

CHAPTER I

INTRODUCTION

1.1 Background

The problem of corruption is not a new problem in the legal and economic problems of a country because basically the problem of corruption has existed since thousands of years ago, both in developed and developing countries. According to some historical accounts of corrupt practices in the form of bribery or bribery has been known in Ancient Rome in the form of bribery of judges who tried cases. While in the history of Egypt, Babilonia, India, China, and Greece the practice of corruption occurred in the form and activity of the government (Edi, 2005).

The very old historical roots of corruption have made corruption difficult to eradicate, both in developed or in developing countries including in Indonesia. In the context of Indonesia, it has become a collective awareness that corruption must be eradicated because the impact caused is very detrimental. Corruption burdens Indonesian society, especially the poor. Corruption also creates high macroeconomic risks, endangers financial stability, compromises security and law and public order and above all else, corruption degrades the legitimacy and credibility of the country in the eyes of the people (Rony, 2015).

According to PER/05/M.PAN.03/2008 BPKP as the government's internal auditor plays an important role in encouraging efforts to combat corruption. As mentioned in the Indonesian Government Internal Audit Standards, the internal audit function in Indonesia is carried out by the Government Internal Staffing Apparatus (APIP), including the Financial and Development Supervision Agency (BPKP). Internal audits have an important role to encourage the realization of good governance and clean governance and also support the creation of an effective, efficient, transparent, accountable, and clean governance and free from corrupt practices, collusion, and nepotism. In its implementation, BPKP has a legal basis, namely articles 52, 53 and 54 of the Presidential Decree of the Republic of Indonesia No. 103/2001 regulating the position, duties, functions, authorities, organizational arrangements and working procedures of Non-Departmental Government Institutions.

BPKP has the task of carrying out government duties in the field of financial supervision and development in accordance with the provisions of applicable laws and regulations. Public sector accountability relates to the practice of transparency and the provision of information to the public in order to fulfill public rights. In carrying out audit functions, BPKP needs to be supported by the performance of its auditors. Auditor performance is the action

or implementation of examination tasks that have been completed by the auditor within a certain period of time.

According to Boynton in Rohman (2007), the function of an internal auditor is to carry out an internal examination function which is an independent assessment function within an organization to test and evaluate the activities of the organization carried out. In addition, internal auditors are also expected to contribute more to improving efficiency and effectiveness in order to improve organizational performance. Thus, internal auditors of local governments play a very important role in the process of creating accountability and transparency of financial management in the region.

An audit should be conducted by someone or more who has sufficient technical expertise and training as an auditor. Auditors must have and improve knowledge of audit methods and techniques and all matters concerning government such as organization, program functions, and government activities (BPKP, 1998). Auditor expertise according to Tampubolon (2005) can be obtained through continuous education and training and adequate experience in carrying out audits. In addition to audit expertise, an auditor must also have independence in conducting an audit in order to provide opinions or conclusions as is without any influence from interested parties (BPKP, 1998).

The second general standard statement, SPKN is: "In all matters relating to the work of the examination, the organization of examiners and examiners, shall be free in the mental attitude and appearance of personal, external, and organizational disorders that may affect its independence".

With this second general standard statement, the examining organization and its examiners are responsible for maintaining its independence in such a way that the opinions, conclusions, considerations or recommendations of the results of the examination carried out are impartial and viewed impartially by any parties.

Trotter (1986) in Saifuddin (2004) defines that a competent person is one with the skills to do work easily, quickly, intuitively and very rarely or never make a mistake. To be able to have the skills, an auditor must undergo sufficient technical training. Competence according to Yusuf (2014) is a personal quality that must be possessed by an auditor obtained through a formal education background in the field of auditing and accounting, sufficient job training in the profession and which he will pursue and follow continuing professional education. Achievement begins with formal education, which is further expanded through experience and practice auditing (SPAP, 2001). According to Mulyadi (2002), stating independence is a mental attitude that is free from the influence of others, independent of others. Independence can also be interpreted as honesty in the auditor in considering facts and the

existence of objective impartial considerations in the auditor in formulating and expressing his opinion Mulyadi (1998) in Purba (2009).

The competence and independence that the auditor has in its application will be related to ethics. Accountants have an obligation to maintain their highest standards of ethical conduct to the organizations in which they live, their profession, society and themselves where accountants have a responsibility to be competent and to maintain their integrity and objectivity (Nugrahaningsih, 2005).

According to Ivancevich and Matteson (1987) in Halimatusyadiah (2003) communication is the transmission of information by one member of the group to another using certain symbols. As an auditor, of course, it is inseparable from the process of communication both with clients and with professional and clerical employees in the company. The breakdown of communication between auditors can have a less good effect on the auditor's performance, in addition, it can have consequences that harm the company and also hamper the auditor's ability to complete his work properly. The effectiveness of internal audits as a risk-based concept that helps an organization to achieve its goals and positively affects the quality of corporate governance, and is considered to provide services to that company or organization. The effectiveness of internal audits can add value to the organization.

Effectiveness means providing the correct services so as to enable the competent authorities to implement their policies and objectives.

Achieving goals by an organization signifies that the organization has been running effectively. Effectiveness in public sector corporate governance is reflected in the achievement of government goals related to the management of social and economic resources for the benefit of community development. In addition, effectiveness in public sector corporate governance is also reflected in supportive internal audit activities. Effectiveness in the public sector can also be measured by the extent to which internal auditors have adequate competence, sufficient number of resources, good relationships with external auditors, the support of the auditee and the independence of the auditor himself.

The evidence that BPKP auditors play an important role in the eradication of corruption can be seen from the performance of BPKP Representatives of West Sumatra Province in 2020 where the results of the report on the target of increasing development supervision on the effectiveness of corruption control have all reached the target of 100% of the results of repressive supervision followed up consisting of two investigative audits and seven PKKN audits, and one specific goal audit. Factors supporting the success of performance achievements are the availability of Guidance on Management of Investigative Activities (BPKP Regulation No. 17 of 2017) and

BPKP auditors who have competence (knowledge and experience) in carrying out investigative audits / audits of PKKN.

However, the factors inhibiting performance achievement that occurred in the BPKP Representative of West Sumatra Province is the composition of human resources that are not ideal in terms of age or position so as to complicate the formation of teams for supervision activities. However, based on the current phenomenon, regarding corruption cases that occur, making the public doubt the competition that the auditor has and the independence of the auditor in conducting the audit. BPKP auditors as representatives of the Indonesian people should conduct audits with integrity, objectivity and independence by instructing them to be able to implement the rules properly and not commit budget irregularities, be corruption-free and realize effective, efficient and accountability local government.

Regulation of the Minister of State for The Utilization of State Apparatus (MENPAN) No. Per/05/M.Pan/03/2008 on March 31, 2008 concerning Audit Standards of Government Internal Supervision Apparatus (APIP), as referred to in the FIRST dictum must be used as a reference for all APIP in carrying out audits in accordance with their respective audit mandates. This should be an important concern and consideration for auditors in the local government environment. To achieve these desires and expectations, any audit work carried out must be well coordinated between the

supervisory function with various functions, activities, activities, or programs run by the Local Government and the Regional Device Work Unit (SKPD).

Based on the background above researchers are interested in conducting research with the title: **"Effect of Competence, Independence, and Communication on the Effectiveness of Internal Audit empirical studies BPKP representative office of West Sumatra Province"**

1.2 Problem Statements

BPKP is an important body for the realization of government accountability. Therefore, all supporting components in BPKP are ensured to have appropriate competencies to the government can be accounted for its quality and effectiveness. BPKP has the main product of services used to carry out duties from the government. So that it takes competence, independence, and good communication in order to achieve the objectives of the internal audit function in local government. BPKP is expected to develop and maximize existing human resources. Therefore, it is important for BPKP to develop resources, so that competence and independence continue to increase. It will also effect on the effectiveness of the internal audit itself.

In this study, the following problems were formulated:

1. Does competence effect on the effectiveness of internal audits?
2. Does independence effect on the effectiveness of internal audits?
3. Does communication effect on the effectiveness of internal audits?

1.3 Objective of The Research

The purpose of the study showed the expected results in this study. In accordance with the formula above, this study has the purpose to:

1. Test whether competence has a significant effect on the effectiveness of internal audits on internal auditors in BPKP Representatives of West Sumatra Province.
2. Test whether independence has a significant effect on the effectiveness of internal audits on internal auditors in BPKP Representatives of West Sumatra Province.
3. Test whether communication has a significant effect on the effectiveness of internal audits on internal auditors in BPKP Representatives of West Sumatra Province.

1.4 Benefits of The Research

With this research, it is expected that there are benefits taken for all interested parties. The results of the analysis obtained in this study are expected to provide benefits for:

1. For academics and researchers, it can be a reference for further and more indepth research related to the influence of competence, independence, and communication on the effectiveness of internal audits.
2. For related institutions, as input and proof for auditors in the BPKP Representative office of west Sumatra Province that whether competence, independence, and communication effect on the effectiveness of internal audits.
3. As a means to develop and apply knowledge gained from universities in the world of work.
4. Can provide additional information for readers who want to add insight into knowledge, especially in the field of internal audit.

1.5 Writing System

This research is arranged systematically in order to provide a good and orderly picture. This research consists of five chapters, namely as follows:

CHAPTER I: INTRODUCTION

In this introduction chapter is explained about the research background, problem formulation, research objectives, research benefits, and systematic thesis writing. The background of this study contains about matters related to the problem to be studied. This research problem formulation contains the relationship between independent variables and dependent variables. The purpose of this study contains where researchers will analyze and understand the influence of competence, independence, and communication on the effectiveness of internal audits. In addition, the benefits of this research is that it contains things that will be useful for some parties in the future.

CHAPTER II : LITERATUR REVIEW

In this chapter it is explained about the foundation of theory, previous research, the development of hypotheses developed by the author, and the research framework. The theoretical basis contained in this chapter is the unraveling of the library review. Boxing library contains theories that have been obtained from various literature related to this research problem. Then in this chapter will discuss previous research and create a conceptual framework to be developed.

CHAPTER III: RESEARCH METHODOLOGY

In this chapter will be explained about the variables to be studied, and also describe about the type of data on variables that will be used in this research, then the method of data analysis and data to be used.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

In this chapter the author will explain the description of the data about the characteristics of respondents in the study. Then in this chapter will discuss the analysis of the data that has been generated with some tests used in order to find out the results of hypotheses in the study, and will explain about the discussion of the results of research that has been studied by the author.

CHAPTER V: CONCLUSIONS, LIMITATIONS, AND IMPLICATIONS

This chapter is the last chapter contained in this study, this chapter contains conclusions, limitations, and implications in research. The conclusions in this study will explain the whole and results of the study, then the limitations will outline what are the obstacles to this study and the implications that will contain suggestions for future research and parties related to the research.