity of financial statements.	0.79	0.79	
ACE11: Audit committee has provided a forum for arbitration between management and auditors.	0.79	0.82	
ACE12: Audit committee has concerned the possibility of legislative pressure.	0.81	0.70	
Internal audit quality	0.70-0.92	0.70-0.87	0.95
IAQ1: Internal auditors can review and evaluate a firm's operations and practices according to organizational goals.	0.81	0.74	
IAQ2: Internal auditors can review and evaluate the correctness and reliability of financial reporting and disclosure.	0.74	0.77	
IAQ3: Internal auditors can review and evaluate compliances with an organization's policies, plans and regulations.	0.79	0.82	
IAQ4: Internal auditors can review and evaluate compliances with laws, criterion and other related issues.	0.73	0.73	
IAQ5: Internal auditors can review and evaluate the protection and utilization of a firm's assets.	0.85	0.76	
IAQ6: Internal auditors can review and evaluate the efficient, effective and economical utilization of a firm's resources.	0.87	0.82	
IAQ7: Internal auditors can assess the correctness and effectiveness of organizational systems relating to	0.70	0.80	

accounting and internal controls in an operation.			
IAQ8: Internal auditors can assess and adjust the effectiveness of risk management in an organization.	0.82	0.79	
IAQ9: Internal auditors can assess the system of comprehensive internal controls.	0.88	0.79	
IAQ10: Internal auditors can recommend the improvement of appropriate internal control systems.	0.85	0.82	
IAQ11: Internal auditors can develop the plans of appropriate annual internal audit.	0.78	0.70	
IAQ12: Internal auditors can enhance a firm's operations and practices according to the recommendations of internal audit reports.	0.81	0.79	
IAQ13: Internal auditors can sufficiently monitor the correctness, appropriateness and effectiveness of a firm's operations and practices.	0.92	0.87	
IAQ14: Internal auditors can improve the efficiency and productivity of a firm's operations and practices.	0.77	0.81	
IAQ15: Internal auditors can continuously improve and develop organizational performance.	0.87	0.85	
Financial reporting quality	0.78-0.89	0.84-0.95	0.98
FRQ1: A firm can systematically present comprehensive financial information that reflects the clarity and easily understanding of its information characteristics.	0.80	0.84	
FRQ2: A firm can present information about the expectation and possibility of a firm in the future.	0.86	0.91	
FRQ3: A firm can present information that reflects the significance and reality of a firm's economic position.	0.88	0.95	
FRQ4: A firm can present usable information and being easy to compare to other firms.	0.78	0.89	
FRQ5: A firm can present timely information that can help executives gain decision making success.	0.85	0.90	
FRQ6: A firm can present information about real operations of a firm.	0.89	0.94	
FRQ7: A firm can explicitly present faithful information to all users.	0.85	0.87	
Organizational success	0.86-0.93	0.86-0.92	0.93
OSC1: A firm has critically gained increasing profitability of business operations.	0.93	0.92	
OSC2: A firm has had a goal achievement of shareholder return and better than competitors.	0.92	0.91	
OSC3: A firm has achieved more market share than competitors.	0.90	0.91	
OSC4: A firm has had business growth continuously from past to present.	0.90	0.90	
OSC5: Our customers have potentially satisfied our operations, practices and activities.	0.87	0.86	
OSC6: Our employees have always committed with functions, duties, works, and jobs in an organization.	0.88	0.89	
OSC7: Our executives have satisfied our previous business outcomes continuously.	0.90	0.87	
OSC8: A firm can always achieve the effectiveness, efficiency, excellence, and success of teamwork.	0.86	0.88	

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