

FACTORS AFFECTING SERVICE SATISFACTION OF THE INTERNAL AUDIT UNIT: A CASE STUDY OF MUKDAHAN PROVINCIAL ADMINISTRATIVE ORGANIZATION, THAILAND.

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ABSTRACT

This study aims to investigate the influence of the internal auditor characteristics on the internal audit unit efficiency and the influence of the internal audit unit efficiency on the internal audit service satisfaction. 257 staffs who worked at Mukdahan Provincial Administrative Organization (MPAO) participated in the study. Data were analyzed using descriptive statistics (frequency, percentage, mean and standard deviation) and multiple regression analysis was used for testing hypotheses. Findings portrayed that the internal auditor characteristics had influenced the internal audit unit efficiency in all 4 dimensions including the audit planning, the examination, the audit reporting and the follow-up. In addition, it presented that 4 aspects of the internal audit unit efficiency had direct impact to the internal audit service satisfaction unit in all 5 areas namely equality service, updating service, continual service, sufficient service and progressive service. The results of this research can be applied as a guideline in a plan to increase the internal audit unit efficiency.

Keywords: Internal Audit Unit, Service Satisfaction, Efficiency

INTRODUCTION

Nowadays, new public management is applied to increase the efficiency of state affair system in Thailand. With this new theory, the administration in the government agencies are adopting the private sector's administration ways i.e. goal oriented administration, professional administration and the cost –effectiveness principle etc by Karawekphan [6]. The use of this new theory might be suitable as a response to the rapid and more complicate political, economic, social and technological changes, government agency leaders might not be able to monitor all activities under their responsibilities which later might lead to the corruption and misconduct in the organizations. Another important factor is the good governance principle which all government agencies need to improve their structures, roles, missions and continuously increase their effectiveness to work more effectively and clearly create the impact to the society by Office of the Public Sector Development Commission [5]. Internal auditing is one of the important tools for the administration sector for evaluating the efficiency of and controlling the internal affairs in an organization. Internal auditing can be used for monitoring the good governance process and also help set up the measures to control any risky activities or activities that may avoid or delay the achievement of the organization. Therefore, the internal auditors need to understand the holistic pictures of the internal auditing, have the knowledge about the auditing principle and checking method and performing their duty basing on two standards; international and their auditing bureau standard. In addition, the auditing process has to be done with other types of activities as well

apart from auditing the asset and accounting data so the process faces many challenges due to the growth of the organizations, the changes and new technologies so it is a need for internal auditors to continuously improve themselves professionally and skillfully to increase their efficiency when performing. The internal auditing unit, Mukdahan Provincial Administration Organization (MPAO) has its various auditing responsibilities in the fields of i.e. finance, administration, enforcing the mandates, checking the work process, technology and also giving advises for administrators and other agencies. By performing the duty, on the one hand the internal auditors need to make use of their skills, experience, on the other hand they need to be accepted and need a good collaboration with the audited agencies when preparing documents and answering questions during their working hours. Some internal auditing units believe that the internal auditing process occurs to find the mistakes, the belief likes this is wrong and devalues the process. The abovementioned reasons triggered the researcher to investigate the factors that create the satisfaction in service provided by an internal auditing unit and the findings can be used for developing and improving the efficiency of an internal auditing unit. There are two major objectives by conducting this study: to investigate the influence of the internal auditor characteristics on the internal audit unit efficiency of an internal auditing unit, MPAO and to investigate the influence of the internal audit unit efficiency on the internal audit service satisfaction of an internal auditing unit, MPAO.

LITERATURE REVIEW

Satisfaction of the Service

Millet [1], stated that the main goal of service is to create the satisfaction by giving confidence and consultant to the audited unit based on these criteria 1) Equitable Service is to provide the same and equal amount of advices or consultant to all audited units in first come first serve manner and with full responsibility, 2) Updating Service is to provide prompt advices or consultant in time to solve the problem, 3) Continual Service is to provide advices or consultant to all audited units at all time without hesitating and paying a visit to the audited units every year, 4) Sufficient Service is the appropriate numbers of available internal auditors to meet the need of the audited units, this also refers to having appropriate service place for auditing duty, 5) Progressive Service is the increasing of effectiveness in job performance by using the same amount of resources i.e. auditors attending trainings to familiarize and gain new knowledge about new policies and regulations.

The Internal Audit Unit Efficiency

The Comptroller General's Department, Ministry of Finance [2] had mandated the exact internal auditing process for the auditors to comply in order to control the auditing quality. The important auditing process comprises of

1. The audit planning is a forecasting stage before actual auditing process occurs. Due to many constrains, good planning helps the auditing process successful under the planned timeframe, planned budget and planned human resources.

2. The examination is the process when auditing, rechecking and collecting all evidences occur before analyzing and evaluating the performance of each agency against their policy, plan, regulations, related law and report the findings and suggestion to the administrator to make further decisions.

3. The audit reporting is the process of informing the objectives, limitations, auditing process and the auditing results to the administrators. All found drawbacks, major risk factors and how to control them and other related issues that should be aware will be presented with the solutions to the administrators.

4. The follow-up process is the last stage in the internal auditing procedure however it is considered as the most important stage because it shows not only the auditing quality and the effectiveness but also illustrates that the administrators have complied to the auditing report or not and each drawbacks are properly addressed or not. When an internal auditor submits a report to the high-ranked administrators, it also another duty of an internal auditor to monitor the administrators whether they have commanded their subordinators to solve the problems or not and if a command has been made, the audited unit has complied with the command and conduct as suggested in the audit report or not. This is to make sure that all flaws and drawbacks are properly treated and if there is any trouble solving those drawbacks, these can be later reported back to the administrators. However if the administrators are informed but do not make any command to solve the problems as suggested, it means that the administrators have admitted and accepted the risks that may occur in the future.

The Internal Auditor Characteristics

The Comptroller General's Department, Ministry of Finance [2] explains the quality of an internal auditor that apart from the Office of Civil Service Commission's requirement qualities, a good internal auditor should have the core knowledge in his/her profession and also able to apply knowledge from other fields which may be required when conducting the internal auditing duty. An internal auditor should meet these following requirements.

1. Being an expertise in the fields that are necessary for auditing duty i.e. accounting, economy, related laws and regulations regarding the internal and external performance of an organization and information technology skill etc.
2. Gain the knowledge and expertise in adapting the internal auditing standard and necessary technics that may be required for the internal auditing duty.
3. Well understand the administration principles, modern administration technics, planning, budget planning and management
4. Able to communicate, understand, analyze, evaluate and write the report
5. Have self-confident, honesty to the organization and co-workers
6. Have good relationship with others, being neutral, knowing the circumstance when to do and not to do something, believe and follow the ideology, dare to express the opinions about the findings from the analysis and assessment.
7. Tolerate and firmly determine however has open-minded
8. Have wisdom and able to unbiasedly analyze and judge the problems
9. Have a vision and always updating themselves with modern knowledge, have creativity and look at the problem from the eyes of administrators.

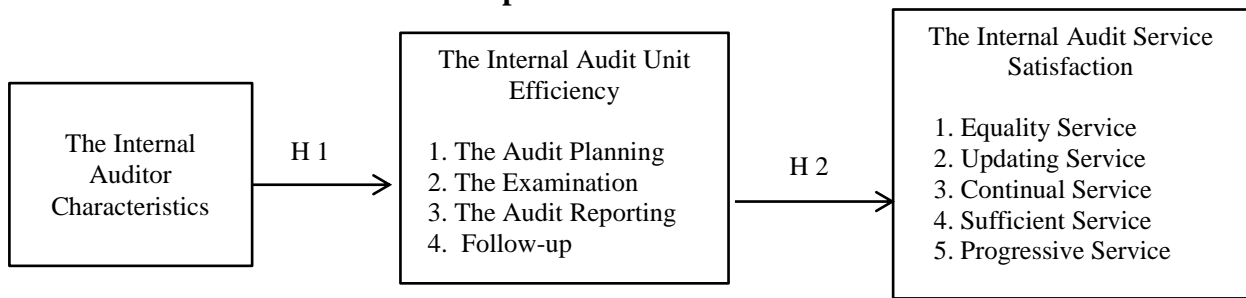
CONCEPTUAL MODEL AND HYPOTHESES

After reviewing related literature, the researchers have proposed these hypotheses

H 1 The internal auditor characteristics have influenced over the internal audit unit efficiency (The Audit Planning, The Examination, The Audit Reporting, Follow-up)

H 2 The internal audit unit efficiency (The Audit Planning, The Examination, The Audit Reporting, Follow-up) has influenced over The Internal Audit Service Satisfaction (Equality Service, Updating Service, Continual Service, Sufficient Service, Progressive Service)

Figure 1
A conceptual model of research



METHODOLOGY

257 staffs in the auditing unit under 7 different sub-agencies in MPAO [9]. A questionnaire was designed to collect the data in this study. The questionnaire was designed based on the literature review, concepts, theories and experts' advices to collect the factors affecting service satisfaction of the internal audit of MPAO. Before conducting the study, 30 questionnaires were piloted with staffs from the auditing unit to find the reliability value using Cronbach's Coefficient Alpha. As Hair et al [3] explained that the acceptable reliability value should not be less than 0.70 and the reliability values are illustrated in table 1.

Table 1
Result of measure validation

Items	Cronbach's Alpha
1. The Internal Auditor Characteristics	.944
2. The Internal Audit Unit Efficiency	
2.1 The Audit Planning	.875
2.2 The Examination	.823
2.3 The Audit Reporting	.862
2.4 Follow-up	.874
3. The Internal Audit Service Satisfaction	
3.1 Equality Service	.874
3.2 Updating Service	.852
3.3 Continual Service	.702
3.4 Sufficient Service	.885
3.5 Progressive Service	.823

RESULTS

The descriptive statistics

Majority of the population was male (163 persons or 63.40 percent), most of them were between 31-40 years old (116 persons or 45.10 percent) and gained bachelor degree (122 persons or 47.50 percent). Most of them were civil servants (97 person or 37.70 percent). Most questionnaire respondents were from Maintenance Division (132 persons or 51.40 percent) and most of respondents had 10 years in service or less (159 persons or 61.90 percent).

Hypothesis testing

In this study, correlation analysis was conducted to find the relationships among variables. Besides, simple regression analysis and multiple regression analysis were conducted to test the hypotheses. During hypothesis testing, these abbreviations were used to represent each variable.

- Q - The Internal Auditor Characteristics
- E₁ - The Audit Planning
- E₂ - The Examination
- E₃ - The Audit Reporting
- E₄ - Follow-up
- SS₁ - Equality Service
- SS₂ - Updating Service
- SS₃ - Continual Service
- SS₄ - Sufficient Service
- SS₅ - Progressive Service

Table 2
Correlation Analysis between Independent variables

Variable	Q	E ₁	E ₂	E ₃	E ₄	SS ₁	SS ₂	SS ₃	SS ₄	SS ₅
\bar{x}	4.18	3.97	3.95	3.95	3.86	4.02	4.03	4.18	3.74	4.17
SD.	.56	.51	.52	.51	.57	.66	.61	.61	.63	.59
Q	1									
E₁	.568*	1								
E₂	.589*	.641*	1							
E₃	.559*	.617*	.674*	1						
E₄	.394*	.484*	.468*	.562*	1					
SS₁	.512*	.537*	.524*	.522*	.280*	1				
SS₂	.509*	.545*	.532*	.535*	.407*	.593*	1			
SS₃	.583*	.466*	.514*	.517*	.403*	.515*	.647*	1		
SS₄	.261*	.374*	.361*	.319*	.262*	.394*	.511*	.382*	1	
SS₅	.472*	.433*	.438*	.423*	.377*	.463*	.614*	.641*	.570*	1

Remark: ** statistically significant result at the level of 0.01

Table 2 portrayed the correlation analysis result which explained the relationship between the variables Hair et al [4]. explained that the correlation values among independent variables should be lesser than .80 and if values are over .80, it could be assumed that there are the relationships among independent variables (Multicollinearity). However from this study, the highest value of the relationships among independent variables was .670 which was lower

than .80 which could be assumed that there was no relationship among independent variables and they could be used in simple regression analysis and multiple regression analysis to test the hypotheses.

Table 3
Results of Simple Regression Analysis

Variable	Dependent Variable							
	E ₁		E ₂		E ₃		E ₄	
	β	Sig.	β	Sig.	β	Sig.	β	Sig.
Q	.568	0.000	.589	0.000	.559	0.000	.394	0.000

Remark: P<0.01

From table 3, the hypotheses testing result are presented in table 4

Table 4
The hypotheses testing

Hypotheses	Hypothesis test results
H 1.1	√
H 1.2	√
H 1.3	√
H 1.4	√

* Remark √ = Accept
 X = Reject

The internal auditor characteristics have influenced over the internal audit unit efficiency in terms of the audit planning process, The internal auditor characteristics have influenced over the internal audit unit efficiency in terms of the examination process, The internal auditor characteristics have influenced over the internal audit unit efficiency in terms of audit reporting process and The internal auditor characteristics have influenced over the internal audit unit efficiency in terms of follow-up process.

Table 5
Results of Multiple Regression Analysis

Variable	Dependent Variable									
	SS ₁		SS ₂		SS ₃		SS ₄		SS ₅	
	β	Sig.	β	Sig.	β	Sig.	β	Sig.	β	Sig.
E₁	.294	0.000	.259	0.000	.087	0.074	.212	0.009	.180	0.019
E₂	.211	0.004	.195	0.008	.090	0.002	.171	0.044	.182	0.023
E₃	.258	0.001	.199	0.008	.093	0.005	.041	0.637	.109	0.187
E₄	-.106	0.089	.079	0.200	.069	0.090	.057	0.426	.143	0.034

Remark: P<0.01

From table 5, the hypotheses testing result are presented in table 6

Table 6
The hypotheses testing

Hypotheses	Hypothesis test results
H 2.1	√
H 2.2	√
H 2.3	√
H 2.4	X
H 2.5	√
H 2.6	√
H 2.7	√
H 2.8	X
H 2.9	X
H 2.10	√
H 2.11	√
H 2.12	X
H 2.13	√
H 2.14	√
H 2.15	X
H 2.16	X
H 2.17	√
H 2.18	√
H 2.19	X
H 2.20	√

* **Remark:** √ = Accept
X = Reject

The internal audit unit efficiency in terms of audit planning process has influenced over the internal audit service satisfaction in terms of equitable service, updating service, sufficient service and progressing service with the statistically significant level 0.05. The internal audit unit efficiency in terms of examination process has influenced over the internal audit service satisfaction in all five factors with the statistically significant level 0.05. The internal audit unit efficiency in terms of audit reporting has influenced over the internal audit service satisfaction in terms of equitable service, updating service, continual service with the statistically significant level 0.05 and The internal audit unit efficiency in terms of follow-up process has influenced over the internal audit service satisfaction in terms of progressive service with the statistically significant level 0.05.

CONCLUSION

Findings from the study regarding the factors affecting service satisfaction of the internal audit unit at MPAO illustrated that the internal auditor characteristics have direct influence on the internal audit unit efficiency as a whole and to all four factors namely the audit planning, the examination, the audit reporting and the follow-up process with the statistically significant at 0.05. In other word, the audited agencies found the internal auditor characteristics have direct effect to the successful of the internal audition unit. These characteristics included self- confident, be neutral, believe and follow the ideology, dare to express the opinions about the findings from the analysis, have knowledge, expertise, able to

communicate, understanding the principle of administration, tolerate and straight forward when auditing. This findings concurred with Khumphai [8] The Study of The Characteristics of Internal Auditors according to Municipality Personnel, Chonburi Province which illustrated that the characteristics of the internal auditor at the highly appropriate level were the auditors who have knowledge in those related foundation subjects, have communicative ability, understand the administration principle, have self- confident, have good relationship with others, believe and follow the ideology and principles, critically listen to the audited agencies' opinions and are visionary persons.

The internal audit unit efficiency in terms of audit planning process has influenced over the internal audit service satisfaction in terms of equitable service, updating service, sufficient service and progressing service with the statistically significant level 0.05. However, it did not have the influence over the continual service because some audited agencies did not know the internal audit objectives when internal auditors audited each visit.

The internal audit unit efficiency in terms of examination process has influenced over the internal audit service satisfaction in all five factors with the statistically significant level 0.05. The audited agencies agreed that the internal auditing process was aimed to prevent the future mistake rather than finding and picking on the mistakes. The audit process also helped solve problems, provided clear consultants and suggestions with some risky issues. It also referred current regulations which were useful for solving problems and helped the audited agencies achieved the goal.

The internal audit unit efficiency in terms of audit reporting has influenced over the internal audit service satisfaction in terms of equitable service, updating service, continual service with the statistically significant level 0.05 but has no influence in sufficient service and progressive service because the report did not depend on numbers of auditors or the consultant places. In addition the audited agency might not know about the internal auditors' regulations because agency was large and the report went directly to the administrators or the head of the audited agency only.

The internal audit unit efficiency in terms of follow-up process has influenced over the internal audit service satisfaction in terms of progressive service with the statistically significant level 0.05. On the contrary it did not have the influence over the satisfaction of the internal auditing service in terms of equity service, updating service, continual service and sufficient service. Reasons of these dissatisfactions might be because the internal auditing report was handed directly to the head of the agency only and some staff were not be informed that there were follow-up process or not. This finding agreed with Muhammad [7] The Study of the Internal Auditors' Efficiency, Chalernpokpan Food (Public Limited Company). From the audited agencies' points of view illustrated that the perception of the agency about the internal audit was lower than the average criteria in terms of audit planning as some audited agencies did not know the objective when the auditor paid them each visit, the time constrain and the follow-up process when all reports were handed only to the administrators or head of the agencies only whereas other low-ranked staff, the study should be broaden and the population of the study should be changed to staff from other local might not know that the auditors had already done the follow-up process.

To sum up this study administration organizations like a municipality or a sub-district administration organization in the future. Additionally because this study is a quantitative format and some other essential data might not be discovered so it is suggested for the next studies that a qualitative study i.e. in-depth interviews should be conducted simultaneously. Sharing via the interviews provides more opportunity to gain more information, new perspectives and new knowledge about the internal auditing. Other variables should also be studied such as the collaboration behavior, knowing the roles of the internal auditor and factors that influence the opinions from the audited agencies.

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