

Determinant of Internal Auditor Performance through Locus of Control, Leadership Style, and Emotional Intelligence

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Abstract:

Background: To increase the internal auditor performance there are several things might be affecting the enhancement of their performance. So, the Study aim to examine and analyze the effect of locus of control, leadership style, and emotional intellectual on internal auditor performance.

Methods: Population of this study are taken from private collage on Makassar City, which from private university with 2 year experiences on internal audit. Sample on this study used purposive sampling technique and there are 4 private university that qualify with 65 auditor internals as response. Data are analyzed by linear multiple analysis.

Result: Result of this study indicate that locus of control, leadership style, and emotional intellectual affect auditor internal performance.

Conclusion: Internal auditor who has locus of control internal, appropriate leadership style, with good emotional intellectual will be motivated to solve the task. These factors will impact internal auditor performance.

Keywords: Locus of Control, Leadership Style, Emotional Intellectual, internal Auditor Performance.

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I. Introduction

An entity or organization will have a good consideration if the entity has integrity and a good internal environment. One of the successes and progress of an entity or organization can be achieved by having an internal auditor who has good performance. Internal audit findings can be used as a reference for conducting effective and efficient evaluations in organizational development. A good internal auditor performance is not only needed for a profit-making organization but also needed for non-profit organizations such as private universities.

Internal auditors will assist private universities in the process of preparing accountability reports for assistance received to be submitted to the ministry. The obligation of private universities to provide reports to the minister or appointed official at the same time to be responsible for the assistance received is contained in the government regulation Pasal 11 no. 39 in 1982.¹³ Based on Government Regulation of the Republic of Indonesia No. 39 in 1982, assistance that can be received by private universities (PTS) is financial assistance, educators with the status of civil servants (PNS), educational facilities and infrastructure, and other assistance according to private university needs.¹³ The assistance that has been provided is expected to be used to improve the quality of private universities and the ministry or appointed officials can evaluate the quality improvement of university through reports produced by private universities for their responsibility.

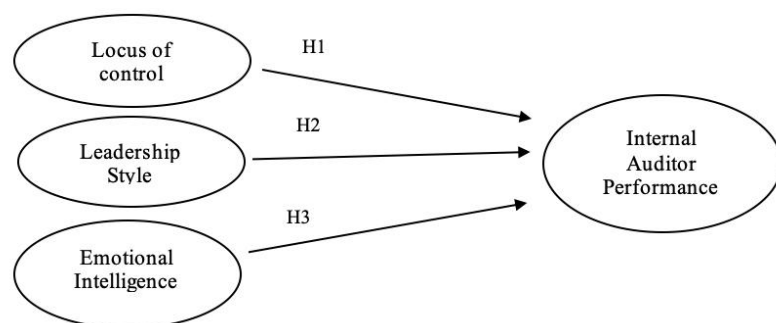
Good performance of internal auditors is needed in improving the quality of university. According to Edy Suandy Hamid a higher education management expert stated that many universities are not serious or conduct internal quality audits only as a formality. This considered not provide the benefits on future campus development efforts because if the audit is carried out properly it will identify deficiencies that need to be corrected in the future. If universities do not carry out internal audits seriously, the role of the ministry of education and culture to improve the quality of higher education cannot do much. The role of internal auditors is for helping to improve the quality of higher education through seriousness when conducting internal audits which will produce findings that can be used as evaluation material for improving campus quality.¹⁰ An internal auditor who is responsible for his duties will certainly produce a good performance.

Performance is a mix of effort, opportunity, and a person's abilities that can be judged from the results he does.¹⁹. So that the performance of an internal auditor can be seen through the work he produces through the responsibilities he has given. Anderson et al. adopted from the IIA's Board of directors said that internal audit is an activity designed independently, objective assurance, and consulting to add value to the organization's operations.². Internal audit is an activity of examining financial statements and accounting records as well as their adherence to top management policies carried out by the company's internal audit section or the financial statements are checked for compliance with government regulations and applicable professional bond provisions.¹. It can be concluded that an internal audit is a series of objective assurance and consulting activities carried out by the company's internal audit department on company reports to comply with existing procedures and provisions to add value to the organization's operations. Internal audit is part of a company's internal control that can improve the performance, transparency, accountability, and value of a company so that the internal auditor is the person in charge of supervising internal control. To achieve the desired goals, it is necessary to have support encourage to the performance of internal auditors that affect their performance positively in task completion, problem-solving and organizational goals.

This study is a development of Djou and Fitri's research⁵ regarding the effect of competence and locus of control on the performance of internal auditors with the mediating variable of job satisfaction. Changes and additions to variables from previous studies are due to differences in results or inconsistencies in results from several previous studies. The independent variables used were locus of control, leadership style, and emotional intelligence. Locus of control according to Rotter is the level of individuals in expecting results and reinforcement of their behavior will depend on personal characteristics or their judgment.¹⁷. Gibson et al. define that the internal locus of control (internal locus of control) is a characteristic of individuals who consider their lives controlled by themselves while external locus of control is a characteristic of individuals who consider that their lives are controlled by external factors or factors from themselves such as luck or opportunity.⁹. Locus of control was chosen as one of the indicators because the author will see that the internal auditor in doing his job already has confidence in the internal locus of control. The internal locus of control was chosen because someone who has confidence in the internal locus of control will work harder to achieve success because they believe that they will determine their destiny, including when someone tries to complete the tasks and responsibilities assigned to him so that it will have an impact on improving his performance.

Leadership according to Riinawati is essentially a process of influencing or giving examples from leaders to followers to achieve organizational goals. When someone becomes a leader, they have their own leadership style to carry out the process of influencing and setting an example for their subordinates or followers.¹⁶. Leadership style is a characteristic used by leaders in influencing their subordinates to achieve organizational goals. It also can be said that leadership style is a pattern of behavior and strategies that are preferred and applied by a leader.¹⁶. Bhullar and Pushpinder in this section, review the concept of resilience and how is resilience understood inside the organization.³. A good leader will use organizational resilience to communicate tasks and direction to his staff. Organizational resilience will provide good internal strength to be able to overcome organizational problems that may exist in the future. This study uses the structure leadership style and the consideration leadership style as indicators. Ratnasari et al. define emotional intelligence as the ability of individuals to monitor their emotions and feelings both for themselves and others, and be able to distinguish between the two so that they can use the information to guide their thoughts and subsequent actions.¹⁵.

Conceptual Framework



Picture 1. Conceptual Framework

Hypothesis

Based on the research background that has been stated, the theoretical basis and the results of previous research, the following hypotheses are generated:

H1: Locus of control affects the performance of internal auditors

H2: Leadership style affects the performance of internal auditors

H3: Emotional Intelligence affects the performance of internal auditors

Locus of control, leadership style, and emotional intelligence are the independent variables used in this study. Internal auditor performance is the dependent variable in this study. The following is the operational definition used in this study.

Locus of Control

Locus of control or internal locus of control is a personal level of confidence in believing that the one who determines the fate and events that they experience in their life is themselves. The measurement of the locus of control variable instrument uses a five-point Likert scale measurement with internal locus of control indicators, namely: (1) likes to work hard; (2) high initiative; (3) trying to get a solution to the problem; (4) have the idea that to achieve success it takes effort to get it.⁴

Leadership Style

Leadership style is the way a leader guides and influences his subordinates to work together in achieving organizational goals. The measurement of the leadership style variable instrument uses a five-point Likert scale measurement with indicators adopted from Gibson (2000), namely: (1) consideran leadership style; (2) structure leadership style.¹²

Emotional Intelligence

Emotional intelligence is a person's ability to manage his emotions to understand his own feelings and those of others in order to relate and communicate with others well. This can help to complete the responsibility a person has been given to recognize his feelings and the feelings of others. The measurement of the emotional intelligence variable instrument uses a five-point Likert scale measurement with indicators (1) emotional awareness; (2) self-confidence; (3) motivation; (4) empathy; (5) social skills adopted from Erisna et al. (2012) which was replicated by Iswandi.¹¹

II. Research Method

This research is a quantitative research. The research design that will be used is a correlational study. Correlational research is research that will see and explain the relationship between variables.¹⁸ The population and sample of this study were taken from the internal auditor workforce at a private university under the auspices of LLDIKTI region IX in the city of Makassar. The criteria for determining the sample used in this study are as follows: (1) Private Universities within the scope of LLDIKTI IX in Makassar City that have carried out internal audits; (2) Internal auditors of private universities within the scope of LLDIKTI IX in Makassar City who have conducted internal audits for at least 2 years.

The data collection technique used in this research is by distributing questionnaires to the selected respondents (sample). The results obtained from the questionnaires that have been filled out by the respondents will be analyzed and processed as needed in the study to answer the researcher's questions. The questionnaire given in the form of questions divided into 4 segments related to locus of control, leadership style, emotional intelligence and performance of internal auditors.

Data Analysis Model

This study used multiple regression analysis method which aims to measure and determine the relationship between the dependent variable and several independent variables. The multiple regression analysis equation model that will be used is described as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Description:

Y = Internal Auditor Performance

α = Constant

β_1 = Regression coefficient of X1

β_2 = Regression coefficient of X2

β_3 = Regression coefficient of X3

X1 = Locus of Control

X2 = Leadership Style

X3 =Emotional Intelligence

III. Result

The data in this study were obtained by collecting primary data through questionnaires distributed to internal auditors at 4 (four) private universities in Makassar City, namely the Indonesian Muslim University, Bosowa University, Muhammadiyah Makassar University, and Makassar Islamic University.

The internal auditors of Private Universities (PTS) that are used as samples are private universities that have carried out internal audits for at least 2 years. The number of internal auditors of private universities that were sampled in this study were 65 people.

The questionnaire in this study was dominated by the age group of 20-35 years as many as 22 people (33.8%), the age group 46-55 years as many as 21 people (32.3%). As for the age group 36-45 years as many as 11 people (17%), age 56-65 years totaling 10 people (15.4%), and over the age of 65 years as many as 1 person (1.5%).

The last education of respondents in this study was divided into four parts, namely Strata 3 (S3) as many as 30 people (46.1%), Strata 2 (S2) as many as 28 people (43.1%), Strata 1 (S1) as many as 7 people (10.8%), and there is no respondent's last education which is Diploma 3 (D3). Respondents came from 4 private university institutions in the city of Makassar. Indonesian Muslim University (UMI) as many as 35 people (53.9%), Muhammadiyah Makassar University (UNISMUH) as many as 8 people (12.3%), Bosowa University (UNIBOS) as many as 17 people (26.1%), and Islamic University Makassar (UIM) as many as 5 people (7.7%).

The university's internal auditors who were respondents in this study had 15 people (23.1%)., 8%, over 15 years as many as 30 people (46.1%), and there was 1 respondent who did not fill in the length of work section. A total of 65 respondents answered that 24 people (36.9%), 20 people (30.8%), 5-6 years had worked for 1-2 years (15, 8%), 4%), 7-8 years as many as 5 people (7.7%), and over 10 years as many as 6 people (9.2%).

Test of Validity

Validity test serves as a tool to see whether a questionnaire is valid or not so that it can be seen to what extent the questionnaire can measure what is being measured. The validity test was measured using the SPSS application. Questionnaire is said to be valid if $R_{count} > R_{table}$. The R table value with a significance of 5% and the 63 df value is 0.244. Validity Test result of all variables are above the df value (0.244) and the result show all questions items valid.

Test of Reliability

The reliability test is used as a tool to measure the questionnaire which is an indicator of the variables. This study uses the Cronbach alpha statistical test to test the reliability with a one-time measurement. A variable is said to be reliable when it produces a Cronbach alpha value > 0.70 .

Table 1 Test of Reliability Result

Variable	Cronbach's Alpha	Description
<i>Locus of Control</i>	0.822	Reliable
Leadership Style	0.908	Reliable
Emotional Intelligence	0.883	Reliable
Internal Auditor Performance	0.887	Reliable

Test of Normality

Normality test will be calculated using the Kolmogrov-Smirnov test. The variable will be said to be normally distributed when the value of kolmogrov-smirnov is greater than 0.05. The results of the normality test of the data show a significance value of 0.200 which means it is greater than 0.05 so that the data is said to be normally distributed.

Test of Multicollinearity

Multicollinearity test serves to test a regression model to see the absence of correlation between independent variables. The data is said to have no multicollinearity when the tolerance value is ≥ 0.10 or the VIF value is ≤ 10 . Based on the results of the multicollinearity test, the tolerance value is above 0.10 and the VIF value is below 10 in all variables, so that the data is stated to have no multicollinearity.

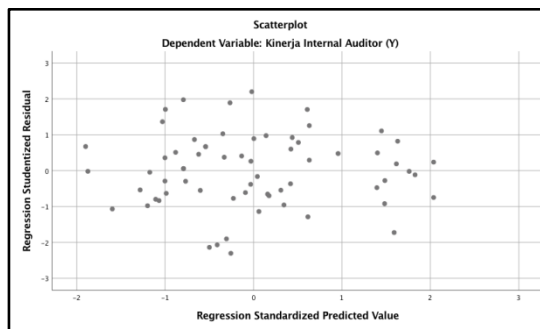
Table3 Test of Multicollinearity

Collinearity Statistics		
Model	Tolerance	VIF
1 (Constant)		
Locus of control (X1)	.376	2.663
Leadership Style (X2)	.465	2.150
Emotional Intelligence (X3)	.426	2.348

Test of Heteroscedasticity

The heteroscedasticity test serves as a tool to see the difference in the variance of a residual from one observation to another. This study uses a scatterplot graph as a means of detecting the presence of a heteroscedasticity.

The results of the heteroscedasticity test in the form of a dot pattern shown do not indicate a certain pattern but there is no clear pattern. The points are scattered randomly around the top and bottom of the number 0 on the Y axis. Based on table 9, it can be concluded that there is no heteroscedasticity or it is called homoscedasticity. A data is said to have no heteroscedasticity in it when the points on the scatterplot graph do not form a pattern (random) and are spread above and below the number 0 on the Y axis.



Picture 2 Test of Heteroscedasticity Result

Test of Adjusted R² (Coefficient of Determination)

Based on the results of the coefficient of determination of the locus of control variable, leadership style, and emotional intelligence to see the effect on internal auditors is 0.653. The results of the coefficient of determination test indicate that the locus of control has a value of 65.3% which means the ability of the three independent variables has a strong ability to explain the performance of internal auditors while the remaining 34.7% is the ability of other factors not tested on this study.

Test of Statistic T

T statistical test was used to see the effect of the independent variables individually in explaining the dependent variable. If the value of Ttable is lower than the value of Tcount, then the hypothesis H₀ can be accepted. The value of T table with a df value of 63 is 1,998 with a coefficient of 5%. Based on the results of the T test, it can be concluded that the locus of control, leadership style, and emotional intelligence variables have a significant positive effect on the performance of internal auditors.

Table5 Test of Statistic T Result

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.984	4.880		.407	.686
	Locus of control (X1)	.462	.177	.314	2.609	.011
	Gaya kepemimpinan (X2)	.468	.141	.358	3.314	.002
	KecerdasanEmosional (X3)	.287	.133	.244	2.158	.035

IV. Discussion

The influence of locus of control on the performance of internal auditors

Based on the results that have been presented, the T_{count} value of 2.609 is greater than the T_{table} value of 1.998 and the significance value is below 0.05 with a value of 0.011. Thus, it can be concluded that the internal locus of control has a significant positive effect on the performance of internal auditors and the first hypothesis can be accepted. This result is supported by the results of previous research by Djou and Fitri⁵ and Dewi⁴ which state that locus of control has a positive influence on the performance of internal auditors. Someone who has an internal locus of control will work hard to carry out their duties and responsibilities because they believe that those who determine the events that occur in their lives are caused by themselves.

Owned internal locus of control will improve the work of an internal auditor. This proves that internal locus of control can improve work results which will have an impact on the performance of internal auditors which will increase. Owned internal locus of control will encourage a high sense of desire to complete the tasks assigned to internal auditors.

The Influence of Leadership Style on Internal Auditor Performance

Based on the results that have been presented, the results of the T_{count} value of 3.314 are greater than the T_{table} value of 1.998 and the significance value is below 0.05 with a value of 0.002. So, it can be concluded that leadership style has a significant positive effect on the performance of internal auditors and the second hypothesis can be accepted. These results are supported by the results of research by Majid et al. and Nuraini¹² who state that leadership style has a positive effect on the performance of internal auditors. When someone feels suitable or in harmony with the leadership style used by the leader, they will be motivated to complete the given task so that the results obtained will be good which will have an impact on one's performance.

Alignment of the leadership style used by a leader against internal auditors will support work results. This proves that the alignment of leadership styles will have an impact on the performance of an internal auditor. Alignment of the leadership style used by the leader with the internal auditor will increase the motivation of the internal auditor to complete the assigned task.

The Influence of Emotional Intelligence on Internal Auditor Performance

Based on the results that have been presented, the T_{count} results are 2.158, which is greater than the T_{table} value of 1.998 and the significance value is below 0.05 with a value of 0.035. So, it can be concluded that emotional intelligence has a significant positive effect on the performance of internal auditors and the third hypothesis can be accepted. This result is supported by the results of research by Dwijaet. al⁶ and Ratnasari and Widyah¹⁵ which state that emotional intelligence has a positive effect on the performance of internal auditors.

Someone who has good emotional intelligence is able to manage emotions in dealing with other people, motivate themselves and recognize their own feelings and those of others so that internal auditors are able to control emotions to work with colleagues, including communicating. Internal auditors will be able to understand and feel the meaning of their emotions (self-awareness), able to manage emotions (self-management), able to feel the feelings or emotions of others (social-awareness), able to manage the emotions of others (relationship management) at work. Emotional intelligence possessed by internal auditors will support and improve the resulting performance. This proves that good emotional intelligence will have an impact on the work produced by internal auditors to complete the tasks given.

V. Conclusions

The results of this study state that internal locus of control, leadership style, and emotional intelligence affect the performance of internal auditors. Internal locus of control can affect the performance of an internal auditor. The belief in the internal locus of control that is owned by an internal auditor will encourage success, so that it can produce good performance. Someone who has an internal locus of control believes that everything that happens to him is caused by himself. Internal auditors will also feel motivated to carry out their duties and obligations when they feel they are compatible with the leadership style used by their leaders. The results of this study found that leadership style has a significant positive effect on the performance of internal auditors. Emotional intelligence possessed by a good internal auditor will also be able to understand and feel the meaning of their emotions (self-awareness), able to manage emotions (self-management), able to feel the feelings or emotions of others (social-awareness), able to manage the emotions of others (relationship management).

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