

Rationality Building in Internal Audit Practice as Domination Exemption of Internal Auditor Role

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Summary

This study purpose is to develop rationalization to exempt internal auditor role domination. This study uses a qualitative paradigm with a critical approach. analysis tool used is Habermas rationalization thinking that has been criticized. Study results show that dominant cause of internal audit role is rationalization to build internal audit practice. Rationalization building of internal auditors have a tendency to money and power. Therefore, authors build a form of rationalization that can be used by internal auditors that free from interest.

Keywords: auditor's role, domination, emancipatory communication

I. Introduction

Internal auditors have an important role in government and private organizations. It consists of assurance and consultative role. Auditors should be complementary to perform both roles to achieve organizational goals. However, the reality is a little different. Study results of Ibrahim et al. (2002); Casterella et al. (2010); Gold and Pott (2012) and Handan et al. (2006) and reinforced by Hariyanti (2014) explains that there is a tendency of internal auditors to dominate assurance role. Hariyanti (2014) also explains that consultative role same as lipstick. This is due to interaction of auditee and internal auditors are more likely to be monologues, like continue interaction between auditors with president. Monologues interactions occur based rationalization building. Rationalization building more likely based on money and power. Rationalization will affect the internal audit life; to make world life will be disrupted. World life disruption of internal audit cause the pathology occurs in actors that involved in internal audit process (Hariyanti, 2014).

This paper begins to build auditors rationality in order internal audit practice does not appear in actors pathology involved in internal audit process. Rationalization building tends to shift to money and power. The end impact is able to realize emancipatory communication and raise back the world life charm.

1.1. Problem formulation

Based on above background, problem formulation of this study is "How to build a rationality to exempt internal audit role domination?"

1.2. Research Purposes

This study purpose is to build a rationalization in order to exempt internal audit role domination.

II. Research Methods

This research is critical qualitative research paradigm. Researchers chose the critical paradigm not only to see the contextual realities such procedures or methods of internal audit and others, but researchers focus on reasons or rationalization of in internal audit practice pathology.

Researcher chose PT Ojo Dumeh (pseudonym) as a research site for this case study. Case study research is a case that both general and specific, but the end result often provide something unique and interesting (Stake, 2009, 302). PT. Ojo Dumeh has consistency with opinion of Stake (2009). It has a unique form most of management company held by family members. The uniqueness above gradually encourages the emergence of pathology within organization. This could happen to other companies, although each organization has own uniqueness when viewed from historical (Stake, 2009).

Reasons to examine the process are because the output of audit process is a form or symptoms. The content is hidden behind the symptoms, it can be revealed by analyzing the "process". rationalization

Data is collected in following way:

- a. **Observation and interviews.** This research refers to research Hariyanti et al. (2014) about the dominant internal audit role, so the observations do not separated from previous research. Observations generally have a goal to portrait the activities of auditor and auditee. Observations and interviews are adjusted with situation and conditions in field.
- b. **Documentation.** Researchers seek to obtain data documentation in form of company recommendation, organizational structure and operational standards and other document to supports the research. This is consistent with Moleong (2004) who explains that data for research is secondary and primary data.

Data obtained will be tested the validity by triangulation. Triangulation in this study can be conducted based on time and place. The purpose is to avoid errors in interpretation by utilizing diverse perceptions, identifying how different perspective (Miles and Huberman, 1992).

The next stage is to analyze the data. Researchers refer of opinion Creswell (2007: 148) that there are several stages to analyze data, namely 1) data and data reduction, 2) thematization to search relevant themes to research objectives, 3) data in presentation form of a brief narrative, 4) conclusion. These stages were analyzed critical theory of Habermas namely communicative action. Habermas's theory of communication actions more emphasis on communication actions is not distorted and without coercion. Habermas theory is able to analyze social structures that undergo pathology (Ritzer and Goodman, 2008: 188). Habermas's theory has a goal to achieve uninterrupted communication in society.

Data coding and data reduction can be performed after data collection process or during the data collection process. This stage aim is to summarize the various themes appear, select and focus on important things in field. This stage will perform data encoding on field and activity content of internal audit process to imply concept of communication action theory. Data reduction is a process to sharpen; selecting, focusing, disposing and arranging data in order final conclusions can be made and verified (Emzir, 2011: 130). Data reduction goal in this research is to simplify the actual data in order more easily analyzed, so that data will more regular.

Further analysis is data thematization from coding. This analysis will create certain patterns in internal audit process, as dominant role patterns of internal audit in audit process. At this stage the data is analyzed based on themes or concepts of Habermas thinking, particularly about the actor rationalization.

Data presentation is an analysis activity after thematization activities to shape pathological role patterns of internal audit. These patterns will be analyzed based on theory of communication action. In this analysis stage, Habermas's theory of communication action is needed in order to explore the pathological process in internal audit process that will disrupt organizations world life that can damage company. This corresponds to Habermas concept's theory that essentially emancipatory communication is derived from the pathology rationalization that very dangerous to organizational world life (Habermas, 1992: 134). Therefore, this study uses communication action. Fundamental Habermas concept's theory of communication actions can be applied in data analysis as follows: firstly, role of human actors to build rationalization in reproducing knowledge. This stage is more emphasis on rationalization in internal audit practice of individual that will affect group and creating a science.

Table 3. Exploring Habermas's concept of rationalization in internal audit practice.

Structure Component \ Disruption Area	Culture	Society	Personal
Cultural reproduction	The lose of mean	Legitimating lose	Crisis in orientation

The next stage is conclusion. Conclusion at this stage is also verified by truth, supported by valid evidence. Verification is not only supported by evidence, but also argumentation from various review in order to develop "intersubjective (agreement between the subject)" to create emancipation awareness the domination internal audit role that not in favor with auditee. In other languages, Willis et al. (2007: 83) explains that critical theory is used to perform data interpretation through a review of rationality, to conduct enlightenment and liberation.

III. Results and Discussion

This research refers to Hariyanti (2014) who explains that internal auditor in rationalization building has a tendency to money and power for personal gain of internal auditors. This rationalization will encourage the emergence of disease in organization. This is consistent with opinion of Habermas (1974) who explains that rationalization by money and power will lead to disease for actor. Based on above phenomenon, researchers build rationalization concept for auditors that will not encourage the emergence of pathologies in internal auditor's body.

3.1. Building Rationalization of Internal Auditor Knowledge with Divinity

Above phenomenon encourage researchers to build rationalization of Habermas (1987). Habermas (1987) is not used fully, but author also refers to origin thought of Habermas. Habermas (1987) states the rationality that built continuously based on personal interests, especially money and power, will make relationship between the actor will not be harmonious. Antagonistic relationship will greatly affect the behavior between actors to affect organization. Habermas (1874) explains that in order to obtain a harmonious relationship, actors must build rationalization based on language. Emancipatory language is able to influence someone to build rationalization to encourage intersubjectivity.

The Habermas concept (1874) has a space to be criticized, especially about intersubjectivity. Intersubjectivity of Habermas's concept would actually encourage the emergence of oppression against most rational actor when agreement generated. Actor with minority opinion will be eliminated or suppressed. This exclusion or oppression is not realized by Habermas (1974) in concept of emancipatory communication.

Emancipatory communication concept of Habermas (1974) seems separated from the origin of idea. If we trace the Habermas thought, then indeed Habermas perspective comes from Fichte thinking. Fichte explains that ratio of a person is not only derived from self-consciousness, but also produced by nature and other things around it (Hardiman, 2009). This means that ratio of Fichte shows the intervention of God (Allah). For this reason, researchers build science that not only based on ratio of self-consciousness, but also acknowledges the intervention of God. This concurs with Mudhofir (1997: 41) who concluded that idealism of Fichte prefers spiritual things than material. Therefore, idealism actually acknowledges the intervention of God.

Internal audit can be built from Habermas concept to develop spirituality idea. Subjects were based on divinity idea as Fichte's philosophy of science that consistent with law of God. Virtue will create a science subject in accordance with law of God. Knowledge will distinguish human nature as homo economics (Triyuwono, 2012) and utilitarian (Chua, 1986). Religious would generate more internal audit concept because it recognizes the universal values to reflect the magnanimity (Lehman, 2004).

Divinity that inherent in subject will affect the creation of internal audit concept toward reality. Bambang M (2009: 5) and Francis (1989) explains that accounting, including the audit, can be regarded as a moral practice, due to accounting practice involve humans.

A result of informant interviews is follows:

"In my company there is work culture principle. Including responsibility, honesty and discipline to work and leader ". (A)

Work culture principle at PT. Ojo Dumeh represented the concept spirituality of Fichte. Some principles of organization's work culture are about honesty, discipline, and responsibility, all of them are form of divinity. However, the practice still not executed with divinity. Actors at PT Ojo Dumeh more emphasis on improving efficiency and productivity with concept of materiality. Here are the results of an interview with one of informants:

"... For me, the more important is to reach the target... because we are required to become efficient and production was not allowed to go down. These demands... makes me to do various ways to meet met (A, manager).

The interview above show that actors are merely chases a specified target. Actors pursuit target with various ways that deviate from divinity. Focusing on productivity and efficiency in Habermas language is instrumental action within a system and ignore the communicative action in life world. Pursuing efficiency and productivity by ignoring the values of divinity is a form of secular approach (Molisa, 2011). It was strongly opposed to concept of communication actions of Habermas, namely better balance between the life worlds with existing systems within organization (Ritzer, 2003)

Balance is needed to build a culture system with principle of religious standards (faith in God). Subject or individual with spiritual plays a role in spiritual knowledge reproduction of internal audit in organization. Individuals will able to create spiritual community to contribute to renewal of spiritual science and organization legitimate. And finally, individual and society will affect cultural reproduction.

3.2. Existence steps to bring God face

1. Building Knowledge by legitimizing God as objective

Knowledge with God legitimation in internal audit practice contexts are the actors build rationalization (knowledge) based on Allah willingness (God legitimacy) because God is the sole owner (stakeholders) that have the highest role. It is rather different in internal audit practice at Ojo Dumeh. There are tendency to build rationalization for personal interests and certain parties (owners) as family member. Owner becomes highest ruler. This way reminds us to relationship between the owner and agent in an agency theory. Abdurrahman and Ludigdo (2004) explain that management that acts on behalf of company is required to implement the principal interests. Principal and agent in enterprise is often conflict because each party tries to get profit as much as possible. This is a Habermas rationalization with aims get benefit as much as possible without seeing the process to get God willingness.

Actors in this family-based organization should build knowledge from Qur'an and Sunnah as main sources to get God willingness, not from family interests. These source are directly from Allah SWT free from mistakes and any interest because it is derived from the Most knowledgeable and Most Just. Actors involved in family members or relatives organization do not have problem because rationalization building is based on demands of ultimate truth. This is consistent with God decree that there is an obligation to take knowledge from both source and make the Prophet as a leader in all things.

2. Translating Honesty as self-principle

Honesty principle makes auditor must be able to present the face of God. Honesty principle in PT. Ojo Dumeh should be interpreted as an act that consistent between thought, speak and action based on religious norms and society rules. It means that internal auditor should not only seek material gain for personal purposes, but they should think have other benefits for common good will with honesty. An example, Islam teachings teach that business not merely to get material but also to get immaterial. It also should be done in internal audit process.

Internal audit activity is started from planning, implementation and auditing. Furthermore, audit reporting can be implemented with honesty principle. Bukhari describes the words of Prophet about honesty. All humans must be honest, honesty will bring kindness. People in kindness will go to heaven. Therefore, internal audit practice can implement the honesty concept.

Honesty concept itself has different views, but according to Imam Al-Ghazali there are five forms of honesty concept. They are honest in saying, intention, will, promises and actions. Honest words and sincere intention can create beautiful life, if realized in everyday life. This means to not shown artificial things.

You can be honest about what you know now

3. Translating Responsibilities as Company Self- Principles

Responsibility practices in PT. Ojo Dumeh tend to support the owner group interests. Company actors consider the owner interests are more important. This will get rid of other groups, such as employees or other groups.

Prioritizing particular owner interests is a strategy in legitimacy and stakeholder theory as a condition to materialism and utilitarian interests. Profit maximization becomes the primary goal; it does not mean a company is not allowed to seek profit. A desire for profit is human nature and something inherent in human, but it shall not become ultimate goal of an organization (Triyuwono, 2000). If profit becomes the final destination, responsibility tend only provide information relates to provide material gain to company. This is called instrumental action in Habermas language.

Responsibility practice in PT Ojo Dumeh more oriented to material. One example is internal audit department that more support responsibility to owner than other interests. Supporting interest (phrase from *Mbah Surip*) and responsibility of internal audit department is owner's interest to control materiality as a function of assurance. When auditor expresses his attention on providing solutions or suggestions for managers benefit, it purposes solely for owner benefit (supporting material interest). Here is one of internal audit recommendations at PT. Ojo Dumeh to shows materiality.

"More accurately in chickens calculation at cages (see results of internal audit h: 4).

Actually behind the faces of greed capitalist profit still there is the shadow of God that still try to put the existence of face of God. Here are excerpts of company's work culture principle at PT DUMEH Ojo that still a shadow of God.

"Responsible."

"Implementing an obligation with a sense of care and loyalty until finish and high-quality" (culture of PT. Ojo Dumeh).

In accordance with above description, actually behind the greedy still try show face of God. This is confirmed by work principle of other cultures, which presents the face of God. Here's another principle that presents the face of God.

Harmony between thoughts, words, and deeds are good and right according to religious rules and society norms. (culture of PT. Ojo Dumeh).

Efforts to bring the spirituality values in order to raise all actors interest within company, particularly in internal audit, should become goal of PT Ojo Dumeh existence. Individuals within an organization must be able to be responsible for liability by presenting the face of God. If any individual has been able to bring face of God, responsibility for others (owner and community) will automatically fulfilled because duty to God is basically an obedience to God's will and rules, (Triyuwono, 2000: 290).

Each individual has desire to hold interests in addition to owners, especially those engaged in internal audit practice. Here are the results of an interview with one senior auditor at PT. Ojo Dumeh which express the presence of God in carrying out duty with responsibility.

"What I get just one word, "integrity". I am working for Lord, my best work does not reduce and exceed, I willingly happy, enjoy to superiors because sometimes scolded a little hard... then I could be down. However, principle of what we do will accountable to God so we must have a religious heart, way of work for God and hearts for God". (M, Auditor).

Auditors desire to integrate or hold all interests can not be separated from human nature that inspired by kindness (Surah 91:78). It shows that man always has a desire to do well. Augustine (2005: 27) explains that humans have a natural tendency to cling to consciousness on eternal creator.

Internal audit practices to bring the face of God makes individuals in organization should be able to carry out the duty with empathy and high loyalty (see work culture principle at PT Ojo Dumeh). The question is not only matter to capital owners (family), but concerned with environment and creator. According to

Parasuraman et al (in by Lupiyoadi and Hamdani, 2006), employees who have empathy means having concern with giving a sincere attitude and a private individual or company that is given to all parties with a good way to communicate and trying to understand wants and needs of members in organization. Not only empathy, individual employees must also have a sense of loyalty.

It makes rationalization to seek knowledge is not only based on rational that real or material (Habermas, 1974), but in this case is responsible for work spiritually so that every actor does not attempt to disturb work. Above description can be explained in following table:

Table. 9.1. Communication actions in sciences reproduction

Structure Component Disruption Area	Culture	Society	Personal
Cultural Reproduction	The erosion of internal auditor role meaning (shifting internal audit role auditor that not only do assurance role but also need to do consultative role).	Lower confidence in internal audit role (internal audit role not solely search error for private interest so that people in organization are less reliant on their role)	Only material -oriented (materiality)
	Internal audit with divinity dimension	Knowledge updates by internalizing the values of divinity by all actors in organization	Reproduction knowledge with God self-dimensional: - Honesty - Responsible

Source: Data processed

Conclusion

Internal audit practice at PT Ojo Dumeh still has tendency to assurance role domination. This is due to rationalization building of actors in internal audit practice. There is a tendency that is based on interests, money and power. The basic rationalization encourages pathology in internal audit practice mainly related to rationalization. To that end, researchers build rationalization in another form, namely divinity rationalization in order to release rationalization that full of interest resulting dominance of assurance role.

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