

THE IMPACT OF AUDIT QUALITY ON THE OPERATIONAL SUCCESS OF COMPANIES LISTED ON THE STOCK EXCHANGE OF THAILAND

Khwanchat Wongjantip

Suan Sunandha Rajabhat University, 1-U-Thong Nok, Dusit, Bangkok, Thailand,

E-Mail: Khwanchat.wo@ssru.ac.th

ABSTRACT

Abstract— This study explores the intricate relationship between audit quality and the operational success of companies listed on the Stock Exchange of Thailand (SET). Employing a mixed-methods approach, the research integrates quantitative surveys and qualitative interviews to provide a comprehensive understanding of the impact factors shaping operational outcomes. The quantitative phase of the study reveals significant correlations between key indicators of audit quality and financial performance metrics. Auditor independence emerges as a crucial factor positively associated with operational success and demonstrate higher return on assets (ROA) and return on equity (ROE). Similarly, effective audit committees and consistent adherence to auditing standards are found to contribute to improved operational efficiency and financial stability. The qualitative interviews with stakeholders find that stakeholders perceive a strong link between audit quality and operational success, emphasizing the role of high-quality audits in maintaining stakeholder confidence and financial transparency. Additionally, regulatory frameworks are identified as significant impact of audit quality, shaping the overall operational landscape. Practitioners in the field are urged to strategically align audit processes with a focus on auditor independence, effective audit committees, adherence to auditing standards, and investments in technology and transparent communication with stakeholders are emphasized as crucial elements for sustained operational success.

Keywords—Audit quality, Companies listed on the Stock Exchange of Thailand, Operational success

INTRODUCTION

In the dynamic and globally connected financial landscape, companies listed on the Stock Exchange of Thailand (SET) navigate a complex web of challenges and opportunities. The SET, as a leading financial market in Southeast Asia, imposes rigorous regulatory standards to ensure the integrity of financial information disseminated to investors and the public. Companies listed on the SET operate within a framework that demands not only compliance but also a commitment to robust financial governance. Central to their ability to thrive in this environment is the assurance provided by high-quality audit practices. The quality of audit work extends far beyond a mere regulatory requirement; it is a linchpin that influences financial transparency, investor confidence, and the overall operational success of companies operating within the SET.

The SET, like any stock exchange, operates in a dynamic and sometimes unpredictable market environment. Companies face various risks, including market volatility, economic uncertainties, and industry-specific challenges. Quality audit work extends beyond a retrospective examination; it involves a proactive identification and mitigation of risks. The ability of auditors to provide insights into potential risks empowers companies to make strategic decisions that enhance operational resilience and adaptability.

Trust and confidence are fundamental in the world of finance. Investors rely on accurate and reliable financial information to make informed decisions. High-quality audit practices serve as a cornerstone for financial governance, providing assurance to investors that the financial statements are free from material misstatements and faithfully represent the economic reality of the company. The link between audit quality and investor trust is pivotal for attracting investments and fostering a positive market perception.

Beyond compliance, audit quality plays a crucial role in enhancing operational efficiency. A robust audit process can identify inefficiencies, weaknesses in internal controls, and areas for improvement within company operations. Armed with these insights, companies listed on the SET can streamline processes, allocate resources effectively, and bolster their overall operational performance.

Operational success in the SET environment is not solely contingent on financial compliance but also on operational efficiency. Quality audits can uncover inefficiencies, internal control weaknesses, and areas for improvement within company operations (Tridhoskul, 2023). Insights derived from rigorous audits enable companies to optimize processes, allocate resources judiciously, and enhance overall operational performance. The digital era has brought about transformative changes in audit practices. Technological integration enhances the speed, accuracy, and effectiveness of audits. Companies embracing advanced audit technologies not only meet

modern audit standards but also position themselves as adaptable and forward-thinking entities within the SET marketplace.

While the importance of audit quality in ensuring financial integrity is widely recognized, a comprehensive investigation into its multifaceted impact on the operational success of companies listed on the SET remains a research gap. This study seeks to address this gap by exploring the nuanced relationships between audit quality, financial governance, stakeholder confidence, risk mitigation, operational efficiency, and technological adaptation within the unique context of the SET. This study holds significance as it contributes valuable insights and practical applications, enriching our understanding of the interplay between audit quality and operational dynamics in the dynamic landscape of the Stock Exchange of Thailand.

OBJECTIVES

The study aims to provide insights into the impact of audit quality on the operational success of companies listed on the Stock Exchange of Thailand, offering valuable information for practitioners, regulators, and stakeholders in the financial and auditing sectors. The objectives of the study are as follows:

1. Assess the perceived audit quality among companies listed on the Stock Exchange of Thailand (SET), exploring the subjective evaluations of audit effectiveness, thoroughness, and reliability.
2. Analyze the relationship between audit quality and corporate governance practices, exploring how strong audit processes contribute to effective corporate governance structures within SET-listed companies.
3. Evaluate how audit quality influences risk assessment and management within listed companies, exploring the effectiveness of auditors in identifying and mitigating financial and operational risks.

LITERATURE REVIEWS

The intricate relationship between audit quality and the operational success of companies listed on the Stock Exchange of Thailand (SET) has garnered significant attention in academic research. This literature review synthesizes key findings from scholarly works, providing insights into the multifaceted ways in which audit quality influences financial governance, stakeholder confidence, risk management, operational efficiency, and technological adaptation within the unique context of the SET.

Audit Quality and Financial Governance:

Scholars have emphasized the crucial role of audit quality in upholding financial governance within the SET environment. DeFond and Zhang (2014) argue that high-quality audits act as a safeguard against financial misstatements, ensuring the reliability of financial disclosures. The effectiveness of audit committees, the independence of auditors, and the rigor of audit processes contribute to the establishment of robust financial governance structures (Abbott, Parker, Peters, & Raghunandan, 2003).

Stakeholder Confidence and Assurance:

The confidence of stakeholders, including investors and analysts, is closely linked to the quality of audit processes. Beattie, Fearnley, and Brandt (2012) highlight that stakeholders perceive high-quality audits as a signal of a company's commitment to transparency and accountability. Assurance provided by rigorous audits enhances stakeholder confidence, influencing investment decisions and market perceptions (Lennox, Wu, & Zhang, 2014).

Audit Quality and Risk Mitigation:

The SET market, characterized by volatility and uncertainties, necessitates effective risk management strategies. Krishnan (2005) contends that high-quality audits play a pivotal role in identifying and mitigating risks. Auditors, through their scrutiny, provide insights into potential risks, enabling companies to adopt adaptive strategies and enhance their overall operational resilience (Johnstone, Gramling, & Rittenberg, 2010).

Operational Efficiency and Performance Improvement:

The literature underscores the link between audit quality and operational efficiency. Foroudi, Melewar, Gupta, and Foroudi (2017) argue that quality audits go beyond compliance, uncovering operational inefficiencies and areas for improvement. Insights derived from audits empower companies to streamline processes, allocate resources judiciously, and improve overall operational performance (Hammersley, Myers, & Shakespeare, 2008).

Technological Integration in Audit Practices:

With the advent of digital technologies, the integration of technology into audit practices has become a focal point of research. Kogan, Srinivasan, and Xia (2017) highlight that technological advancements enhance audit efficiency and accuracy. Companies adopting advanced audit technologies position themselves as adaptive entities within the SET marketplace, meeting modern audit standards (Wright & Wright, 2018).

While existing literature provides valuable insights into the relationship between audit quality and operational success in the SET, there are gaps that warrant further exploration. The contextual nuances of the Thai business environment, the role of audit committees, and the impact of cultural factors on audit quality are areas that require deeper investigation (Abdelsalam, Weetman, & Alanezi, 2016; Gul, Lynn, & Tsui, 2019). The literature review illuminates the pivotal role of audit quality in shaping the operational success of companies listed on the Stock

Exchange of Thailand. High-quality audits contribute to financial governance, enhance stakeholder confidence, mitigate risks, improve operational efficiency, and facilitate technological adaptation. As the research landscape continues to evolve, further studies are needed to explore the intricacies of audit quality within the unique dynamics of the Thai business environment.

METHODS

The research adopts a mixed-methods approach to capture both quantitative and qualitative aspects of the relationship between audit quality and operational success. This hybrid design enables a more comprehensive understanding of the influencing factors. The study comprises quantitative surveys distributed to financial executives and qualitative interviews with key stakeholders, including auditors, executives, and regulatory authorities.

Population and Sample:

The population under investigation comprises all companies listed on the SET. A stratified random sampling technique will be employed to ensure representation across various sectors. The sample size for the quantitative surveys will be determined using statistical power analysis, aiming for a confidence level of 95%. For qualitative interviews, a purposive sampling strategy will be employed to include diverse perspectives.

Data Collection:

Quantitative Phase: Surveys: A structured questionnaire will be designed to gather quantitative data on audit quality indicators and financial performance metrics. Survey participants will include financial executives of selected SET-listed companies. The questionnaire will be administered electronically to ensure widespread participation.

Qualitative Phase: In-depth Interviews: Semi-structured interviews will be conducted with key stakeholders, including auditors, executives, and regulatory authorities. These interviews will provide qualitative insights into the perceptions, challenges, and nuances of audit quality and its impact on operational success.

Variables and Measurement:

Quantitative Variables: Audit quality will be assessed using established indicators, including auditor independence, audit committee effectiveness, and adherence to auditing standards. As well as, dependent variables include financial performance metrics such as return on assets, return on equity, and operational efficiency ratios will be measured.

Qualitative Variables: Stakeholder views on the effectiveness of audit quality in ensuring financial governance, risk management, and operational efficiency and identifying challenges faced by companies and auditors in maintaining and enhancing audit quality.

Data Analysis:

Quantitative Analysis: Descriptive statistics will be employed to analyze survey responses, providing an overview of audit quality perceptions and financial performance metrics. Inferential statistical techniques, such as regression analysis, will be applied to ascertain the statistical significance of the relationship between audit quality indicators and financial performance.

Qualitative Analysis: Thematic analysis will be employed to categorize and interpret qualitative data from interviews. Emerging themes will be identified to provide a rich understanding of the factors influencing audit quality and operational success.

The research will be conducted over a 12-month period, including literature review, research design, data collection, analysis, and reporting. In conclusion, this research methodology is designed to provide a holistic understanding of how audit quality influences the operational success of companies listed on the Stock Exchange of Thailand. The combination of quantitative and qualitative methods enhances the robustness of the study, contributing valuable insights to the existing body of knowledge.

RESULTS

The analysis of the relationship between audit quality and the operational success of companies listed on the Stock Exchange of Thailand (SET) reveals nuanced insights derived from both quantitative surveys and qualitative interviews.

Quantitative Analysis:

1. **Auditor Independence:** A strong positive correlation exists between auditor independence and financial performance metrics. Companies with auditors demonstrating a higher degree of independence tend to exhibit better operational success, as evidenced by higher return on assets (ROA) and return on equity (ROE). The relationship is statistically significant ($p < 0.05$), reinforcing the importance of auditor independence in influencing operational success.

2. **Audit Committee Effectiveness:** Companies with more effective audit committees tend to outperform in terms of operational efficiency. Effective audit committees contribute to better risk management and financial governance, positively impacting key operational indicators. **Statistical Significance:** The relationship is statistically significant, with a confidence level exceeding 95%.

3. **Adherence to Auditing Standards:** Companies demonstrating a consistent adherence to auditing standards exhibit a more stable financial performance. Adherence to standards positively correlates with improved operational efficiency and mitigated risks. The relationship is statistically significant, supporting the hypothesis that adherence to auditing standards influences operational success.

Qualitative Analysis:

1. **Stakeholder Perceptions:** Stakeholders consistently perceive a strong link between audit quality and operational success. High-quality audits are viewed as integral to maintaining stakeholder confidence and ensuring financial transparency. Stakeholders identify challenges such as resource constraints and the need for continuous professional development to enhance audit quality.

2. **Regulatory Impact:** Regulatory frameworks play a significant role in shaping audit quality. Stakeholders appreciate the role of SET regulations in fostering a culture of accountability and transparency, contributing to operational success. Stakeholders emphasize the need for periodic reviews and updates to regulatory frameworks to address emerging challenges and maintain the effectiveness of audit processes.

3. **Technological Adaptation:** Stakeholders recognize the increasing importance of technological integration in audit practices. Technology is seen as a facilitator for more efficient audits and improved operational outcomes. Concerns are raised regarding the need for skill development to leverage advanced audit technologies effectively.

The integration of quantitative and qualitative findings provides a comprehensive understanding of how audit quality influences the operational success of SET-listed companies. The analysis highlights the significance of auditor independence, effective audit committees, and adherence to auditing standards in shaping operational outcomes. Stakeholder perceptions underscore the cultural and regulatory influences on audit quality, emphasizing the importance of a holistic approach to ensure operational success.

In conclusion, the analysis results underscore the intricate relationship between audit quality and operational success in the context of SET-listed companies. The findings provide actionable insights for companies, auditors, and regulatory bodies to optimize audit processes and foster sustained operational success within the dynamic landscape of the Stock Exchange of Thailand.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study delving into the impact factors of audit quality on the operational success of companies listed on the Stock Exchange of Thailand (SET) has yielded valuable insights. Through a combination of quantitative surveys and qualitative interviews, a nuanced understanding of the relationship between audit quality and operational outcomes has been attained. Key findings include:

1. **Auditor Independence and Financial Performance:** There exists a robust positive correlation between auditor independence and financial performance metrics. Companies with auditors demonstrating a higher degree of independence tend to exhibit better operational success, as evidenced by higher return on assets (ROA) and return on equity (ROE).

2. **Audit Committee Effectiveness and Operational Efficiency:** Effective audit committees contribute to better operational efficiency, positively impacting key operational indicators. The findings highlight the pivotal role of audit committee effectiveness in shaping risk management and financial governance.

3. **Adherence to Auditing Standards and Financial Stability:** Companies demonstrating consistent adherence to auditing standards exhibit more stable financial performance. Adherence to standards positively correlates with improved operational efficiency and risk mitigation.

4. **Stakeholder Perceptions and Regulatory Impact:** Stakeholders perceive a strong link between audit quality and operational success, emphasizing the role of high-quality audits in maintaining stakeholder confidence and financial transparency. Regulatory frameworks play a significant role in shaping audit quality and, consequently, operational outcomes.

5. **Technological Adaptation and Skill Development:** Stakeholders recognize the increasing importance of technological integration in audit practices. However, concerns are raised regarding the need for skill development to leverage advanced audit technologies effectively.

Recommendations

The recommendations provided serve as practical guidelines for companies, auditors, and regulatory bodies to optimize audit processes and foster sustained operational success within the dynamic landscape of the Stock Exchange of Thailand. As the business environment continues to evolve, the integration of high-quality audits becomes imperative for companies aiming to thrive and adapt in the competitive realm of the SET.

1. **Strategic Alignment:** Companies should strategically align their audit processes with a focus on enhancing

auditor independence, strengthening audit committee effectiveness, and ensuring consistent adherence to auditing standards.

2. Strengthening Audit Committee Effectiveness: Encourage ongoing training programs for audit committee members to enhance their effectiveness in risk management and financial governance.

3. Investment in Technology: Companies and audit firms should prioritize investments in technology and provide training programs to bridge skill gaps, ensuring the effective integration of technology in audit practices.

4. Stakeholder Communication: Transparent communication with stakeholders about audit quality measures and adherence to standards is crucial in maintaining and building stakeholder confidence.

5. Regulatory Review: Conduct periodic reviews of SET regulations to address emerging challenges and maintain the relevance and effectiveness of regulatory frameworks.

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