

# Internal Audit of Quality in 5s Environment: Perception on Critical Factors, Effectiveness and Impact on Organizational Performance

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## Abstract

Quality Environment (5S) Practice is a concept which has been widely adopted by organizations as one way to achieve Total Quality Management (TQM) and business excellence. 5S refers to 5 principles to maintain quality which emanate from Japanese word Seiri (sorting), Seiton (straightening), Seiso (shining), Seiketsu (standardize) and Shitsuke (sustain). 5s concept aims to create a conducive, clean and tidy workplace which in turn can improve work quality and performance. Internal audit of 5S Quality (IAQ) has been introduced to ensure the organization can assess its strength and areas for improvement. This study attempt to measure the organizational factors that influence the effectiveness of internal audit of 5S Quality such as number of resources, auditor competencies and audit report, as well as looking at how these factors give impact towards company operational performance. The questionnaire were administered to head of audit and internal auditor in Malaysian private companies. Our hypotheses on the impact of organizational factors (resources adequacy, staff competency and report quality) to the effectiveness of internal audit of 5S quality are all positive. In addition, the results also show significant perception by internal auditors that an effective internal audit of 5S quality can help influencing company operational performance.

## Key words

5S Practices, Internal Audit of 5S Quality, Organisation performance

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## 1. Introduction of Quality Environment (5S) Practices

The "Look East Policy", introduced by the Malaysian Government in 1982, was intended to provide a new role model for performance and behaviour. The impressive development of resource-scarce countries like Japan and Korea, with its emphasis on work ethics and high productivity, was seen as a good standard for Malaysians to emulate, particularly when they are consistent with cultural values. Total Quality Management (TQM) has been introduced to focus on the need for organization-wide efforts to implement quality improvement programmes. Furthermore TQM is said to enable organizations to move towards business excellence if properly implemented and monitored (Metaxas and Kolouritis, 2014). As a matter of fact, business excellence is consistent with TQM but an emerging concept compared to the former (Dahlgaard-Park, 2011). Albeit the frequency of practices on TQM and BE contemporary study by revealed that the quality movement is now shifting from an initial focus on TQM and BE to the management tools, techniques and core values needed for building a quality and business excellence culture (Dahlgaard, 2013). Quality Environment (5S) is one of the TQM principles that brings a healthy, comfortable and productive life for everyone at work (Ho and S.K, 2010; Ho *et al.*, 1995). This is fundamental to productivity improvement of Quality Management System (QMS) and consistent with the spirit of TQM and BE. When implemented successfully in a company, 5S will bring about amazing changes. Quality Environment practices use 5S Concept as tools towards achieving systematic organization, productive environment, and standardization in the workplace. 5S is an acronym for five Japanese words that are Seiri, Seiton, Seiso, Seiketsu and Shitsuke (Ho and S.K., 2010; Ho *et al.*, 1995). By implementing first 3S (Seiri, Seiton and Seiso) all unnecessary items are able to be removed from the workplace, only necessary items are conveniently

located near users, machines and equipment are kept clean and shiny. The driving force for 5S program comes from people. In this respect, Shitsuke is critical to its success. Shitsuke is to train people accordingly so that they will follow good habit.

Masaaki Imai (2012) in his book *Gemba Kaizen*, has elaborated, “As a general rule of thumb, introducing good workplace organization reduces process defects by 50%.” This is why 5S is so important to companies to achieve overall lean production system. Here are some explanations about 5S.

i) *Sort (Seiri)*. The first step requires employees to sort and systematically discard items that are not needed in the workplace. Red tag strategy commonly employed in order to help company eliminate unnecessary items. Sorting is an excellent technique to transform a cluttered workplace layout into an effective area to improve efficiency and safety.

ii) *Set in order (Seiton)*. Employee will organize and arrange necessary item in a neat and systematic manner so that they can be easily retrieved for use and to return after use. The second S reflects a very popular saying “a place for everything and everything in its place”. It emphasises safety, efficiency and effective storage and consequently improves the appearance of the workplace. The main benefit is the searching time will be reduced and there is no human energy waste or excess inventory.

iii) *Shine (Seiso)*. It refers to clean and inspects the workplace thoroughly so that there is no dirt on the floor, machinery and equipment. This step emphasises on cleanliness in order to ensure a more comfortable and safer workplace, as well as better visibility, which reduces retrieval time and achieves higher quality work, product or services.

iv) *Standardize (Seiketsu)*. Employee has to maintain a high standard of organization by keeping everything clean and orderly at all times. It can be achieved by establishing standard procedures in order to determine the best practices and at the same time ensuring everyone carries out their individual activity in the workplace.

v) *Sustain (Shitsuke)*. The last step is to train people to practise the 5S system continuously so that it becomes habitual and ingrained in the culture of organization. Self-discipline is required to maintain consistency of standards of quality, safety and cleanliness (MPC, 2010).

### 1.1 .5S Certification

In Malaysia, the awareness of 5S as an important element of competitiveness is increasing. Many organizations have successfully demonstrated that they have developed a management system based on 5S implementation, and the number of certified organizations is on the rise. The Quality Environment (5S) Certification, introduced by Malaysia Productivity Corporation (MPC) is aimed at developing and sustaining the productivity culture through a continual process for competitiveness. Achieving the certification is a public declaration of commitment to higher quality culture in order to meet various customer needs. Table 1.1 shows number of companies that have obtained 5S certification by sectors from year 2000 to 2011.

Table 1. Number of 5S Certified Company

Sectors	Manufacturing	SME	Services	MNC
No. of Companies	39	91	250	12
<b>Total</b>	<b>392</b>			

The IAQ and 5S Certification naturally drives the organization goal to continually improve on quality and cost effectiveness of providing the product or services through systematic guide using Key Performance Indicator (KPIs). Factors such as safety, morale, preventive maintenance, set-up time, and cycle time planning have a huge impact on performance. Although the work process is the combination of material, machinery, equipment and human know-how, the way in which these resources are used is important as the actual quantities used.

In employing the 5S management techniques, each work group need to set their own KPIs to enable them to monitor their own progress. The KPIs commonly used are productivity, quality, cost, delivery time, safety and morale that would indirectly contributes to organizations performance as a whole.

### **1.2. Internal Audit of 5S Quality**

In sustaining 5S Practice as work culture, the organisation requires practical initiative to move its employees. In addition to promotion and training, audit activity is vital in measuring 5S Practice progress (Hernandes, 2010; Ho, 1999). Corrective action and improvement can be done after internal audit has been completed. This method will assist 5S Practice to be implemented at all time.

Internal audit of 5S Quality (IAQ) had been introduced to ensure the organization can assess its strength as well as the areas for improvement and where the organization stand in the 5S movement (Chapman, 2005). In a company that obtained 5S certification, the internal audit teams will be responsible to monitor the 5S practices in organization as well as ascertain that the practices can be sustained and improved from time to time. 5S internal auditors who are attached to their own organization should be in the best position to deal with 5S self-assessment. Organizations that have successful 5S activities can always measure their performance through weekly or monthly audit using 5S checklist, audit summary sheet and 3S improvement stickers. Results of the audit must be communicated and displayed at the 5S Corner of every department. This creates an atmosphere of friendly competition and will help to instil pride in the teams.

This evaluation or assessment as well as competition must be linked with a reward system. For example, most successful organizations offer monthly rewards for the winning teams in the various 5S categories. IAQ can also be considered as a basis for 5S Certification since the main purpose of the audit is to ensure that the 5S system is properly implemented in the organization.

It is undeniable that the management of 5S Certified companies are always concern about the impact of IAQ towards company performance especially at operational level (Alic and Rusjan, 2011). They believe that IAQ activities can lead to number of improvement activities such as cost reductions, waste elimination and safety improvement. However, there has not been any empirical test documented to show the impact of IAQ on the success of 5s hence improving company performance. Such study is important to convince the stakeholders on the importance of effective IAQ to be carried out to help successful implementation of 5s which ultimately help to improve the organizations' performance.

The major challenge that faced by them is the inadequate number of resources needed to perform the audit task. Despite the benefit, management may not be willing to provide adequate resources (number of auditors, training budget, tools) to enhance auditors capacity. The dynamics of internal audit approach which rely on management support would influence the effectiveness of internal audit of 5S quality.

In addition, it is important to note that Internal Auditors who are assigned to carry out the IAQ of 5S will be using 5S Standards as guidelines. Therefore skill set might be different due to knowledge, experience, skills, size, culture and sectors of organizations.

IAQ report is the main output for the 5S activities. Good audit findings lead to major improvement such as cost saving. However, the standards reporting of audit findings are different based on company and auditor preferences. The dynamic types of reporting would influence the effectiveness of IAQ activities. Therefore, based on the problem discussed; the research intends to look in depth into the relationship between the internal audit of 5S quality effectiveness and company operational performance.

Hence, the objective of the study is to gather sufficient data on the internal auditor opinions and perceptions towards the organizational factors such as resources, competencies, which influence IAQ in 5S certified company. In addition, this study also would like to explore on the impact of audit report to the effectiveness of internal audit quality of 5S and ultimately examine whether internal auditor think it gives an impact to organizational performance.

## **2. Literature review**

Quality audit is the process of systematic examination of a quality system carried out by an internal or external quality auditor or an audit team. Audits are an essential management tool to be used for verifying objective evidence of processes, to assess how successfully processes have been implemented, for judging the effectiveness of achieving any defined target levels, to provide evidence concerning reduction and elimination of problem areas. For the benefit of the organization, quality auditing should not only report non-conformances and corrective actions, but also highlight areas of good practice. In this way other

departments may share information and amend their working practices as a result, also contributing to company operational performance (Feng *et al.*, 2008; Milena, 2009).

The internal audit of 5S Quality is critical to the successful of 5S concept itself, TQM as well as Quality Management System (QMS) programs. Albeit the common perception that internal audit of 5S brings extra costs to organizations, the function validates the accountability of the 5S target area owners for complying with 5S plans. In performing audit activity, internal auditor must objectively and independently collect and verify the audit evidence, evaluate it against criteria or guideline and report their finding as stipulated by the Internal Audit Professional Practice Framework (IPPF) 2013 (Institute of internal Auditors, 2013). In short, without the audit, the program slowly withers away and becomes ineffective. The success and effective IAQ depends on adequate numbers of auditors, competence, and audit report (Ho, 1999). It is important that IAQ activities determine the factors that can influence them to achieve organizational goal. This will force the auditor's ability to examine if the internal audit of 5S Quality can contribute towards company operational performance.

### **2.1 . IAQ effectiveness and Organizational Performance**

IAQ is an essential part of an effective internal audit (IA) process. On January 1, 2002, the Institute of Internal Auditors (IIA) has revised standards for the internal audit practices that included two key provisions related to quality assurance. First, the internal audit department should implement a quality assurance (refer to IAQ) and improvement program, and second, they should secure an external quality assurance review of their internal audit operations.

IAQ also is one of the techniques required by ISO 9001 standard. The main purpose of conducting an internal audit quality is to examine for compliance with requirements of the ISO 9001 standard and to report any non-conformities identified as a basis for further corrective actions in order to eliminate them (ISO 9001:2008, Ch. 8.2.2). By eliminating finding in audit report such as non-conformities, the company formally meets requirements for managing or maintaining ISO 9001 certificate.

When discussing pertaining IAQ, ISO 9000 (2000) has defined internal audit effectiveness as “the extent to which planned activities are realized and planned results achieved”, and efficiency as “the relationship between the result achieved and the resources used”. By performing IAQ, the system can be effectively monitored for conformity to the internationally recognized standards and create a cycle of continuous quality improvement (CQI). Furthermore, not only should the outcomes of audit be measured against the planned objectives, but the audit process should include planning, reporting, follow-up and resource requirements, including auditor skill and competency.

According to Mihret and Yismaw 2007, internal audit (IA) effectiveness is defined as the extent to which an IAQ is debatably a result of the interchange among four factors: internal audit; management support; organizational setting; and attributes of the auditee. The main IA function's capability is to provide useful audit findings and recommendations would help raise management's interest in implementing improvement activity on quality. The management support such as providing the resources and commitment to implement the IA recommendations is essential in determining audit effectiveness. Also, the organizational setting in which IA operates, for instance the organizational status of the office, its internal organization and the policies and procedures applying to each auditee, should enable smooth audits that lead to reaching useful audit findings that can be presented in the form of report.

In addition, with strong management support it is possible to improve the IA from solely monitoring for compliance to searching for any possible improvements. Such audits are considered as internal audits that add value (Liebesman, 2002; Hutchins, 2002; Piskar, 2004; Pivka, 2004). Benefits of implemented IA depend on management's understanding of IA, on management's attitude to IA, and on how management responds to IA findings (Razzetti, 2003; Bauer, 2005; Mihret and Yismaw, 2007) and stimulates the auditors (Hutchins, 2002).

Hutchins (2002) looks at IAQ as a problem solving tool and an independent unbiased advising activity which is intended to improve and add value to company's business by improving the effectiveness of controls as well as decreasing risks. Results of previous empirical study support the claim that IAQ should be used as a management tool for stimulating improvements in QMS resulting in processes effectiveness

and efficiency (Piskar, 2004). Some other surveys and case studies have confirmed IAQ's contribution to business improvement (Kaye and Anderson, 1999).

When QMS becomes more mature, the management's expectation of the IAQ effects are changing, so the purpose and orientation of the IAQ can be changed from a compliance assessment (compliance audit) to an assessment of continuous improvement (continuous improvement audit) and management system (management audit) (Karapetrovic and Willborn, 2000; ISO 9004, 2002, Ch. 8.2.1.3). Accordingly, the objectives of the IAQ have changed and should be related to business objectives the basic characteristic of such an internal audit that would be the audit objectives connected or related to the business objectives of the company (Karapetrovic and Willborn, 2000; Pivka and Mulej, 2004).

## **2.2. Audit Resources**

The resource-based view of strategy with regards to strategic perspective (rather than economic) resources as firm specific and difficult for rivals to buy or imitate (Nelson and Winter, 1982) and it gives value to managers to influences the direction and growth of a company. This view explains strategic resources as tangible and intangible assets that when both it combined, it will help to constitute a company's competitive advantage (Teece, 2007). The softer components of organizational resources, such as staff and skills, and how these are managed in operational teamwork against top-level targets and longer-term strategy, are central to the management of strategic resources.

The importance of organizational audits has been recognised in the performance management and organizational studies literatures, and that employee participation is a strong predictor of organizational performance (e.g. Alice and Rusjan, 2011). However, despite the thoroughness and ability for ensuring quality improvements, they are not designed to facilitate the review of the management of strategic capabilities at the operational level. Therefore, in perspective of IAQ, a preliminary condition for IAQ in order to be able to fulfill its duties is the availability of a sufficiently large number of skilled professionals or resources (Arenna and Azzonne, 2009).

## **2.3. Auditor Competencies**

The resource-based view regards the company as a cognitive system, which is characterized by particular and context-dependent competences that are core to strategic purpose. Competences typically involve the development of specialist expertise. From audit perspectives; the auditors' competencies can also increase the effectiveness of the IAQ team by improving the recognition of their role within the organization. Previous studies underlined that line managers often believe that internal auditors do not have enough knowledge to provide useful help (Griffiths, 1999; Van Peurse, 2004, 2005) and, if this is the case, they do not take into account their advice, hence reducing the effectiveness of IAQ (Van Peurse, 2004, 2005).

## **2.4. Audit Report**

Further the importance effect of IAQ is also largely dependent on the management's understanding of audit reports (as user of the audit results), on management's attitude to audits, and on how management responds to audit findings (Alic and Rusjan, 2011). Audit report has been seen as one of the tools to measure the impact of IAQ. It's requires a clear definition, understanding and acceptance of the term "effective audit report". Related terms, such as the "reliability of findings", "added value", and "client satisfaction", point in the right direction. But these are merely findings of an audit report. A typical evaluation of audit performance or findings includes the measurement of the achieved effectiveness and efficiency, and a subsequent comparison of the actual performance with the expected goals. In ISO 9000 (2000), effectiveness is defined as the extent to which planned activities are realized and planned outcomes achieved compare with number of resources used. Therefore, in order to adequately measure IAQ as a whole, one should evaluate not only the audit process but also the results (outcomes) or extending from the planning and execution to the audit reporting, follow-up and resources (including the auditor independence and competence) (Karapetrovic and Willborn, 2000).

### 3. Research Design

On the basis of the extant literature, 3 hypotheses are developed and tested using data collected from survey on internal auditors' perception as follows;

*H1: Number of resources influence the effectiveness of 5S IAQ and give impact to performance.*

*H2: Auditor competencies influence the perceived effectiveness of 5S IAQ give impact to performance.*

*H3: Quality of audit reports influence the perceived effectiveness of 5S IAQ and give impact to performance.*

These three hypotheses are developed based on the research model that shows the relationship between independent variable, mediating variable and dependent variable depicted in the following figure:

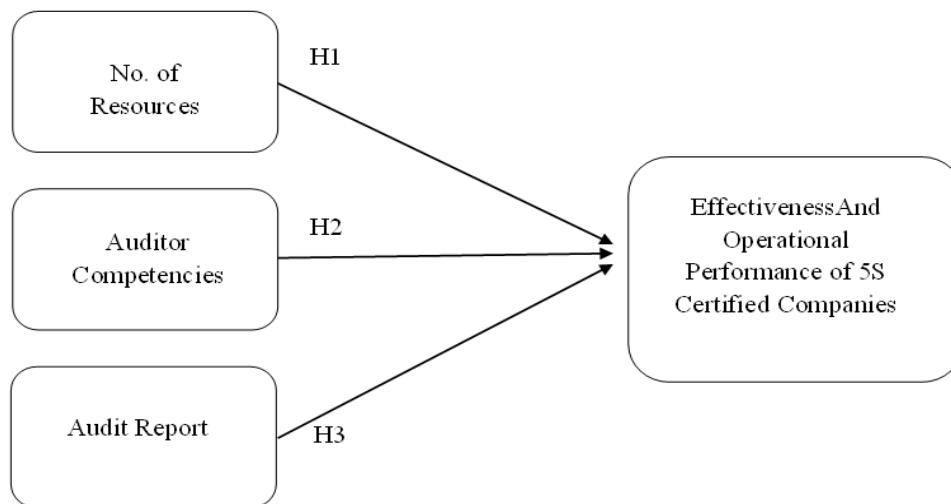


Figure 1. The Factors Influencing Internal Audit of 5S Quality Effectiveness and Company Operational Performance

#### 3.1. Data Collection

This research used survey method for data collection targeted on internal auditors who possess knowledge about 5S audit and have participated in the process. Samples of 50% (196) were selected from total population of 392 companies that have been certified by MPC of Malaysia. The surveys were distributed to the participants through email, fax and telephone to identified companies. The questionnaire which has been piloted was divided into five main sections that respectively explore the importance of factors influencing IAQ effectiveness and organizational performance. The 5 sections comprise of A (the importance of resources), B (importance of auditor competencies), C (audit report), D (impacts of internal audit of 5S Quality effectiveness towards company operational performance) and E (demographic questions). Except for Section E which contained basic demographic questions such as age and gender, the other sections are structured based on 5 points likert scale 1 (Strongly Disagree), 2 (Disagree), 3 (Neither disagree nor agree), 4 (Agree) and 5 (Strongly Agree).

### 4. Results and discussion

Total answered questionnaires received were 83. The response rate of 42.3% was recorded accordingly. The detail demographic analysis is presented in table 2.

Table 2. Respondents' background

Item	Particulars	Frequency	Percentage (%)
Age	Under 20 years	0	0
	21-29 years	16	19.3
	30-39 years	27	32.5
	40-49 years	30	36.1
	50-59 years	10	12.0
	Above 60 years	0	0

Item	Particulars	Frequency	Percentage (%)
Gender	Male	59	71.1
	Female	24	28.9
Educational Level	SPM	7	8.4
	Diploma	25	30.1
	Bachelor	46	55.4
	Master	4	4.8
	Doctorate	1	1.2
	Professional Qualification	7	8.4
Working Experience	Less than 5 years	8	9.6
	6-10 years	16	19.3
	11-15 years	29	34.9
	16-20 years	13	15.7
	More than 20 years	17	20.5
Job Title	Supervisor	14	16.9
	Line Leader	4	4.8
	Executive	29	34.9
	Manager	31	37.3
	Senior Manager	4	4.8
	Director	1	1.2
Industry	Agriculture, Oil and Gas	4	4.8
	Electric and Electronic	14	16.9
	Service, Retails	16	19.3
	IT/ IS	0	0
	Manufacturing	41	49.4
	Healthcare	8	9.6
Size of company	MNC	5	6.0
	Big	24	28.9
	Medium	44	53.0
	Small	10	12.0
	Enterprise	0	0

From table 2, it shows that the respondents are mainly internal auditors who have more than 10 years experience, male and they come generally from medium to large corporations. The profile of the respondents described that the findings came from auditors who have adequate knowledge and experience in 5S audit.

Table 3 comprise of descriptive statistics for the subjects tested where the mean value scores are mostly 3.9 and above out of 5 scales.

Next we test the three hypotheses described in section 3 by carrying out one way ANOVA . Table 4 shows the test for the impact on increase productivity level of company (dependent variable) and number of audit resources such as number of auditor, auditor selection, auditor experience, competency, number of audit, length of audit, number of training, number of budget allocation, top management commitment and auditee commitment (predictors), the result shows significant level at 0.000. Hypothesis 1 is supported.

Table 4. ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.036	10	1.404	4.062	.000 <sup>a</sup>
	Residual	24.879	72	.346		
	Total	38.916	82			

a. Predictors: (Constant), Auditee\_Cmnt, No. of Auditor, No. of Training, No. of Budget, No. of Audit, Audit Lenght, Auditor Selection, KSA, T\_Mgmt\_Cmnt, Experience

b. Dependent Variable: Increase Productivity

Table 3. Descriptive Statistic

Variables	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
No. of Auditor	83	3.9759	.71527
Auditor Selection	83	4.0361	.72323
Experience	83	3.9880	.75598
KSA	83	4.2410	.83506
No. of Audit	83	3.9639	.67074
Audit Length	83	3.7470	.88129
No. of Training	83	3.9157	.81457
No. of Budget	83	3.8313	1.05714
T_Mgmt_Cmnt	83	4.4819	.65073
Auditee_Cmnt	83	4.4096	.58510
Applies_Std	83	4.0964	.67380
Determine_Obj	83	4.0843	.62868
Determine_Scope	83	4.0361	.68869
Identify_NCR	83	4.0000	.79633
Comm_Result	83	4.2169	.68161
Give_Recommendation	83	4.1928	.68890
Control_Audit_Session	83	3.9157	.71916
Applies_Other_Knowledge	83	4.133	.6766
Perception_A_Report	83	3.9518	.66081
Perception_Positive_Language	83	3.8434	.67140
Perception Audit Duration	83	3.6988	.79226
Clarity Audit Findings	83	4.0120	.77293
Audit Recommendation	83	4.1566	.50563
Documented Audit Report	83	4.0482	.67902
Std_Audit_Report	83	3.9639	.63334
Auditee Background	83	3.7470	.83875

Further, table 5 shows the impact on creating productive and systematic work environment (dependent variables) and internal auditor competencies such as the ability of auditor in identify non conformance, communicates result, gives recommendation, controls audit session and applies other related knowledge (predictors), the result shows significant level at 0.007. Therefore the hypothesis 2 is substantiated.

Table 5. ANOVA<sup>b</sup>

Sum of Squares	Df	Mean Square
4.882	5	.976
21.624	77	.281
26.506	82	

a. Predictors: (Constant), Applies\_Other\_Knowledge, Control\_Audit\_Session, Give\_Recommendation, Identify\_NCR, Comm\_Result

b. Dependent Variable: Creates Systematic Environment

Finally table 6 presented the impact on improving quality of products and services (dependent variables) and audit report such as perception on audit report produced, the clarity of audit findings, audit recommendation, standards of audit report and documented audit report (predictors), the result shows significant level at 0.001. Therefore the hypothesis 3 is supported.



Table 6. ANOVA<sup>b</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	8.660	5	1.732	4.602	.001 <sup>a</sup>
Residual	28.978	77	.376		
Total	37.639	82			

a. Predictors: (Constant), Std\_Audit\_Report, Audit Recommendation, Perception\_A\_Report, Clarity Audit Findings, Documented Audit Report

b. Dependent Variable: Improve Quality

Therefore the analysis of findings revealed that all the three hypotheses are significant and supported. We presented the summary in table 7.

Table 7. Results of Hypotheses Testing using Regression Analysis

H	Hypohotesis	Significant (P<.01)	Result
H1	Number of resources influence the effectiveness of 5S IAQ and give impact to performance	Sig. 0.000	Supported
H2	Auditor competencies influence the perceived effectiveness of 5S IAQ give impact to performance.	Sig. 0.007	Supported
H3	Quality of audit reports influence the perceived effectiveness of 5S IAQ and give impact to performance	Sig. 0.001	Supported

## 5. Conclusions

Based on the research finding, all three hypotheses of this study have significant relationship with company operational performance. The finding on H1 indicates that the number of resources in auditing is very crucial and important. It was in line with study done by Karapetrovic and Willborn (2000) stated that the system approach under ISO 9000 series an audit is viewed as a set of interdependence processes or activities that using human, material, infrastructural, financial, information and technical resource to achieve objectives related to continuous improvement of organizational performance. Therefore, the companies should proper plans, manages and allocates their resources such as adequate number of auditor, time, financial as well as employees commitment before performing the audit.

The result on H2 explains the internal audit of 5S Quality can be effectively carried out, if the auditors are fully equips with certain ability such as applying knowledge, communication skills, giving recommendations and others related abilities. It has supported by previous research by Brody *et al.*, (1998) and Mat Zain *et al.*, (2006) stated skilled auditors are more able to provide advice in order to complete audits, to find consistent solutions based on previous experiences and to deal with complex and conflicting situations. The auditors' competencies can also increase the effectiveness of the audit team by improving the recognition of their role within the organization. Thus, no doubt that auditor's competency is important and can contribute to the effective of internal audit of 5S Quality.

Findings on H3 shows that audit report is an output of IAQ and becomes evidence to presents to management for further action. It was clearly mentioned by Mort Dittenhofer, (2001) stated that the audit reporting is probably one of the most sensitive part. If the results of the audit are not clearly transmitted to management, the audit effort is of little value. Internal auditors are normally told to employ standards guideline in their reporting such as clarity, brevity, timeliness, completeness, freedom from jargon and use in positive language. The purpose of guidelines is to reduce the gap between auditor audit findings and auditee point of view. Therefore, with quality and standard audit report, auditor can express their opinion more objective and precisely.

The result shows that the effective of internal audit of 5S Quality possessed strong relationship with company operational performance . It was inline with previous research by Milena *et al.* (2010), however expectations of companies relating to the results of the IAQ may differ between companies and also over time within the same company: from simple formal conformance to the requirements of the standard to audits that help companies actually achieve effective and efficient performance. The identified positive

outcome of the QMS will be used as a foundation for assessing the internal auditor quality's contribution to achieve business goals and at the same time improve company efficiency. Thus, internal audit of 5S Quality has influence in company operational performance such as increase productivity and quality, reduce cost, improve delivery, safety and morale as well as creates productive and systematic workplace.

In conclusion, this research found that organizational factors (resources adequacy, staff competency and report quality) has significant influence on the effectiveness of internal audit of 5S quality are all positive. In addition, the results also show significant perception by internal auditors that an effective internal audit of 5S quality can help influencing company operational performance. Such findings contribute to the knowledge on the importance of internal audit on quality as well as managing 5s practices in organization. However, this research is not without limitation, The data focus on survey administered to private companies that have obtained certification by MPC. In future, other studies can look into comparative data perhaps from different countries.

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