

# **DETERMINANTS OF PERFORMANCE IMPACT ON QUALITY AUDITOR AND INTERNAL AUDIT CAPABILITY MODEL**

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**Abstract:** *This study aims to examine and obtain empirical evidence about the professionalism of auditors, auditor independence, professional ethics, organizational culture, leadership style and performance benefits and the impact on internal quality audit capability models (IACM). Sampling by using purposive sampling, with respondents totaling 134 Functional Officer Auditor (PFA), which consists of 55 PFA representative Financial and Development Supervisory Agency (BPKP) NTB and 79 PFA representative BPKP Bali. Analysis of the data in this study using Structural Equation Modeling (SEM) -based variant or commonly called the Variant Based SEM (VBSEM), by using analytical tools Partial Least Square (PLS). result Research shows that the professionalism of auditors, professional ethics, and organizational culture has a positive effect on the performance of auditors. The study also shows that the style of leadership and performance benefits negatively affect the performance of auditors, while the independence of auditors and performance benefits do not affect the performance of auditors. Other findings indicate that the auditor's performance has implications for the IACM. The implications of this study that every action of all parties, both the auditor and the level of leadership in accordance with professional ethics and auditing standards that exist, will be able to improve the performance of the auditor and can further enhance public confidence in the government auditor.*

**Keywords:** IACM, Performance, Auditor, BPKP

## **1. Introduction**

Role of Government Internal Supervisory Apparatus (APIP) increasingly strategic and move to follow the needs of the times in which APIP should be in the forefront in safeguarding financial governance ([www.bpkp.go.id](http://www.bpkp.go.id), 2016). APIP role as an early warning system in improving financial management and accountability of the national development. APIPs as supervisor must be competent, independence and courage in bringing the truth (news monitoring, 2016). APIP expected to be an agent of change that can create added value in the products or services of government agencies. APIP as the

government's internal watchdog is one of the important elements of the government management in order to realize good governance (good governance) that leads to government / bureaucracy were clean (clean government) (AAIPI, 2013: 1).

Based on the results of the assessment level of capability APIP Ministry, Agencies, and local governments as of December 31, 2014, 85.23% in the Level-1, 14.56% are at Level-2, and 0.21% who are at Level-3. For it is expected that all APIPs already at Level-3 in 2019, according to the targets of the National Medium Term Development Plan (RPJMN) in 2015 till 2019. Capability Improvement Strategy APIPs through self-assessment (self-assessment) is the capability APIPs according to international criteria, ie using the Internal Audit Capability Model (IACM). ([www.Rakornas APIP.htm](http://www.Rakornas APIP.htm) a tender in 2016).

Financial and Development Supervisory Agency (BPKP) as an internal auditor governments need to improve their capabilities. One of the steps to be able to make change for the better in the workplace is to strengthen the internal government. Strength itself can not be separated from internal and external factors, namely the professionalism of auditors, auditor independence, professional ethics, organizational culture, leadership and employment benefits

BPKP Representative NTB and Bali have two roles: assurance and consulting, through a consulting role they are required to give recommendations to improve the efficiency or effectiveness of the activities in question

Previous investigators who examined the professionalism of auditors study by Cahyasumirat (2006), Khariah (2009), Handayani and Yusrawati (2013), Princess and Suputra (2013), Arumsari (2014), Riskawati, Basri and Arfan (2014) and Triyanthi and Budiarta (2015 ), Research by Trisnaningsih auditor independence (2007), Yanthi (2011), Princess and Suputra (2013), Arumsari (2014), Safitri (2014), and Triyanthi and Budiarta (2015), profession Ethics Research conducted by Yanthi (2011), Choiriah (2013), Princess and Suputra (2013), Arumsari (2014), Riskawati, Basri, and Arfan (2014) and Triyanthi and Budiarta (2015), Cultural Organization of research by Sutrisno (2006), Gani (2006), Arumsari (2014), and Wahyunani (2015), Trisnaningsih (2007), Handayani and Yusrawati (2013), Satyawati and Suartana (2014), Leadership Style Research dilakukan by Gani (2006), Tampubolon (2007), Trisnaningsih (2007), Yanthi (2011), Arumsasri (2014), Saffitri (2014), Satyawati

and Suartana (2014) and Wahyunani (2015), Benefit performance Research conducted by Widyastuti (2010), Tribowo and Tjaraka (2015), and Tribowo and Tjaraka (2016) study Fitria, Idris, and Kusuma (2014) in his research found that the remuneration was not significant effect on the performance of employees. Respatiningsih and Sudirjo (2015) stated capabilities also affect employee performance. Originality of this study lies in the novelty is the first, as the performance benefits IACM as exogenous and endogenous, office-class performance benefits by auditors and IACM via self-assessment (self-assessment).

Based on the above it can be seen that the influence of the professionalism of auditors, auditor independence, professional ethics, organizational culture, leadership style and performance benefits to the performance of the auditors and their implications IACM, are the foundation for the auditor in accordance with the noble values of BPK namely Professional, Integrity, Orientation Manual, conscience and Common sense, Independent, Responsibel (PIONEER) and Vision BPK is the Internal Auditor GOI World Class ([www.bpkp.go.id](http://www.bpkp.go.id)) to improve the Financial Management Accountability and National Development. In connection with this, the researchers interested in studying the determinants of auditor performance and its impact on the internal quality audit capability models (IACM).

## **2. Theoretical Framework and Hypothesis Development**

### **2.1. Theoretical Framework**

#### **2.1.1. Accounting Theory of Behavior (Behavioral Accounting)**

The concept of behavior (behavioral concept) was originally a major field of study in psychology and social psychology, but factors such as psychology and social psychology of motivation, perception, attitude and personality are highly relevant to the field of accounting (Siegel and Marconi, 1986). The paradigm of behavioral research conducted by Steadry (1960) in his dissertation had been dug influence motivational budget by using an analogous experiment.

#### **2.1.2. Attitude and Behavior Theory**

Attitudes and behavior theory developed by Triandis (1971), states that behavior is determined by the attitudes, social rules and customs. Attitude consists of a cognitive component is the belief, the affective component that like it or not, with regard to what is perceived and behavioral component that

is how one wants to behave towards attitude. Jazen (1975) state 1). attitude to learn, 2). prediposisi define our attitude towards those aspects that happen in the world, 3). attitude provide the basis for the relationship between personal feelings with others, 4). Attitude is set and close to the core of personality. According to Robbins (2003) attitude is evaluative statement, whether favorable or unfavorable about objects, people, or events.

### *2.1.3. System Theory*

With systems theory, allows us describe the behavior of the organization, both internally and externally. In other words, the organization took the source (input) from the wider system (environment) to process it and return it in a modified form (output). Based on systems theory approach, success in managing the organization's leader is one of the goals in an effort to improve the performance of auditors

### *2.1.4. Understanding Auditing*

Auditing is a process of systematic and critical carried out by people who are competent and independent to gather and evaluate evidence objectively about assertions-assertions about various actions and economic events (information) established with the aim to determine and report the level of concordance between the information or assertions-assertions to the criteria set, and communicate the results to the user concerned.

### *2.1.5. Performance Auditor*

Etymologically, the performance comes from the work performance (performance). As noted by Mangkunagara (2005: 67) that the term of performance is derived from job performance or the actual performance (performance or achievements actually reached someone), that the work of the quality and quantity of work achieved by an employee in carrying out their duties in accordance with the responsibilities given to him

### *2.1.6. Internal Audit Capability Model (IACM)*

Understanding IACM or Internal Audit Capability Model is a model developed by the Intitute of Internal Auditing (IIA) to assess the level of capability of an institution APIP. IACM fundamental principle is that the internal control is an integral component of effective governance in the public sector. The three variables that must be considered when assessing the level of capability of a APIP is the internal audit activity, the organization and the overall environment.

In order to improve the level of capability APIP according to the method IACM, APIP can do by way of self-assessment (self-assessment). The level of leveling APIP by IACM models can be seen in table 1 below:

**Table 1. Levels Leveling APIP**

<b>level</b>	<b>Information</b>
Level 5 (Optimizing)	: APIP become agents of change.
Level 4 (Managed)	: APIP able to provide overall assurance on governance, risk management and internal control.
Level 3 (Integrated)	: APIPsable to assess the efficiency, effectiveness, economic an activity and is able to provide consulting on corporate governance, risk management and internal control.
Level 2 (Infrastructure)	: APIP able to ensure the process according to the rules, is able to detect the occurrence of corruption.
Level 1 (Initial)	: APIP can not provide assurance on the governance process according to the rules and prevent corruption.

*Source: Model IACM The Intitute of Internal Auditing (IIA)*

#### *2.1.7. Definition of Professionalism*

Professional an ability that is based on a high level of knowledge and specialized training, creative thinking power to carry out tasks in accordance with the areas of expertise and profession Aryawan (2010). Hardjana (2002) gives the sense that the professional is a person whose profession in accordance with its expertise. In this case, a trustworthy and reliable professionals to do the job so that it can run smoothly, good and bring the expected results.

#### *2.1.8. Independence Auditor*

In the Code of Conduct for Public Accountant stated that independence is an attitude that is expected of a certified public accountant to not have any personal interest in performing their duties, which is contrary to the principles of integrity and objectivity. Auditor intellectually to be honest, free of obligation to his client and does not have the interests of the client, both the management and the owner (IAI, 2013: Section 220).

#### *2.1.9. Professional Ethics*

Arens (2010: 67) defines ethics in general as a tool of moral principles or values. Ethical behavior required by the public so everyone can walk regularly. Every profession providing services in the community should have a code of ethics which are a set of moral principles that govern the professional conduct.

#### *2.1.10. Organizational Culture*

In the cultural organization theory literature has been defined in a variety of by various experts. According to Hofstede (1990: 4), every human being carries the mental program that is formed from an early age, from childhood in the family, in the school environment and organization. According to Mondy and Noe III (1993: 321), there are three factors that shape the culture of the organization, namely: (1) communication, (2) motivation, and (3) leadership.

#### *2.1.11. Leadership Style*

The style of leadership (leadership styles) is a way to influence other people's leadership / subordinate such that the person is willing to do the will of leaders to achieve organizational goals although personally it might displease (Luthans 2002: 575). Fleishman and Peters (1962) in Trisnaningsih (2007), explains that the style of leadership is a consistent pattern of behavior that apply to the leader through others, is a pattern of behavior demonstrated by the time leaders influence others as perceived by others.

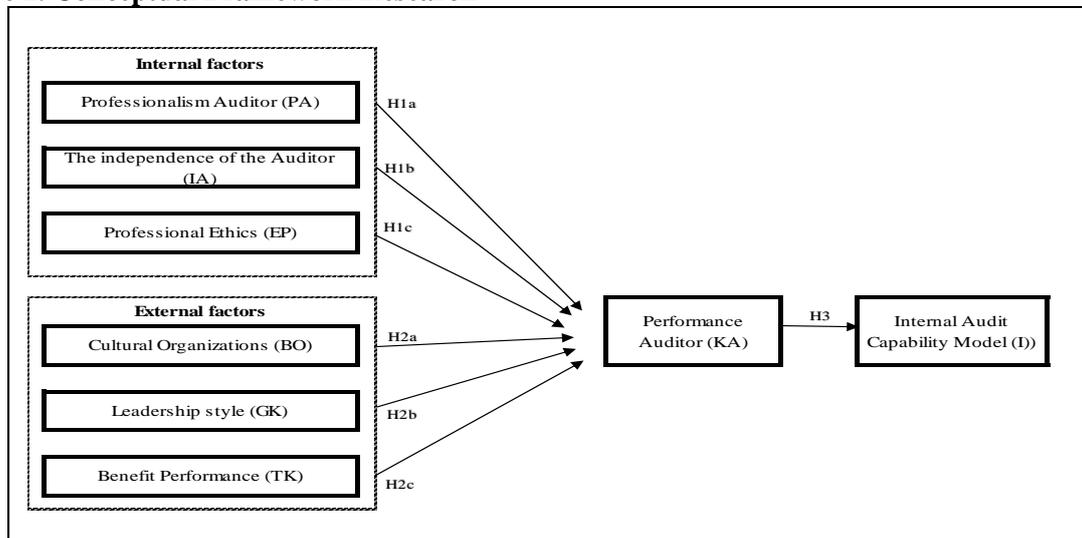
#### *2.1.12. Performance Benefits*

Benefit performance of employees per class and position (PP No. 106 of 2014), Kalas title is a grouping of the post of the results of the assessment of the weight of a work that consists of classes (one) up to grade 18 (eighteen) as one of the basis for the amount of allowances of performance (BPK Chief Regulation No. 13 of 2013: Article 1, paragraph 1). Performance benefits are benefits paid to an employee who is a function of the success of bureaucratic reforms and based on the employee's performance achievements. Performance benefits granted to an employee who has the task / job / particular position.

## 2.2. Conceptual Framework Hypotheses of Research and Development

### 2.2.1. Conceptual Framework Research

**Figure 1. Conceptual Framework Research**



### 2.2.2. Hypothesis Development

#### 2.2.2.1. Factors and Performance Internal Auditor

##### 2.2.2.1.1. Influence on Performance Auditor Auditor Professionalism

Perspective of theory accounting behavioral covers issues related to: first, decision making and judgment by accountants and auditors, secondly, the effect of accounting functions such as participation in budget formulation, the characteristics of information systems, and auditing functions to the good behavior of employees, managers, investors, and Taxpayers and third, the influence of the results of these functions, such as accounting information and the use of judgment in decision making. Based on the code of ethics and virtue BPKP auditors should have the professionalism, in order to create a good performance, so as to obtain results of quality performance.

Previous research by Mock and Samet (1982), Schroder (1986), Corcello (1992), Sutton (1993), as well as Sutton and Lampe (1991) in Astriyani (2007) have tested the professionalism of the auditors on audit quality is there.

Therefore strongly supports the professionalism of auditors in the audit assignment to produce a quality performance that impact on the IACM. Thus, it can dekemukakan first hypothesis as follows:

***H1a: Professionalism Auditor positive effect on the performance of auditors***

#### *2.2.2.1.2. Influence on Performance Auditor Auditor Independence*

Perspective of theory accounting behavioral covers issues related to: first, decision making and judgment by accountants and auditors, secondly, the effect of accounting functions such as participation in budget formulation, the characteristics of information systems, and auditing functions to the good behavior of employees, managers, investors, and Taxpayers and third, the influence of the results of these functions, such as accounting information and the use of judgment in decision making. Based on the code of conduct and core values must have a BPKP auditor independence, in order to create a good performance, so as to obtain results of quality performance

According to Nurul Arifah (2012) that the independence of the Auditor on the performance of auditors. The results of the research states that the higher the independence of the auditor the auditor higher performance. But unlike the results of research conducted by Rina Ani Sapariyah (2011). Rina Sapariyah Ani (2011) states that the independence of positive but not significant effect on the performance of the auditor for auditor independence was not able to explain in a strong diversity in the performance of auditors.

Therefore strongly supports the independence of the auditor in the audit assignment to produce a quality performance that impact on the IACM. Thus, it can dekemukakan second hypothesis as follows:

***H1b: The auditor's independence Positive effect on the performance of auditors***

#### *2.2.2.1.3. Influence on Performance Auditor Professional Ethics*

Perspective of theory accounting behavioral covers issues related to: first, decision making and judgment by accountants and auditors, secondly, the effect of accounting functions such as participation in budget formulation, the characteristics of information systems, and auditing functions to the good behavior of employees, managers, investors, and taxpayers and third, the influence of the results of these functions, such as accounting information and the use of judgment in decision making. Based on the code of ethics and virtue BPKP auditors should have professional ethics, in order to create a good performance, so as to obtain results of quality performance.

Yanhari (2007) also found that professional ethics affect the auditor's code of conduct or ethics will lead to attitudes, behaviors, and actions of auditors in carrying out his duties in relation to maintaining high-quality auditors.

Therefore strongly supports the professional ethics of auditors in the audit assignment to produce a quality performance that impact on the IACM. Thus, it can dekemukakan third hypothesis as follows:

***H1c: Ethics professions positive effect on the performance of auditors***

*2.2.2.2 External Factors and Performance Auditor*

*2.2.2.2.1. Influence of Organizational Culture on Performance Auditor*

Persefektif of the theory of behavior is determined by attitude, social rules and customs. Attitude consists of a cognitive component is the belief, the affective component that like it or not, with regard to what is perceived and behavioral component that is how one wants to behave towards attitude. Based on the sublime value BPKP auditors should have the culture of the organization, in order to create a good performance, so as to obtain results of quality performance.

Culture affects many aspects of the lives of both organizations and individuals, Sherriton and Stren (1997: 212).

It is therefore very supportive organizational culture in the audit assignment to produce a quality performance that impact on the IACM. Thus, it can dekemukakan fourth hypothesis as follows:

***H2a: Organizational culture has a positive effect on the performance of auditors***

*2.2.2.2.2. Leadership Style Influence on Performance Auditor*

Persefektif of the theory of behavior is determined by attitude, social rules and customs. Attitude consists of a cognitive component is the belief, the affective component that like it or not, with regard to what is perceived and behavioral component that is how one wants to behave towards attitude. Based on the sublime value BPK auditors should have a leadership style, in order to create a good performance, so as to obtain results of quality performance.

Fleishman et al. in Trisaningsih (2007) studied the styles of leadership at Ohio State University on the behavior of the leader through two dimensions, namely the consideration and initiating structure. Trisaningsih (2007) stated that the leadership style has a positive effect on the performance of auditors.

Therefore strongly supports the leadership styles in the audit assignment to produce a quality performance that impact on the IACM. Thus, it can dekemukakan fifth hypothesis as follows:

***H2b: The leadership style has a positive effect on the performance of auditors***

*2.2.2.2.3. Influence on Performance Benefit Performance Auditor*

In order to increase the effectiveness of performance benefits (remuneration) as a form of bureaucratic reform to improve performance. Bureaucratic reform implemented in order to realize good governance (good governance).

Research by Widyastuti (2010) have tested the effect of employee remuneration perception, motivation and discipline to employee performance with the findings that the discipline factor contributing to the performance or the greatest influence in the Treasury Office Attack Pilot.

Therefore strongly supports the benefits of performance audits to produce a quality performance that impact on the IACM. Thus, it can dekemukakan sixth hypothesis as follows:

***H2c: Benefit Performance positive effect on the performance of auditors***

#### *2.2.2.2.4. Performance Implications Internal Auditor to Audit Capability Model (IACM)*

Persefektif of regulation head BPKP No. 6 of 2015 on the Grand Design Improved Capability APIP 2015 till 2019, namely an increase in capability APIP, self-assessment (self-assessment), increasing the capability of APIP independently (self-improvement), and increased HR competencies APIP through e-learning, in order to very good work, so as to obtain results of quality performance that is increasing the performance of the auditor, the IACM better quality.

Respatiningsih and Sudirjo (2015) stated capabilities also affect employee performance. Auditor performance that can affect creativity IACM in carrying out their duties as members of the organization. Based on the above ideas, then the alternative hypothesis as follows:

***H3: Performance Auditor positive effect on the IACM***

### **3. Research Method**

#### *3.1. Types of Research*

This type of research is quantitative research. Quantitative research emphasizes on the theory test through the measurement of research variables with numbers and perform data analysis with statistical procedures (Indriantoro and Supomo, 2014: 12). Based on its level, this research study were classified into explanatory (explanation). An explanatory research study to test the hypothesis that a causal relationship between two or more variables. The causal link is also called a causal relationship. (Sukandarrumidi, 2006: 105).

### *3.2. Location and Time Research*

The study was conducted on BPKP Representative office NTB and Bali in February to March 2017.

### *3.3. Population and Sample*

The population in this study is the BPK auditor Representative office NTB and Bali, amounting to 190 people. The number of samples is determined by purposive sampling method, was 134 respondents consisting of 55 auditors at BPKP representative NTB and 79 auditors at BPKP representative of Bali Province.

### *3.4. Variables and Measurement*

This study consisted of six exogenous variables, namely the Professional Auditor (PA), Independence Auditor (IA), Professional Ethics (EP), Cultural Organizations (BO), Leadership Style (GK), and Benefit Performance (TK) and two endogenous variables, ie Implementation performance Auditor (KA) and the Internal Audit Capability Model (IACM) (I).

#### *1) Professional Auditor*

Professional is an ability that is based on a high level of knowledge and specialized training, creative thinking power to carry out tasks in accordance with the areas of expertise and profession Aryawan (2010). Professional Auditor in this study was measured by indicators conceptual profession, devotion to the profession, the profession of social obligation, the independence of the profession, professional confidence, and relationship among the profession. Variables measured using semantic scale deffrensial. Questions used in this study are 9 questions, an adaptation of a research questionnaire Arumsari (2014) by modifying based AAPI in SAIP, Code of Ethics and values noble BPKP.

#### *2) Independence of the Auditor*

Auditor intellectually to be honest, free of obligation to his client and does not have the interests of the client, both the management and the owner (IAI, 2013: Section 220).The auditor's independence in this studymeasured by indicators of trust profession, mental attitude, independence of programming, reporting, Variables measured using semantic scale deffrensial. Questions used in

this study a number of 17 questions, is an adaptation of a research questionnaire Arumsari (2014) by modifying based AAIPI, Code of Ethics and values noble BPKP.

### *3) Professional ethics*

Arens (2010: 67) defines ethics in general as a tool of moral principles or values. Ethical behavior required by the public so everyone can walk regularly. Every profession providing services in the community should have a code of conduct is a set of moral principles that govern professional behavior. Professional ethics in this study was measured by an indicator element behavior, the value of the deal to work, the code of conduct and ethics SPAP. Variables measured using semantic scale deffrensial. Questions used in this study a number of 13 questions, is an adaptation of a research questionnaire Arumsari (2014) by modifying based AAIPI in SAIP, Code of Conduct, and SPAP.

### *4) Organizational Culture*

According to Hofstede (1990: 4), every human being carries the mental program that is formed from an early age, from childhood in the family, in the school environment and organization. According to Mondy and Noe III (1993: 321), there are three factors that shape the culture of the organization, namely: (1) communication, (2) motivation, and (3) leadership. Cultural organizations in this study was measured by the value of the dominant work, a strong cultural element, power distance, and long-term orientation. Variables measured using semantic scale deffrensial. Questions used in this study a number of 8 questions, an adaptation of the questionnaire of Hofsted (1990) in the study Hanna and Firnanti by modifying based AAIPI in Hofstedes Cultural dimension and elements of organizational culture Supartha (2008).

### *5) Leadership Style*

Fleishman and Peters (1962) in Trisnaningsih (2007), explains that the style of leadership is a consistent pattern of behavior that apply to the leader through others, is a pattern of behavior demonstrated by the time leaders influence others as perceived by others. The leadership style in this study was measured by the indicators influencing element, superiors and subordinates, and the task of a leader. Variables measured using semantic scale deffrensial. Questions used in this study are 9 questions, an adaptation of a research questionnaire Gibson (1996) in the study Hanna and Firnanti

by modifying based on the theory of leadership behavior (behavioral) and Gibson (1996) consideration and initiating structure (2008).

6) *Performance Benefits*

Performance benefits are benefits paid to an employee who is a function of the success of bureaucratic reforms and based on the employee's performance achievements. Performance benefits granted to an employee who has the task / job / particular position. Performance benefits in this study was measured by indicators of remuneration to employees, the effect of performance benefits. Variables measured using semantic scale deffrensial. Questions used in this study a number of 7 questions, the elaboration of researchers by modifying under Regulation No. 106 of 2014 BPKP Chief Regulation No. 13 Years, 2013: Article 1, paragraph 1.

7) *Performance Auditor*

Etymologically, the performance comes from the work performance (performance). As noted by Mangkunagara (2005: 67) that the term of performance is derived from job performance or the actual performance (performance or achievements actually reached someone), that the work of the quality and quantity of work achieved by an employee in carrying out their duties in accordance with the responsibilities given to him. Performance of auditors in this study was measured by indicators of job performance, behavior, work performance measurement, konerja individual and organizational performance, work results achieved, and performance measurement. Variables measured using semantic scale deffrensial. Questions used in this research question number 7, is an adaptation of the research questionnaire Kalbers and Fogarty (1995) in research Fanani, Hanif and Subroto by modifying based Theories about the achievements Work Agustia, (2006: 104), (Mangkunagara, 2005: 15). Gibson et al. (1996) in Wibowo (2009), Mulyadi and Kanaka (1998: 116), Kalbers and Forgarty (1995) Trisnarningsih (2007), Fanani (2008) (Goldwasser 1993).

8) *Internal Audit Capability Model (IACM)*

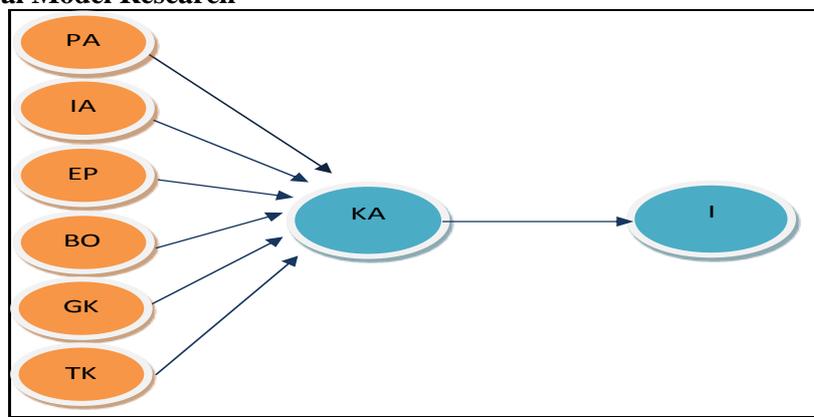
Understanding IACM or Internal Audit Capability Model is a model developed by the Intitute of Internal Auditing (IIA) to assess the level of capability of an institution APIPs. In order to improve the level of capability APIP according to the method IACM, APIP can do by way of self-assessment (self-assessment). IACM in this study was measured by indicators APIP roles and services, human

resource management, professional practice, accountability and performance management, relationship and organizational culture and governance structure. Variables measured using semantic scale deffrensial. Questions used in this study a total of 12 questions, the BPKP head of regulation No. 16 of 2015 concerning the technical guidelines APIP enhanced capabilities.

### 3.5. Data Analysis

Analysis of the data used in this study is Partial Least Square (PLS) with the help of SmartPLS program version 2.0. Structural model of this study are as follows:

**Figure 2 Structural Model Research**



Structural equation models this study are as follows:

1.  $\eta_1 = Y_1\zeta_1 + Y_2\zeta_2 + Y_3\zeta_3 + Y_4\zeta_4 + Y_5\zeta_5 + Y_6\zeta_6 + \zeta_1$   
 $KA = Y_1PA + Y_2IA + Y_3EP + Y_4BO + Y_5GK + Y_6TK + \zeta_1$
2.  $\eta_2 = \zeta_1$   
 $I = \zeta_1$

**Information**

- $\zeta$  (ksi) = Latent variable exogenous
- $\eta$  (eta) = Latent variable exogenous
- $\gamma$  (gamma) = coefficient of influence of exogenous variables on endogenous latent variables
- $\zeta$  (zeta) = Error measurement model
- $\lambda_x$  (lambda) = Loading factor exogenous variables latan
- $\lambda_y$  (lambda) = Loading factor endogenous variable latan
- $\delta$  (delta) = Error measurement model latan exogenous variables
- $\epsilon$  (Epsilon) = Error measurement model on endogenous variables latan
- $\beta$  (beta) = coefficient of endogenous variable effect on endogenous latent variables

## **4. Research Result**

### *4.1. Evaluation Measurement Model (Outer Model)*

Measurement model (outer model) is used to test the construct validity and reliability of the instrument. Test the validity of this research are convergent validity and discriminant validity, whereas for the reliability test that is a composite of reliability and Cronbach 'alpha. The evaluation process measurement model (outer model) by testing the validity and reliability indicators of the construct can be made as follows:

#### *4.1.1 Convergent Validity Test (Convergent Validity)*

Test the validity of convergent reflective indicator with 2.0M3 SmartPLS program. can be seen from the loading factor for each indicator constructs. Indicators considered valid by convergent validity for early stage research with loading factor of 0.5-0.6 is considered sufficient (Chin, 1998, in Ghazali and Latan 2015: 74).

The results of the analysis can be seen that there is one indicator of the variable loading BO.UBK having a value  $<0.5$ , which is an indicator BO.UBK has a loading of 0,467. For that indicators should be excluded from the model, because it does not meet the convergent validity. Once indicators that do not meet the convergent validity was issued, an analysis of PLS Algorithm back

The results of PLS analysis Algorithm again seen that the indicators for each variable professionalism of auditors, auditor independence, professional ethics, organizational culture, leadership style and performance benefits to the performance of the auditors and their implications IACM has a loading  $> 0.5$ , so it can be said to have meet the convergent validity. Thus declared invalid construct indicators.

#### *4.1.2 Discriminant Validity Test (Discriminant Validity)*

Discriminant validity test relates to the principle that the gauges (manifest variables) distinct constructs should not correlated with height. (Ghozali and Latan, 2015: 74). Discriminant validity reflective indicators can be seen in the cross loading between indicators with konstruknya

**Table 2. Cross Loadings**

	<b>PA</b>	<b>IA</b>	<b>EP</b>	<b>BO</b>	<b>GK</b>	<b>TK</b>	<b>KA</b>	<b>IACM</b>
<b>PA.KP</b>	0,729	0,540	0,607	0,376	0,305	0,250	0,466	0,692
<b>PA.PP</b>	0,808	0,483	0,580	0,369	0,303	0,515	0,340	0,382
<b>PA.KSP</b>	0,727	0,438	0,449	0,345	0,331	0,537	0,284	0,386
<b>PA.MP</b>	0,791	0,436	0,434	0,417	0,326	0,491	0,482	0,455
<b>PA.KPA</b>	0,569	0,243	0,312	0,272	0,112	0,376	0,179	0,119
<b>PA.HSP</b>	0,725	0,434	0,382	0,314	0,222	0,444	0,378	0,445
<b>IA.II</b>	0,391	0,674	0,375	0,311	0,197	0,229	0,238	0,258
<b>IA.KP</b>	0,425	0,803	0,535	0,502	0,313	0,385	0,386	0,336
<b>IA.KE</b>	0,521	0,753	0,713	0,413	0,440	0,285	0,325	0,567
<b>IA.SM</b>	0,478	0,797	0,492	0,442	0,296	0,346	0,331	0,345
<b>IA.IP</b>	0,470	0,732	0,672	0,416	0,341	0,244	0,350	0,518
<b>EP.UTL</b>	0,473	0,574	0,765	0,538	0,493	0,411	0,378	0,546
<b>EP.NKB</b>	0,610	0,632	0,907	0,387	0,308	0,367	0,414	0,519
<b>EP.KE</b>	0,575	0,699	0,937	0,471	0,386	0,313	0,407	0,531
<b>EP.ES</b>	0,614	0,741	0,921	0,405	0,344	0,303	0,409	0,554
<b>BO.NDB</b>	0,118	0,359	0,175	0,596	0,130	0,077	0,279	0,196
<b>BO.JK</b>	0,431	0,416	0,479	0,636	0,620	0,413	0,308	0,466
<b>BO.IK</b>	0,137	0,245	0,226	0,633	0,175	0,179	0,282	0,093
<b>BO.MF</b>	0,414	0,450	0,412	0,731	0,223	0,230	0,392	0,285
<b>BO.PK</b>	0,364	0,297	0,256	0,589	0,389	0,491	0,318	0,410
<b>BO.OJP</b>	0,354	0,346	0,372	0,602	0,283	0,308	0,175	0,324
<b>GK.UM</b>	0,337	0,367	0,383	0,439	0,924	0,401	0,136	0,486
<b>GK.ADB</b>	0,335	0,371	0,360	0,396	0,948	0,384	0,232	0,560
<b>GK.TSP</b>	0,400	0,463	0,471	0,524	0,949	0,457	0,209	0,527
<b>TK.RKP</b>	0,349	0,256	0,260	0,334	0,317	0,853	0,168	0,222
<b>TK.PTK</b>	0,546	0,381	0,359	0,443	0,425	0,933	0,299	0,382
<b>TK.MLB</b>	0,614	0,416	0,414	0,423	0,432	0,951	0,367	0,505
<b>KA.PK</b>	0,442	0,284	0,334	0,345	0,171	0,288	0,860	0,512
<b>KA.TL</b>	0,392	0,366	0,347	0,360	0,109	0,155	0,805	0,406
<b>KA.UPK</b>	0,480	0,446	0,398	0,437	0,207	0,309	0,919	0,553
<b>KA.KIKO</b>	0,458	0,373	0,423	0,322	0,241	0,258	0,844	0,517
<b>KA.DP</b>	0,403	0,377	0,339	0,355	0,089	0,214	0,825	0,349
<b>KA.HKD</b>	0,393	0,394	0,422	0,513	0,212	0,368	0,819	0,427
<b>KA.PP</b>	0,389	0,259	0,327	0,405	0,164	0,256	0,616	0,392
<b>LPLA</b>	0,549	0,450	0,518	0,390	0,411	0,303	0,555	0,810
<b>LPS</b>	0,481	0,403	0,467	0,363	0,446	0,317	0,376	0,836
<b>LPP</b>	0,487	0,486	0,471	0,364	0,496	0,375	0,505	0,884
<b>LAMK</b>	0,528	0,455	0,555	0,396	0,431	0,365	0,497	0,909
<b>LHBO</b>	0,532	0,507	0,605	0,404	0,556	0,370	0,446	0,810
<b>LSTK</b>	0,482	0,391	0,387	0,427	0,494	0,491	0,344	0,721

From 2 above table it is known that the correlation of each variable with each indicator has a value higher than the cross loading indicator correlations between other variables. This shows that the latent variables in predicting the indicator on the block each better than the indicators on the other block. Thus it can be stated that the indicators have met the discriminant validity or otherwise valid indicator.

*4.1.3 Test Reliability*

Reliability testing done to prove the accuracy, consistency, and accuracy of instruments in mengukur constructs. To mengukur reliability of a construct with reflexive indicators in this study using the composite reliability in testing the reliability of a construct. Rule of Thumb is commonly used to assess the reliability construct composite reliability must be a value greater than 0.7 (Ghozali and Latan, 2015:

75). The results of PLS analysis of composite reliability Algorithm to see in this study is shown in Table 4:15 below:

**Table 3. Composite Reliability**

No.	variables	composite Reliability	Information
1	Professionalism Auditor ( $\zeta_1$ )	0,871	reliable
2	The independence of the Auditor	0,867	reliable
3	Professional Ethics ( $\zeta_3$ )	0,935	reliable
4	Cultural Organizations ( $\zeta_4$ )	0,800	reliable
5	Leadership style ( $\zeta_5$ )	0,958	reliable
6	Benefit Performance ( $\zeta_6$ )	0,938	reliable
7	Performance Auditor ( $\eta_1$ )	0,933	reliable
8	IACM ( $\eta_2$ )	0,930	reliable

In addition, to measure the reliability of a construct with reflexive indicators can also be done by Cronbach's alpha. Constructs dinyatakan reliable if the Cronbach's alpha value greater than 0.7 (Ghozali and Latan, 2015: 41). The results of PLS analysis Algorithm to see Cronbach's alpha in this study are presented in Table 4 below:

**Table 4. Cronbach's Alpha**

No.	variables	Cronbach's Alpha	Information
1	Professionalism Auditor ( $\zeta_1$ )	0,828	reliable
2	The independence of the Auditor	0,810	reliable
3	Professional Ethics ( $\zeta_3$ )	0,905	reliable
4	Cultural Organizations ( $\zeta_4$ )	0,704	reliable
5	Leadership style ( $\zeta_5$ )	0,937	reliable
6	Benefit Performance ( $\zeta_6$ )	0,905	reliable
7	Performance Auditor ( $\eta_1$ )	0,914	reliable
8	IACM ( $\eta_2$ )	0,909	reliable

Based on Table 3 and Table 4 above can be seen that all variables have the composite reliability and Cronbach's alpha value greater than 0.7 ( $> 0.7$ ). Thus it can be said that all variables used in this study has been reliable. Further variables that have met the validity and reliabelitas used to test the hypothesis by using bootstrapping method.

*4.1.4 Measurement Model Equations (Outer Model)*

After testing the construct validity and reliability of the measurement model equations (outer model) in this study can be shown in Table 5. The process of test validity and reliability have qualified convergent validity, discriminant validity, and composite reliability, resulting in a measurement model with indicators have a valid and reliable.

**Table 5. Measurement Model (Outer Model) Shaped**

No.	variables	Measurement Model (Outer Model)
1	Professionalism Auditor ( $\zeta_1$ )	PA.KP = X1 = 0,729 $\zeta_1 + \delta_1$
		PA.PP = X2 = 0.808 $\zeta_1 + \delta_2$
		PA.KSP = X3 = 0.727 $\zeta_1 + \delta_3$
		PA.MP = X4 = 0.791 $\zeta_1 + \delta_4$
		PA.KPA = X5 = 0.569 $\zeta_1 + \delta_5$
		PA.HSP = X6 = 0.725 $\zeta_1 + \delta_6$
2	The independence of the Auditor ( $\zeta_2$ )	IA.II = X7 = 0.674 $\zeta_2 + \delta_7$
		IA.KP = X8 = 0.803 $\zeta_2 + \delta_8$
		IA.KE = X9 = 0.753 $\zeta_2 + \delta_9$
		IA.SM = X10 = 0.797 $\zeta_2 + \delta_{10}$
		IA.IP = X11 = 0.732 $\zeta_2 + \delta_{11}$
3	Professional Ethics ( $\zeta_3$ )	EP.UTL = X12 = 0,765 $\zeta_3 + \delta_{12}$
		EP.NKB = X13 = 0.907 $\zeta_3 + \delta_{13}$
		EP.KE = X14 = 0.937 $\zeta_3 + \delta_{14}$
		EP.ES = X15 = 0.921 $\zeta_3 + \delta_{15}$
4	Cultural Organizations ( $\zeta_4$ )	BO.NDB = X16 = 0.596 $\zeta_4 + \delta_{16}$
		BO.JK = X18 = 0.636 $\zeta_4 + \delta_{18}$
		BO.IK = X19 = 0.633 $\zeta_4 + \delta_{19}$
		BO.MF = X20 = 0.731 $\zeta_4 + \delta_{20}$
		BO.PK = X21 = 0.589 $\zeta_4 + \delta_{21}$
5	Leadership style ( $\zeta_5$ )	BO.OJP = X22 = 0.602 $\zeta_4 + \delta_{22}$
		GK.UM = X23 = 0.924 $\zeta_5 + \delta_{23}$
		GK.ADB = X24 = 0.948 $\zeta_5 + \delta_{24}$
		GK.TSP = X25 = 0.949 $\zeta_5 + \delta_{25}$
6	Benefit Performance ( $\zeta_6$ )	TK.RKP = X26 = 0.853 $\zeta_6 + \delta_{26}$
		TKPTK = X27 = 0.933 $\zeta_6 + \delta_{27}$
		TK.MLB = X28 = 0.951 $\zeta_6 + \delta_{28}$
7	Performance Auditor ( $\eta_1$ )	KA.PK = Y1 = 0.860 $\eta_1 + \epsilon_1$
		KA.TL = Y2 = 0.805 $\eta_1 + \epsilon_2$
		KA.UPK = Y3 = 0.919 $\eta_1 + \epsilon_3$
		KA.KIKO = Y4 = 0,844 $\eta_1 + \epsilon_4$
		KA.DP = Y5 = 0.825 $\eta_1 + \epsilon_5$
		KA.HKD = Y6 = 0.819 $\eta_1 + \epsilon_6$
		KA.PP = Y7 = 0.616 $\eta_1 + \epsilon_7$
8	IACM ( $\eta_2$ )	IPLA = Y8 = 0.810 $\eta_2 + \epsilon_8$
		I.PS = Y9 = 0,836 $\eta_2 + \epsilon_9$
		I.PP = Y10 = 0.884 $\eta_2 + \epsilon_{10}$
		L.AMK = Y11 = 0.909 $\eta_2 + \epsilon_{11}$
		I.HBO = Y12 = 0.810 $\eta_2 + \epsilon_{12}$
		I.STK = Y13 = 0.721 $\eta_2 + \epsilon_{13}$

4.2. Evaluation Model Structure (Inner Model)

Evaluation model of the structure (inner model) conducted to examine the relationship between latent constructs (hypothesis). In assessing the structural model with PLS, begins by looking at the value of R-Squares for any endogenous latent variables as the predictive power of the model struktural. Furthermore, by looking at the value of  $Q^2$  to show that the model has predictive relevance ( $Q^2 > 0$ ), then to test hypotheses (t test) were performed using the bootstrap resampling method. The significant value that is used at the level of 5% (0,005), the t-value of 1.65. The results of the evaluation / inner test models described as follows, to table 6 below shows the value of R-squares.

**Table 6. The R-Squares ( $R^2$ )**

No.	Variable Relations	$R^2$
1	PA, IA, EP, BO, GK, TK $\rightarrow$ KA	0,356
2	KA $\rightarrow$ IACM	0,312

From table 6 It can be concluded that constructs the variable performance of auditors (KA) can be explained by the construct variable professionalism of auditors (PA), the independence of the auditor (IA), professional ethics (EP), organizational culture (BO), leadership (GK) and performance benefits (TK) on the performance of auditors (KA) and the implications for the IACM is equal to 35.60%, while 64.405 (100 to 35.69%) is explained by other variables not examined. In addition a variable PA, IA, EP, BO, GK and TK in the category of moderate to explain the performance of auditors variables (KA) because it has the R-Squares ( $R^2$ ) of 0.312. Constructs IACM variable (I) can be explained by the variable performance of auditors (KA) amounted to 31.20% or categorized as moderate. While it amounted to 68.80% (from 100 to 31.20%) IACM variable (I) is explained by other variables not examined.

Another method to see the PLS model was also evaluated with a view *predictive relevance* ( $Q^2$ ). A model is considered to have predictive value  $Q^2$  relevance if the value is greater than 0 ( $> 0$ ), while the value of  $Q^2$  is less than 0 ( $< 0$ ) indicates that the model lacks predictive relevance. Relevance predictive value ( $Q^2$ ) obtained by the following formula:

**Predictive calculation Relevance ( $Q^2$ )**

$$Q^2 = 1 - (1 - R1^2) (1 - R2^2)$$

$$Q^2 = 1 - (1 - 0,356) (1 - 0,312)$$

$$Q^2 = 1 - ((0,644) (0,688))$$

$$Q^2 = 1 - 0,443$$

$$Q^2 = 0,557$$

Relevance predictive calculation results ( $Q^2$ ) in this study was 0.36 ( $> 0$ ). This means that the model in this study deserve to explain the endogenous variable is the performance of the auditors and their implications IACM.

After analysis of the model is done, the subsequent analysis is hypothesis testing. This analysis is done by comparing the value of the T-table with T-statistics values resulting from the process of bootstrapping in the PLS. The hypothesis is accepted if the value of T-statistics are higher than the value of the T-table (1.65) at the significance level of 5% (Ghozali and Latan, 2015: 81)

**Table 7. Path coefficients (mean, STDEV, T-Values)**

commentary	Original Sample (O)	Sample Mean (M)	Standard Error (Sterr)	T Statistics ( O / Sterr)	T Table Significance Level 5% (1.65)
Auditor Professionalism -> performance auditor	0,320	0,323	0,049	6,461	<i>significant</i>
The independence of the Auditor -> performance auditor	0,040	0,037	0,046	0,878	<i>Non Significant</i>
Professional Ethics -> performance auditor	0,119	0,120	0,042	2,865	<i>significant</i>
Organizational Culture -> performance auditor	0,300	0,301	0,030	9,972	<i>significant</i>
Leadership Style -> performance auditor	-0,120	-0,118	0,043	2,797	<i>significant</i>
Benefit Performance -> performance of auditors and their implications IACM	-0,002	-0,003	0,039	0,055	<i>Non Significant</i>
Auditor Performance -> Implications IACM	0,559	0,561	0,026	21,777	<i>significant</i>

Based Path coefficients (mean, STDEV, T-Values), it can be concluded on the relationship between the variables that have been hypothesized, as shown in Table 8 as follows:

**Table 8. Conclusion Hypothesis Testing**

hypothesis	T-statistic	T-table	Conclusion (T-statistic > T-table)
H1 : Auditor professionalism positive effect on the performance of auditors and their implications IACM	6,461	1,65	Be accepted
H2 : Auditor independence of the positive effect on the performance of auditors and their implications IACM	0,878	1,65	Rejected
H3 : Professional Ethics positive effect on the performance of auditors and their implications IACM	2,865	1,65	Be accepted
H4 : Organizational culture has a positive effect on the performance of auditors and their implications IACM	9,972	1,65	Be accepted
H5 : Leadership Style negatively affect the performance of the auditors and their implications IACM	2,797	1,65	Rejected
H6 : Benefit performance negatively affect the performance of the auditors and their implications IACM	0,055	1,65	Rejected
H7 : Performance Auditor positive effect on the implications for the IACM	21,777	1,65	Be accepted

The analysis used in this study is the PLS-SEM is commonly referred to as Component Based SEM or often referred to as soft modeling to determine the effect of exogenous variables on endogenous variables. The result of more analysis to test the hypothesis can be seen in Table 8 above.

Deploy supervisory duties performed by the BPKP representative NTB and Bali (APIP), that in carrying out its supervisory duties greatly influenced by the characteristics of each of the auditor personnel. Characteristics of an auditor comes from internal factors and external factors. In this study,

the characteristics of an auditor comes from internal factors proxied by the professionalism of auditors, auditor independence and professional ethics while the external factor is proxied by the organizational culture, leadership style and performance benefits. Therefore, this study aimed to examine and obtain empirical evidence mengenai determinants of auditor performance and impact on quality *Internal Audit Capability Model* (IACM) on BPKP representative NTB and Bali. The results of testing the hypothesis by using PLS analysis was carried out at 2.0 SmartPLS program and by table 8 above, the obtained results of hypothesis testing as follows:

- H1 : Auditor professionalism positive effect on the performance of auditors and their implications IACM.
- H2 : The independence of the auditors do not affect the performance of the auditors and their implications IACM.
- H3 : Professional Ethics positive effect on the performance of auditors and their implications IACM.
- H4 : Organizational culture has a positive effect on the performance of auditors and their implications IACM.
- H5 : Leadership Style negatively affect the performance of the auditors and their implications IACM.
- H6 : Benefit Performance negative effect and no effect on the performance of auditors and their implications IACM.
- H7 : Performance Auditor positive effect on the IACM.

## **5. Conclusion, Implication And Limitation**

### *5.1. Conclusion*

Based on the analysis, we concluded that the professionalism of auditors, professional ethics, and organizational culture have positive effect on the performance of auditors and their implications IACM. This means that, the higher the professionalism of auditors, professional ethics, and organizational culture by personal auditor and the more compliance with the code of ethics of auditors there, the more it will improve the performance of auditors and their implications IACM. The results of this study indicate that the style of leadership and performance benefits negatively affect the performance of the auditors and their implications IACM. This means that the style of leadership and performance benefits

faced by auditors personnel will result in the performance of auditors and their implications for IACM has declined.

While other findings show that independence auditors and performance benefits (remuneration) has no effect on the performance of auditors and their implications IACM. That is, the quality auditor performance results are not necessarily able to influence the attitudes and allowances independence performance (remuneration). The independence of an auditor's attitude in carrying out the task of supervision / audit. This occurs because the statement (attitude) in relation to the independence of the fairness of financial statements by an internal auditor, decide the outcome of audits based on the facts and conducting an audit in accordance with established standards, while giving performance benefits (remuneration) in carrying out the task of supervision / audit this happens because/ Performance benefits (remuneration) for the purposes of the auditor's duties, Besides, it can be caused by internal auditors in charge of the institution APIPs (representative BPKP NTB and Bali) is an Administrative Civil State (ASN) that are directly or indirectly tied to the rules of the institution (BPKP) and should always show loyalty to the leader. Therefore, independence auditors and performance benefits (remuneration) will be able to improve the quality of the performance of auditors and their implications IACM, if at the level of the leadership did not intervene against the auditor. Other findings indicate that the auditor's performance has implications for the IACM.

### *5.2. Implication*

The scope of this research is only done in two (2) representatives BPKP, so the results of this study can not be generalized to BPKP Central and representatives BPKP throughout Indonesia and APIP for other local governments.

### *5.3. Limitation*

This study has limitations and suggestions that can give direction to future research. Therefore for further research can expand the object, to add representatives who eat it and APIP at NTB provincial government and the province of Bali or other provinces.

This study only used data collection techniques (research instrument) in the form of a questionnaire / questionnaire. Where in the questionnaire respondents had been presented with a question or statement format that has been put together, along with alternative answers (attitude) to be selected by the

respondents that the information provided has to be a decision or final opinion without penejelasan. Therefore, further research can complement the research instrument (questionnaire) by using the method of direct interviews with each respondent, so that researchers and respondents can better interact and explore the desired information and is not limited to the format of the statement and response options that have been provided, but respondents could provide an explanation for each answer given.

This research has not explored other variables that may affect the performance of the auditors and their implications IACM, related to the characteristics of personnel auditor comes from internal factors corresponding values - noble values BPK namely Professional, Integrity, Orientation Manual, Conscience and Common Sense, Independent, Responsibel (PIONIR), as well as external factors such as reward and punishment, audit risk (audit risk) and organizational commitment. Furthermore, the auditor's performance as measured in this study is from the perspective of internal auditors. Future studies could examine the performance of the external auditors that the Supreme Audit Agency (BPK).

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