

Determinants of Internal Audit Effectiveness and Implication on Corruption Prevention in The Religious Ministry

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Abstract

This study aims to examine and analyze the influence of auditor competence, independence of internal audit organization, relationship between internal and external auditors, management support to the effectiveness of internal audit, and the effect of internal audit effectiveness on the corruption in Inspectorate General of Ministry of Religious Affairs RI involving 152 respondents. The analysis method employed PLS (Partial Least Square) by utilizing SmartPLS 2.0 software. The result of the research shows that there is positive influence of the auditor competence, independence of internal audit organization, relationship between the internal and external auditors, and management support to the effectiveness of internal audit. This study proves that the effectiveness of internal audit tends to decrease corruption. In addition, this study also supports the Inspectorate General of Ministry of Religious Affairs as part of the governance of Kemenag organizations can help fight corruption.

Keywords: internal audit effectiveness, corruptions

INTRODUCTION

Breaking down the issue of corruption in Indonesia is certainly not an easy matter. Law enforcement efforts have been carried out by government agencies such as the KPK, the Attorney General's Office, and the Indonesian Police towards corrupt perpetrators. Ironically these efforts have seemingly not been able to dampen the practice of corruption in many government agencies. Eradication of corruption must be undertaken through prosecution and prevention. Law enforcement actions after corruption need to be balanced with serious corruption prevention and cooperation from all parties. [1] revealed that in handling corruption, preventing corruption is much better than taking action against the perpetrators of corruption. This is because the prevention of corruption requires less cost, time and effort, and the results achieved are more optimal compared to the action of detenting the perpetrators [2]. The synergy of both efforts will result in a deterrence effect and a large/long-term impact.

Efforts to prevent corruption can be made by strengthening the function of both external oversight bodies (BPK) and internal one

(Government Internal Control Apparatus). The results of a study conducted by [3] confirmed that internal auditors pay more attention to their responsibilities related to reporting the occurrence of fraud in the organization than external auditors. According [4] internal auditors have more experience than external auditors in the prevention and detection of fraud (specifically: corruption) in the organization. Internal auditors have an in-depth knowledge of organizational culture, policies, and procedures as opposed to external auditors. Hence, internal auditors generally have more knowledge on possible fraud in the organization [2].

The results of research conducted by [5] asserted that organizations that have an effective internal audit function tend to be better than those that do not have the function, especially for the detection and prevention of fraud. Other study results, such as from [6], [7], [8], and [9] also revealed that the existence of internal audit function is relatively strategic because it can detect any fraud risk that may occur in the organization.

The effectiveness of internal audit lies in the ability of the auditors in achieving the goals and objectives desired or defined, so it can enhance organizational operations [10] and [11]. According [12] the effectiveness of internal audit can be measured from the aspects of the internal audit function to: plan, increase organizational productivity, assess consistency between outcomes with defined goals and targets,

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implement audit recommendations, evaluate and improve risk management, evaluate the internal control system, and provide recommendations for improvement. Meanwhile, [13] used the internal audit effectiveness function to convince stakeholders of transparency, integrity, quality and improvement in audit services.

Currently, according [14], the effectiveness of internal auditing has become a mandatory tool for achieving effective control of both public and private organizations. This control aims to find whether the objectives of an organization have been fulfilled, that is to achieve good organizational governance [15], including identifying the risks faced by the organization [16], one of which is the risk of corruption that may occur in the organization.

Research conducted by [17] found that the effectiveness of internal audits influenced the corruption in Ghana's public sector. The results of this study indicated that the effectiveness of internal audit can detect corruption practices early so that internal auditors can make prevention efforts. However, corruption is not likely to be completely lost [18] [2].

The effectiveness of internal audit will not be achieved if there are no variables that support it, including competence in the form of skill, experience, technical knowledge, and behavior skill audit [13] [19] [12] [20]. Research conducted by [21] found the cause of the failure of internal audit in the Sudanese public sector which was due to the low level of training and expertise of audit staff.

Independence is a much-studied factor, among them by [22], [23], [14], [12], and [20] which entirely stated that independence has an influence on the effectiveness of internal audit. Independence becomes one of the variables that has a positive relationship and can add value to the organization by maintaining neutrality in audit activities [24].

Research carried out by [12] revealed that the relationship between internal and external auditors affects the effectiveness of internal audit. Previous research has shown that cooperation between appropriate internal and external auditors will improve the efficiency and effectiveness of audits and help management to provide qualified public services. The lack of cooperation between internal and external auditors is identified as a factor influencing the quality of public sector audits in developing countries [21].

Another important variable that can affect the effectiveness of internal audit is management support. According [14], [12], and [20] management support becomes the dominant factor in influencing the effectiveness of internal audit. Management provides sufficient resources in the form of financial support for recruiting trained and experienced internal auditors, improving internal auditor skill by providing training to be a competent auditor, as well as enhancing cooperation with external auditors [14] [12]. Other results of the study, such as from [25] highlighted that audit findings and recommendations will not have meaning if the management does not follow it up with an action plan, so that the implementation of audit recommendations does not relate to audit effectiveness (Gansberghe, 2005; Sawyer, 1995) as quoted by [19].

Based on the exposure that has been described previously, it is found the variables that affect the effectiveness of internal audit. Some of which include auditor competence, independence of internal audit organization, relationship between internal and external auditors, and management support. It means that after the variables that affect the effectiveness of internal audit are identified, an improvement effort can be performed.

This study is an extension of the research conducted by [12] on the effectiveness of internal audit of public sector organizations in Saudi Arabia. The study examined five predicted variables affecting the effectiveness of internal audits, namely the auditor competence, the independence of internal audit organization, the relationship between internal and external auditors, the size of internal audit organization, and management support. Of the five variables, the researcher does not include the size of internal audit organization variable because the variable is measured by comparing the number of internal auditors in 79 public sector organizations surveyed to compare the number of internal auditors in each of the public sector organizations. This research is conducted only on one public sector organization that is Itjen Ministry of Religious Affairs. Therefore, the size of internal audit organization variable cannot be used in this study.

The researcher is interested to conduct similar research on the Ministry of Religious Affairs by adding corruption variable as endogenous variable taken from [17]. The reason for choosing the corruption variable as the

endogenous variable is the appearing effect of internal audit effectiveness on corruption that can increase value to prevent or reduce corruption practices in the organization, as proven by [17] research in Ghana's public sector. Further, [2] added that internal auditors have formal authority to report fraud or corruption within an organization. It shows that the effective internal control function by internal auditors will play a role in preventing corruption in the organization.

The purpose of this study is as follows:

- 1) To prove empirically the influence of the competence of internal auditors on the effectiveness of internal audit.
- 2) To prove empirically the influence of the independence of internal audit organization on the effectiveness of internal audit.
- 3) To prove empirically the influence of the relationship between internal and external auditors on the effectiveness of internal audit.
- 4) To prove empirically the effect of management support on the effectiveness of internal audit.
- 5) To prove empirically the influences of the internal audit effectiveness on corruption.

MATERIAL AND METHOD

This research employed a quantitative approach using survey as the research design, viz. a research that takes sample directly from population. The population in this study was the internal auditors or APIP who have certificate of Functional Position of Auditor (JFA) in Inspectorate General of Ministry of Religious Affairs with the number of 252 Inspectorate auditors. Applying the Slovin formula, it was obtained a sample of 154 auditors.

The analysis technique used descriptive analysis and Partial Least Square (PLS). Descriptive analysis is an analysis by way of describing the characteristics of research variables being observed and demographic data of the respondents. One of the most commonly used methods for descriptive analysis is descriptive statistics that aim to describe the profile of research data. PLS (Partial Least Square) was utilized to examine the influence of the internal auditor competence variable, the independence of internal audit organization, the relationship between internal and external auditors, management support towards the internal audit effectiveness variable, and the effect of the internal audit effectiveness variable

on the corruption variable by considering all indicators that measure the latent variables.

Data Collection

1. Corruption

Corruption is a major problem in Indonesia and even in the world [26]. Corruption can occur due to factors of need, greed, and opportunity [27]. Corruption in this study refers to the corruption stated by [17] and Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 concerning The Eradication of Corruption. The instrument of measurement refers [17] research with some modifications adapted to the form of corruption according to the anti-corruption law. The corruption indicators are conflict of interest in the procurement of goods and services, fraud in the procurement of goods and services, gratuity, extortion, abuse of office, bribery, and financial loss. Inspectorate General as part of organizational governance plays a role to combat corruption and undertakes corruption prevention by the Inspectorate auditor.

2. Effectiveness of Internal Audit

[15] revealed that the effectiveness of internal audit as a concept based on risk management, internal control, and organizational governance can add value to the organization and help to improve organizational processes. The effectiveness of internal audit in this study is included in endogenous constructs. It refers to the effectiveness of internal audit stated by [12], i.e. the extent to which internal audits can perform its functions in accordance with the established goals. The measurement of its constructs uses the concept of internal audit effectiveness applied by [12], viz. the quality of the internal audit function.

3. Competence

The competence of internal auditors is a key to implementing effective internal audits [22]. The competent auditors are those who have qualified education, professionalism, audit experience, and audit training followed [12]. The indicators to measure the competence are adopted from [12] research and have been developed by [17] and [28] research and modified by researchers, adapted to the object of research. The research instrument uses 9 questions relating to education, audit experience, training followed, certified auditors, the number of certified auditors, auditor mastery on modern technology, procedures and audit evidence collection, well-timed audit and monitoring, as

well as the conformity between auditor skill and the scope of the assignment planned.

4. Independence

Independence is freedom from conditions that threaten the ability of internal audit activities to carry out internal audit responsibilities objectively [29]. The independence of internal audit organization in this study refers to the research conducted by [12], i.e. how the independence of internal audit organization can be enforced in its assignment. The indicators to measure are adopted from [12] that have been modified by researchers to be adjusted to the object of research. The indicators consist of 9 questions related to carrying out the audit independently, reporting to ministry/agency directors, direct access to ministry/agency leaders, conflicts of interest, non-intervention, unrestricted access to work units and employees, the appointment of the internal audit leadership which is not under control of the executive management, and no responsibility to perform non-audit functions.

5. Relationship Between Internal And External Auditors

According [12] coordination and cooperation between internal and external auditors in the form of auditing plan discussions, work paper sharing, external auditor’s trust on internal auditor work, and management support for the relationship between internal and external auditors have an important and beneficial role for the internal audit organization and CPC. Law Number 15 the of 2004 Article 9 states that in conducting the audit of state finance management and accountability, BPK may utilize the results of the examination from APIP and its auditing report must be submitted to BPK.

The relationship between these internal and external auditors refers to how well the relationship can be made between internal and external auditors related to audits in government organizations. The measurement indicators refer [12] study consisting of 9 questions relating to being friendly and supportive, having polite attitudes, giving the Inspectorate the opportunity to explain his interests, coordination (including discussing mutual interests), audit plan discussion, external auditor’s trust level on internal auditor work, meeting frequency, sharing of work papers, and management support for the relationship between the two organizations.

6. Management Support

Support from management is critical to fulfilling an effective internal audit function, either in the public sector or in the private sector [14]. This management support refers to how much the support from the leadership of the Religious Ministry to the role of internal audit in the Inspectorate. The measurement indicators refer [12] research consisting of 6 questions relating to supporting internal audits, involvement in internal audit plans, internal audit team work reports submitted to management, management responses to internal audit reports, and sufficient resources and budget.

RESULT AND DISCUSSION

1. Evaluation of Structural Model

a) Goodness of Fit Model

The next test was structural model testing which in the analysis of PLS is called Goodness of Fit Model to know the ability of an endogenous variable to explain the diversity of exogenous variables, or in other words to know the contribution of an exogenous variable to the endogenous variable. In this study, exogenous variables consisted of internal auditor competence, independence of internal audit organization, relationship between internal and external auditors, and management support for endogenous variables of the internal audit effectiveness. The exogenous variables of the internal audit effectiveness were for endogenous variables of corruption. The Goodness of Fit Model in PLS analysis was done by using Q-Square predictive relevance (Q2). The model was said to have predictive relevance if the value of $Q2 > 0$. The Goodness of Fit Model is shown in Table 1.

Table 1. Calculation result of R-Square Value (R2) and Q-Square Value predictive relevance (Q2)

Variable	R-Square (R ²) Value
Effectiveness of Internal Audit	0.657
Corruption	0.311
$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2)$ $Q^2 = 1 - (1 - 0.657) (1 - 0.311) = 0.763$	

Table 1 shows that the R-square variable of the effectiveness of internal audit was 0.657 or 65.7%. It shows that the diversity of internal audit effectiveness was able to be explained by the competence of internal auditor, independence of internal audit organization, relationship between internal and external auditors, and management support equal to 65.7%, or in other words the contribution of internal auditor competence, independence of internal audit organization, relationship between internal and external auditors, and management support to the internal audit effectiveness amounted to 65.7%, while the rest of 34.3% was the contribution of other variables not examined in this study.

Furthermore, the R-square value of corruption variable presented in Table 5.25 was 0.311 or 31.1%. It shows that corruption diversity was able to be explained by the internal audit effectiveness of 31.1%, or in other words the contribution of internal audit effectiveness to the corruption was 31.1%, while the rest of 68.9% was the contribution of other variables not examined in this study.

The calculation result of Q-Square predictive relevance (Q2) of corruption variable shown in table 5.25 was 0,763 or 76.3%. It indicates that the diversity of corruption could be explained by the model resulting 76.3%, or in other words the

contribution of internal auditor competence, independence of the internal audit organization, relationship between internal and external auditors, management support and internal audit effectiveness to corruption on the whole reaching 76.3 %, while the rest of 23.7% was the contribution of other variables not examined in this study.

b) Hypothesis testing

Hypothesis testing was intended to test whether there was an influence of internal auditor competence, independence of the internal audit organization, relationship between internal and external auditors, management support to the effectiveness of internal audit, and influence of the internal audit effectiveness on corruption. In this study, there were five hypotheses to be tested. Hypotheses one through five were two-tailed hypotheses. Testing of significance could be derived from t-statistics. The test criteria states that if $t\text{-statistics} > t\text{-table}$ (1.96), it is stated that there was exogenous variable influence on the endogenous variable and on the opposite if $t\text{-statistics} < t\text{-table}$ (1.96), then it is stated that there was no significant effect of an exogenous variable on the endogenous variable. The results of the analysis can be seen through the summary in Table 2.

Table 2. Direct Coefficient Structural Model

Exogenous	Endogenous	Direct Coefficient	Standard Error	T Statistics	Information
KO	EAI	0.217	0.045	4.796	Significant
IN	EAI	0.170	0.053	3.228	Significant
HA	EAI	0.520	0.041	12.718	Significant
DM	EAI	0.203	0.051	4.010	Significant
EAI	KOR	-0.557	0.046	12.212	Significant

Source: Data processed, 2017.

Information :

KO : Competence of Internal Auditors
 IO : Independence of the Internal Audit Organization
 HA : Relationship between Internal and External Auditors

DM : Management Support
 EAI : Effectiveness of Internal Audit
 KOR :Corruption

Based on Table 2, it can be explained the results of hypothesis testing as follows:

1) Hypothesis 1 states that the competence of internal auditors affected the effectiveness of internal audit. The calculation of SmartPLS 2.0 software resulted in t-statistics of 4,796. It showed that $t\text{-statistics} > t\text{-table}$ (1.96).

Therefore, it can be interpreted that there was a significant influence from the competence of internal auditors on the effectiveness of internal audit.

2) Hypothesis 2 states that the independence of the internal audit organization had an effect on the effectiveness of internal audit. The result of the calculation yielded t-statistics of 3.228. It showed that $t\text{-statistics} > t\text{-table}$

(1.96). Therefore, it can be interpreted that there was a significant influence of the independence of internal audit organization on the effectiveness of internal audit.

- 3) Hypothesis 3 states that the relationship between internal and external auditors affected the effectiveness of internal audit. The result of the calculation yielded t-statistics of 12,718. It showed that t-statistics > t-table (1.96). Therefore, it can be interpreted that there was a significant effect of the relationship between internal and external auditors on the effectiveness of internal audit.
- 4) Hypothesis 4 states that management support affects the effectiveness of internal audit. The calculation results produce t-statistics of 4010. It shows that t-statistics > t-table (1.96). Therefore, it can be interpreted that there is a significant effect of management support on the effectiveness of internal audit.
- 5) Hypothesis 5 states that the effectiveness of internal audit affected corruption. The calculation results yielded t-statistics of 12,212. It showed that t-statistics > t-table (1.96). Therefore, it can be interpreted that there was a significant effect of internal audit effectiveness on corruption.

c) Conversion of Line Charts into Structural Models

Conversion of path diagrams into structural models was intended to find out how the influence of exogenous variables on endogenous variables was. Based on table 2 structural equations can be constructed as follows:

$$\text{EAI} = 0.217\text{KO} + 0.170\text{IN} + 0.520\text{HA} + 0.203\text{DM}$$
$$\text{KOR} = -0.557\text{EAI}$$

From the above equation, it can be informed that:

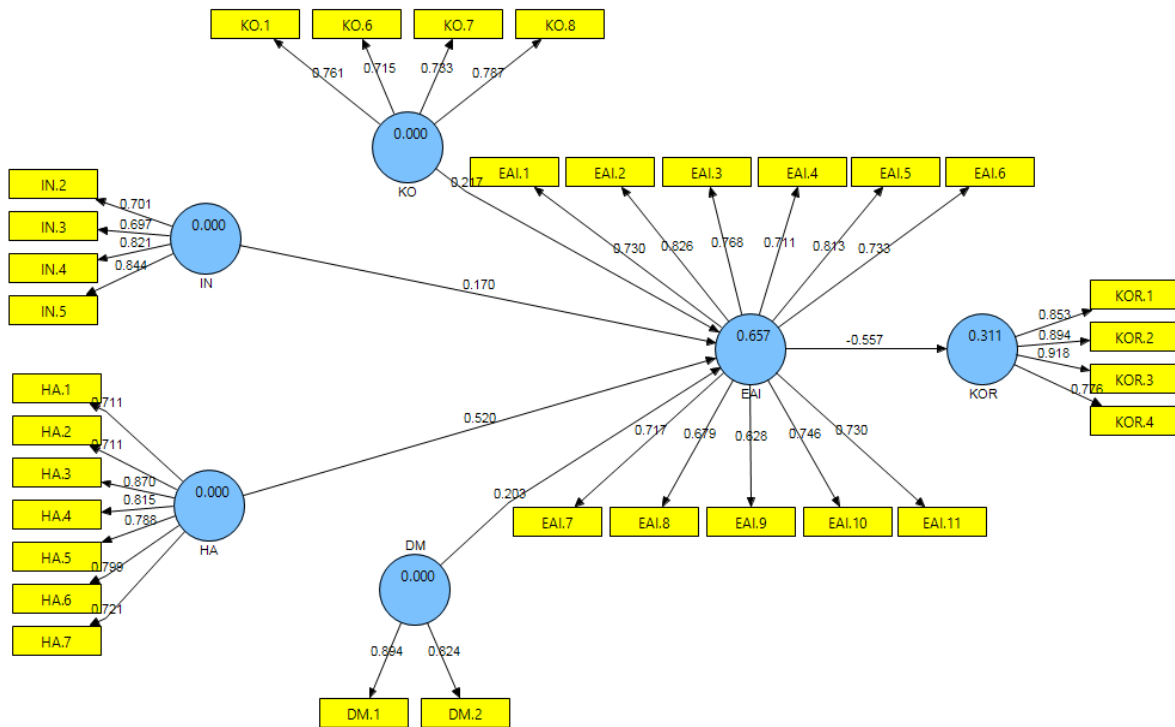
- 1) The coefficient of the influence path of the internal auditor's competence on the effectiveness of internal audit of 0.217 * states that the competence of internal

auditors had a positive and significant impact on the effectiveness of internal audit. This means that the higher the competence of internal auditors, the higher the tendency of increasing the effectiveness of internal audit.

- 2) The coefficient of influence path of the independence of internal audit organization on the effectiveness of internal audit of 0.170 states that the independence of the internal audit organization had a positive and significant impact on the effectiveness of internal audit. This means that the higher the independence of the internal audit organization, the higher the tendency of increasing the effectiveness of internal audit.
- 3) The coefficient of influence path of the relationship between internal and external auditors on the effectiveness of internal audit of 0.520 * states that the relationship between internal and external auditors had a positive and significant impact on the effectiveness of internal audit. This means that the better the relationship between internal and external auditors, the higher the tendency of increasing the effectiveness of internal audit.
- 4) The coefficient of influence path of management support to the effectiveness of internal audit of 0.203 * states that management support had a positive and significant impact on the effectiveness of internal audit. This means that the higher the management support, the higher the tendency of increasing the effectiveness of internal audit.
- 5) The coefficient of influence path of the effectiveness of internal audit on corruption of -0.557 * states that the effectiveness of internal audit had a negative and significant effect on corruption. This means that the higher the effectiveness of internal audit, the higher the tendency of reducing corruption.

The structural model of this study can be seen in Figure 1.

Figure 1
Structural Model



d) Dominant Influence

Exogenous variables that have dominant influence on endogenous variables can be obtained through the largest total effect. The results of the analysis inform the variable that had the largest total effect on the effectiveness of internal audit was the relationship between internal and external auditors with a total effect of 0.520. Thus the relationship between internal and external auditors was the most influential variable or has the most dominant influence on the effectiveness of internal audit.

2. Discussion

a. The Influence of Internal Auditor Competence on the Effectiveness of Internal Audit
The test results obtain empirical evidence showing that the competence of internal auditors affects the effectiveness of internal audit. This means that the higher the competence of internal auditors, the higher its tendency to increase the effectiveness of internal audit. The

results of this study are consistent with the research conducted by [13], [12] and [20] showing that the competence of auditors positively influences the effectiveness of internal audit. The role of an effective Itjen auditor can be achieved because it is supported by a competent auditor. [30] quoting the results of research by [31] also stated that an effective audit is conducted by a competent internal auditor.

This study supports the role theory that states that the individual who occupies a position in the organization will behave in accordance with his role. Internal auditors must have competence related to the field including operational auditee, so as to provide an objective assessment to the auditee. The results of this study also confirm the application of contingency theory which states that the structure of an organization depends on contextual factors. Itjen can carry out effective internal audit assignments if supported by the competence of internal auditors. Therefore, the competence of internal

auditor measured through education, audit experience, training followed, certified auditor, the number of certified auditors, auditor mastery on modern technology, punctual audit and monitoring, and audit and monitoring fitted to the scope of the planned assignment is important factor to achieve effectiveness of internal audit at Inspectorate General of Ministry of Religious Affairs. The higher the internal auditor competence, the higher the effectiveness of internal audit.

The results of the analysis inform that the audit and monitoring fitted to the scope of the planned assignment reflected the competence of internal auditors the most. The results of this study are consistent with the research conducted by [22] which stated that the lack of competence possessed by the internal auditor will, in turn, affect the auditor's ability to audit and limit the scope of the tasks performed internally. This means that the Itjen Kemenag auditor has the competence to audit and monitor each activity covering the scope of the planned assignment.

Inspectorate General of Ministry of Religious Affairs explained about the insufficient number of auditors compared to the auditee under the auditor's supervision [32]. According [13], the lack of auditor staff became one of the major problems of the internal audit function on public sector. Meanwhile, [16] revealed that the percentage of total internal auditors over the total number of auditee will determine the effectiveness of internal audit at commercial banks in Tanzania. Therefore, the number of auditors of Ijen Kemenag should be increased to fit the scope of internal audit assignment in Kemenag, so the internal control function can be performed optimally. It is in accordance with the expectation of the respondents reflected from the results of the descriptive analysis, viz. the number of the auditors fits to the scope of audit assignment in Kemenag.

b. The Influence of the Independence of Internal Audit Organization on Internal Audit Effectiveness

The test results state that the independence of the internal audit organization has an effect on the effectiveness of internal audit. It means that the higher the independence of the internal audit organization, the higher the tendency to increase the effectiveness of internal audit. The results of this study are in line with research conducted by [22], [23], [14], [12], and [20] which showed that independence has a positive effect on the effectiveness of internal audit. Different results

are shown by [33] who found that the independence of the inspectorate is strongly influenced by the support of local leaders. If the leader is less cooperative or does not understand the existence of the inspectorate, then the internal audit function cannot be independent and the work of the inspectorate will not effective.

The results of this study reinforce contingency theory which states that an adjustment is necessary since it is an adaptation process which guarantees that only the best organization will survive. The independence of the internal audit organization is an aspect that determines whether the effectiveness of internal audit is good or not. This condition is not easy because the internal audit organization is essentially a part of the organization being examined [23]. The position of Itjen Kemenag is structurally parallel to the other echelons under the Minister of Religious Affairs. The budget approval still relies on the management and appointment/dismissal of inspectors by the Minister of Religious Affairs. This phenomenon was criticized by Schyf (2000) which stated that internal audit organizations should have a reporting line that is independent from the management [17].

The results of the study find that auditors which have unrestricted access to all work units and employees within the ministry/institutional environment reflect the independence of the internal audit organization the most. It means that the Itjen auditor can perform the audit assignment without any intervention or interruption from auditee [14]. According [22] an important aspect of independence that affects the effectiveness of internal audit is the ease of data access which is the unlimited strength of audit assignment. It allows the auditor of the inspectorate to plan, carry out the audit program, and report the audit results freely without any outside intervention and pressure. The establishment of an organizational environment that supports the existence of independence cannot be separated from the support provided by the management [14]; [12]; [20], i.e. support from the leader of Kemenag.

Descriptive analysis result presenting the lowest average of the respondent perception towards the independence of the internal audit organization is 5.18 which means that most respondents somewhat agreed that the conflict of interest in the audit assignment did not happen. These results illustrate that conflicts of

interest still exist in the audit assignment. The Itjen auditor is supposed to avoid any conflict of interest when conducting of the audit. According [12], internal auditors should be neutral and unbiased to avoid conflicts of interest in planning, executing and reporting the assignments.

c. The Influence of the Relationship between Internal and External Auditors to the Effectiveness of Internal Audit

The test results obtain empirical evidence showing that the relationship between internal and external auditors affects the effectiveness of internal audit. It indicates that the better the relationship between internal and external auditors, the higher the tendency to increase the effectiveness of internal audit. The results of this study are in line with the research conducted by [12] and [17] which showed that the relationship between internal and external auditors positively affects the effectiveness of internal audit.

This research supports role theory that states that individuals must be able to adjust their role to the duties and responsibilities professionally. The Itjen auditor can, among other things, establish relationships with external auditors to support effective internal audit activities and ensure that internal audit activities can increase the auditee value. The results also confirm the application of contingency theory that emphasizes the importance of external contingencies to achieve organizational goals. The relationship between internal and external auditors is one of the factors that determine the effectiveness of internal audit.

The results of the analysis inform that the relationship between internal and external auditors has the most dominant influence on the effectiveness of internal audit with a total effect of 0.520. Thus the relationship between internal and external auditors has an important role to improve the effectiveness of the internal audit of Itjen Kemenag. The results of this study are similar [12] research results which reveal that cooperation between appropriate internal and external auditors will improve the efficiency and effectiveness of audits and help management provide qualified public services.

The test results also indicate that the indicator of giving the inspectorate an opportunity to explain its importance best reflects the relationship between internal and external auditors. This condition reflects that there is a good relationship between external and internal auditors in Kemenag. The Itjen

Kemenag auditor coordinates with the external auditor by submitting the annual internal audit plan as well as the results of internal audits conducted by the Itjen auditor during certain period to the external auditor to be audited. By conveying the results of internal audit activities of the Itjen, external auditor is expected to use these results to reduce the scope of their assignment.

d. The Influence of Management Support on Internal Audit Effectiveness

The test results obtain empirical evidence that management support has an effect on the effectiveness of internal audit. This indicates that the higher the support of management, the higher the tendency to increase the effectiveness of internal audit. The results of this study are in line with research conducted by [14], [12], and [20] who found that management support positively affects the effectiveness of internal audit. Different results are presented by [28] who conducted research on the effectiveness of internal audit in State Universities.

The results indicated that the lack of commitment of university leadership towards the strengthening of the internal audit unit and of the leader's response to the findings and recommendations caused the effect of management support not significant towards the effectiveness of internal audit. [34] research found that lack of commitment and understanding of the highest executive leadership on the importance of supervision caused the internal auditor function not optimal in the local environment. The results of this study provide support to contingency theory that emphasizes the importance of internal contingencies other than external contingencies in understanding organizational behavior to survive or become effective. The results of the study find that support from the party who has the authority is the determinant of the effectiveness of an internal audit.

The analysis results suggest that the indicator of involvement in the audit plan best reflects the management support. The Inspector General communicates and requests an approval of the annual internal audit plan to the leadership of the Ministry of Religious Affairs. This is the first step in providing support from the Ministry of Religious Affairs to the Inspectorate General. The Head of the Ministry of Religious Affairs grants the approval of the annual internal audit plan, followed by the provision of adequate resources and budget support to Itjen to carry

out its duties and responsibilities. The results of this study are supported by [14], [12], and [20] which stated that internal audit will not run properly without the support of management, both in the form of sufficient budget and adequate infrastructure.

Another form of Kemenag leadership support is to provide feedback on internal audit reports. The Head of Ministry of Religious Affairs gives a signal to all levels of the Ministry of Religious Affairs on the importance of the role and function of internal audit, one of them by following up the findings and recommendations of internal audit results. The Itjen data of 2016 show that there are still 340 (three hundred and forty) findings of violations and irregularities that require follow-up recommendations, occurring to work unit at the national level. The number of these findings is relatively small compared to the number of Kemenag work units across Indonesia that reaches more than 4000 work units. Nevertheless, the audit findings and recommendations that are insufficient or not acted upon by the auditee will reduce the credibility of internal audits already undertaken [25]. The [35] research found that the implementation of the Regional Inspectorate's recommendation by the auditee is one of reinforcements for the internal audit function and preventive action to prevent errors in the implementation of SKPD program (Local Government Work Unit). This means that following up on the audit findings and recommendations will improve the credibility and internal audit function of Itjen Kemenag.

Based on the results of the analysis in this study management support is not a dominant factor in influencing the effectiveness of internal audit. Some previous studies such as those conducted by [14], [12], and [20] revealed that management support is a dominant factor in influencing the effectiveness of internal audit. According [13] lack of management support was one of the main problems faced by the internal audit function in the Malaysian public sector. Therefore, management support in the form of involvement in internal audit plans, management responses to internal audit reports, and adequate resources and budgets needs to be improved.

e. Effect of Internal Audit Effectiveness on Corruption

The test results obtain empirical evidence that the effectiveness of internal audit affects corruption. This indicates that the higher the

effectiveness of internal audit, the higher the tendency of decreasing corruption. The results of this study are consistent with research conducted by [14] and [17] indicating that the effectiveness of internal audit has a negative effect on corruption.

This research supports the agency theory which explains that the agent gets the mandate from the principal to carry out activities on behalf of the principal. Society (principal) wants a government which is clean and free from corruption. The government (agent) shows to the community (principal) that it has the same commitment to realize good governance through an effective internal audit function. The Ministry of Religious Affairs as one of the government organizations must begin to set and implement good governance. To achieve good governance with a clean environment from corruption within the Ministry of Religious Affairs, a stronger commitment to managing the risks of corruption is needed, so the harm of corruption can be avoided. According [5] an important part of good governance is the internal audit function.

The Inspectorate General (IG) has internal supervisory duties and functions in all work units under the coordination of the Ministry of Religious Affairs (Kemenag). This role is very strategic because it becomes one of the important parts of good governance. The expected role demanded from Kemenag Itjen can be achieved through an effective internal audit function. The results confirm that the effectiveness of internal audit of Itjen may decrease the level of conflict of interest and fraud in the procurement of goods and services, and of gratuities. This confirms the important role of Itjen in order to prevent corruption in the Ministry of Religious Affairs. However, this study does not provide a panacea to reduce corruption in the Ministry of Religious Affairs. The result of the analysis shows that R-square corruption variable is 0.311 or 31.1% which means that the contribution of effectiveness of internal audit to corruption is 31.1%, while the rest equal to 68.9% is the contribution of other variables not examined in this research.

The results of the analysis inform that the indicator of improving the performance of ministries most reflects the effectiveness of internal audit. The effectiveness of internal audit lies in the ability of the Itjen auditor in achieving the goals and objectives desired or determined, so it improves organizational performance. The goal to be achieved is the implementation of

governance in the Ministry of Religious Affairs which is efficient, effective, transparent and accountable. The results of this study are supported by [36] who found a performance improvement in the bank branches which compared to those where internal audit is not conducted.

CONCLUSION

This study shows that the competence of internal auditors, the independence of the internal audit organization, the relationship between internal and external auditors, and management support have a positive and significant impact on the effectiveness of internal audit. These results show that the higher the competence of internal auditors, the independence of the internal audit organization, the relationship between internal and external auditors, and management support, the higher their tendencies to increase the effectiveness of internal audits.

The results of this study also signify that the effectiveness of internal audit has a negative and significant effect on corruption. This means that the higher the effectiveness of internal audit, the higher its tendency to decrease corruption. The increasing of the competence of internal auditors, the independence of the internal audit organization, the relationship between internal and external auditors, and management support that may affect the effectiveness of internal audit means that it indirectly tends to reduce corruption.

1) Theoretical Implications

The results of this study support the agency theory. The test results prove that the effectiveness of internal audit affects corruption. The government (Itjen Kemenag) performs an effective internal control/audit function as a form of responsibility to the community that has mandated to realize good governance. The results of this study also confirm the contingency theory that has implications in this study that is the effectiveness of internal audit will be manifested if supported by the factors that affect it. In this study, the effectiveness of internal audit can be explained by the competence of internal auditors, the independence of internal audit organization, the relationship between internal and external auditors, and management support.

2) Practical Implications

The results of this study provide practical implications on the Ministry of Religious Affairs,

namely empirical evidence which the effectiveness of internal audit of the Itjen is necessary to increase in order to prevent or reduce corruption. An effective internal control/audit function is proven to improve the performance of MORA. The other empirical evidences suggest that in order to improve the effectiveness of the internal audit of Itjen Kemenag it is necessary to improve the competence of the Itjen auditor, the independence of the IG, the relationship between the Itjen and external auditors, and the support of the Kemenag leadership.

The competence of the Itjen auditor will increase if the education, audit experience, the number of certified auditors and the training followed by the auditor is enhanced. To improve the competence of the Itjen auditor, support from the leadership of Kemenag is necessary in the form of resources, budget, adequate facilities, and infrastructures. The research results show that the independence of IG has the least influence on the effectiveness of internal audit. According [22] the internal audit function will not develop properly if the internal audit organization has limitations on its independence. The Head of the Ministry of Religious Affairs needs to give the widest space to Itjen for direct access on the leadership of the Ministry of Religious Affairs and its staff. In addition, the leadership of the Ministry of Religious Affairs must also ensure that the Itjen auditor has access to all work units and employees within the Ministry of Religious Affairs. Another Kemenag leadership support is needed to improve the relationship between the Itjen auditor and the external auditor. All efforts are made to improve the effectiveness of the internal audit of Itjen and to prevent or reduce corruption in the Ministry of Religious Affairs.

The implication of the practice for Itjen Kemenag is to utilize existing resources, budget, facilities, and infrastructure to improve the competence and independence of internal auditor, and maintain a good relationship with the external auditor. The increased competence of the Itjen auditor needs to be accompanied by a proportional payroll system to prevent fraud committed by the Itjen auditor when the audit assignment is conducted. According [21], demanding internal auditor competence will not be sufficient if not accompanied by a proportional payroll system/remuneration. One of the causes of the failure of internal audit in Sudan is due to the low level of salary of internal

auditors. Another thing is to minimize the conflict of interest in the audit assignment, so the Itjen auditor can perform its duties independently and objectively.

The practical implications for APIP are to keep motivating itself to improve competence, maintain independence and good relationships with external auditors. The Itjen auditor may catch the opportunity to gain higher education/knowledge, and to follow the auditor competency training. The auditor should have a neutral and unbiased attitude and avoid conflict in the audit assignment. A number of efforts are made to support the duties and responsibilities of the Itjen auditor to fulfill its roles, one of which is to prevent or to reduce the occurrences of corrupt practices in Kemenag. This is in line with APIP's strategic role in carrying out controls as mandated by Law No. 30 of 2014 on Governmental Administration article 17-20 stating that supervision towards the prohibition against misuse of authority is performed by APIP.

3) Policy Implications

The results of this study are expected to strengthen the policies related to eradicating corruption practices through prevention, viz. by strengthening the function of internal monitoring institutions conducted by the Government Internal Supervisory Apparatus (APIP). This study proves that it is necessary to improve the effectiveness of internal audit for preventing or reducing corruption. It means that an effective internal audit function undertaken by the internal audit organization can assist in preventing or reducing corruption in government agencies by increasing the competence of internal auditors, independence, relationships with external auditors and gaining support from agency heads.

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