

The Influence of Internal Auditor's Competency and Independency to the Internal Auditor's Due Professional Care and the Implication to the Internal Audit Quality

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Abstract

Internal audit quality in the local government of Lumajang regency was poor, indicated from the financial statement quality for years of 2006 until 2013 that not yet get unqualified opinion from the Supreme Audit Institution of Indonesia (BPK-RI). The purpose of this research was to examine the influence of auditor's competency and independency to the auditor's due professional care and its impact on internal audit quality. Using path analysis with Partial Least Squares (PLS) method on the data that obtained through questionnaire survey to the 24 teams of internal auditors from local government of Lumajang regency. The results showed that the competency and independency of the internal auditor's have positive influence to the internal auditor's due professional care. Furthermore, both internal auditor's competency, independency, and due professional care have a positive influence on the internal audit quality. In other words, internal auditor's due professional care mediate the relationship between internal auditor's competency and independency to the internal audit quality. To increase internal auditor's due professional care in order to improve internal audit quality, can be done by increasing the internal auditor's competency and independency and also supported with more adequate quality control (e.g. supervision, peer review, etc).

Keywords: Competency, Independency, Due Professional Care, Internal Audit Quality

1. Introduction

1.1 Background of The Study

Since 2006 in every years, the local government of Lumajang regency have not get unqualified opinion from BPK (Supreme Audit Institution of Indonesia) about the government regency's financial statement (BPK, 2011). BPK-RI (2009a, 2009b, 2010a, 2010b) found the weaknesses of internal control system at accounting system of Lumajang regency which one of the effect of it was unsatisfy information quality. The condition showed that the internal audit quality done by the Inspektorat (Internal Audit Institution) as the internal auditor was poor because the internal quality audit quality will increasing the internal control system effectivity and will be impacted the financial information quality. (Miettinen, 2007; Prawit, Smith & Wood, 2008; Lin, Pizzini, Vargus, & Bardhan, 2010).

The internal audit quality influenced by the competency and Independency of the internal auditor (Alim, Hapsari & Purwanti, 2007; Kym Boon, Jill McKinnon, Philip Ross, 2008) and due professional care of the internal auditor (Kym Boon, Jill McKinnon, Philip Ross, 2008; Mansouri, Pirayesh & Salehi, 2009:21). The poor quality of internal audit influenced by unqualified competency and independency of the internal auditor, so that the internal auditor can't used the due professional care in the internal audit activity.

1.2 Research Questions

Based on the background of the study above, the research question such as:

- a. How does the influence of internal auditor's competency and independency towards due professional care of the internal auditor?;
- b. How does the influence of internal auditor's competency, independency and internal auditor's due professional care towards internal audit quality?.

1.3 The Purpose and Benefit of The Study

The purpose of this research is to know the influence of the internal auditor's competency and independency towards internal auditor's due professional care and also to know its impact towards internal audit quality. The benefit of this research practically as a solution formula to solve some problems related to internal auditor's due professional care and internal audit quality. And also as a theory, to be reference of another research and knowledge development especially related to this research.

2. References, Framework and Hypothesis

2.1 References

2.1.1 Internal Auditor's Competency

Basically, competency consists of people's knowledge, technical skills and interpersonal skill (Robbins & Judge, 2007:392). Bernardin (2010:107) said that competency means as: "Bundles of knowledges, skills, or abilities". Competency has close relation with job quality, such as in audit. In order to get high quality of the internal audit, it needs a competent internal auditor (Pickett, 2005).

2.1.2 Internal Auditor's Independency

Arens & Loebbecke (1991:82) said that independency is : "The professional's freedom from any financial interest in the client" Furthermore, DeAngelo (1981) said that: "The level of auditor independence as the conditional probability that given a breach has been discovered, the auditor will report the breach". In order to get a high quality internal audit, The Internal Auditor must have an independency. For sure, the Auditor must be free from threat out of the Planning process, testing or trial dan also reporting (Pickett, 2005:135). The Auditor must have an individual independence or He must be free from influence that not comply with auditing standard while made a judgment. There are three aspects about independency in practical, such as : 1) Programming Independence, 2) Investigate Independence, 3) Reporting Independence (Mautz & Sharaf, 1993; Louwers, Ramsay, Sinason & Strawser, 2005).

2.1.3. Internal Auditor's Due Professional Care

Gallegos & Carlin (2003:1) stated that : "Due professional care can be defined in several ways. Some will tell you that it is the respect you show your auditee and the way in which you conduct yourself during an audit. Others might say it is the professional image expected of an auditor toward the auditee. Still others believe that due professional care denotes the expectancy of adding value to the client by providing solutions instead of problems".

Meanwhile HM Treasury Audit Policy & Advice (2001:29) stated that : "Due professional care is the use of audit skills and judgement based on appropriate experience, training (including continuing professional development), ability, integrity and objectivity". Moreover, Bailey (1997) stated that : "Factors such as the ability to recognize problem, inquisitiveness, and professional scepticism are all part of the concept of due professional care". Its can be concluded that due professional care are the thing that can drive to the audit quality (Nearon, 2005). Eventhough, it's mean that the auditor will not make a mistake such stated at Attribute Standard IIA 1200 (Pickett, 2005:135). In the Due professional care, the auditor should do the audit process with professional skepticism (Duska, 2005; AICPA-AU section 230, 2006), including the completeness of working paper, adequate audit evidence, and appropriate of audit report (Arens & Loebbecke, 1991:19).

That statements above can conclude that the internal auditor with high competency and independency will probably fail to get a good quality of audit if they did the audit without due professional care. And the audit can do due professional care only if they have qualified competency and independency.

2.1.4. Internal Audit Quality

Stearn and Ken Impey (1990:1) said that internal audit is : "An independent appraisal activity established within an organization as a service to the organization. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls", based on that statement, it's known that internal audit basically is a service. The audit as a service have service characteristics, so that it will be difficult to measure the quality of audit directly. The service characteristics such as intangibility, inseparability, variability, perishability (Kotler, 2002:200-202). The scope of service quality can be seen from the content, process, structure and outcome (Fitzsimmons & Fitzsimmons, 2006:134).

Stated in the several previous research about the difficulties of measuring quality of the audit, so that every research used a different measuring approach. One of its by using customer satisfaction as indicator (e.g. size, fees, reputation of the auditor, etc), the audit organization structural quality, the specific auditor team characteristic, and also used multi-criteria indicator to measure the quality of audit (Manita, 2009). Audit is a complicated concept which difficult to be definitive or even gets accuracy while measuring (Knechel, 2009:15). Measuring the quality which difficult is using process approachment (Manita & Elommal, 2010:89), measuring internal audit quality can be seen in every audit proses step such as planning, testing dan reporting (Dascalu, Turlea & Nicolae, 2009:9).

DeAngelo (1981:186) said that the audit quality as : "The market-assessed joint probability that a given auditor will both (a) discover a breach in the client's accounting system, and (b) report the breach", audit quality in the internal audit basically similar with external audit (Gramling & Vandervelde, 2006), some researcher measure internal audit quality by using audit external audit quality approach such us done by Prawitt, Smith, and Wood (2009:1259).

2.2 The Framework and Hypothesis

2.2.1 The Influence of Internal Auditor's Competency to The Internal Auditor Due Professional Care.

In the Internal Audit, auditor's competency is a very important aspect, its cause the auditor's knowledge influence auditor's professional skepticism in establish audit judgment (Nelson, 2009) and its impact toward allocating process of resource in audit planning (Nelson, Libby & Bonner, 1995; Popescu & Alin, 2002). The different grade of auditor's competency will get different auditor's due professional care in the audit process (Bedard, 1989; Philip Law, 2008; Kotchetova, et al., 2006; Brazel & Agoglia, 2004), another factor which influence the competency such as experience also influence due professional care (Christ, 1993; Payne & Ramsay, 2005). Based on the explanation above, can be written the hypothesis, such as :

H1: The Auditor's competency influence towards the internal Auditor's due professional care in the audit process.

2.2.2 The Influence of Internal Auditor's Independency toward Internal Auditor's Due Professional Care

Internal auditor due professional care's scope covered professional judgment that made with competency and high objectivity, in the other words, auditor must be independent. For sure the independency, auditor must be free from interest even their self-interest (Duska, 2005).

When the auditor has independence's condition, he or she is almost professional while doing audit process (Fischbacher & Stefani, 2007:701), and also due audit care because auditor used professional judgment (Nelson, 2009; Dezoort & Lord, 1994). There is direct relationship between auditor's independency with the methode and the audit approachment which used by auditor (Arnold, Bernardi & Neidermeyer, 1999:61). Without independency, auditor will be influenced by auditee, so that auditor did not used professional judgment (Johnstone, Sutton & Warfield, 2001:11). If the auditor did not has independency, almost be sure that auditor can not finding the weaknesses as in the independence condition, there is because the auditor's did not has due professional care while doing audit. Based on the explanation, it can be written the hyphotesis as follow :

H2 : Auditor's independency influence the internal auditor's due professional care in the audit process.

2.2.3. The Influence of Internal Auditor's Due Professional Care towards Internal Audit Quality

Due professional care is one of important aspect to measure audit quality (Kym Boon, Jill McKinnon, Philip Ross, 2008). If auditor did audit without due professional care, the audit quality will be doubted (Francis, 2004). Audit failure often happen because of the auditor lack of the due professional care in the audit process (Mansouri, Pirayesh & Salehi, 2009:21). The used of due professional care will increase audit quality (Nearon, 2005; Alim, Hapsari & Purwanti, 2007; IIA, 2006; Gallegos & Carlin, 2003). Based on the explanation, it can be written the hypothesis as follow:

H3 : Internal auditor's due professional care influence to the internal audit quality.

2.2.4. The Influence of Internal Auditor's Competency to The Internal Audit Quality

An audit quality need qualified auditor's competency (Ryan, et al., 2001:374; The Institute of Internal Auditors– IIA, 2006). One of the important things to measure audit quality is auditor's competency (Kym Boon, Jill McKinnon, Philip Ross, 2008). Auditor's experience has an impact to the audit quality (Gunny, Krishnan & Zhang, 2007; Brazel, 2004). Internal auditor's competency became external auditor's judgment to measure internal audit quality (Gramling & Vandervelde, 2006). The audit quality will get the best quality as high as auditor's competency (Mansouri, Pirayesh & Salehi, 2009:20; Nearon, 2005; Krohmer & Noel, 2010; Samelson, Lowensohn & Johnson, 2006; Alim, Hapsari & Purwanti, 2007). Based on the explanation, it can be written the hypothesis as follow :

H4: Internal auditor's competency influence to the internal audit quality.

2.2.5. The Influence of Internal Auditor's Independency to The Internal Audit Quality

One of several aspects to evaluate internal audit quality is independency (Kym Boon, Jill McKinnon, Philip Ross, 2008). External auditor considers internal auditor's independency while evaluating internal audit quality (Gramling & Vandervelde, 2006). Internal audit function will be most effective as independency as possible. (Dickins & O'Reilly, 2009), The auditor will find weaknesses of internal control system as independence as possible (Domnisoru & Vinatoru, 2008; Yan Zhang, Jian Zhou & Nan Zhou, 2006). If the auditor has not objectivity, the audit quality might be doubted (Francis, 2004; Mansouri, Pirayesh & Salehi, 2009:17). Audit failure often happen because of unqualified auditor's independency (Guan-jun, Zhang & Zhang Lin, 2009). Auditor's independency influence to the audit quality result (Ryan, et al., 2001:374; Nearon, 2005; Alim, Hapsari & Purwanti, 2007; Johnstone, Sutton & Warfield, 2001:5; Chen-Hui Wu, 2008). Based on the explanation, it can be written the hypothesis as follow:

H5: Internal auditor's independency influence the internal audit quality.

3. Research Method

3.1. Research Approach

Based on kinds of research stated by Sugiyono (2009:6), this research used survey method with association explanation and used quantitative data analysis approach (positivism).

3.2. Population, Sampling and Sampling Technique

Research population is all member of Inspektorat auditor team of Lumajang Regency (Inspektorat as internal audit office), who was doing internal audit towards other units (called SKPD) in Lumajang Regency since April until November 2013. The Inspektorat's internal auditor teams has been audit as much as 25 times toward 25 auditee (SKPD). This research used census technique that use all population members as sample (Sugiyono, 2009:122).

The data collected at December 1st, 2013 in Inspektorat of Lumajang Regency. From 25 questionnaires which distributed to the Population, all the questionnaires were given back but only 24 (96,0%) questionnaires which can be analysis. From that questionnaires, respondents can be described as follow: Men : (66,7%) and Women (33,3%), working duration in audit sector almost 6-8 years (37,5%), almost has tittle first graduate degree (62,5%) and has class rank IV (83,3%).

3.3 Operationalization of Variables

3.3.1 Competency (ξ_1)

Competency defined as knowledge and skill which internal auditor has in order to do audit process.

3.3.2 Independency (ξ_2)

Independency defined as internal auditor's independence videlicet the condition of internal auditor that free influence from either external or internal part to do the audit process professionally as shown in programming independence, investigate dan reporting independence.

3.3.3 Due Professional Care (η_1)

Due professional care defined as auditor's prudent while doing internal audit process as professionally that shown by using professional scepticism and reasonable assurance.

3.3.4 Internal Audit Quality (η_2)

Internal audit quality defined as quality of audit planning, audit test, dan audit reporting in every internal audit assigning task.

3.4 Research instrument

In order to guide primary data, this research used questionnaire as the research instrument. Variables in the research instrument developed by indicators because its latent variable. In order to measure, the questionnaire used a ratingscale with range starting from 1 (very low) until 5 (as the highest).

3.5 The Validity and Reliability of the Data

In order to know the validity of the unobserved/ latent/ construct variables in form of formative, value of weight formative construct should be significant (the Z value should be higher than the Z table), so composite will be considered valid (Chin, 1998 in Ghozali, 2008:24). While formatif construct reliabity did not need tetsing (Ghozali,2008:10), furthermore, this research did not existed reflective construct (the indicator influence by construct).

3.6 Data Analysis Technique

This research used path analysis technique. Data analysis technique that used in this reasearch is descriptive statistic (without generalization) using partial least square (PLS) methode, with smart-PLS application which is nonparametric statistical. Furthermore, nonparametrical statistic its not necessary parametric statistical assumption, such as data normality, etc.

4. Result and Discussion

4.1 Validity and Reliability of the Data

As shown in the table 1, auditor's competency constuct, independency, due professional care, and internal audit quality which is in formative onstruct, all the data is valid because all weight formative construct is significant in the grade 1 % (score Z-arithmetic > 2,58).

4.2 Research Variables Description

4.2.1 Competency (ξ_1)

Internal auditor's competency level measured by knowledge and skill as indicator. Based on response's answer known that knowledge get score 3,058; while skill get score 2,983 which is range 1 until 5. As all,

auditor's competency shown value average about 3,0208 which is range 1 until 5, in the other word it showed medium competency.

4.2.2 Independency (ξ_2)

Auditor's independency level measured by programming independence, investigate independence, reporting independence as indicators. Based on the response's answer known that programming independence as indicator which get score 3,138, Investigate independence as indicator get score 3,111, while reporting independence get score 3,000 from gradation score between 1 until 5, almost auditor's independence shows average score 3, 083 from range score between 1 until 5 or in the other words its showed medium independency level.

4.2.3 Due Professional Care (η_1)

Due professional care level measured by professional scepticism dan reasonable assurance as indicators. Based on the response's answer be known that professional skepticism get score 3, 250, while reasonable assurance get score 3, 020 from gradation score 1 until 5. While all of auditor's due professional care showed average score 3, 135 from range score between 1 until 5, or in the other words showed medium level of due professional care.

4.2.4 Internal Audit Quality (η_2)

Internal audit quality measured by audit planning, audit testing, audit reporting as indicators. Based on the response's answer be known that audit planning indicator get score 3,191, audit testing get score 2,916, while audit reporting indicator get score 3, 104 from gradation score 1 until 5. Almost of internal audit quality showed average score 3, 070 from range score between 1 until 5, in the other words it showed medium audit quality.

4.3 Hypothesis Testing (Descriptive Statistic)

4.3.1. Direct Influence (Research Hypothesis Testing H1, H, H3,H4, H5)

By using Smart-PLS application with calculate bootstrapping procedure, can be known result as appear in the table 2, be known that regression coefficient influence competency construct/composit (ξ_1) towards due professional care (η_1) construct about 0,461 with t-statistic score (Z-arithmetic) about 2.579 (H1), regression coefficient influence towards independency construct (ξ_2) towards due professional care (η_1) construct about 0,438 with has t-statistic score (z-arithmetic) about 1.986 (H2), regression coefficient construct influence of due professional care (η_1) towards construct internal audit quality (η_2) about 0,216 which has t-statistic score (z-arithmetic) about 2.090 (H3), regression coefficient influence internal auditor's competency construct/composite (ξ_1) towards internal audit quality construct (η_2) about 0,257 which has t-statistic score (z-arithmetic) about 2.433 (H4), furthermore, regression coefficient influence independency construct (ξ_2) towards internal audit quality (η_2) construct about 0.512 which has Z-arithmetic about 4.210 (H5).

Based on the explanation above, can be took a conclusion that almost of regression coefficient showed t-statistic score (z-arithmetic) higher than z-score (z-table) and significant about 5 % (1,96), it means refused all the null hypothesis (H0) and accepted all the alternative hypothesis (Ha/Research hypothesis) as H1,H2,H3,H4,H5. The research model as shown on the figure 1 that can be described as follows:

$$\eta_1 = 0.461 \xi_1 + 0.438 \xi_2 + \zeta$$

$$\eta_2 = 0.257 \xi_1 + 0.512 \xi_2 + 0.216 \eta_1 + \zeta$$

4.3.2 Indirect Influence (Mediation Effect of Due Professional Care)

The influence of internal auditor's competency (ξ_1) towards internal auditor's due professional care (η_1) has regression coefficient about 0,461, while due professional care (η_1) towards internal audit quality (η_2) has regression coefficient about 0,216. So, indirect influence competency (ξ_1) towards internal audit quality (η_2) through due professional care (η_1) about $0.461 \times 0.216 = 0,0995$. All internal auditor's competency influence (ξ_1) towards internal audit quality (η_2) was the total of direct influence about 0,257 and indirect influence internal auditor's competency (ξ_1) towards internal audit quality (η_2) through due professional care (η_1) is about $0.461 \times 0.216 = 0,0995$. So totally competency influence (ξ_1) towards internal audit quality (η_2) is about 0,3565. The influence of internal auditor's independency (ξ_2) towards internal auditor's due professional care (η_1) have regression coefficient is about 0,438 while the influence of internal auditor's due professional care (η_1) towards internal audit quality (η_2) have regression coefficient is about 0,216. So the indirect influence of independence (ξ_2) towards internal audit quality (η_2) through due professional care (η_1) is about $0.438 \times 0.216 = 0,0946$. The total of internal auditor's independency (ξ_2) influence towards internal audit quality (η_2) is the accumulation of direct influence about 0,512 and indirect independence (ξ_2) towards internal audit quality (η_2) through due professional care (η_1) is about 0,0946. So the total influence of independence (ξ_2) to the internal audit quality (η_2) is about 0,6066.

4.3.3. Determination Coefficient

Determination coefficient score (R²) the influence of internal auditor's competency (ξ_1) and independence (ξ_2) towards internal auditor's due professional care (η_1) (shown in the table 3) about 0,535 (53,5%). It showed that regression model has goodness-fit medium level, in the other words that due professional care can be explained

by both variable such as competency and independence about 53,5%, while 46,5% others explained by other variable which did not conducted in this research. Error residual (ζ) model score can be known by using formula $\zeta = \sqrt{(1-R_2)}$, so $\zeta = \sqrt{(1 - 0,535)} = \sqrt{0,465} = 0,681$.

Determination coefficient score (R_2) the influence of internal auditor's competency (ξ_1), independency (ξ_2), and internal auditor's due professional care (η_1) towards internal audit quality (η_2) (shown in the table 3) is about 0,657% (65,7%). It showed that regression model has medium goodnede-fit level, in the other words that internal audit quality can be explained by 3 (three) variables such as competency, independence, and due professional care about 65,7% while others 34,3% was explained by other variable which did not conducted in this research. Error residual (ζ) model can be known by using formula $\zeta = \sqrt{(1 - R_2)}$ so $\zeta = \sqrt{(1 - 0,657)} = \sqrt{0,343} = 0,585$.

4.4. Discussion

Based on the determination coefficient above, can be known that variables that influence internal auditor's due professional care and internal audit quality in the model can explained that variable only which medium level. It shows that either influence of other variable, the influence another variable antecedent is not significant towards due professional care and internal audit quality, furthermore can be explained as follow:

4.4.1 The Influence of Internal Auditor's Competency towards Internal Auditor's Due Professional Care

Internal auditor's competency influence has the same direction (positive) and significant with 5% towards due professional care with regression coefficient about 0,461. In the other words, if the internal auditor's competency increase about 1 point or unit, so due professional care will increase about 0,461 point or unit notice another variable is constant. From the explanation above it can be seen that because of unqualified internal auditor's competency which shown by competency average score about 3,020 from range 1 until 5, as a consequence auditor has low due professional care while audit that shown by average score 3,135 with range score between 1 until 5.

In order to increase internal auditor's due profesional care, can be done by increasing auditor's competency, by doing filtering at internal auditor's acceptance, auditor's placement rightly, auditor's mutation or rolling rightly, increasing administration towards auditor (for example by credit score system), training for auditor which suitable with auditor's need and standard, auditor's meeting to discuss about audit problem etc.

4.4.2. The Influence Internal Auditor's Independency towards Internal Auditor's Due Professional Care

Based on the data analysis as explained above, it showed that internal auditor's independency has the same direction (positive) and significant with 1 % degree towards auditor's due profesional care with regression coefficient about 0,438. In the other words if auditor's indendency increase 1 point or unit, so auditor's due profesional care will increase about 0,438 point or unit which notice another variable is constant. One of the cause internal auditor's due profesional care did not used in Inspektorat of Lumajang Regency while audit process, because of internal auditor's independency was low that shown by average scoring 3,083 from range 1 until 5.

In order to increase internal auditor's due profesional care in Inspektorat of Lumajang Regency, can do by increasing auditor's independency. Independency need top management power such as internal audit head and regency head. Moreover, increasing internal auditor salary/ income to decrease risk as auditor losing abjectivity while audit process because of money influence, Giving guarantee towards auditor' operational need so that did not influence by auditee. Furthermore, It necessary rotation towards internal auditor or change auditor to avoid risk as emotionally building between auditor and auditee, did not command auditor who has special relationship with the auditee' person (as family etc.), be sure that auditor did not controlled by certain people (regency head, or other people), giving pusihtment towards every fousls, etc.

4.4.3. The Influence of Internal Auditor's Due Profesional Care Towards Internal Audit Quality

Based on the data analysis as explained above, be known that internal auditor's due profesional care has the same direction (positive) and significant about 5 % degree with regression coefficient about 0,216 towards internal audit quality. In the other words, if internal auditor's independency composit increase 1 point or unit, so internal audit quality will increase about 0,16 point with notice another variable is constant. One of the cause unqualified internal audit at Inspektorat of Lumajang regency that shown by scoring average about 3, 070 from range between 1 untill 5, because of internal audit have without due profesional care that shown by scoring average about 3,135 range between 1 untill 5.

In order to increase internal audit quality at Inspektorat of Lumajang Regency, by increasing auditor's due profesional care. As explained previously, it can be done by increasing internal auditor's competency and internal auditor's independency, that supporting by make sure about the used of professional judgment by internal auditors in every step of audit so that get right planning (item, sample, procedure, time, cost, etc), right testing and reporting quality. Furthermore, can be sure that sample size had been decided carefully and its enough to get surely result (persuasive) and also enough documentation, the internal auditor who doing audit used qualified methode and comply to the standard, and than supporting internal audit by supervise activity

which is done by competence auditor with high objectivity and integrity, supporting audit activity with peer review to give advice and repairing about audit process, etc.

4.4.4. The Influence of Internal Auditor's Competency toward Internal Audit Quality

Based on the data analysis as explained above, it shown that internal auditor's competency has the same direction (positive) and significant towards internal audit quality with 1 % degree with coefficient regression about 0,257. In the other words, if internal auditor's competency increase 1 point or unit so internal audit quality also increase about 0,257 point or unit with a notice another varibale is constant. That result is appropriate and support toward result of research was done by Kym Boon, Jill McKinnon, Philip Ross (2008); Alim, Hapsari & Purwanti (2007); Gunny, Krishnan & Zhang (2007); dan Reichelt & Dechun Wang (2009).

Moreover, based on the data analysis, it can be known that internal auditor's due professional care mediated between internal auditor's competency and internal audit quality with total direct influence competency toward internal auditor and indirect by due professional care is about 0,3565. So, in order to increase internal audit quality at Inspektorat of Lumajang regency government, can do by increasing auditor's competency such as enough education and training so that will increase auditor's due professional care, in the end will impact to the internal audit quality.

4.4.5. The Influence of Internal Audit Independency to the Internal Audit Quality

Based on the data analysis as explained previously, internal auditor's independency has the same direction (positive) and significant towards internal audit quality with regression coefficient about 0,512. In other words, if internal auditor's independency increase 1 point or unit, so internal audit quality will increase about 0,512 point or unit with a notice that another variable is constant. It is appropriate and support the research result was done by Kym Boon, Jill McKinnon, Philip Ross (2008) dan Alim, Hapsari & Purwanti (2007).

Furthermore, based on the data analysis, be known that internal auditor's due professional care did mediation between internal audit independency and internal audit quality with total direct influence internal independency towards internal audit quality and indirect influence/ by due professional care is about 0,6066. So that, to increase internal audit quality around Lumajang Regency government that do by Inspektorat, can do by increasing internal auditor's independency so will increase internal auditor's due professional care and in the end will impact towards internal audit quality. In the way to guarantee the independence, necessary need support from top management either internal audit head (inspector) or even regency head.

5. Enclosed

5.1. Conclusion

- a. Internal auditor's competency and independency has positive influence towards internal auditor's due professional care;
- b. Internal auditor's competency, independency and internal auditor's due professional care has positive influence towards internal audit quality. Internal auditor's due professional care did mediation relationship between internal auditor's competency and auditor's independency with internal auditor's quality. Unqualified internal audit caused by some factors such as antecedents which make auditor's due professional care as like internal auditor's competency and internal auditor's independency.

5.2 Recommendation

1. In order to increase internal auditor's due professional care can be done as follows:
 - a. Internal auditor's competency increase, through repairing procurement and placement system of internal auditor, avoid mutation towards auditor with high competency, guarantee the appropriate education and training that internal auditor's need comply with the standard, continue auditor's meeting to discuss audit problems etc;
 - b. Auditor's independence increase, independency need support from head or top management either internal audit head or even regency head. Another thing that can be done to increase independency by increasing auditor's salary/ income. Fullfill all auditor's oprational need, rotate auditor, make sure about auditor's objective and without intervension while audit process, giving pusionishment to every fousl etc.
2. In order to increase internal audit quality at Inspektorat of Lumajang Regency Government, can be done by inreasing internal auditor's due professional care throught increasing internal auditor's competency and auditor's independency, supported by controlling that auditor used professional judgment in all audit process as like make sample size which was checked had been decided carefully to get enough evidence (persuasive), make sure that internal audit was done by using right methode and right standard including documentation qualified audit evidence. Supporting internal audit with qualified supervise activity and done by competence senior auditor and objenctive also has high integrity, support audit activity with peer review activity etc.

5.3. Research Limitation

- a. This research did not discuss as detail with indicator construct term so that can not be known the strenght in every indicator in the way influence research variable, for example the indicators that form the competency variable;
- b. This research used small sample, so that its too weakness to predict audit activity as comprehensive, beside can not do generalization. This research also did not has following research so that can not explaine phenomenon as detail from the result guidance as quantitative;
- c. This research measuring is taken from repondence self-perception, so that it is possible to response to measure their independency is higher than its should be (*leniency bias*). Besides, measuring towards certain team was done by a person only, it may not represent another member in group at all.

5.4. Implication

- a. The result of this research give important advice toward regency head and manager/top manager of internal auditor especially at Lumajang Regency, and also another internal auditor regency with similar condition to solve problem related to internal audit quality.
- b. This research can be reference to do following or the next research, especially research about internal audit quality around government's regency. This research descript model which term of auditor's professional care such as competency and auditor's independency, and try to measure audit quality from the process side.

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Notes

Tabel 1. Results for Outer Weights

Variabel	Original sample estimate	Mean of subsamples	Standard deviation	T-Statistic
Kompetensi (lv0/ X1)	2.003	2.050	0.383	5.224
Independensi (lv1/ X2)	1.622	1.593	0.264	6.145
Due Professional Care (lv2/ X3)	2.089	2.266	0.574	3.638
Internal Audit Quality (lv3/ X4)	2.496	2.683	0.327	7.629

Source : Smart-PLS application output

Tabel 2. Tabel Path Coefficients (Mean, STDEV, T-Values)

	Original sample estimate	Mean of subsamples	Standard deviation	T-Statistic
Kompetensi (lv0) ->Due Professional Care (lv1)	0.461	0.424	0.179	2.579
Independensi (lv2) ->Due Professional Care (lv1)	0.438	0.413	0.220	1.986
Kompetensi (lv0) ->Internal Audit Quality (lv3)	0.257	0.276	0.106	2.433
Due Prof. Care (lv1) ->Internal Audit Quality(lv3)	0.216	0.220	0.103	2.090
Independensi (lv2) ->Internal Audit Quality (lv3)	0.512	0.593	0.122	4.210

Source : Smart-PLS application output

Tabel 3. Model Summary

Indikator	R-Square
Kompetensi (lv0/ X1)	
Independensi (lv1/ X2)	
Due Professional Care (lv2/ η1)	0.535
Internal Audit Quality (lv3/ η2)	0.657

Source : Smart-PLS application output

Tabel 4. Correlations of the Latent Variables

	Kompetensi (lv0/ X1)	Due Professional Care (lv1/ η1)	Independensi (lv2/ X2)	Internal Audit Quality (lv3/ η2)
Kompetensi (lv0/ X1)	1.000			
Due Professional Care (lv1/ η1)	0.603	1.000		
Independensi (lv2/ X2)	0.325	0.587	1.000	
Internal Audit Quality (lv3/ η2)	0.553	0.672	0.722	1.000

Source : Smart-PLS application output

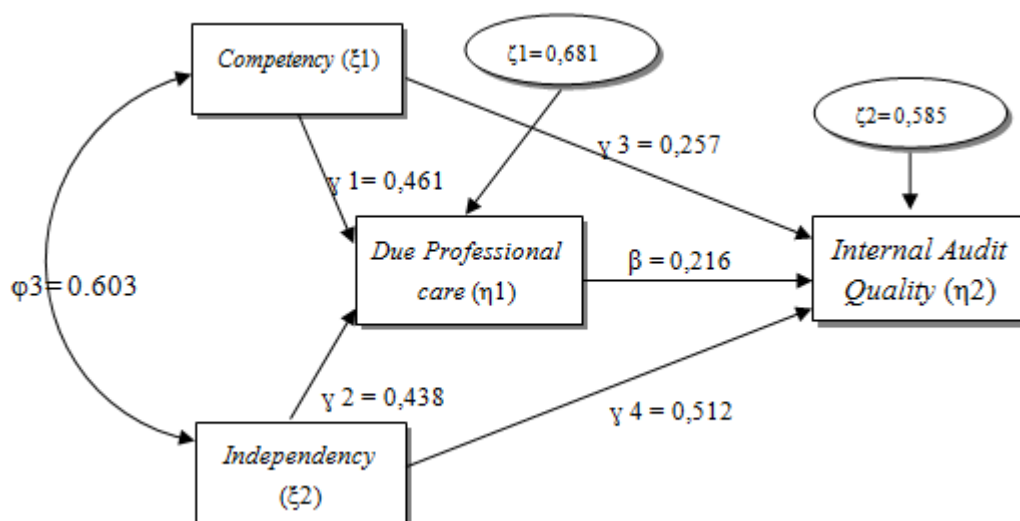


Figure 1. Path Analysis Comprehensive Model

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