

## **Factors Affecting the Performance of Internal Auditors in Southeast Sulawesi, Indonesia**

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**Abstract:** *Inspection conducted by internal auditors oftentimes take on constraints, because of a sense of kinship, togetherness and humane considerations. Thus, the purpose of this study is to examine the relationship between auditor attitudes, auditor involvement, and spirituality on the performance of internal auditors. The study focuses on internal auditors and supervisors at the regional work unit of the Regional Inspectorate at the Regional Government of Southeast Sulawesi, Indonesia. Questionnaires adapted from previous studies and theoretical studies were distributed to 172 respondents, but 144 questionnaires could be used in this study. It is hoped that the findings of this study will contribute to the existing literature for both theoretical and managerial approaches to better understand the auditor's stance, auditor involvement, and spirituality in public organizations.*

**Keywords:** *Attitudes, involvement, spirituality, and performance of internal auditors*

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### **I. Introduction**

Report of Inspection Result of the Badan Pemeriksa Keuangan (BPK-RI) of Southeast Sulawesi Representative for the financial statements of the district / city government, and the provincial government of Southeast Sulawesi Fiscal Year 2014 and 2015, indicates that not all regions have obtained the best financial management predicate by obtaining an opinion "Unqualified Opinion". The quality of LKPD that caused WDP opinion was generally caused by not being complied with regulation especially related to regional financial management.

Increasing the amount of funds managed is inconsistent with the improvement of the quality of local financial management reflected local government LKPD. The quality of this LKPD has implications for deviations with the discovery of mistake procurement procedures in some areas. Examination conducted by the internal auditors usually finds obstacles in the implementation, because of a sense of kinship, togetherness and humane considerations are very prominent.

Another problem faced in improving the role of auditors is the improvement of attitudes or behavior of internal auditors in conducting examinations, so that supervision can run efficiently and effectively. Farmer's (1993) found a correlation between the auditor's evaluations of statistical test results, thereby explaining that the auditor's attitude did not show the difference of the internal auditors in performing their duties. Donnelly, Quirin, & O'Bryan, (2011) examines the auditor's acceptance of the behavior of members of the organization and personal beliefs of the auditor's willingness to engage in audit activities, so the audit attitude plays an important role in organizational success.

The gap between expectations and the reality of improving the performance of internal auditors is a problem facing public organizations. Increasing human resource capacity and regulatory improvements in the field of local financial management will produce quality financial report information, but in reality the quality and performance of local government auditors in Southeast Sulawesi, Indonesia has not shown good progress. Spira & Page (2003), Arrington et al., (1985) and de Moor & DE Beelde, (2005) recommend evaluating the involvement of internal auditors.

Improved performance of internal auditors empirically also determined by the factor of spirituality. Spirituality is one of the important factors that affect the satisfaction of life and heart, because most people make decisions with stressful thinking and highly dependent pattern of decision-making. The use of spirituality will allow one to think creatively, far-sighted so as to make spirituality very important to the internal auditors. The theories of spirituality have been developed so the need for spirituality can increase the complexity, financial challenges, and ethics facing organizations today.

The concept of spirituality today has grown rapidly, especially in the field of accounting, so that spirituality is considered as a variable that has an important position in research (Geigle, 2012). Spirituality is

becoming increasingly popular in the field of public organization. Spirituality has attachment, attraction, and togetherness with performance in work units and organizations (Subramaniam & Panchanatham, 2013). Various empirical studies and research phenomena have been proposed, then further put forward the purpose of research is to analyze the attitude of auditors, auditor involvement, spirituality to the performance of internal auditors.

## **II. Literature Review And Development Hypothesis**

### **2.1 The relationship between the attitude of the auditor on the performance of the internal auditor**

Recent accounting studies have altered the role of auditors, so it is important to reevaluate auditor skills, knowledge, and attitudes in a dynamic organizational environment (Siriwardane et al., 2014). Audit ethics, audit attitude, audit experience, audit changes and stakeholder expectations are defined as antecedents of audit competence. Professional value, professional ethics and attitudes as elements that can shape auditors to be more professional (Uachanachit, Ussahawanitchakit, & Pratoom, 2012). Claude and Zamor (2003), this research explaining about the attitudes of auditors to audit performance. Audit quality assessment is reflected in audit independence. If the auditor is independent in a mental attitude, the audit quality will have added value (Baotham & Ussahawanitchakit, 2009). On the basis of the above, the following hypothesis is proposed:

*H1.* Auditor attitudes have a positive and significant impact on the performance of internal auditors.

### **2.2 The relationship between the involvement of auditors on the performance of the internal auditor**

The influence of auditor involvement on the performance of internal auditors has been suggested by several previous studies, such as Spira & Page (2003) explaining that the role of internal auditors in managing corporate management risks demonstrates the importance of internal auditors' involvement in auditing. In evaluating the performance of auditors, Arrington et al. (1985) and de Moor & DE Beelde (2005) prioritize auditor responsibilities as a form of active involvement of auditors in different attribution models. Auditor respondents in Peytcheva and Gillett (2012) study believe that auditors with previous audit engagements are more likely to reject audit evidence than auditors who have no previous involvement. Thus, the following hypothesis is proposed:

*H2.* Auditor involvement has a positive and significant impact on the performance of internal auditors

### **2.3 The relationship between the spirituality of the performance of the internal auditor**

Hanafi (2010) found that spirituality had a significant impact on improving the performance of auditors at public accounting firms. Public organizations tend to use criteria more related to personal values and performance criteria, such personal values as spirituality (Subramaniam & Panchanatham, 2013). Geigle (2012), in his study states that performance is determined by the high spirituality of a person. In line with this the following hypothesis is proposed in regard to the positive outcome of transfer of training:

*H3.* Spirituality has a positive and significant influence on the performance of internal auditors.

## **III. Methodology**

### **3.1 Population and Sample**

The population in this study is the internal auditor and supervisor of the regional apparatus unit (SKPD) of the Regional Inspectorate at the Regional Government in Southeast Sulawesi consisting of 13 districts / municipalities and provinces that have long been established and not a new District or New Autonomous Region (DOB). The sample in this study is the internal auditor and supervisory inspectorate area of 182 people and spread in 13 SKPD. The sampling technique used in this research is purposive sampling technique.

### **3.2 Research design**

This research is designed to answer the problems that have been formulated, the goals to be achieved and simultaneously test the hypothesis. The object of this research is conducted at Local Government in Southeast Sulawesi with technique used is survey method. The type of this study in terms of research purposes is explanatory research (explanatory research). The approach used to analyze is a quantitative approach. This includes quantitative analysis as the main method and explanation as a support method.

### **3.3 Measurement**

**3.3.1 Auditor's attitude.** This variable is measured by indicators: a) accepting the task despite its heavy workload, b) working hard without expecting praise from the leader, c) the auditor's desire to develop themselves proactively, d) proactive in solving all problems (Becker, 1960).

**3.3.2 Auditor involvement.** These variables are measured by indicators: a) Implement monitoring of follow-up and auditing of auditor results, b) Accepting with open arms any assignment of internal and external monitoring teams, c) Providing legislation relating to financial governance (Staw & Salancik, 1977).

3.3.3 Spirituality. This variable is measured by a) the formation of personal meaning, b) expansion in the conscious state, c) existential critical thinking, d) meaningful work, and e) community at work (King & DeCicco, 2009).

3.3.4 Performance of internal auditors. This variable is measured by a) quality of work, b) quantity of work, c) policies & procedures, and d) communication (Blumberg & Pringle, 1982).

## IV. Results

### 4.1 Demographic profile of respondents

The respondents' gender characteristics consisted of male category (57.0%) and female category (43.0%). This condition indicates the high role of men in the world of work, especially as internal auditors. In characteristic age of respondent (auditor) consist of category less than 30 years (37,2%) and category more than 31 years (62,8%). The age of respondents over 31 years is the dominant respondent participated in this study. The last education of internal auditors is a bachelor with a percentage of 59.9% and the level of secondary education as much as 40.1%. Each work experience of the internal auditor has a normative effect on the way of thinking, or action as a result of formal education (recent educational level) it obtains. Working period of less than 7 (seven) years as much as 27.9%, while the working period of respondents more than 8 (eight) years as much as 72.1%. This condition is very important for researchers to assess the level of auditor performance.

### 4.2 Regression Analysis

The result of regression equation of this research is  $Y = 1,344 + 0,243.x_1 + 0,201.x_2 + 0,211.x_3$ . The constant value is 1.344 which means that if there is no change in the attitude of the auditor, auditor involvement, and spirituality increased positively by 1,344 points. The value of the coefficient of the auditor's attitude is 0.243 which means that if the auditor's attitude variable increases for one unit then the internal auditor's performance will increase by 0.243 points with the assumption that the value of the other independent variable is fixed. The value of the coefficient of auditor involvement is 0.201 which means that if the auditor's involvement variable increases for one unit then the internal auditor's performance will increase by 0.201 point with the assumption that the value of the other independent variable is fixed. The value of spirituality coefficient is 0.211 which means that if spirituality variable increase for one unit then internal auditor performance will increase equal to 0,211 point with assumption that value of other independent variable is fixed.

Based on the value of F is reported at 8,563 with a significance level of 0.000. Auditor attitudes, auditor involvement, and spirituality affect the performance of internal auditors. Adjusted R Square points to a value of 0.137 which means that 13.7% of internal auditor performance variations can be explained by the auditor, auditor involvement, and spirituality.

## V. Conclusion

Performance improvement is very important for public organizations to apply to internal auditors. The most important thing in this research is that the auditor's attitude, auditor involvement, and spirituality can help government organizations to identify issues related to auditor performance. The purpose of this study is to analyze the attitudes of auditors, auditor involvement, and spirituality to the performance of internal auditors. Therefore, the organization and local government will understand the needs and problems faced by internal auditors, so it needs to focus on improving the quality of attitudes, involvement, and spirituality in order for internal auditors to remain productive. This research seeks to provide theoretical and practical contributions to the literature, and also provides some implications for future research.

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**Regression**

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	X3, X1, X2 <sup>b</sup>		.Enter

- a. Dependent Variable: Y
- b. All requested variables entered.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.394 <sup>a</sup>	.155	.137	1.03357

- a. Predictors: (Constant), X3, X1, X2

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.443	3	9.148	8.563	.000 <sup>b</sup>
	Residual	149.557	140	1.068		
	Total	177.000	143			

- a. Dependent Variable: Y
- b. Predictors: (Constant), X3, X1, X2

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.344	.518		2.596	.010
	X1	.243	.085	.224	2.876	.005
	X2	.201	.094	.183	2.149	.033
	X3	.211	.101	.178	2.092	.038

- a. Dependent Variable: Y

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