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Abstract
This dissertation investigates two research questions arising from the regulation of internal controls required by Sarbanes-Oxley Act of 2002 (SOX). The first research question asks whether better internal controls can enhance firm performance? To address this question, the relation between market-value and internal control is estimated by a residual income model. Firms with weak internal controls are identified as those that disclose material weaknesses in internal controls in periodic filings from August 2002 to March 2006, as required by SOX. The empirical results, based on a sample of 708 firm-years with the disclosures of material weaknesses, show that firms with weak internal controls have lower market-value. Building on the efforts for SOX to improve internal controls, more and more firms are starting to adopt Enterprise Risk Management (ERM), because sound internal control system rests on adequate and comprehensive analysis of enterprise-wide risks. In light of this trend triggered by SOX, the second research question in this dissertation asks whether implementation of ERM has an impact on firm performance? The basic approach to answer this question uses a contingency perspective, since all risks arise from the firm's internal and external environment. More specifically, the basic argument states that the relation between ERM and firm performance is contingent on the proper match between ERM and five key contingency variables: environment uncertainty, industry competition, firm size, firm complexity, and monitoring by the firm's board of directors. A sample of 114 firms disclosing the implementation of ERM in their 2005 10Ks and 10Qs are identified by keyword search in EDGAR database. In developing the proper match, high performing firms are defined as those with greater than 2% one-year excess return to develop the proposed proper match. An ERM index (ERMI) is constructed based on the Committee of Sponsoring Organizations (COSO) ERM's (2004) definition of four objectives: strategy, operation, reporting, and compliance. The contingency view is supported by the empirical evidence, since the deviation from the proposed proper match is found negatively related to firm performance.

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Enterprise risk management, defined by COSO a process designated to identify potential events that may affect the entity and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. 8 components of enterprise risk management. 1. internal environment 2. objective setting 3. event identification 4. risk management 5. risk response 6. control activities 7. information and communication 8. monitoring, effective corporation governance, the issuance of stock to management if certain levels of performance are met. perks. perform audits if the risk management activities, internal control, and other governance processes for the corporation assurance services. the institute of internal auditors (IIA). Monitor, Control & Report Risks: The Risk Management Department in conjunction with the LROs continuously monitors the main risks and KRIs. Whenever necessary mitigation actions are defined to be implemented by the BUs. The resulting mitigation action plans are monitored monthly by DGR.
Manual, approved by the Board of Directors, establishes the general principles of, and requirements for, the internal control components, as well as the organisational model associated to the integrated and uniform management of internal control within the Galp group. (RM&ICS) are set out in the Company’s Policy on the Risk Management and Internal Control System developed based on recommendations of international firms specializing in risk management, internal control, and audit services. They are designed to provide reasonable assurance that the Company will achieve its goals, including: strategic goals contributing to the accomplishment of the Company’s mission. operational goals related to the Company’s financial and business performance, and asset integrity. goals of compliance with the applicable laws and local regulations. The Company’s Policy on the Risk Management and Internal Control System is posted on the Company’s official website. Enterprise risk management (ERM) in business includes the methods and processes used by organizations to manage risks and seize opportunities related to the achievement of their objectives. ERM provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the organization's objectives (threats and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring process. By Keywords: Management, control, internal control system, strategic control, strategic control matrix, integrated flexible internal control. This study implies an analysis of the organizational management and control structure of the enterprise, identifying those responsible for the functional fields of activity and ensuring their close relationship in the process of the external and internal changes control. In other words, a flexible internal control system should be “embedded” into the existing management system of the enterprise in such a way that the period between the violations (discrepancies) revealed in the course of control and the response of the management system to them would be minimal (Table 1).