
THE INFLUENCE OF INTERNAL AUDIT ON THE QUALITY OF FINANCIAL STATEMENTS

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Abstract: This research aim to know influence of assessment of internal audit performance to internal control system, influence of applying of internal audit to internal control system, and influence of assessment of performance and applying of internal audit both of internal control system at PLN Persero Indonesia. The research has been done by questionnaires internal auditor. The respondent are auditor's who worked in company of bankings residing in Bandung 45 responders. To analyze data researcher used SPSS 20 Version. Partially, internal audit performance and internal audit applying variable have influence significance of internal control system.

Keywords: applying of internal audit, auditing standard, internal control system.

INTRODUCTION

The development of the business world and the globalization of the Indonesian economy have caused the need for public accounting services to increase from time to time. The increasing need for public accounting services does not mean legalizing the decline in quality audit that alone, but precisely increase level hope client to quality audits.

Users of public accounting services can be grouped into internal parties and external parties. Internal parties are company management, while external parties include owners, creditors, debtors and so on. Internal parties employ public accountants to get *performance recognition* in managing funds that have been invested in the company through opinion for example *reasonable without exception* on financial statements for decision-making purposes, it is necessary to ensure that information which served in report finance could trusted.

After the auditor gets the results of the performance appraisal, the auditor will apply the results of the performance appraisal. And to make it easier for the auditor to carry out his duties properly, it is necessary to have standards that help him as a reference to provide an opinion on the results to be achieved. Auditors do performance should be Fulfill criteria procedure and standard auditing which set. But auditing standards are different from auditing procedures. Procedures are related to actions that must be carried out, while standards are related to criteria or measures of the quality of the performance of these actions and related to the objectives to be achieved through the use of these procedures. So different from auditing procedures, auditing standards include the professional quality of independent auditors and the considerations used in conducting audits and preparing reports audits.

In this discussion, Ciumbuleuit Village, Cidadap District, Bandung City, DS (60) felt intimidated by the threat submitted by the PLN through a notification letter of

network termination on the grounds that the monthly electricity bill was considered arrears. This was considered to result in something inappropriate and unprofessional. and injuring the feelings of consumers. According to DS, PT PLN (Persero) has the potential to violate one of the articles of Law Number 8 of 1999 concerning Consumer Protection. This is related to the electricity bills experienced by a number of customers in the area. Therefore, the researcher took the title The Effect of Internal Audit on the Quality of Financial Statements at Pt Pln (Persero) (Case Study at Pln Ulp Rayon Utara, Bandung City).

Formulation Of the Problem

The formulation of the problem is set:

From description on The research problem is formulated as follows:

1. Is internal audit very influential on the quality of financial statements?
2. How does internal audit greatly affect the quality of financial reports?

Internal audit (internal audit) is a medium for conveying problems and findings along with recommendations contained in one unit to the management of the unit. Audit management should know the findings and recommendations resulting from the audit process. This is because the examination of internal auditors will be very useful for management in the decision-making process. The report that will be issued by the internal auditor is of course of high quality so that it can provide benefits for companies or government agencies (Nisfusa, & Koen (2015).

According to Hiro (2016) in the book Professional Internal Audit Standards (SPAI) (2016) the professional ability of internal audit can be seen as follows:

1. Conformity with professional standards
2. Knowledge and skills
3. Human relations and communication
4. Continuing education
5. Professional thoroughness

The scope of work of the internal audit must follow the testing and evaluation of the adequacy and effectiveness of the organization's internal control system and the quality of. Implementation of the responsibilities assigned (Hiro, 2016) which includes:

1. Information reliability
2. Compliance with policies, plans, procedures, and regulations legislation
3. Protection of property
4. Economical and efficient use of resources
5. Goal achievement

The definition of audit in general is an examination carried out critically and also systematically by the party conducting it, which is independent of the financial statements that have been prepared by management and accompanied by accounting records and supporting evidence. The purpose of the audit is to be able to show an opinion regarding the fairness of the financial statements.

Definition of audit according to ASOBAC or A Statement of Basic Auditing Concepts, is stated as a systematic process to collect and objectively evaluate evidence about assertions about various economic actions or events to determine the degree of correspondence between these assertions.

Auditing provides considerable benefits, here are some of them:

- a. Open the door for the entry of sources of financing from outside parties.

- b. Prepare for monetary errors and irregularities in financial records.
- c. Provide a more convincing basis for creditors or company partners to make credit decisions.
- d. Provide a more convincing basis for insurance companies, investors, banks, etc. to determine the terms of sale, purchase or merger of companies.
- e. Provide a better basis for convincing customers.
- f. Provides additional independent clarity about the accuracy and assurance of financial statements.

In Fraser & Aileen (2018) report finance is is output and results end from process accountancy. Report This financial information becomes information material for its users as wrong one ingredient in process taking decision. Beside as information report finance also as responsibility or *accountability* and also describes indicator a success company achieve the goal. Indicator report finance including :

1. Can understood
2. Relevant
3. Reliability
4. Can Compared

METHODS

Type study which used explanatory with approach quantitative. The explanatory research according to Sugiyono (2016) is research that explains the causal relationship between variables that affect the hypothesis. In this study, there are at least two variables which connected and research it serves to explain, predict and control a symptom . Location implemented by PT PLN ULP North Rayon Bandung City.

Population, Sample, and Sampling Technique

Population is generalization area which consist on object/subject which has the qualities and characteristics of what is determined by researchers to study and then draw conclusions (Sugiyono, 2016)

The population in this study are employees who work for PLN ULP North Rayon Bandung City .

Technique which used in taking sample is technique *Non-probability Sampling* (Sampling Saturated), namely the technique of determining the sample when all member population relative small. Sample fed up also normal called the maximum sample, plus any amount will not change representative (Sugiyono, 2016 : 156).

Technique Analysis

- a. Analysis statistics descriptive in study on basic is process transformation data study in form tabulation, so that easy to understand and interpret. The tabulation provides a summary, arrangement or arrangement of data in the form of numerical tables. Statistics descriptive generally used researcher for give information regarding the characteristics of the most important research variables and data demographics respondents. (Ghozali, 2016).
- b. Analysis inferential which used answer problem and at a timetest hypothesis:
Test Instrument
Validity test is carried out to find out whether the measuring instrument used is has in stack truly measure what which need be measured.

- Test validity calculated with use correlation *Pearson Product Moments* . With a significance value of = 0.05, then the decision for test validity as following :

If $r_{hit} > r_{table}$, so data which concerned valid, and on the contrary If $r_{hit} < r_{table}$, so data which concerned no valid.

Something instrument said have reliability bad if coefficient *Cronbach's Alpha* < 0.6. And if something instrument have coefficient *Cronbach's Alpha* 0.6 — 0.79 reliability is acceptable, whereas if something instrument have coefficient *Cronbach's Alpha* 0.8 so could say the reliability good (Uma,2014).

- Test Assumption Classic

For could To do analysis regression need testing assumption classic as a requirement in the analysis so that the data can be meaningful and useful. Classical assumption test in research only includes test normality, and test heteroscedasticity.

- Test Normality Data

According to Umar (2018) the normality test is useful for knowing whether the dependent variable, independent or both distributed normal, close to normal or not

- Test Hypothesis

The data analysis method used in this study is analysis regression linear simple used for knowing the influence of internal audit on the quality of financial statements . Hypothesis test This research was conducted with the help of the SPSS version 21.00 program.

DISCUSSION

a. Influence of Internal Audit on Quality Financial Report

Based on partially all Internal Audit variables have an effect on financial performance where the value of t count is greater than t table at 0.05, namely 1.998 (interpolation result). This means that the position of the results of the significance test and t-count on the normal distribution curve is in the rejection region of H_0 . The results of the study state that the influence of internal audit using internal audit program indicators, the authority and position of internal audit, the scope of internal audit, the implementation of internal audit activities

b. Test Validity

Validity test is used to measure whether the questionnaire is valid or not. A questionnaire said valid if items question capable reveal something which want be measured by questionnaire the. Test validity done with use program *SPSS for Windows Version 22.0*. Test the validity (validity) of an instrument study need use method in test every instrument study. Test validity done for measure legitimate or whether or not indicator or questionnaire in a way compare r count Based on the description above, the processed results can be presented data on testing the validity of each research instrument that could seentrough table following this :

Table 1.Results Test Variable Validity X

| No. Item Instrument | Coefficient Correlation | Limit Value Correlation | Information |
|---------------------|-------------------------|-------------------------|-------------|
| X.1 | 0.41 | 0.3 | Valid |
| X.2 | 0,44 | 0.3 | Valid |
| X.3 | 0.69 | 0.3 | Valid |
| X.4 | 0,48 | 0,3 | Valid |
| X.5 | 0,80 | 0,3 | Valid |
| X.6 | 0,68 | 0,3 | Valid |
| X.7 | 0,72 | 0,3 | Valid |
| X.8 | 0,30 | 0,3 | Valid |
| X.9 | 0,79 | 0,3 | Valid |
| X.10 | 0,55 | 0,3 | Valid |
| X.11 | 0,67 | 0,3 | Valid |
| X.12 | 0,76 | 0,3 | Valid |
| X.13 | 0,73 | 0,3 | Valid |
| X.14 | 0,78 | 0,3 | Valid |
| X.15 | 0,73 | 0,3 | Valid |
| X.16 | 0,80 | 0,3 | Valid |
| X.17 | 0,64 | 0,3 | Valid |
| X.18 | 0,67 | 0,3 | Valid |
| X.19 | 0,57 | 0,3 | Valid |
| X.20 | 0,64 | 0,3 | Valid |
| X.21 | 0,71 | 0,3 | Valid |
| X.22 | 0,48 | 0,3 | Valid |

Source: SPSS 22

Table 2.Results Test Variable Validity Y

| No. Item Instrument | Coefficient Correlation | Limit Value Correlation | Information |
|---------------------|-------------------------|-------------------------|-------------|
| Y.1 | 0,43 | 0.3 | Valid |
| Y.2 | 0.53 | 0.3 | Valid |
| Y.3 | 0,72 | 0.3 | Valid |
| Y.4 | 0.55 | 0.3 | Valid |
| Y.5 | 0,67 | 0,3 | Valid |
| Y.6 | 0,52 | 0,3 | Valid |
| Y.7 | 0,54 | 0,3 | Valid |

Source: SPSS 22

Based on the table, namely the results of the validity test using *corrected item-*

total correlation processed with SPSS version . program 22 which shows that of the 22 question items the role variable internal audit which has tested declared valid or correlation value in on from 0.30.

Whereas from 9 items question variable quality report financial statements that have been tested, the question items are declared valid or correlation in on from 0.30.

c. Test Reliability

There is something score provision for measure reliability with test *Cronbach's alpha* statistic , where according to Sekaran (2003) if the coefficient *Cronbach's Alpha* < 0.6 . And if something instrument have coefficient *Cronbach's Alpha* 0.6 — 0.79 the reliability could received, whereas if something instrument have coefficient *Cronbach's Alpha* 0.8 so could say the reliability good.

Table 3.Results test reliability

| Variable Study | <i>Cronbach'sAlpha</i> | r standard | Information |
|------------------------|------------------------|------------|-------------|
| Role internal audit | 0.7 5 | | 0.6Reliable |
| Quality report finance | 0.6 9 | | 0.6Reliable |

| Variable Study | <i>Cronbach'sAlpha</i> | r standard | Information |
|------------------------|------------------------|------------|-------------|
| Role internal audit | 0.9 2 | | 0.7Reliable |
| Quality report finance | 0.6 9 | | 0.7Reliable |

Source: SPSS 22

d. Test Assumption Classic

Normality test which used that is *normal PP plots* , following picture results *normal testing PP Plots* :

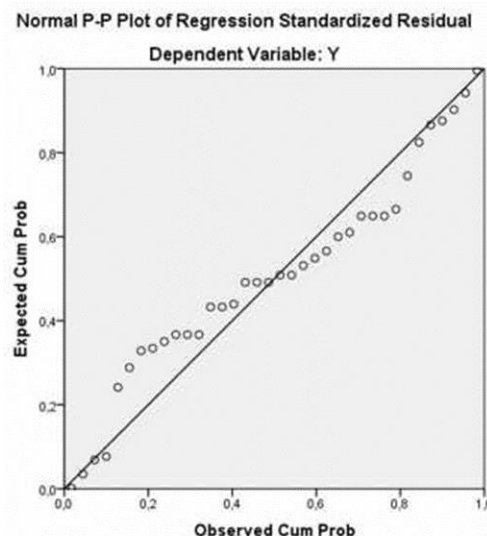


Figure 1. Results test assumption normality through normal *PP Plot*

Source: SPSS 22

Normality test results using *Normal PP Plot* shows that the dots (dots) spread around the diagonal line and follow the diagonal direction, this indicates that the model has meet the normality assumptions. Thus the regression test for influence role internal audit to quality report finance could next.

e. Test Hypothesis

1. Analysis Regression Simple

In the following, regression and correlation analysis will be presented through the results SPSS release 22 program data processing which can be presented through tables as follows:

Table 4.H result data processing regression with use program SPSS

| | | <i>Coefficients^a</i> | | | |
|-------|------------------------|---------------------------------|------------|---------------------------|------------|
| | | Unstandardized Coefficients | | Standardized Coefficients | |
| Model | | B | Std. Error | Beta | t Sig. |
| 1 | (Constant) | 25,237 | 3,506 | | 6,896 ,000 |
| | Peranan Internal Audit | ,130 | ,050 | ,467 | 2,897 ,005 |

a. Dependent Variables: Quality Report Finance

Source: SPSS 22

then it can be given explanation regression that is as following :

a =25,237, is score permanent, with say other that role internal audit constant so will increase quality report finance.

b = 0.130 which it means if response respondent about role internal audit increase so quality report finance will increase as big as 0.120%.

2. Analysis Determination

The coefficient of determination shows the magnitude of the influence of the variable independent to variable dependent . The coefficient value of 1 indicates that variable independent which used 100% appropriate (perfect) in explain variation which occurs in dependent variable.

Table 5.Koefisien Determinasi

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | ,467 ^a | ,309 | ,196 | 2,77205 |

Source: SPSS 22

a. Predictors:

(Constant), Role Internal Audit

b. Dependent Variables: Quality Report Finance

Then to see the relationship between role and quality report finance, so obtained score $R = 0.467$ which show the role of internal audit has a strong enough relationship, other than that, the value of R square or the coefficient of determination is 0.309 _ which show that 30.9% variation on quality report finance can explained by variations in the role of internal audit, whereas the rest as big as 69.1% .

Discussion

By general study this show results very good, Thing this shown from the number of responses respondents provide answers agree and very agree from respondent to condition each variable research. It is proven from the results of statistical calculations, that the probability value is obtained smaller than 0.05 (sig) it will have a significant effect. From the results of the t test (partial) it is obtained that the role of internal audit is have score probability $0.005 < 0.05$. Conclusion which could obtained from discussion in on that is In running their business, company leaders need tools which has a role in directing and controlling each company activities. Internal auditors have an important role in help management reach performance company which good and intended to help improve company performance. Internal auditor help management reach performance which good with introduce approach which systematic for evaluate and improve the effectiveness of internal control and provide notes on deficiency which found while doing evaluation.

CONCLUSIONS

After conducting research and analysis on the influence of internal audit on the company's financial performance, the authors conclude: The internal audit function at PT PLN UPT North Bandung has been running well. Based on the results of the calculation of the R value of 0.467 . The level of relationship between the two variables is included in the high category. This means that there is a correlation between the influence of internal audit and fraud prevention with financial performance.

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