

## Revealing the Cause Factors of Less Optimal Internal Auditors Performance at Higher Education in Maluku Region

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**Abstract:** This study purpose is to uncover the causes of less optimal performance of internal auditor at public and private higher education in Maluku region. This research is conducted by qualitative approach. The research is the internal audit process activity that not gives optimal benefits in both public and private higher education in Maluku region. The data collection is done by observation and in-depth interviews and documentation. The study findings indicate that main factors to cause less optimal performance of internal audit is extern factors namely management commitment of Higher education, while its internal factor has been given.

**Keywords:** internal auditor, auditor's performance, management commitment.

### I. Introduction

Public and private organizations are encouraged to have an internal audit. Presence of internal audit within an organization can benefit the organization. Albrecht et al. (1988), Flesher (1996), Liu et al. (1997), Hayes (1999), Miller (1999) and Cosserrat (2000) describe two main benefits of internal audit department for organization. First is to prevent and detect errors as a finding of accidental or deliberate action of an organization's operational activities. Second is to see the efficiency and effectiveness in various aspects of organization. This scope can has broad scope, but the main purpose is to improve the overall economy, efficiency and effectiveness of organization by adding value to the operational performance (Ridley, 1994, 1996; Griffiths, 1999; Wynne, 1999; Marks, 2000).

Two main benefits above of internal audit should be enjoyed by every organization, but the reality still show a lot of organizations that do not yet enjoy the two benefits. This may include organization of higher education institutions. Blackmore and Jacqueline (2004) explain that an internal audit at higher education in UK is still less optimal in their role. It makes the benefits cannot be enjoyed by higher education. The phenomenon also occurs in Saudi Arabia. Al-Twajjry et al. (2003) describe that the presence of internal audit in higher education institutions are still less optimal, so that two benefits cannot be perceived by organization.

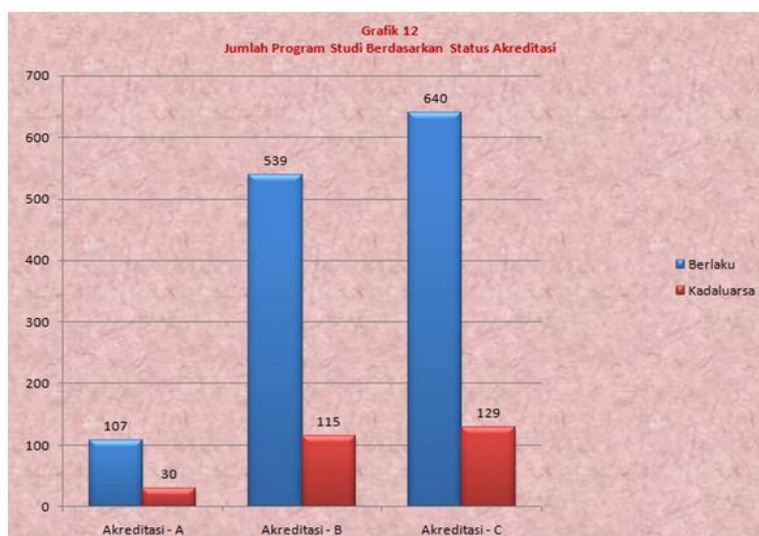
Research phenomenon by Blackmore and Jacqueline (2004) and Al-Twajjry et al. (2003) also shows an internal audit condition in Indonesia higher education, especially in Maluku. Many higher education in Maluku have internal audit, both academic and financial. Internal audit usually have two types, but they have not run optimally. Optimal impact on of auditor's performance usually can be seen from the findings of an external audit. If the findings of external audit are good, then the performance of internal audit is good. For example, external audits findings on accreditation shows that biggest higher education at Maluku still has have C accreditation. Below is accreditation data of one largest public higher education in Maluku:

**Table 1.** The phenomenon of external audit output

No	Type of Study Program	Status	Percentage
1	Study program with C accreditation	11	
2	Study program in accreditation process	5	34%
3	Study program with B accreditation	31	64%
4	Study program with A accreditation	1	2%
	Total	48	

**Data:** Processed by unpati web

More than 50% private higher education in Maluku has C accreditation. Below is distribution data value of private higher education in Kopertis XII (private higher education coordination):



Source: web of Kopertis XII

Above data shows that average quality of higher education is still have enough (C). It may not occurred when the system has been built and controlled rightly. Performance of internal audit becomes a serious concern in organization. Less optimal internal auditor performance is influenced by various factors. Widyasari (2010) explains that factors causing suboptimal internal auditor performances are ethics orientation, professional commitment, and experience of auditing, auditor job satisfaction and motivation. These factors only 36% affect on performance of internal audit while the rest influenced other factors. It is also tested by research and Firmanti Hanna (2013), Pratiwi and Sri (2013) to shows that individual aspects of internal auditors only affects below 50% on auditor performance. This means that individual aspect is a factor that must be possessed by internal auditor, while the internal auditor should take into account the external aspects or other factors. Another factor is still not known by previous researchers. Therefore, this study will reveal other factors that may affect on less optimal internal auditor performance. Consequently, they unable to provide benefits to organization, especially at higher education.

### Research problems

The problem of this research is:

"Revealing the causes or factors to affect less optimal performance of internal audit at public and private higher education in Maluku?"

### Research purposes

This study purpose is to reveal the causes or factors that may affect less optimal performance of internal audit at public and private higher education in Maluku.

The specific objective of this study is:

First year: Revealing the causes or factors of less optimal performance of internal audit at public and private higher education in Maluku and able to provide measurement indicator on common factors.

## II. Literature Review

### Definition and Objectives of Internal Audit

Definition of internal auditing has a lot of variety in language, but the substance is almost same. Hiro Tugiman (2006: 11) defines internal audit is an independent appraisal function within entity or organization to examine and evaluate the activities implemented. It is not much different from the definition of Mulyadi [2002: 29]. Mulyadi (2002) that the internal audit is auditors who work within an entity or company to determine whether the formulated and established procedures and policies of management have been complied, determining whether the safeguards of wealth entity or organization is good or not, determine the level of effectiveness and efficiency of activity procedures of organization, as well as determining the information reliability that has been generated by parts of entity/organization.

### **Internal Auditor Performance**

Internal auditors cannot be separated from the term performance in performing their duties. The performance term is not a strange word to all workers including internal auditors. Therefore, researchers need to clarify the definition of performance and internal auditor performance.

Trisnaningsih (2007), Asih (2006) and Fanani (2008) describe the performance as the finding of work achieved by a person in performing the tasks assigned. Therefore, internal auditor performance is a manifestation of work achieved by internal auditor in order to achieve organizational goals (Fanani, 2008). This is consistent with opinion of Asih (2006) which revealed the definition of internal auditor's performance as the finding obtained by accountants in particular internal auditors who have been performing their duties.

### **Factors Affecting the Internal Audit Performance**

Someone does the duty and influenced by several factors. Larkin (1990) explains that factors affecting the performance consists of four dimensions, namely, ability, commitment to professionalism, motivation and job satisfaction. Measurement of internal audit performance by Larkin (1990) is somewhat different from Muhammad and Ikhsan (2005). Iksan and Mohammed (2005) suggest that performance is influenced by individual or psychological aspects that come from auditor itself which affects the work undertaken. The individual aspects are emotional intelligence, knowledge, locus of control, independence and communication.

Opinions about the factors affecting the auditor's performance have been tested by some researchers and their findings shows that not all of these factors affect on internal auditor performance. Professional commitment, understanding of good governance and conflict partially do not affect on internal auditor performance (Hanna and Firnanti, 2013). Pratiwi and Sri (2013) also examine the factors affecting the internal auditor performance. Their findings showed that knowledge and communication partially does not affect on internal auditor performance.

Researchers findings above illustrate that part of individual factors and external factors may not affect the internal auditor performance in organizations such as higher education.

### **The Internal Audit Phenomenon at Higher education**

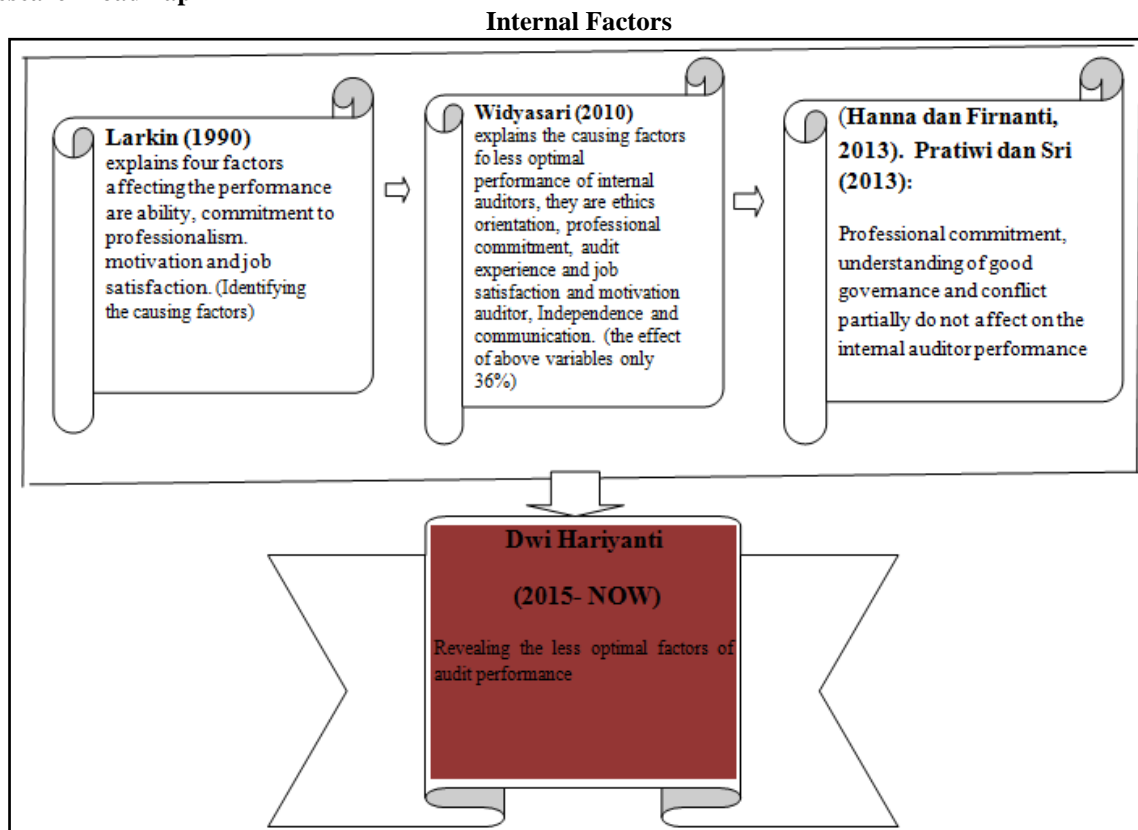
Higher education need good management to realize education quality, such as internal audit conducted body / institution / agency of quality assurance (Kompas, Thursday, March 27, 2008, page L, columns 2-6). Quality management is needed in order to face modern industry that will be faced. This is consistent with opinion of Tilaar (2006: 90-96) which explains that higher education in near future will face a modern industrial society. Industrialization requires freedom, intelligence and openness (Soengeng, 2008). Industrial society has rapid changes and intense competition. The intense competition requires quality assurance to compete. Therefore, higher education need an active, creative and innovative higher education culture that free, intelligent, open, democratic, dynamic and high quality.

Higher education meets industrial society with many problems. Apparently, higher education in Indonesia have a lot of problems, including the less optimal internal auditing practices, even internal audit in higher education cannot provide optimum benefit to higher education (and Jacqueline Blackmore, 2004). Likewise, Al-Twajry et al. (2003) explains that internal audit within organization is considered less effective and less efficient; even many organizations do not require the presence of internal audit for issue cost.

The ineffectiveness of internal audit at higher education is caused by the difficulties to get outputs, targets and objectives of higher education (MCMahaon, 2001; Fattah, 2002; Ruwiyanto, 1994). The difficulties to get data can also be felt by higher education leaders. Academic, financial, student affairs and planning have no enough data to support decision-makers. Overall data cannot be accessed or delivered easily by higher education leaders. This is called information asymmetry. Jansen and Mackling (1972) describes an agent in this case as chief academic, financial, student and planning to have more information than the owner, in this case the higher education leader. Such information is cannot be accessed easily by university leaders. It is the cause of error in decision.

Empirical phenomena above shows that many factors may cause the less optimal performance of internal audit process at higher education, including consideration of appointment of HR and training programs, cost and so forth. Therefore, this research needs to explore the less optimal role of internal audit at higher education. It can provide a model of less optimal of internal audit. It is needed to build a model of an ideal internal audit processes that optimal to provide benefits to higher education.

## Research roadmap



### III. Research Methods

This study used a qualitative approach. The reason is researcher wants to reveal the factors affecting the less optimal performance of internal auditor with deep exploration, not only from the questionnaires that only contain procedures and methods, but it also views the movement, speech and thinking to show the rationalization of actor. Finally, this approach can reveal the hidden factors or causes that have not been found by previous researchers.

#### Research Site

This research was conducted at public and private higher education in Maluku. This study chose higher education or private that having internal auditor.

#### Analysis unit

The analysis unit of this research is the auditor and auditee on "activity" of internal audit process. Internal audit process is a series activity from planning, execution and reporting. Reason to examines the activity of auditor and auditee are since the output of audit process is a form or symptoms. While the hidden contents behind the symptoms can be revealed by analyzing the "process". A simple sentence as output of audit process is certainly the finding of interaction between the auditee and auditor, but what and how the interaction between the auditee and auditor in audit process is an important thing to study.

#### Methods and Techniques of Data Collection

Data study is primary and secondary data. This is consistent with opinion of Moleong (2004) which explains that data needed in research is a secondary and primary data. Data collection methods and techniques can be explained below.

- a. Observation. Observations in this study will be carried out in order to explore all internal audit activities from planning, execution and reporting.
- b. Unstructured interviews. Researchers conducted interviews with informants and questions developed in accordance with situation on ground.
- c. Documentation. Researcher works to get the data documentation of higher education as research sites, such as organizational structure, accounting policies, audit SOP and so forth.

**Research Informants**

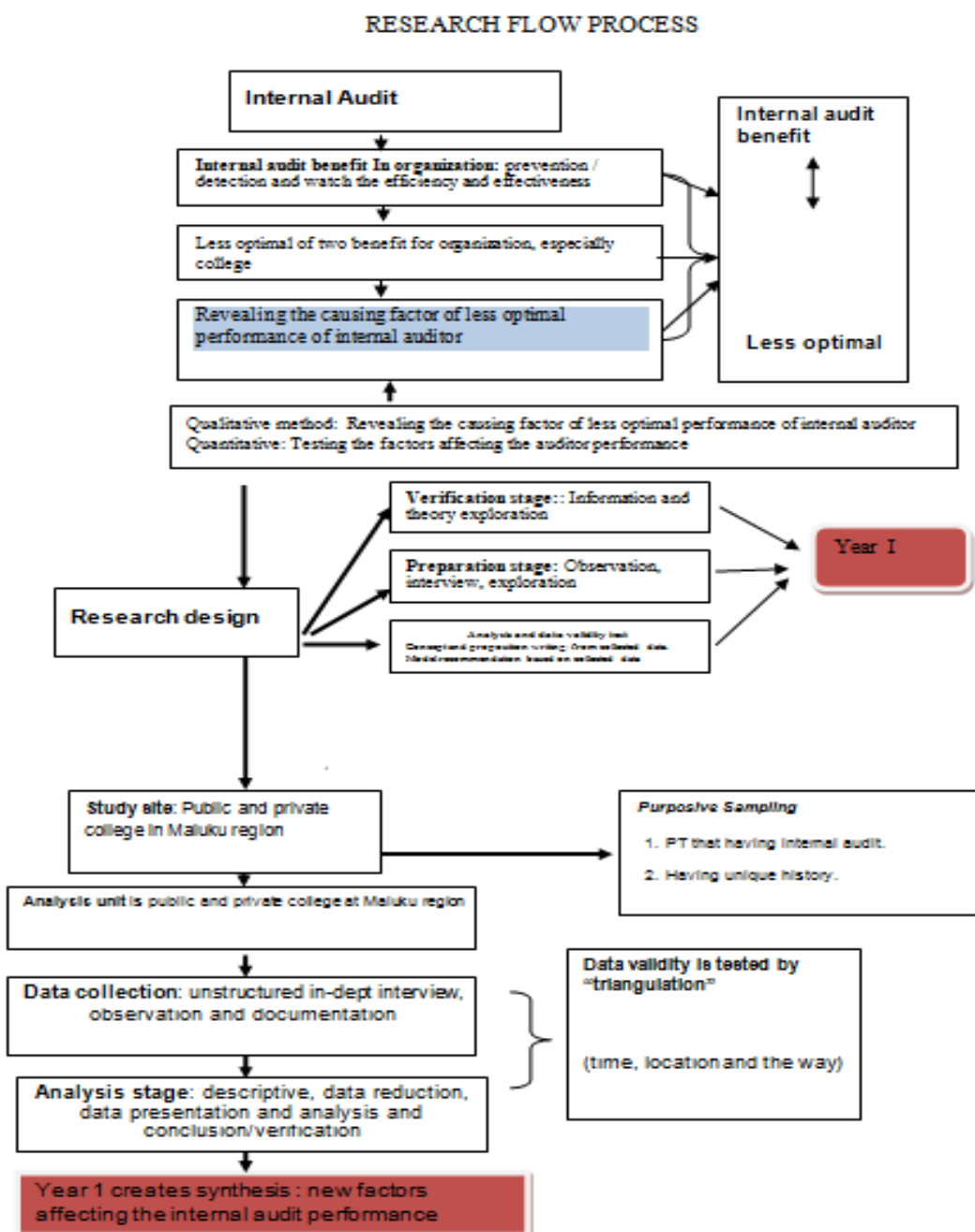
Study data is obtained from the auditor and auditee. Auditors who will become informant are auditors who have been directly involved in audit process, from planning, execution and reporting and auditors who have done an audit on object under study unit. Meanwhile, auditee who became informants in this study is part of academic, finance, student affairs and planning. Data was obtained from the informant by above method. The validity should be tested in form of triangulation (Miles and Huberman, 1992).

**Data analysis**

Researcher analyzes the collected data. This stage can be done during the retrieval process of data collection and the overall data collection. Data analysis techniques can usually be done at various stages (Cresswell, 2007: 148), among others are: 1) data encoding and data reduction. 2) Data thematization for themes that is relevant to purpose of research. 3) Presentation of data in form of a brief narrative. 4) Conclusion.

**Research Flow Process**

This study has research flow process as follows:



#### **IV. Discussion**

##### **Revealing the Causes of Less optimally Performance of Internal Audit at Higher Education in Maluku Region**

This research was done at public and private higher education. There are 2 state higher educations and 8 private higher educations under the Ministry of Research and Technology. The higher education is chosen based on criteria of having internal audit unit and internal audit unit that tend less optimal. The cause factors of less optimal performance of internal audit practices at public and private higher education in Maluku can be explained below.

##### **a. Exist but actually not exist**

Nearly all public and private higher education in Maluku have been created internal audit institutional. Establishment of internal audit was accompanied by Decree of rector or director. Members of internal audit usually consist of institution leader / unit and coupled with some members. The consequence of internal audit formation is additional costs (allowances) to the chairman and members. It was happened to higher education, both public and private, although the magnitude is different. The allowances at public higher education must be adjusted to rules of government, while private higher education is adapted to financial capacity of each university. However, there are some higher education have not paid salaries of internal audit team. Here one interview of informants X at private higher education:

"I stay here just for spirit for change, madam. The wages is decided by omnipotent. The important one, we work sincerely to earn reward, madam" (X informant, Private Higher Education).

The interview findings above show that there is a pretty good awareness of internal auditor at higher education to changes for better. A change does require considerable support, both material and moral. However, method explained in field is not as easy as theory. Here is the interview about the lack of material and moral support:

"We want to go forward, but how to do, madam? We have just given a decree but the facilities and support from other parties are low" (Y informant, Public Higher Education)

The explanation above shows that internal audit at Maluku higher education has been created. The existence of unit / agency at internal audit is supposed to provide benefits to higher education, namely internal audit, in this case the Internal Quality Assurance System (SPMI), should be able to capture the practice reality of good academic process. However, in practice it is not as easy as expected. It is also happened on higher education in Maluku both public and private higher education. The internal audit unit should be able as a good CCTV. But the reality shows internal audit same as broken CCTV, they cannot capture the true facts occurred, even at some higher education they are dysfunction at all. These show that internal audit at higher education in Maluku in fact still exist, but no more than that. In fact, internal audit has not been able to perform their role and duties well. It also affect on internal auditor's inability to contribute to Higher education.

##### **b. The inability of internal audit to contributes to higher education**

The internal audit at higher education was exist legally but it has not been able to contribute optimally to higher education. This is influenced by several factors, both internal and external. However, this study finds some informants claim that the internal factors indeed from all auditors. This is proved by existence of training institution for internal audit at Kopertis for private higher education or sent to other higher education. Here is one evidence of informant:

"Auditor here, has repeatedly been training ever since 2002 and every year has also been trained. Actually, internal auditors already have enough ability" (E informant, E Higher Education).

Therefore, internal factors for auditor are considered as a factor that has been vested in internal auditor higher education or is given to auditor. It also been proved by previous studies the influence of internal factors that contribute to quality of internal audit was under 50% and internal factors certainly affect the quality of internal audit. Alim (2007) also found empirical evidence that independence has significant effect on audit quality. These findings are consistent with De Angelo (1981), Deis and Giroux (1992), Barry (2003). Mabruri and Winarna (2010) that show internal factor have positive effect on audit quality findings at local level. In other words, higher objectivity of auditor can improve the quality findings of examination. Other internal factors that can affect on audit quality is auditor knowledge. The difference between the auditor knowledge will affect on the way auditors to complete a job (Brown and Stanner, 1983) in Mardisar and Sari (2007). Auditor shall act as an expert in field of accounting and auditing in carrying out the audit. Achievement of expertise begins with formal education, which further through experience and practice of auditing (SPAP, 2001).

The above findings are proofs that internal factor is factor that are given to auditor. Internal auditors must have criteria as auditors as personal commitment, responsibility, honesty etc. This conditions same as other professions, such as physicians must have ability to examine patients etc., but the quality of their doctors is not enough only from their skill, but also influenced by other factors, as facilities etc. It also occur on internal audit at higher education in Maluku, internal auditors have been trained several times since 2002 until now to delegate

the same personnel, but unit / agency of internal audit at higher education only equipped with decree without the infrastructure support. This means that higher education leaders only make few intervention. University leaders have not realized the importance of internal audit in the office. The impact of internal audit is not yet able to provide any benefit to higher education. Skill which is owned by internal auditor cannot be empowered and gain full support from leader in advancing internal audit. They difficult to conduct an internal audit development. This is revealed by informant that inability of internal audit to provide benefits to higher education is the lack of management commitment to support the auditor's work program. Here are the findings of interviews stating that:

"The obstacle is low response / support from the higher education leaders and foundations. It is one obstacles that I think very large". (A Informant, X Higher education)

Many commitments can be made by university leaders and foundations, for example in form of funding, regulations and so forth. Here are the interviews with informants who need support from leaders.

"We need fund to move. Perhaps, that is the obstacle. We are created by them, they should be well taken care, madam. Operational costs are not exist, let alone the others "(informer B, PT X).

This is confirmed by chairman of SPMI at one higher education to explains how Internal Audit at higher education is ignored to carry out their duties. Here's the interview:

"The portion of budget is not exist, madam. Operational and fees have not been there. We here that there is a temporary voluntary work, but we keep the spirit ". (Chairman SPMI).

Above interview shows that internal audit at higher education desperately need the commitment of higher education leader, both public and private in Maluku.

#### **Leader Commitment Very Needed by Internal Audit**

Many experts define commitment based on their point of view. For example, Richard M. Steers (Sri Kuntjoro, 2002) argue that a commitment is a person who actively enjoys the activities oriented to quality improvement and willing to continuously seek the power levels high effort socialization for quality assurance in higher education, which in turn will create a conducive culture to quality of entire academic community. Likewise, Pradiansyah (1999: 31) stated that commitment of quality is a management concept that puts human resources as a central figure in quality organization. Without the commitment, it is difficult to get active participation and depth of human resources. But commitment is not something that can be present for granted.

Commitments must be borne by leader. Therefore, commitments must be maintained in order to continue to grow and exist in hearts of human resources. Commitment in higher education is a commitment that starts from the leader. Leader should be a good virus to transmit to a subordinate. The virus is transmitted naturally through right methods and techniques to achieve the target. The way to create and foster a commitment to all staff below.

The concept of commitment as mentioned above is required by internal audit. The commitment required by internal audit of higher education in Maluku is the commitment of financial sector, regulation governing the rules of internal audit and moral support. Here is the concept of commitment by informants S at B higher education:

Management commitment is essential in field to support material and non material, madam. For example, how we can work if the facilities is not exist."

The interview finding above is also the same as the experience of X informants at higher education X as follows:

"We cannot have the spirit, leaders should see that we work with heart, we do not get payment".

It shows that leaders support did not like above, but also need the leadership support of regulatory commitments. Here are the findings of interviews with one of informants who explain about the importance of regulatory support by leader:

"SPMI cannot work if there is no SOP approved by leader through a senate meeting. we like work without directions and guidance, madam". (Informant S, higher education G).

Based on above explanation, the commitment needed by internal audit is follows. Commitment as above is one belief and acceptance to quality standards of education and willingness to stick to quality of education. People who have a high commitment to quality will tend to show a high engagement to ensure the quality standards of education in their institution. It is embodied not only in form of discourse support but also attitudes and behavior. Attitude and commitment will appear on excitement with activities that are oriented towards quality improvement. He would not like to waste time at work and unlikely to run away from the responsibility.

## V. Conclusion

Research findings show that the cause factors of less optimal performance of internal audit at higher education in Maluku come from external factors. Meanwhile, internal factors must be owned by internal auditor. External factors mainly leader commitment will affect the optimality of internal audit at higher education. A Leader commitment is needed by internal audit, as leader regulatory, finance, infrastructure and human resource development.

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