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Article

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Taylor & Francis Group

Suggested Citation: Sri Rahayu; Yudi; Rahayu (2020) : Internal auditors role indicators and their support of good governance, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 7, Iss. 1, pp. 1-14,
<https://doi.org/10.1080/23311975.2020.1751020>

This Version is available at:

<https://hdl.handle.net/10419/244834>

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To cite this article: Sri Rahayu, Yudi & Rahayu | (2020) Internal auditors role indicators and their support of good governance, Cogent Business & Management, 7:1, 1751020, DOI: [10.1080/23311975.2020.1751020](https://doi.org/10.1080/23311975.2020.1751020)

To link to this article: <https://doi.org/10.1080/23311975.2020.1751020>



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Received: 07 December 2019
Accepted: 19 March 2020

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Internal auditors role indicators and their support of good governance

Sri Rahayu^{1*}, Yudi¹ and Rahayu¹

Abstract: The study aimed to develop indicators to measure the implementation of a new model for internal auditors in government organizations and their support of good public governance. Data was collected through a survey, with questionnaires, and interviews with key informants. Respondents were internal auditors from various government organizations. Data were analyzed using both quantitative and qualitative analysis. Internal auditors can carry out roles under a new model if they receive support in the form of leadership commitment. Currently, the dominant role of government internal auditors is as a watchdog. Roles as consultants and catalysts have begun to be implemented, although they are not yet optimal. The control variable provided the highest support for good public governance, while the audit knowledge variable provided the lowest support. The government needs to focus on increasing the quantity and capability of internal auditors through training, outreach, and technical guidance.

Subjects: Business, Management and Accounting; Accounting; Corporate Governance

Keywords: hard control; soft control; watchdog; consultants; catalysts

1. Introduction

Government performance can be measured in various ways, including economic development and the growth of new businesses and new jobs (Ruzzene, 2016), GDP, poverty, and economic independence



Sri Rahayu

ABOUT THE AUTHOR

Sri Rahayu, as a Lecturer at Accounting Department, University of Jambi, Indonesia. Field of Research is occupied is government accounting. One focus of research that is explored at this time is the Field of Internal Audit, especially in Government Organizations. This article is the result of research funded by the University of Jambi. The results of this article can contribute to the development of government accounting research to see the role of internal auditors more comprehensively (watchdogs, consultants and catalysts). This role can continue to be developed through further research so that an internal auditor role model can be obtained in improving good governance, especially in government organizations.

PUBLIC INTEREST STATEMENT

Internal auditors have been considered as the fault finders/watchdog in the organization. There are currently demands for a more humane role of internal auditors. This article develops indicators about the role of internal auditors in government organizations. This article looks at the role of internal auditors in the new paradigm. The new paradigm sees internal auditors not only as watchdog who are avoided by the internal units of the organization, but instead must establish good communication because they are demanded to be consultants and internal catalysts of the organization, even though they must remain independent. The application of roles with this new paradigm is expected to be able to improve good public governance. The results of this study can be used by subsequent researchers to assess the effectiveness of the implementation of the new role of internal auditors in various environments of government organizations.

(Hutapea & Widyaningsih, 2017). Alternatively, outcome-oriented approaches can also be used, such as value for money or efficiency, effectiveness, economic performance, and financial performance (Basri & Nabiha, 2014; Sutopo et al., 2017). The performance will improve if the government implements good governance. Many factors can be used to measure local government performance, one of which is good government governance (Hutapea & Widyaningsih, 2017). Nizam (2009) stated that good public sector governance as a whole has a significant effect on public sector performance.

Governance is not a new concept and does not have a single definition (Cruz & Marques, 2016). A straightforward definition is that governance is the process of making decisions and the process of how those decisions are implemented or not implemented. Governance can be implemented in various contexts such as corporate governance, international governance, national governance, and local governance (Unescap, 2018). Good regulations in a variety of settings, such as economic, social, political, legal, administrative, personnel, and other environments, are called good governance.

Good governance has eight main characteristics; it is participatory, consensus-oriented, accountable, transparent, responsive, effective, efficient, equitable and inclusive, and follows the rule of law. These characteristics can minimize corruption and increase responsiveness to current and future community needs (Unescap, 2018). The main elements needed for the implementation of good governance are consistency (predictability), responsibility, accountability, fairness, transparency, participation (subsidiarity), effectiveness and adherence to the law (Toksoz, 2008). The World Bank states four important principles of good governance, namely transparency, accountability, predictability (the rule of law), and participation (Afiah & Rahmatika, 2014). There are five principles for good public governance: transparency, accountability, responsiveness, independence, and justice. If these principles are implemented in a regional government, good public governance will be achieved and the performance of the local government will improve (Lestiawan & Jatmiko, 2016).

The government is one of the actors in governance (Unescap, 2018). The effectiveness of governance in public sector organizations must include the government to encourage better decision making, efficient use of resources, and increased accountability. Effective governance in the public sector encourages better decision-making, efficient use of resources, and strengthens accountability for the stewardship of those resources. A good government will improve performance and services for the community, and will reduce corruption (IFAC, 2013). Hutapea and Widyaningsih (2017) confirmed that poor government management brings negative impacts to the government, the community, and other parties—one example is the lack of public trust in the government, which worsens crucial issues in the community.

One element of good governance that often becomes a concern is accountability. Accountability has many impacts on public service performance, financial report quality, and financial management quality. Increased accountability also has an impact on efforts to eradicate corruption (Afriyanti et al., 2015). Accountability is a procedure required of public officials to ensure that the processes and results of activities carried out follow established procedures (Johnston, 2016). One of the obstacles to the application of accountability in local governments is the competence of the apparatus of government (Rahayu et al., 2018).

One indicator of increased accountability is the number of findings from audits carried out by the Audit Board (BPK) of the Republic of Indonesia and the follow-up to the findings. BPK conducts audits to assess the balance of government financial statements both in terms of internal control and compliance with laws and regulations (Pamungkas, Ibtida, & Avrian, 2018). Examination of 652 financial statements of government organizations in 2017 contained 512 (79%) Unqualified Opinions (UO). Examination of general performance concluded that the performance in 5 (42%) of the 12 objects was not effective. Examination with Specific Purposes, in general, concluded that the implementation of activities for 24 (67%) of 36 objects was not fully in accordance with the provisions of the legislation. In more detail, the Audit Board revealed 9,808 findings that contained 15,773 problems, including 7,539 (48%) issues of weakness in the Internal Control System and

8,030 (51%) issues of non-compliance with statutory provisions worth IDR 10.06 trillion, and 204 (1%) issues of inequality, inefficiency, and ineffectiveness worth IDR 1.49 trillion. From 2005 to June 2018, the Audit Board delivered 510,514 recommendations to the entities examined worth of IDR 279.79 trillion. Of these recommendations, 72.3% have been followed up, while the rest have not been followed up and cannot be followed up (BPK, 2018/IHPS). The results of UO in government organizations in Indonesia continue to increase every year.

In addition, performance improvements can also be seen from the achievement of government accountability. Compared to 2016, the results of *Sistem Akuntabilitas Kinerja Instansi Pemerintahan* (SAKIP)¹ of the Provincial Government and Regency/City Government in Indonesia in 2017 improved, in which eight provinces and six districts received rewards in the form of Regional Incentive Funds. The most noticeable impact from the performance improvement was the efficiency of the minimum budget of IDR 41.15 trillion. In addition to increasing the efficiency of the budget, the good implementation of SAKIP helped each program or activity of the government agencies to focus more on development goals. It has been suggested that the good implementation of SAKIP also prevents fake programs or activities in government agencies (Kemenpan, 2018).

Global issues faced by public sector organizations today include the constant cases of failures in Governance, inefficacy, fraud, and corruption (Johari et al., 2018). One approach to preventing corrupt practices is to strengthen the role of internal auditor institutions such as the inspector general in the ministry. Internal auditors must carry out internal supervision through audits, reviews, monitoring, and evaluation in the administration of tasks and functions of the government (Wiwoho, 2018). The aim is to control activities, safeguard assets, provide good financial reports, increase efficiency and effectiveness, and improve the early detection of irregularities and non-compliance with applicable regulations (Ratna, 2018).

Strengthening the supervision in government organizations can be done in two ways: (1) the implementation of a government internal control system, and (2) an increase in the role of government internal supervision officers in quality assurances and consultation, with the aim of eradicating corruption, collusion, and nepotism in government bureaucracy (Itjen, 2018). Changes in roles can only occur if there is support from leaders in the form of commitment, and internal auditors are capable of making the change. One of the supporting factors of capability is education. Educated auditors can improve the quality of audit services compared to less educated auditors (Ocak, 2018). Based on the results of the assessment on the level of capability of *Aparat Pengawasan Internal Pemerintah* (APIP)² using the Internal Audit Capability Model (IACM), as of 27 October 2017, 536 out of 627 (85.48%) APIPs hold *Jabatan Fungsional Auditor* (JFA),³ covering 60 APIPs of the central government agencies and 476 APIPs of local government agencies. Only 0.48% of APIPs had not been assessed, in which 33.65% of these unassessed APIPs were first level APIPs, 61.56% were second level APIPs, and 4.31% were third level APIPs (BPKP, 2017). All APIPs are expected to be at the third level by 2019, in accordance with the target of 2015–2019 National Medium Term Development Plan (BPKP, 2018).

The latest internal audit plays an important role in the governance of entities through the role of quality assurance and consulting services. The role of internal auditors is the key to creating an effective internal control system. Internal auditors, through internal audit activities, can guarantee the creation of good governance (Utami, 2018). The objective of this study was to develop indicators to measure changes in the role of government internal auditors and to determine the current dominant role carried out by government internal auditors (watchdogs or consultants and catalysts). This was followed by tests on the role of internal auditors in supporting good governance in government organizations.

2. Theoretical framework for internal auditors role

Jensen and Meckling (1976) describe Agency problems that arise in the relationship between agents and principals in the company. Agency relationships with government organizations, both at the regional government level and the Regional Work Unit (SKPD). The agency relationship with

government organizations is more extensive in scope than the private sector. Government organizations become agents to the community, DPR or DPRD as representatives of the community and higher organizations (Halim & Abdullah, 2006). The shift in internal auditing philosophy is marked by a change in orientation and the role of the internal auditor profession. In this 21st century, internal auditors are more oriented towards providing satisfaction to the management as customers (customer satisfaction). Internal auditors can no longer only act as watchdogs but must be able to act as business partners (Rahayu & Rahayu, 2016). The difference between the old paradigm (traditional approach) and the new paradigm (new approach) is presented in Table 1.

Internal auditors who carry out the role of consultants and catalysts will be highly awaited by the work unit (Wiwoho, 2018). The role of internal auditors in realizing Good Corporate Governance will be hampered including if the auditor does not have competence and independence, and there is no commitment of regional heads, and auditee awareness (Rahayu & Rahayu, 2016).

High demands that internal auditors have the right strategy in dealing with various changes that occur so that the auditor's role can become real (Rahayu & Rahayu, 2016). Pickett (2010) which is further described in more detail in the BPKP Supervision News (BPKP, 2015) states that in applying the new paradigm, internal auditors must be able to add the focus of their work to:

- (1) From Hard Control to Soft Control
- (2) From Control to Risk
- (3) From Knowledge Audit to Business Knowledge
- (4) From Independence to Value

In carrying out the role by using a new paradigm, internal auditors must try to implement that role, to strengthen the oversight process of the organization's internal control system. Internal control is a process, policy and procedure designed by management to ensure reliable financial reporting and the preparation of financial reports under the applicable accounting framework (Tuanakotta, 2014). The four main objectives of an organization's internal control system are:

- (1) safeguard organizational assets
 - (a) ensure the accuracy and reliability of organizational accounting records and information
- (2) improve the efficiency of the organization's operations
- (3) measuring compliance with policies and procedures established by management.

The implementation of the internal control system will be able to reduce and avoid fraud in the organization's financial management. The development of internal control for government

| Table 1. Comparison of old and new internal auditor paradigms | | |
|---|-----------------------------|--|
| DESCRIPTION | OLD PARADIGM | NEW PARADIGM |
| Role | Watchdog | Consultants & Catalysts |
| Approach | Detective (detect problems) | Preventive (prevent problems) |
| Attitude | Like the police | As a business partner/customer |
| Obedience/compliance | All policies/policies | Only relevant policies |
| Focus | Weakness/deviation | Constructive settlement |
| Communication with management | Limited | Regular |
| Audit | Financial/compliance audit | Financial, compliance, operational audit |
| Career path | Narrow (only auditors) | Broad development (can have a career in other parts/functions) |

Source: Hidayat (2011)

organizations is stipulated in PP No. 60 of 2008 concerning the Government Internal Control System (SPIP). SPIP adopts the principle of Committee of sponsoring Organization (COSO) because it is considered useful in order to provide adequate confidence for the achievement of organizational goals and place humans as the main factors for control to function.

Article 1 PP No. 60 of 2008 defines an internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, the security of state assets and adherence to laws and regulations. The five elements of internal control include the control environment, risk determination, control activities, information and communication and monitoring. Internal auditors have a role in overseeing management in the implementation of these elements of internal control. Good Public Governance is the goal to be achieved.

Good Governance is the focus of attention for both Corporate and government organizations. Weak implementation of Good Governance has been a determining factor in the severity of the crisis in Asia. South Korea recovered very quickly from the crisis because of the improvement in the quality of Corporate Governance (Sutedi, 2011). Indonesia also shows committees to implement good Governance. Government organizations are required to run Good Governance. Some benefits for government organizations that implement Good Governance, according to Edb.gov (Edb.gov (Producer), 2010) include:

- (1) increased trust
- (2) improve the efficiency and effectiveness of management
- (3) able to improve administrative performance than can continue to encourage the development of performance
- (4) ensure funds are used for the benefit of the community
- (5) increase the participation of all key stakeholders.

Good Governance Principles are established by the United Nations Development Program (UNDP), namely: participation; equity, non-discrimination and inclusiveness; gender equality; rules-based; transparency; and accountability and responsiveness. Furthermore, from these principles, the State Administration Agency (LAN) and BPKP (2010) reduce to the principles of Good Governance for government organizations as follows: Participation, Rule of Law, Transparency, Responsiveness, Consensus orientation, Equity, Effectiveness and Efficiency, Accountability, and Strategic vision. Of the nine principles, this research will use the principles of participation, the rule of law, transparency, effectiveness and efficiency and accountability because these five principles are assumed by the research team to be closely related to the role of the internal auditor. Internal auditors who do not carry out their roles properly and adequately will also have implications for the inadequacy of the application of Good Governance. In government organizations, internal auditors have a role in supporting Good Public Governance. Government internal auditors have a strategic role in creating a clean government (Rahayu & Rahayu, 2016).

3. Research methods

The object of this study was the role of internal auditors under a new model for supporting good governance. Respondents for this study were internal auditors from the province and regency/city inspectorate in Jambi, representatives of *Badan Pengawasan Keuangan dan Pembangunan* (BPKP)⁴ in Jambi, representatives of *Badan Usaha Milik Daerah* (BUMD),⁵ and representatives of *Perguruan Tinggi Negeri* (PTN).⁶ The research population was 366 people. The sample was taken using a cluster sampling method by dividing the population into several groups (Hartono, 2010). The most popular cluster sampling method is the sample area, which can be applied to national, provincial, regency, or even regional populations (Kuncoro, 2003).

Clusters in this study were divided into the Jambi provincial government inspectorate, Jambi provincial BPKP, and Jambi city or regencies that were divided into western, central, and eastern regions. The Regional Inspectorate of Merangin, Sarolangun, Kerinci, and Sungai Penuh Regency represented Jambi western region. The Regional Inspectorate of Muaro Jambi and Tanjung Jabung Timur Regency represented the eastern region. The Regional Inspectorate of Jambi City and Batang Hari Regency represented Jambi central region. In addition, the researcher also chose respondents from the internal auditor work units of one of the BUMDs in Jambi and members of the PTN internal supervisory team, to obtain a comprehensive perception from a variety of government organizations. Sampling was done to choose respondents to fill out the questionnaire. From 336 distributed questionnaires, 195 were returned and analyzed. Informants for interviews were chosen based on the snowball approach; this approach is commonly used in qualitative research (Bungin, 2011).

The data used in this study were primary data collected through a questionnaire. To support the results from the questionnaire, data were also extracted using in-depth interviews. Data were analyzed using mixed methods: qualitative data analysis for the data obtained from interviews and factor analysis for the quantitative data obtained from the questionnaire.

The new model for the role of internal auditors included not only the role of a watchdog but also the role of a consultant and catalyst. The role as a watchdog was measured by using variables of hard control (10 indicators), control (6 indicators), audit knowledge (5 indicators), and independence (5 indicators). The role as a consultant and catalyst was measured using the variables of soft control (20 indicators), risk (3 indicators), business knowledge (3 indicators), and value (11 indicators) (Pickett, 2010). Indicators for the questionnaire were in the form of research questions employing a 1 to 4 Likert Scale (strongly disagree, disagree, agree, and strongly agree). Every question about the role of the auditor was associated with indicators for the principles of good governance. Respondents could relate the role to more than one principle of good governance. The principle of good governance used consisted of participation, compliance with regulations, transparency, effectiveness, efficiency, and accountability. In addition, respondents were also allowed to indicate that there was no relationship between the role of internal auditors and the principle of good governance.

A pilot test of the indicators was carried out with 57 students of the postgraduate program of the Accounting Study Program, of which 21 students were in their first semester, while the other 36 students were in their third semester. The reason for choosing these respondents for the pilot test was that the students had attended the subjects of Audit 1, Audit 2 and Audit Practices during their undergraduate program and most had been working in the field of auditing, so they already had a theoretical and practical understanding of internal auditors.

The quantitative method of factor analysis was used to test and analyze the indicators for the application of the new model for internal auditors. The proxy determination was done by calculating the factor loading of each indicator. An indicator was declared valid as a strategy indicator if it had a loading factor above 0.5. If there was a strategy indicator that had a factor loading below 0.5, then the indicator was excluded from the relevant strategy indicators. The factor loading analysis was carried out until all indicators had a factor loading above 0.5.

The stages of data analysis in the qualitative method to analyze the data from the interviews included (1) filtering interview data, (2) determining themes, (3) determining the relationship between themes, and (4) drawing conclusions (Rahayu et al. (2015b). The validity of the qualitative data was tested using a triangulation method and sources. Triangulation is the easiest method of testing qualitative data (Merriam, 2002; Rahayu et al., 2015a) and was used to answer the second research objective.

The third research objective was obtained through descriptive analysis. Support for the principle of good governance was obtained from the average respondents' answers about the relationship of the role of the internal auditor to predetermined principles. Support for the principles of good governance was based on groups of variables and indicators for the role of internal auditors.

4. Results and discussion

4.1. Indicators of the new model application for the role of government internal auditor

The basic assumption of whether or not a factor analysis can be used is that the matrix data must have a good correlation. The Bartlett's Test of Sphericity is a statistical test to determine whether there is a correlation between variables. Another test that can be used is the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO MSA). KMO values vary from 0 to 1. The desired value must be > 0.5 for factor analysis (Ghozali, 2015). The KMO and Bartlett test results showed a KMO value of 0.886, so it was concluded that the factor analysis could be carried out. Similarly, the value of the Bartlett test with Chi-square was 16,069.81 and significant at 0.000; thus, it was concluded that the factor analysis test could be continued.

Based on the factor analysis, the following results were obtained:

- (1) Of the ten indicators of the hard control variable, only seven indicators had loading factors > 0.5. Thus, indicators 2, 9, and 10 could be used as a measure of the application of the watchdog role for the hard control variable.
- (2) Of the 20 indicators of the soft control variable used to measure the application of the consultant and catalyst role, one indicator (indicator 13) had a loading factor < 0.5. Thus, 19 indicators were declared valid.
- (3) The five indicators for the control variable had loading factors > 0.5.
- (4) From the three risk variable indicators used to measure the application of the consultant and catalyst role, indicator 1 had a loading factor < 0.5, so only two indicators were declared valid.
- (5) From the component test, all indicators of the audit knowledge variable (five indicators) had a loading factor > 0.5, so they were all declared valid.
- (6) From the test results, the three indicators of the business knowledge variable had a loading factor > 0.5.
- (7) From the test results, the six indicators of independence variables had a loading factor > 0.5.
- (8) From the 11 indicators of the value-added variable used to measure the application of the consultant and catalyst role, two indicators (indicator 9 and 11) had a loading factor below 0.5, so only nine indicators were declared valid.

(Complete test results can be seen in the appendix)

4.2. The implementation of the new model to the role of government internal auditors

The application of the new model to the role of internal auditors in government organizations must be implemented comprehensively, for both variables (watchdog, and consultant and catalyst). The average respondents' answer regarding the implementation of this role is presented in Table 2.

| Table 2. Comparison of the average respondents' answers | | | |
|---|--------------|------|----------------------------------|
| Watchdog Variable | Average | | Consultant and Catalyst Variable |
| | Hard Control | 3.26 | |
| Control | 3.15 | 3.02 | Risk |
| Audit Knowledge | 3.25 | 3.15 | Business Knowledge |
| Independence | 3.12 | 3.08 | Value Added |
| Average | 3.20 | 3.11 | Average |

Based on the respondents' answers, the watchdog role was the role mostly carried out by government internal auditors, although the role as a consultant and catalyst had begun to be implemented. This was evident from the slight difference in the average of the two groups. These findings were in line with the expectations of the Audit Board of the Republic of Indonesia: that internal auditors must transform in line with the future orientation; the main task is not only to audit, monitor, and evaluate, but also to provide consideration in the decision (Republika (Producer), 2018).

From the interviews, internal auditors admitted that they had acted as consultants without leaving the role as watchdog. The auditee (informants from the regional financial management) also recognized the role of the internal auditors as consultants. Some internal audit institutions provided consultation units, although not all units had provided consultation. The purpose of this service was to prevent the early occurrence of financial management inaccuracies. The activity of the unit still needed to be optimized. Other common forms of prevention carried out by government internal auditors were in the form of socialization, workshops, technical guidance, and training. The main obstacles in the shift of role for internal auditors were the low competence and the limited number of auditors.

The role of internal auditors as a catalyst had not been optimally implemented since they seemed to be carrying out the role passively. Not all auditors are capable of playing an active role and driving internal organizational changes, specifically changes in mindset and behavior. Auditors tended to wait for auditees to come to them for consultation. In other words, their role in organizational risk management and value-added was not optimally implemented. This was evident from the two roles having the lowest average value from the respondents' point of view.

4.3. The role of government internal auditors in supporting good public governance

From the ten research variables for the support of internal auditors towards good governance, the application of the rule of law (GG2) showed the highest average followed by increased accountability (GG5), increased efficiency and effectiveness (GG4), increased participation (GG1), and increased transparency (GG3). This showed that the government internal auditors had carried out the role of watchdog and consultant and catalyst well to improve good governance. The variable was measured by looking at the average score of each indicator, as shown in Table 3.

Table 3. The support of research variables towards good governance

| No | Variable | GG1 ^{*)} | GG2 | GG3 | GG4 | GG5 |
|----|-------------------------------------|-------------------|-------|-------|-------|-------|
| 1 | Hard Control | 21.75 | 80.88 | 17.88 | 76.38 | 67.38 |
| 2 | Soft Control | 23.83 | 55.73 | 24.67 | 31.63 | 45.70 |
| 3 | Control | 27.60 | 91.80 | 37.60 | 88.60 | 78.40 |
| 4 | Risk | 70.67 | 60.00 | 25.33 | 69.00 | 51.00 |
| 5 | Audit Knowledge | 11.71 | 72.43 | 24.29 | 46.86 | 60.71 |
| 6 | Business Knowledge | 24.33 | 68.67 | 21.33 | 78.00 | 64.00 |
| 7 | Independence | 27.33 | 69.83 | 53.00 | 41.67 | 72.67 |
| 8 | Value Added | 55.22 | 61.11 | 31.78 | 69.22 | 50.00 |
| | Average | 32.81 | 70.06 | 29.48 | 62.67 | 61.23 |
| | Total | 2855 | 6192 | 2646 | 5123 | 5414 |
| | Total average/number of valid items | 37.08 | 80.42 | 34.36 | 66.53 | 70.31 |
| | Maximum | 70.67 | 91.80 | 53.00 | 88.60 | 78.40 |
| | Minimum | 11.71 | 55.73 | 17.88 | 31.63 | 45.70 |

* GG stands for Good Governance

Table 3 shows that the control variable was the highest-scoring variable supporting good public governance in the rule of law element. The control variable included the role of internal auditors in the form of supervision of the reliability and integrity of financial information, supervision of the effectiveness and efficiency of operations, supervision of assets, supervision of compliance with regulations, and supervision of the achievement of targets. This control variable also gave the highest score for support for efficiency and effectiveness. The control variable, as the highest-scoring supporting variable, had the role of internal auditors as a watchdog, a supervisor who kept the auditee activities within the established guidelines and rules.

The audit knowledge variable contributed the least to the implementation of good governance, especially in the element of participation, with a score of 11.71. Audit knowledge refers to the knowledge of auditors related to the implementation of technical audits, from planning to reporting. This minimum score indicated that internal auditors must indeed have this related knowledge, as the knowledge is required continuously. In addition, audit knowledge was also seen as a must-have competence, not as the main supporter in the implementation of good governance.

The most interesting finding was for the soft control variable, as this variable played the lowest role in supporting the implementation of good governance for the element of the rule of law, efficiency, effectiveness, and accountability. This showed that the role of internal auditors in carrying out soft control, that is supervisory activities that lead to changes in attitudes and mindset, has not been widely implemented. This should be a concern because governance changes, to achieve the goals of government organizations in providing best services to the community, will only be sustainable if supported by a change in the mindset and attitudes of the implementers. (Lestiawan & Jatmiko, 2016) write that the performance of local government is better if the principles of good public governance are applied. Auditors play an important role here, as noted by the Chairman of the Audit Board of the Republic of Indonesia in Denpasar, who stated that internal auditors and external auditors can work together to realize good governance despite having different tasks. Auditors must be neutral and objective by following professional and ethical standards. Internal auditors must work according to the basic principles of integrity, objectivity, confidentiality, and competence (Republika, August 29, 2018).

The averages for the application of the role of watchdog in supporting good governance are shown in Table 4.

The average for the application of the new role of consultants and catalysts in supporting good governance is shown in Table 5.

Consideration of Tables 4 and 5 shows the comparison of roles in supporting good governance in government organizations. The higher participation was for internal auditors as consultants and catalysts compared to the role of internal auditors as watchdogs. This happened because activities as consultants and catalysts were related to the provision of added organizational value, the involvement of internal auditors in providing advice related to organizational strategies in achieving goals, preventive actions, risk mapping, and understanding regarding the operations of the organization as a whole. This overall role encouraged internal auditors to actively participate in almost every stage of government organization activities. Every organization needs to ensure robust policies for effective risk management and internal control in order to achieve better accountability (Tumwebaze et al., 2018). The role of the internal auditor is crucial to ensure this can be optimally carried out in the organization. Public pressure and regulations regarding transparency and accountability continue to increase to gain trust from interested parties (Guerber & Anand, 2019). The results of an analysis of indicators that contributed to the highest scores for each element of good governance are shown in Table 6.

Table 6 shows that respondents perceived the indicator of understanding Standard Operating Procedures (SOPs) in the rule of law element from the hard control variable as the indicator giving the highest support for good governance. Every government organization had established SOPs as

Table 4. The support of the watchdog variables towards good governance

| No | Variable | GG1 ^{*)} | GG2 | GG3 | GG4 | GG5 |
|----|-----------------|-------------------|-------|-------|-------|-------|
| 1 | Hard Control | 21.75 | 80.88 | 17.88 | 76.38 | 67.38 |
| 2 | Control | 27.60 | 91.80 | 37.60 | 88.60 | 78.40 |
| 3 | Audit Knowledge | 11.71 | 72.43 | 24.29 | 46.86 | 60.71 |
| 4 | Independence | 27.33 | 69.83 | 53.00 | 41.67 | 72.67 |
| | Average | 22.10 | 78.73 | 33.19 | 63.37 | 69.79 |
| | Maximum | 27.60 | 91.80 | 53.00 | 88.60 | 78.40 |
| | Minimum | 11.71 | 69.83 | 17.88 | 41.67 | 60.71 |

* GG stands for Good Governance

Table 5. The support of the consultant and catalyst variables towards good governance

| No | Variable | GG1 ^{*)} | GG2 | GG3 | GG4 | GG5 |
|----|--------------------|-------------------|-------|-------|-------|-------|
| 1 | Soft Control | 23.83 | 55.73 | 24.67 | 31.63 | 45.70 |
| 3 | Risk | 70.67 | 60.00 | 25.33 | 69.00 | 51.00 |
| 4 | Business Knowledge | 24.33 | 68.67 | 21.33 | 78.00 | 64.00 |
| 5 | Value Added | 55.22 | 61.11 | 31.78 | 69.22 | 50.00 |
| | Average | 43.51 | 61.38 | 25.78 | 61.96 | 52.68 |
| | Maximum | 70.67 | 68.67 | 31.78 | 78.00 | 64.00 |
| | Minimum | 23.83 | 55.73 | 21.33 | 31.63 | 45.70 |

* GG stands for Good Governance

Table 6. Indicators giving the highest support to good governance

| No | The Elements of Good Governance | Indicators giving the highest support | Score | Note |
|----|---------------------------------|--|-------|--------------|
| 1 | Rule of Law | The internal auditors understand the Standard Operating Procedure (SOP) | 143 | Hard control |
| 2 | Efficiency and Effectiveness | The number of internal auditors is in accordance with the size and complexity of the assignment | 128 | Hard control |
| 3 | Transparency | Internal auditors must be honest, intellectually honest, and free from conflicts of interests | 93 | Soft control |
| 4 | Accountability | The internal audit organizational structure describes the responsibilities and delegation of authority | 91 | Hard control |
| 5 | Participation | Internal auditors can work with teams | 83 | Soft control |

a guideline in carrying out activities. SOPs were derived from a higher legal basis. Internal auditors who could understand the SOPs, both for the supervisory and the auditee activities were able to carry out supervision and provide better recommendations. Indicators from the hard control variables also supported the efficiency and effectiveness element. Indicators from the hard control variable supported the element of accountability. Indicators from the soft control variable supported the element of transparency and participation.

The second to fifth elements of good governance (the rule of law, transparency, efficiency, effectiveness, and accountability) were supported more by the role of internal auditors as watchdogs. This was consistent with the results of interviews that internal auditors still played the role of watchdogs, even though they had begun to move towards acting as consultants and catalysts.

Changes in the role of internal auditors were not simple. At present, government organizations in Indonesia still face the problems of both the quality and the number of internal auditors. Changes in roles must be supported by the capabilities of internal auditors. In addition, role changes can also occur if there are similar perceptions between auditors and auditees regarding the duties and functions of internal auditors. The results of the interview showed that auditees still saw internal auditors as a watchdog—only a few of them understood the role of internal auditors as consultants and catalysts. This new role cannot be implemented if there is no openness and mutual trust between the

two parties. Internal auditors are different from external auditors because they are responsible for assisting management in carrying out their responsibilities effectively (Halim, 2015). Internal auditors must practice independence because it will increase the objectivity of supervision; independence becomes an important factor for an auditor in carrying out duties and roles (Mautz & A, 1961).

The commitment of leaders is also an important factor in supporting the implementation of the new role of internal auditors in government organizations. Committed leaders will provide support for changes according to the recommendations of the internal auditors. Support for budgeting and improvement of the capabilities of internal auditors is also needed so that the role of internal auditors can be optimized. Moreover, Pamungkas, Avrian and Ibtida (2019) stated that local governments need to develop a comprehensive internal control system and proper asset management.

5. Conclusion

The following conclusions were drawn from the results of this study. The optimal implementation of the role of internal auditors requires the support and commitment of leaders, which could be in the form of giving authority to carry out tasks independently and improve auditor competency. The role of government internal auditors has begun to change into being a consultant and catalyst, although their role as watchdogs is more dominant. Internal auditors must maintain independence in carrying out their roles in line with the new model. Finally, trust and openness between auditors and auditees need to be improved to increase the effectiveness of the role of internal auditors as consultants.

The control variable provided the highest support for the implementation of good public governance for the element of the rule of law and of efficiency and effectiveness. The variable was included in the group of internal auditor roles as watchdogs. Internal auditors supervised auditee activities in accordance with the applicable regulations. The audit knowledge variable made the lowest contribution to implementation; the audit knowledge was also seen as a must-have competence, not as the main supporter in the implementation of good governance.

There are several implications of this study. First, the government must encourage the implementation of the role of internal auditors comprehensively, especially in their role as consultants and catalysts. Second, there must be information dissemination to the auditee about the role change so that a change in perspective occurs to position the internal auditors as consultants and catalysts. Third, the government must also pay attention to increasing the quantity and capability of internal auditors through training and technical guidance.

This study had several limitations. From the respondents' side, this study did not focus on internal auditors in one particular government organization. This study only tested eight variables (four roles as a watchdog and four roles as a consultant and catalyst), and indicators for other variables still need development. In addition, the role of the consultant and catalyst has not been separated. Future researchers could include the point of view of the auditee regarding the role of internal auditors and studies using different research methods.

Funding

The authors received no direct funding for this research.

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Citation information

Cite this article as: Internal auditors role indicators and their support of good governance, Sri Rahayu, Yudi & Rahayu, *Cogent Business & Management* (2020), 7: 1751020.

Notes

1. The Government Performance Accountability System.
2. Government Internal Auditors.
3. Functional Position of Auditors.
4. Finance and Development Supervisory Agency.
5. Regional Owned Enterprises.
6. State Universities.

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