The Effect of Internal Control Factors on the Accountability of the Auditor at the Inspectorate of Jombang District

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Abstract
Government Regulation Number 60 of 2008 on Government Internal Control System is a manifestation of government commitment in order to improve the performance, transparency and accountability of state finance management and to clarify the role of internal control. This study aims at testing and analyzing the influence of internal control factors to auditors who work in the inspectorate of Jombang District. The population in this study are all auditors working in Jombang inspectorate which amounted to 35 auditors. The research sampling uses census method with unit of analysis as many as 35 auditors at Inspectorate of Jombang District. The type of this research is quantitative research using multivariate statistical analysis by using multiple regression analysis. The tests used are validity, reliability, and hypothesis testing. The result of the research proves that control environment, management risk assessment, activity control, communication and information, and monitoring affect on auditor accountability in the Inspectorate of Jombang District. Based on the results and discussion of the research, the conclusion that can be taken is the auditor at the Inspectorate of Jombang District should pay attention and keep the compliance of internal control because it will make auditor accountability awake.

Keywords: Control Environment; Risk Assessment; Activity Control; Information and Communication; Monitoring; Accountability

How to cite (APA 6th Style)

INTRODUCTION

Law Number 25 Year 2009 states that each country is obliged to serve its citizens and residents to fulfil their rights and needs. Regulation of the President of the Republic of Indonesia number 29 of 2014 states that accountability is a form of obligation to account for the success and failure of the organizational mission implementation in achieving the objectives. One form of government accountability to the community or stakeholders is the obligation to audit the financial statements of government agencies. (Mardiasmo, 2009) explains public accountability consisting of vertical accountability and horizontal accountability. Vertical accountability shows accountability for the management of funds to a higher authority, while horizontal accountability indicates accountability to the wider community.

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Government Regulation No. 60 year 2008 on Government Internal Control System is a manifestation of the government's commitment in improving the performance, transparency, and accountability of state financial management and clarifying the role of internal controls listed in Article 47 paragraph 2. The Committee of Sponsoring Organizations of the Treadway Comisi (COSO) held in 1985 aims to give thoughts that deal with risk management, internal control, and fraud prevention in financial reporting. Jombang District has received Unqualified Opinion (WTP) from the Supreme Audit Agency (BPK) during 2013-2016, but there are some obstacles in financial management especially in rural areas. The number of problems concerning public facilities that are not in accordance with budget specifications impact on less optimal public facilities benefits and the people of Jombang District to be dissatisfied with the public facilities. This event will result in distorted information between physic and financing causing the accountability of a District being questioned.

The financial statements that have received unqualified opinion by the Supreme Audit Agency are still a problem that makes people dissatisfied. Departure from that causes accountability of Jombang District government becomes an important thing that must be paid attention, so that the accountability can be achieved need to do monitoring. Good monitoring of state finances is expected to give assurance that all the money received will be used maximally in accordance with the budget that has been made (U. Santoso & Pambelum, 2008).

The party appointed to perform monitoring function is the internal auditor or so-called the auditor of the inspectorate. So that the accountability problems of Jombang District government have an impact on the duties and functions of the inspectorate as a monitor whether the auditor has run his duties and functions or not. The role of auditor is very big related to the accountability improvement of Jombang District government, so that every monitoring implementation must use all professional proficiency in order to achieve ideal monitoring. However, during this time the public does not know whether the auditors of the Inspectorate of Jombang District have been running their main duties well or not. Therefore, the accountability of the auditor of the inspectorate is also prioritized before speaking accountability of the Jombang District government.

The accountability of the auditor of the inspectorate will reflect the results of good work in conducting monitoring. A good auditor will work professionally to produce good output, ie, the monitoring of the government budget so that the realization of the program is in accordance with the budget. Creating a professional auditor is influenced by many factors, Wardayati & Arif (2017) state that a professional auditor is influenced by an individual rank or certain characteristic of the auditor, experience, and the size of the office in which the auditor works. COSO describes five internal control components that are designed and implemented to give reasonable assurance that its control objectives can be met (Elder, Beasley, Arens, & Jusuf, 2013). Kaltsum & Rohman (2014) show that internal control affects on the performance accountability of government agencies where internal control variable is an intervening variable. This study uses internal control variable as an independent variable that is proxied into those five variables.

Factors that contained in internal control are internal control environment, management risk assessment, and good activity control. This is because good or bad government will be influenced by it also impact to accountability (Arens, Elder, & Beasley, 2014). Control environment is an individual atmosphere in an organization in conducting activities and carrying out responsibility for control in its field (Rendon & Rendon, 2016; Taurininga & Mangena, 2012). Management risk assessment as a part in designing and implementing internal controls to minimize errors and fraud within an organization (de Zwaan, Stewart, & Subramaniam, 2011; Karanja, 2017). Control activities are policies and procedures developed by the organization to face risks in order to achieve organizational goals (Rama & Jones, 2008).

The inspectorate must provide sufficient space for auditors to exchange information obtained during the process of monitoring. In addition, it is necessary to establish a good communication system so that information obtained in an assignment can be useful for auditors. So that related to the audit activity in terms of carrying out monitoring function, auditor can complement each
other the required information and impact the absence of bias from the decision taken in making inspection plan / procedure. So in its operation, the auditor has full discretion to obtain and exchange information owned (Dewi, 2012)

An information and accounting system of an entity is to initiate, record, process and report transactions occurring within an entity and for accountability of the related assets. The benefits are to control and coordinate the activities of the audit team, as well as to improve the quality of the audit. Monitoring is an activity related to the ongoing assessment or periodic assessment on the quality of internal control by management to determine the control carried out according to its purpose (Elder et al., 2013). Therefore, in the internal control is also required information and communication and good monitoring due to good or bad governance is influenced by it and also impact on accountability.

Based on the description, the research problems are: (1) Does the environment of control (environment control) affect the accountability of auditors in the Inspectorate of Jombang District? (2) Does the risk valuation affect the auditor’s accountability in the Inspectorate of Jombang District? (3) Does activity control have an effect on auditor’s accountability in Inspectorate of Jombang District? (4) Does information and communication (communication and information) affect the accountability of auditors in the Inspectorate of Jombang District? (5) Does the monitoring affect the auditor’s accountability in the Inspectorate of Jombang District?

Research related to the accountability of government agencies in Indonesia is still very interesting to do because there are still many cases related to the fraud that attracted the public’s attention. In addition, all the time accountability research has always been conducted on budget actors, this research tries to see accountability at the supervisory institution. Pujiswara, Herawati, & Sinarwati (2014) say that local financial accounting information system and local financial supervision simultaneously have a positive effect on the accountability of local government of Klungkung District. However, Santoso(2016) say that the government’s internal control system has no effect on the regional financial accountability. Therefore, researchers want to re-examine the results of the study conducted by Santoso (2016) but with a different subject, namely the auditor of Jombang district inspectorate. Therefore, the purpose of this study is to examine and analyze how the influence of internal control factors on the accountability of auditors working in Jombang district inspectorate.

The theory underlying this research is the agency theory proposed Jensen & Meckling (1976) which explains the relationship between agents and principals that arise because of conflict of interest between the trust holder namely the government and the provider of the mandate namely the community. The inspectorate auditor in this case is the agent, where the community is the principal. Auditors are required by the public to use their professional proficiency fully in carrying out the tasks covered. So what is done will be in accordance with all the resources owned by the inspectorate and this is accountability that can be accounted for to the principal / community.

The control environment will affect the auditor in professional acting. This is due to good commitment from inspectorate management related to value, ethics, integrity, personnel policy, and organizational structure(COSO, 2013). The existence of a good control environment prevents auditors from performing negative actions such as the non-fulfilment of the audit program that has been created and will pursue the answer whether the supervised entity has implemented the program in accordance with its plan and budget. So the accountability of the inspectorate auditor will increase. The main key of the control environment is audit or examination (Jones, 2008) risk assessment, information and communication, monitoring and control activities, in this case the examination to the auditor is done by the leader of the inspectorate because the hierarchy of organizational structure is clear then the integrity can be maintained.

$H_1$: Control environment has an effect on accountability.

Identifying, evaluating, and managing risk are part of the risk assessment (Jones, 2008) risk assessment, information and communication, monitoring and control activities. Besides these
three things, Rendon & Rendon (2016) reveals the associated fraud risks that may threaten the reputation of the inspectorate auditor. The existence of an appropriate risk assessment in each audit assignment, whether the risks of the entity to be audited and the risk of the audit team itself will reduce the potential risk that will undermine the accountability of the inspectorate auditor. This risk assessment should be done well by the inspectorate chief.

H$_2$: Management risk assessment has an effect on accountability

Physical control, technological control, performance review, and segregation of duties are part of the activities control undertaken by an organization (Rendon & Rendon, 2016). This activity control is an action to review and analyze what has been done to compare it with the plan or budget or the achievement of the previous period (Al-Thuneibat, Al-Rehaily, & Basodan, 2015) and four measures of profitability including earnings per share (EPS). In essence, control activities are various activities that base the comparison of what is done with ideal conditions so that expected optimal results can be obtained. Activity control has a contribution that will strengthen internal control (Al-Thuneibat et al., 2015) and four measures of profitability including earnings per share (EPS) and internal control is essential to the inspectorate in managing the (Koutoupis, 2012) thus it is expected accountability can be achieved.

H$_3$: Activity control has an effect on accountability.

Information and communication is appropriate, good, and adequate communication which includes external and internal communication and accounting information system (Rendon & Rendon, 2016). The quality of information and how to communicate properly will severely affect the management of the inspectorate and its auditor in performing the task (Al-Thuneibat et al., 2015) and four measures of profitability including earnings per share (EPS) (Corici, 2009), so the decisions taken will be influenced by this factor. Appropriate decisions will lead the inspectorate auditors to make good planning and good planning will bring the results of an optimal examination so that expected accountability to rise along with the quality improvement of the examined assertion.

H$_4$: Information and communication have an effect on accountability

The last process is how the quality assessment of internal control can continue from time to time so that corporate goals can be achieved is called monitoring (Rendon & Rendon, 2016). Monitoring should be done thoroughly and using a variety of monitoring instruments that can be taken. So that with the existence of monitoring, accountability can be achieved, although there may still be gaps that can be utilized by the auditors (Petrakaki, Hayes, & Introna, 2009) it aims to investigate how performance monitoring technologies are deployed in electronic government and the consequences that may arise from their implementation on public service accountability.

Design/methodology/approach: The paper draws upon an in-depth empirical study of several Greek Citizens Service Centres (CSCs). Therefore, with the maximum monitoring, maximum monitoring will bring internal controls in the prime condition so it will be able to improve performance that should impact on accountability (Kiabel, 2012).

H$_5$: Monitoring has an effect on accountability.

METHOD

This research is an explanatory / confirmatory research that explains the causal relationship between variables through hypothesis testing that has been formulated previously. Based on the type of data collected, this study includes quantitative research. The population in this study is all auditors working in Jombang inspectorate with 35 auditors. The sampling technique used in this research is census method with 35 samples of auditor in the Inspectorate of Jombang District.

The independent variables used in this study consist of: control environment (X1), risk assessment (X2), activity control (X3), information and communication (X4), monitoring (X5), and accountability dependent variable (Y). Type of data used is the primary data obtained from the answers of the auditors who work in the Inspectorate of Jombang District. Data collection is
done by distributing questionnaires to all auditors in the inspectorate of Jombang District.

The collected data is examined for its validity and reliability and through the classical assumption test. Analytical technique of this research use multivariate statistical analysis with multiple regression analysis. Multiple regression equation from the effect of control environment, management risk assessment, information and communication, and monitoring to accountability of the Inspectorate of Jombang District is \( Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e \) (1)

The description for equation 1 is as follows: \( X_1 \) is the control environment variable, \( X_2 \) is the variable of management risk assessment, \( X_3 \) is the activity control variable, \( X_4 \) is the information and communication variable, \( X_5 \) is the monitoring variable, \( Y \) is the accountability, and \( e \) is the disturbance factor.

RESULTS AND DISCUSSIONS

The results of the research on the validity and reliability test appeared in table 1 and table 2. All the tests showed that the data has been valid and reliable so that it could be used for further analysis.

Table 1. Validity Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>Statement</th>
<th>P-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Environment (( X_1 ))</td>
<td>1</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>0.006</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Management Risk Assessment (( X_2 ))</td>
<td>1</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>0.001</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Activity Control (( X_3 ))</td>
<td>1</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Information and communication (( X_4 ))</td>
<td>1</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>0.000</td>
<td>Valid</td>
</tr>
</tbody>
</table>
Tests of classical assumptions have been conducted that included test of normality, multicollinearity, and heteroscedasticity. All the classical assumption tests have met the requirements that have been set. So the data could be used for the analysis of the next stage, namely hypothesis testing.

**t Test (Partial)**

The t test (partial) to determine whether the independent variables of Control Environment (X1), Management Risk Assessment (X2), Activity Control (X3), Information and Communication (X4) and Monitoring (X5) have an effect on Accountability (Y) partially or independently. Table 3 showed the effect of independent variables X1, X2, X3, X4, and X5 on the (Y) dependent variable.

### Table 3. Calculation of t Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.860</td>
<td>0.000</td>
</tr>
<tr>
<td>0.124</td>
<td></td>
<td>0.132</td>
<td>2.598</td>
<td>0.015</td>
</tr>
<tr>
<td>0.163</td>
<td></td>
<td>0.159</td>
<td>2.222</td>
<td>0.035</td>
</tr>
<tr>
<td>0.149</td>
<td></td>
<td>0.159</td>
<td>3.020</td>
<td>0.005</td>
</tr>
<tr>
<td>0.172</td>
<td></td>
<td>0.218</td>
<td>2.958</td>
<td>0.006</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed (2017)
The results of t-test in Table 3 showed that the sig value for each independent variable was less than $\alpha$ of 0.05. So in this study all hypothesis were accepted.

**F Test (Simultaneous)**

F (simultaneous) tests were used to determine whether independent variables such as Control Environment (X1), Management Risk Assessment (X2), Activity Control (X3), Information and Communication (X4) and Monitoring (X5) simultaneously or jointly affected Accountability (Y) which could be seen in Table 4.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>169.396</td>
<td>5</td>
<td>28.233</td>
<td>161.652</td>
<td>0.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>4.890</td>
<td>28</td>
<td>0.175</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>174.286</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source : Primary data processed (2017)

In addition, in table 4 we saw a sig value obtained greater than 0.000 which was less than $\alpha$ of 0.05. This indicated that Control Environment (X1), Management Risk Assessment (X2), Activity Control (X3), Information and Communication (X4) and Monitoring (X5) simultaneously or jointly affected Accountability (Y).

**The Effect of Control Environment on Accountability**

Based on the result of hypothesis test obtained that control environment had a positive and significant effect on accountability of 9.5%, while 90.5% was influenced by other factors. Other factors included management risk assessment, activity control, information and communication, and monitoring. The control environment had a positive and significant impact on accountability, indicating that the first hypothesis which stated that control environment affected on accountability was accepted.

This finding implied that the better the control environment of auditors who worked in the Inspectorate of Jombang District would be able to increase accountability. This conclusion showed that control environmental factor which was measured through integrity and ethical values, commitment to competence, participation of boards of directors and audit committees, management philosophy and operating style, organizational structure, human resource policies and practices were factors determining accountability at the Inspectorate of Jombang District.

Jesen and Meckling (1976) described an agency theory which explained that the government was an agent who was obliged to present, report and disclose all the activities of the community as principals who had the right and authority to hold those responsibilities.

The result of this research was in line with research conducted by Santoso & Pambelum (2008) (Rendon & Rendon, 2016) who found that a good control system would have an effect on maximum monitoring. So when the auditor was in a good control environment he would work according to his responsibilities. A well-executed responsibility would be reflected in the quality of the monitoring performed, resulting in increased accountability (Rae & Subramaniam, 2008).

**The Effect of Management Risk Assessment on Accountability**

Based on the result of hypothesis test, it was found that management risk assessment had a positive and significant effect on accountability of 12.4%, while 87.6% was influenced by other factors such as control environment, activity control, information and communication and monitoring. Management risk assessment had a positive and significant effect on accountability. This indicated that the second hypothesis which stated that control environment had an effect on accountability was accepted.

This finding implied that the better the management risk assessment of auditors who
worked in the Inspectorate of Jombang District would be able to increase accountability. This result indicated that management risk assessment factor which was measured through identification, evaluation, and determination of actions that needed to be taken to deal with risk was a factor that determined accountability at the Jombang District Inspectorate.

Jensen & Meckling (1976) described agency theory which explained that the government as an agent was obliged to present, report and disclose all the activities of the community as principals who had the right and authority to hold those responsibilities. In this case, the accountability that arose was the auditor’s accountability was getting better in carrying out its function. This study was in line with Spillan & Ziemnowicz (2011) that there was a common thread between management risk assessment and accountability. So, if the auditor inspectorate were able to perform a good management risk assessment it would support the results of maximum monitoring.

The Effect of Activity Control on Accountability

Based on the result of hypothesis test, it was found that activity control had a positive and significant effect on accountability in the amount of 16.3%, while 83.7% was influenced by other factors such as control environment, risk management, information and communication and monitoring. Activity control had a positive and significant effect on accountability. This indicated that the third hypothesis which stated that activity control affected on accountability was accepted.

This finding implied that the better control of activities owned by auditors working in the Inspectorate of Jombang District would be able to increase accountability. This conclusion showed that control activity factor which was measured through adequate separation of duties, proper authorization of transactions and activities, adequate documentation and records, physical control over assets and records and job checks independently were factors determining accountability at the Inspectorate of Jombang District.

Jensen & Meckling (1976) described agency theory which explained that the government as an agent was obliged to present, report and disclose all the activities of the community as principals who had the right and authority to hold those responsibilities. The result of this study was in line with Rendon & Rendon (2016) who found that the fraud occurred was contributed by the control of imperfect activities. If the activity control was at a perfect level then the internal control system was good (Agbejule & Jokipii, 2009), then accountability could be achieved.

The Effect of Information and Communication on Accountability

Based on the result of hypothesis test, it was found that information and communication had a positive and significant effect on accountability of 14.9%, while 85.1% was influenced by other factors such as control environment, management risk assessment, control activity and monitoring. Information and communication had a positive and significant effect on accountability. This indicated that the fourth hypothesis which stated that information and communication affected accountability was accepted.

This finding implied that the better information and communication owned by auditors working in the Inspectorate of Jombang District would be able to increase accountability. This conclusion showed that information and communication factor which was measured through completeness, accuracy, classification, and time were factors that determined accountability at the Inspectorate of Jombang District. Jensen & Meckling (1976) described agency theory which explained that the government as an agent was obliged to present, report and disclose all the activities of the community as principals who had the right and authority to hold those responsibilities. The result of this research supported research conducted by Pujiswara et al.(2014) which said that the local financial accounting information system and local financial supervision simultaneously had a positive effect on the accountability of local government in Klungkung District.
The Effect of Monitoring on Accountability

Based on the result of hypothesis test, it was found that monitoring had a positive and significant effect on accountability of 17.2%, while 82.8% was influenced by other factors such as control environment, management risk assessment, activity control and information and communication. Monitoring had a positive and significant impact on accountability. This indicated that the fifth hypothesis which stated that monitoring had an effect on accountability was accepted.

This finding implied that the better the monitoring of auditors who worked in the Inspectorate of Jombang District would be able to increase accountability. This conclusion showed that the monitoring factor which was measured through performance planning, performance reporting, performance evaluation, performance achievements, and performance accountability were factors that determined accountability at the Inspectorate of Jombang District. Jensen & Meckling (1976) described agency theory which explained that the government as an agent was obliged to present, report and disclose all the activities of the community as principals who had the right and authority to hold those responsibilities that was community. The result of this research supported research conducted by Pujiswara et al.(2014) said that local financial accounting information system and local financial monitoring simultaneously had a positive effect on the accountability of local government in Klungkung District.

CONCLUSION

Based on the result of the research and discussion, it is concluded that the control environment has an effect on accountability, management risk assessment has an effect on accountability, the control of activity influences accountability, information and communication influences to accountability, and monitoring influences to accountability. In other words, internal control has a positive and significant effect on auditor’s accountability at the Inspectorate of Jombang District. Suggestions that can be given to the inspectorate auditor of Jombang District is to always obey the code of ethics and standard of APIP and always run the internal control as well as possible. Subsequent research can develop models in relation to how the sequence of the five internal control elements affect the accountability of an entity.

REFERENCES

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