

ANALYSIS OF FACTORS AFFECTING THE QUALITY OF INTERNAL AUDIT

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Abstract: The role of state-owned enterprises (BUMN) to contribute to the growth of the economy in which case it will impact the improvement of the welfare of the people of Indonesia. One of the roles of qualified internal auditors is participating as well as assist the company to minimize the errors that may occur. This study re-tested the factors - factors that affect the quality of internal audit. The research method uses a descriptive verification method with a quantitative approach. Samples of research this is Internal Auditors and Committee on Audit in the BUMN office center r in West Java. The type of data used in this study is the primary data source in the questionnaire form. Research is using path analysis to test the construct paths are tested empirically or not. The data were processed using the Statistical Package for Social Sciences (SPSS) program. Results of the study showed that objectivity is not influenced positively insignificant the quality of Internal Audit, Integrity and Competence are partially influenced positively insignificant to the quality of Internal Audit. And simultan there is influence positively insignificant from Objectivity, Integrity, and Competence of the Quality of Internal Audit.

Keywords: Objectivity, Integrity, Competence, Quality of Internal Audit

INTRODUCTION

One of the important roles of BUMN in organizing the Indonesian economy is to realize the welfare of the Indonesian people, namely by providing benefits to the state. The role of BUMN is to contribute to economic growth, which will have an impact on improving the welfare of the Indonesian people (UU No. 19 to 2003).

The role of the audit committee and internal audit as a company's internal control mechanism is very important to ensure the reliability of financial reporting. The audit committee has a vital responsibility for internal audit, including reviewing the internal audit program and ensuring the adequacy of the scope of the internal audit activity. Likewise, an effective internal audit function can be an important source for the audit committee in carrying out its duties, and thus, increasing the effectiveness of the audit committee (Allegrini et.al, 2006). One of the causes for the failure of auditors to detect fraud results in low audit quality.

Some phenomena of fraud in Indonesia that occur in BUMN, such as the bribery case of the former President Director of PT INTI against the former Director of Finance of PT Angkasa Pura (AP) II related to the procurement of baggage handling system (BHS) Angkasa Pura II amounting to 71,000 USD (IDR 988 million) and 96 .700 SGD (IDR 996 million). The bribe was given so that Angkasa Pura II sought PT INTI to carry

out the work in the procurement and installation of a semi baggage handling system (BHS) at several airports located in the AP II branch area (Nasional Kompas , 2020). Furthermore, the alleged corruption case at PT Asuransi Sosial Angkatan Bers Revolusi Republik Indonesia or PT Asabri (Persero) (Wartaekonomi, 2020). Besides, the corruption case occurred at PT Dirgantara Indonesia, the former President Director of PT Dirgantara Indonesia and the former Assistant Director of the Government's Business Sector, PT Dirgantara Indonesia, were named as suspects in the alleged corruption case at PT DI which is suspected of causing state financial losses of IDR 205.3 billion and 8.65 million US dollars for carrying out fictitious sales and procurement, the money is money paid by PT DI to six partner companies or agents that work with PT DI even though the partner or agent has never done the job (Nasional Kompas, 2020).

One of the roles of a quality internal auditor is to participate in assisting the company to minimize errors that may occur or are also called a preventive action before an error occurs which may trigger a very significant problem so that it can cause loss to the company. Also, in detecting weaknesses, fraud, and irregularities that occur in the company, an internal auditor must have the expertise and ability (Hery, 2010).

The role of the Internal Audit Unit (SPI) in BUMN is regulated in Law No. 19 of 2003 article 67. The internal control unit has the task of assisting the president director, to carry out internal audits of SOE operations and finances as well as to provide an assessment of the control, management, implementation, and providing recommendations for improvement of BUMN Because of his assignment to assist the president director, the internal control unit is responsible for his work also to the president director.

Internal auditors who have poor performance can trigger problems in BUMN companies in Indonesia. Even though the Ministry of BUMN strategically sees the role of the Internal Supervisory Unit in the future, it is hoped that it can implement independence, competence, and objectivity, so that it can guarantee the results of activities and quality internal supervision (Wibowo, 2010). This condition makes the Internal Control Unit have a strategic role to ensure the achievement of the goals of establishing BUMN (Sulistiowati, 2017)

Audit quality is a possibility for an auditor to discover and report activities of violating accounting systems. Besides, the possibility of the auditor finding misstatements will depend on his competence. Quality audits, namely audit activities carried out by competent and independent people. Competent auditors are auditors who have the technological know-how, understand and use appropriate audit methods. Furthermore, independent auditors, namely auditors, if they get violations, independently report or it can be said that the independence of auditors depends on the level of competence they have (De Angelo, 1981).

The results of previous research that have been conducted by (Ayuningtyas, 2012), (Parasayu & Rohman, 2014), (Nugroho, 2017) and (Taman et al., 2018) can explain that the factors that affect the quality of internal audit include independence, objectivity, knowledge, work experience, integrity, audit ethics, and organizational commitment. From various previous studies regarding the quality of the internal audit,

showed different and inconsistent results. This study was conducted to re-examine the consistency of internal auditors in maintaining and maintaining audit quality.

Based on the background of the problem, the problem statement in this study is: How much direct and indirect influence does objectivity have on the quality of the internal audit, how much direct and indirect influence does integrity have on the quality of the internal audit, how much direct and indirect influence does competence have on the quality of the internal audit?

METHODS

Attribution theory is used in research because researchers want to carry out empirical studies to determine the factors that influence auditors' expectations of audit quality. devoted to the personal characteristics of auditors, namely an internal factor that encourages a person to carry out an activity which is one of the factors influencing audit quality.

Internal audit is an assessment function in an organization with a systematic and orderly approach in evaluating the effectiveness of the organization's operations that are objective and independent. Furthermore, internal audit quality is a process in ensuring that internal auditors follow and are consistent with applicable audit standards in carrying out audit tasks ranging from planning to follow-up monitoring to achieve the best quality results.

Objectivity is a mentality that is free from any kind that can lead to conflicts of interest with the organization and always discloses activities that are reviewed according to the existing facts or evidence. Integrity is a consistent attitude and obedience to norms and a professional code of ethics. Furthermore, competence is a collaboration from the aspects of knowledge, skills, and work attitudes that are owned to be able to achieve tasks.

The object of research is everything in whatever form is defined that can be studied and then the researcher draws conclusions (Sugiyono, 2016). This study consists of independent variables: objectivity (X1), integrity (X2), competence (X3), and the dependent variable: Internal Audit Quality (Y).

The research method uses descriptive verification method with the quantitative approach is a method that aims to get a description of the characteristics of the variables under study by testing the truth of a hypothesis determined through data collected from the field in the form of a population or a sample determined by collecting data using research instrument, data analysis is quantitative. This method is used to test the effect of objectivity, integrity, competence on the quality of internal audit. As well as testing of each hypothesis that has been determined, the hypothesis is accepted or rejected.

Operationalization of the variables in this study are

1. Objectivity variable with indicators, namely: impartial, intellectually honest, and free from conflict. (Agoes and Ardana, 2014)

2. Integrity variables with indicators, namely: auditor honesty, auditor courage, auditor wise attitude, and auditor responsibility (Mulyadi, 2014).
3. Competency variable with indicators, namely: Knowledge, Skills, and Attitude (Agoes and Ardana, 2014)
4. Internal audit quality variables with indicators, namely: audit function management, assignment scope, assignment planning, assignment implementation, engagement results communication, follow-up monitoring, and risk acceptance resolution by management. (Internal Audit Professional Standards, 2005).

The population in this research is BUMN in Indonesia. The method of sampling in this study is to use purposive sampling with the criteria in this study are as follows:

1. Internal Auditor and audit committee working in BUMN
2. BUMN headquartered in West Java Province because West Java Province is the most corrupt region in 2019

There are 10 SOEs (BUMN) headquartered in West Java, including: PT Bio Farma, PT Pos Indonesia, PT Industri Telekomunikasi Indonesia (Persero), PT Len Industri (Persero), PT Pindad (Persero), PT Dirgantara Indonesia, PT Indah Karya (Persero), PT Kereta Api Indonesia (Persero), PT Indofarma (Persero) Tbk, PT Amarta Karya.

The type of data used in this study is the primary data source. Primary data, in this study used in the form of a questionnaire. The technique of collecting data is by distributing a questionnaire list. In this study, the questionnaire was filled with: internal auditor unit and an audit committee at each BUMN in West Java.

This study uses path analysis to test the path construct whether it is empirically tested or not. Further analysis is carried out to see the direct and indirect effect of a set of independent (exogenous) variables on the dependent variable (endogenous), namely measuring the magnitude of the influence of the objectivity (X1), integrity (X2), and competence (X3) variables. The data were processed using the Statistical Package for Social Sciences (SPSS) program.

RESULTS AND DISCUSSION

A validity test is conducted to test the validity of each statement item in measuring the variable. The correlation technique used to test the validity of the statement items in this study is Pearson Product Moment. If the correlation coefficient value of the statement item being tested is greater than the critical value of 0.3, it can be concluded that the statement item is a valid construct.

As for the results of the questionnaire validity test for the variables studied, all statement items have a validity coefficient that is greater than critical 0.3, so that these items are suitable for use as a measuring tool in research and can be used for further analysis. So it can be concluded that all statement items that are declared valid can be used in further analysis.

Reliability testing is done by testing the instrument only once, then analyzed using the Alpha-Cronbach method. The questionnaire is said to be reliable if the reliability

coefficient is positive and is greater than 0.6. The results of the reliability test showed that the reliability value of the statement items on the questionnaire for each variable being studied was greater than 0.6. These results indicate that the items in the questionnaire are reliable for measuring the variables.

The following results of the calculation of the direct and indirect effect test can be seen in the table as follows:

Table 1. Test of Direct and Indirect Effect of Objectivity (X1), Integrity (X2), and Competence (X3) on Internal Audit Quality (Y)

Variable	Path Coefficient	Direct Influence	Indirect influence through:			Indirect Influence	Total Influence
			X ₁	X ₂	X ₃		
X ₁	0.184	3.4%	-	2.0%	1.0%	2.9%	6.3%
X ₂	0.415	17.2%	2.0%	-	10.0%	11.9%	29.2%
X ₃	0.404	16.3%	1.0%	10.0%	-	10.9%	27.2%
Total Pengaruh							62.7%

Source: data that has been processed by the author 2021

Table 1 shows that the variable Objectivity (X1) has a direct impact of 3.4%, and the influence of walking k directly by 2.9%. Furthermore, the total effect of Objectivity (X1) of the Quality of Internal Audit (Y) amounted to 6.3% .

Variable Integrity (X2) has a direct influence by 17.2%, and the influence of walking k indirectly, of 11.9%. Furthermore, the total effect of Integrity (X2) te rhadap Quality of Internal Audit (Y) amounted to 29.2%.

Variable Competence (X3) has an influence indirectly, of 16.3%, and the influence of walking k indirectly, of 10.9% . Furthermore, the total effect of Competence (X3) of the Quality of Internal Audit (Y) amounted to 27.2%.

The total effect of Objectivity (X1), Integrity (X2), and Competence (X3) of the Quality of Internal Audit (Y) obtained by the value of R² of 6. 3% + 29.2% + 27.2% = 62.7%, while the k 's the rest (ε) or other variables that tide k investigated the influence Kua litas Internal Audit (Y) amounted to 37.3%.

Through the values shown in Figure 4.27, it can be calculated that the influence of each variable Duk Objectivity (X1), Integrity (X2), and Competence (X3) on Internal Audit Quality (Y) can be calculated.

$$Y = 0.184 * X_1 + 0.415 * X_2 + 0.404 * X_3 + 0.373$$

The path diagram image of the calculation results is as follows:

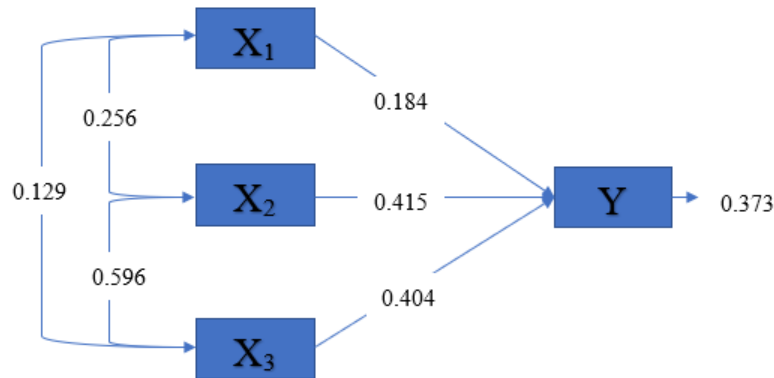


Figure 1. The Path Diagram of Objectivity (X1), Integrity (X2), and Competence (X3) toward Internal Audit Quality (Y)

Source: data that has been processed by the author 2021

After the path coefficient is calculated, then a significance test is carried out for each research hypothesis.

Effect of Objectivity (X1) on Internal Audit Quality (Y). The hypothesis to be tested is the effect of objectivity (X1) on the Quality of Internal Audit (Y), then it is partially tested with the following hypothesis.

$H_0 : \rho_{YX_1} \leq 0$; Objectivity (X1) has no significant positive effect on Internal Audit Quality (Y).

$H_1 : \rho_{YX_1} > 0$; Objektivity (X₁) has significant positive effect on Internal Audit Quality (Y).

The results of this calculation are following the results of calculations using SPSS, with the following results:

Table 2. Testing Results from The effect of Objectivity (X1) on the Quality of Internal Audit (Y)

Path Coefficient	T _{count}	t _{table} (db:28)	p-value	H ₀	H ₁
0.184	1.542	1.701	0.134	Received	Rejected

Source: data that has been processed by the author (2021)

Based on the test results in the table above can be seen the value of t_{hitung} variable Objectivity (X₁) of 1.542 and value p -value of 0.134. Because the value of t_{hitung} 1.542 < t_{tabel} 1.701 and p -value (0.134) > 0.05 it was decided to accept H₀ so that H₁ was rejected.

The path coefficient of 0.184 is positive, so the results of this test provide empirical evidence that the higher or better the objectivity (X₁) will increase the Quality of Internal Audit (Y). Based on the test results, it can be concluded that Objectivity (X₁) has no significant positive effect on Internal Audit Quality (Y).

The Effect of Integrity (X₂) on the Quality of Internal Audit (Y). The hypothesis to be tested is the effect of Integrity (X₂) on the Quality of Internal Audit (Y), then it is tested partially with the following hypothesis.

H₀: $\rho_{YX_2} \leq 0$; Integrity (X₂) has no significant positive effect on Internal Audit Quality (Y).

H₁: $\rho_{YX_2} > 0$; Integrity (X₂) has a significant positive effect on Internal Audit Quality (Y).

The results of this calculation are following the results of calculations using SPSS, with the following results:

Table 3. Testing Results from The effect of Integrity (X₂) on the Quality of Internal Audit (Y)

Path Coefficient	T _{count}	t _{table (db:28)}	p-value	H ₀	H ₁
0.415	2.811	1.701	0.009	Rejected	Received

Source: data that has been processed by the author 2021

Based on the test results in the table above can be seen the value of t_{hitung} variable Integrity (X₂) of 2.811 and value p -value of 0.009. Because the value of t_{hitung} 2.811 < t_{tabel} 1.701 and p -value (0.009) < 0.05 it was decided to reject H₀ so that H₁ was accepted.

The path coefficient of 0.415 is positive, so the results of this test provide empirical evidence that the higher or better the integrity (X₂) will improve the Quality of Internal Audit (Y). Based on the test results, it can be concluded that Integrity (X₂) has a significant positive effect on Internal Audit Quality (Y).

Effect of Competence (X₃) on Internal Audit Quality(Y). The hypothesis to be tested is the influence of competence (X₃) on the quality of internal audit (Y), then it is tested partially with the following hypothesis:

H₀: $\rho_{YX_2} \leq 0$; Competence (X₃) has no significant positive effect on Internal Audit Quality (Y).

H₁: $\rho_{YX_2} > 0$; Competence (X₃) has a significant positive effect on Internal Audit Quality (Y).

The results of this calculation are following the results of calculations using SPSS, with the following results:

Table 4. Testing Results from The effect of Competence (X₃) on the Quality of Internal Audit (Y)

Path Coefficient t	T _{count}	t _{table (db:28)}	p-value	H ₀	H ₁
0.404	2.805	1.701	0.009	Rejected	Received

Source: data that has been processed by the author 2021

Based on the test results in the table above can be seen the value of t_{hitung} variable Competence (X_3) of 2.805 and value p -value of 0.009. Because the value of t_{hitung} 2.805 < t_{tabel} 1.701 and p -value (0.009) < 0.05 it was decided to reject H_0 so that H_1 was accepted.

The path coefficient of 0.404 so the results of this test provide empirical evidence that the higher or better the competence (X_3) will increase the Quality of Internal Audit (Y). Based on the test results, it can be concluded that Competence (X_3) has a significant positive effect on Internal Audit Quality (Y).

The Effect of Objectivity (X_1), Integrity (X_2), and Competence (X_3) on the Quality of Internal Audit (Y). The fourth hypothesis to be tested is the effect of Objectivity (X_1), Integrity (X_2), and Competence (X_3) on Internal Audit Quality (Y), so it is tested simultaneously with the following hypothesis.

H_0 : $\rho_{YX_1X_2X_3}=0$; Objektivity (X_1), Integrity (X_2), and Competence (X_3) has no significant positive effect on Internal Audit Quality (Y).

H_1 : $\rho_{YX_1X_2X_3}\neq 0$; Objektivity (X_1), Integrity (X_2), and Competence (X_3) has a significant positive effect on Internal Audit Quality (Y).

The results of this calculation are following the results of calculations using SPSS, with the following results:

Table 5. Testing Results from the Effect of Objectivity (X_1), Integrity (X_2), and Competence (X_3) on the Quality of Internal Audit (Y)

R Square	F_{count}	f_{table} (db:28)	p-value	H₀	H₁
0.627	15.677	2.947	0.000	Rejected	Received

Source: data that has been processed by the author 2021

According to the table obtained value of F_{hitung} amounted to 15.677. This value will then be compared with the F value in the F distribution table. For $\alpha = 5\%$, $df_1 = k = 3$, and $df_2 = n - k - 1 = 32 - 3 - 1 = 28$, the F_{tabel} value is 2.947.

Base on table it can be seen that the F_{hitung} value is bigger than F_{tabel} value (15.677 > 2.947), So H_0 rejected and H_1 accepted, meaning that there is a significant positive influence from Objectivity (X_1), Integrity (X_2), and Competence (X_3) simultan on Internal Audit Quality (Y).

The relationship between Objectivity (X_1), Integrity (X_2), and Competence (X_3). Based on the results of data processing, the correlation coefficient between Objectivity (X_1), Integrity (X_2), and Competence (X_3) is obtained, which can be seen in the table below.

Table 6. Correlation Coefficient between Objectivity (X₁), Integrity (X₂) and Competence (X₃)

Variable	Correlation Coefficient	Relationship	<i>p-value</i>
X ₁ ↔X ₂	0.256	Low	0.079
X ₁ ↔X ₃	0.129	Very Low	0.242
X ₂ ↔X ₃	0.596	Strong Enough	0.000

Source: data that has been processed by the author 2021

From the table above the correlation coefficient between Objectivity (X₁) with Integrity (X₂) of 0.256. This value shows that there is a low relationship between Objectivity (X₁) and Integrity (X₂). The direction of the relationship is positive, which shows a unidirectional relationship pattern, which means that when there is an increase in objectivity (X₁) it will be followed by an increase in integrity (X₂), and vice versa. The *p-value* obtained is 0.079 which is obtained from the SPSS output. When compared with $\alpha = 5\%$ or 0.05, the *p-value* > 0.05, so that H₁ is rejected, it means that there is no significant positive relationship between objectivity (X₁) and integrity (X₂).

The correlation coefficient between Objectivity (X₁) with Competence (X₃) of 0.129. This value indicates that there is a very low relationship between Objectivity (X₁) and Competence (X₃). The direction of the relationship is positive, which shows a unidirectional pattern of relationships, which means that when there is an increase in Objectivity (X₁) it will be followed by an increase in Competence (X₃), and vice versa. The *p-value* obtained is 0.242 which is obtained from the SPSS output. When compared with $\alpha = 5\%$ or 0.05, the *p-value* > 0.05, so that H₁ is rejected, it means that there is no significant positive relationship between objectivity (X₁) and competence (X₃).

And the correlation coefficient between Integrity (X₂) with Competence (X₃) of 0.596. This value indicates that there is a strong enough relationship between Integrity (X₂) and Competence (X₃). The direction of the relationship is positive which shows a unidirectional pattern of relationships, which means that when there is an increase in Integrity (X₂) it will be followed by an increase in Competence (X₃), and vice versa. The *p-value* obtained is 0.000 obtained from the SPSS output. When compared with $\alpha = 5\%$ or 0.05, the *p-value* is <0.05, so that H₁ is accepted, it means that there is a significant positive relationship between Integrity (X₂) and Competence (X₃).

CONCLUSION

Based on the previous explanation, it can be concluded that objectivity has no significant positive effect on Internal Audit Quality, while Integrity and Competence have a significant positive effect on Internal Audit Quality. By simultan a significant positive effect on the objectivity, integrity, and competence of the Internal Audit Quality.

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