

# The Influence of Leadership Style, Integrity and Organizational Commitment on the Performance of State Development Audit Agency (BPKP) at BPKP Representative Office of Aceh Province, Indonesia

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## Abstract

The objectives of research are to examine the influence of leadership style, integrity, and organizational commitment on the performance in the State Development Audit Agency of (BPKP) at its representative office area, Aceh province either simultaneously or partially. This study used a sample of 60 respondents consisting of certified auditors who perform inspection tasks on behalf of BPKP representatives in the province. The data used in this study are primary data obtained through a questionnaire distributed directly to the respondents. The analytical method used in data analyzing is the multiple linear regression. The outcome of a simultaneous hypothesis test indicated that the leadership style, integrity, and organization commitment have a simultaneously significant effect on the performance of BPKP's representative office area in Aceh province. Similarly, tested partially, it also indicated that leadership style, integrity, or organizational commitment has partially significant effect on the performance of BPKP's representatives office area in the province.

**Keywords:** Leadership Style, Integrity, Organizational Commitment, Performance

## 1. Introduction

The existence of audit profession is considered as an important factor in increasing the accountability and transparency of the financial statements of an organization. In governmental organizations, internal auditors of government can be regarded as the spearhead of the entire implementation of the state financial audit related to the duties and responsibilities of auditors in the security of the entire assets of the country of which are frequently at risk for distorted and misused by elements who are not responsible (Kenneth and Ridley, 2007).

Internal auditors of government in Indonesia is described in the Minister of Administrative Reform Number: PER / 05 / M.PAN / 03/2008, on the standard audit of internal control apparatus of government, one of which is the State Development Audit Agency (BPKP), which is under the president and carry out government duties in the field of financial supervision and development to provide reasonable assurance that the activities have been carried out in accordance with the benchmarks that have been set effectively and efficiently.

BPKP's representative of Aceh province as reported by Aceh Transparency Society (MATA) and the Indonesian Corruption Watch (ICW) was considered low performance per October 22, 2012. This report is done on the basis of delay in completion of some examination reports of the agency. The delay of that audit report may have the indication of corruption that could potentially involving high-ranking officials in the government of Aceh and the government district / city in Aceh (Atjeh Post, 2012). Moreover, in the period of 2014, there were 10 cases of indication of corruption that can not be followed up either by the Police, and the State Prosecutor's Office or District Prosecutor's Office because they are still awaiting the audit report of the BPKP representative Aceh Province. According Baihaki (Coordinating Anti-Corruption eye), ten (10) cases, among others: Indications of corruption in the procurement of hand tracktor at the Department of Agriculture of Aceh, indication of corruption in the procurement of cacao seedlings at the Department of Plantations of Aceh Tenggara regency, Indication of corruption in the procurement of Medical Devices at Teuku Peukan Bada Hospital of Aceh Barat Daya regency, and other corruption indications.

The purpose of research is to examine the influence of the Leadership Style, Integrity and Organizational Commitment on the Performance of State Development Audit Agency (BPKP) in Aceh province either simultaneously or partially.

## II. Literature Review and Hypothesis Development

### 2.1. Auditor's Performance

Performance evaluation is a success rate of a person's work for carrying out tasks using his or her ability to achieve the objectives set. The performance of auditors is an action or implementation of inspection tasks that have been completed by auditors that shows the work in quality and quantity within a certain time towards the achievement of organizational goals (Goldwasser, 1993). The performance of auditors may be affected by

several such factors

The influence of leadership style as one of the factors that support performance improvement was noted by Steidlmeiner Bass (1999), and also confirmed by Larkin (1990). According to Larkin, the performance of auditors can be demonstrated through organizational commitment, and job satisfaction. Similarly, Institute of Internal Auditors (2012) also specified that the auditor's performance is the result of work that can be shown through the integrity of the auditors. Hence, based on those research outcome indicated that the style of leadership, integrity and commitment to the organization is a factor that affects the support performance improvement auditor

## **2.2. Leadership Style Influences on Performance Auditor**

Leadership style is one of the key factors in improving the performance of the government's internal auditor. This relationship was confirmed by Bass and Steidlmeier (1999) in their research outcome that stated the style of leadership is the process of influencing others or subordinates to work well so as to achieve the objectives of the organization. Meanwhile, Leadership style is also a strategy that can affect every person in work teams to carry out the organization's goals. In achieving the goals of the organization, a leader would have to have leadership styles that can unify all personal differences into one perception to resolve any problems or obstacles facing the organization (Ruey, 2011). Both researches confirmed that the leadership style affect the performance of the government auditor. Those findings are also consistent with the results of research conducted by Olanrewaju (2012), Woodbine and Joanne (2010), where the research results also show that the leadership style of strongly interacting and affect the performance of the government auditor.

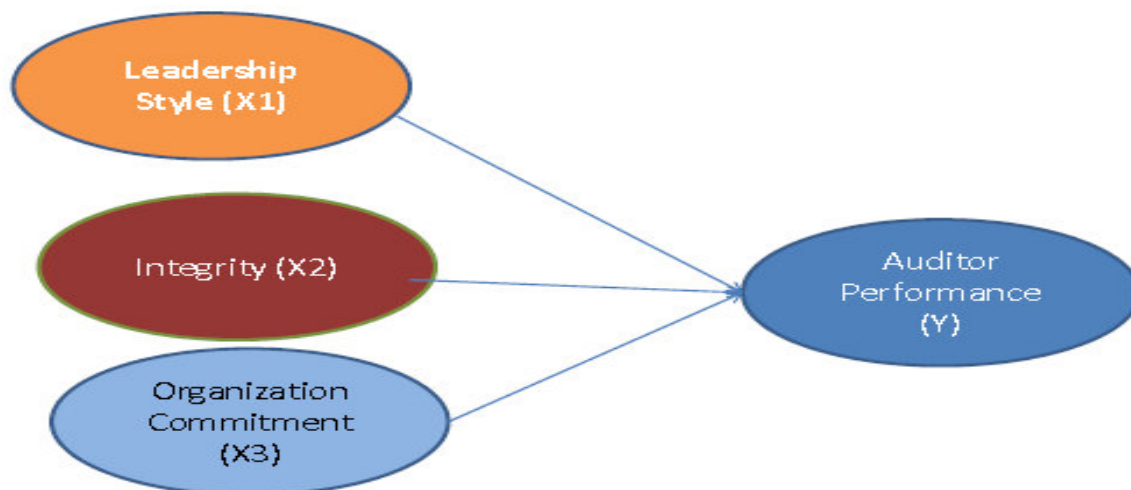
## **2.3. Integrity Influences on Performance Auditor**

As previously defined factors above, Integrity is also one of the factors that can affect the performance of the government internal auditor. It is pointed out by State Development Audit Agency or BPKP (2008) and the Institute of Internal Auditors (2012), where the auditors in carrying out its duties and to support performance improvement, must uphold the principles of integrity in order to act consistently with instilling ethical values and duties accordance with applicable rules so as to build public trust in order to provide the basis for a reliable decision making. In addition, Watson (2004) also noted the importance for the auditor to have a code of ethics created as a moral principle or form of rules of conduct that govern the relationship between the auditor with the audited, the auditor among themselves and between the auditor and the community. So the attitude of integrity is one of the code of ethics of auditors, whose auditors are required to have a personality that is based on the attitude of honest, courageous, wise and responsible. This is consistent with the results of research of Ardelean (2014) where the results showed that the integrity of the auditor's role and interact strongly in improving the performance of auditors.

## **2.4. Organizational Commitment Influences Auditor Performance**

According to Steers (1975), one of the factors that play an important role in improving performance is the commitment of the organization. Without strong commitment, the organization's auditor will be difficult to pursue organizational goals. Organizational commitment is an attempt to increase the potential in the acceptance of organizational goals and willingness to behave positively on behalf of the organization to support the achievement of organizational goals and performance. Attainment of the objectives of this organization require emotional engagement, sacrifice someone and moral relationship with the organization (Allen & Meyer, 1997). The organization's commitment to improve the performance of auditors demonstrated through the commitment attitudes and behaviors commitment. (Steers 1975). The aspects of commitment attitudes refer to the participation and involvement of auditors in professional roles and loyalty to the profession. While aspects of behavior are normally involve the extraordinary efforts undertaken by the auditors in carrying out their duties and the tendency of an auditor to continue to stay and defend their profession (Ghorbanpour et al., 2014). According to Paino et al(2011), organizational commitment is awakened when individuals develop three attitudes within the organization, namely: (1) Identification is an understanding or appreciation of organizational goals, (2) Involvement is a pleasant feeling to be involved in a job in the organization, (3) Loyalty is a feeling that organization is a place to live and work so that it appears loyalty to the organization. The influence of organizational commitment on the performance of auditors is supported by the results of research conducted by Ghorbanpour et al. (2014), shows that organizational commitment has positive influence on the performance of auditors.

Derived from critically review of previous research regarding the relationship between leadership style, integrity, and organization commitment on auditor performance, it can be formulated the theoretical framework for the research as shown on the following figure:



**Figure 1: Theoretical Framework**

### 2.5. Hypotheses Development.

The proposed hypotheses are classified into descriptive and verificative as follows:

- H1. Leadership style, integrity and organizational commitment, have a significant Simultaneous influence on the performance of government auditors
- H2. Leadership style has a partially significant influence on the performance of government auditors
- H3. Integrity has a partially significant influence on the performance of government auditors
- H4. Organizational commitment has a partially significant influence on the performance of government auditors

### III. Research Methodology

This research is a study of causality or a causal relationship between the Independent variables of leadership style (X1), Integrity (X2), and Organizational Commitment and government auditor performance in the State Development Audit Agency in the Province of Aceh. It selects 60 government auditors as respondents whose selection is based on random sampling method. The data are coming from primary sources whose collection is by handing it out a pre-designed five-likert scale questionnaire to the selected auditors and then analyzed by using Multiple linear Regression method supported with SPSS package. The multilinear linear regression equation used in this research can be formulated as follow. The quality of data used will be tested by using the validity and reliability test. Multiple linear regression analysis requires some assumptions that the model is feasible used. The assumptions used in this study are the normality test, multicollinearity and heteroscedasticity test.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Remark:

- Y = Auditor's Performance
- a = Constant
- b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub> = Regression Coefficient
- X<sub>1</sub> = Leadership Style
- X<sub>2</sub> = Integrity
- X<sub>3</sub> = Organization Commitment
- e = Error

### IV. Results and Discussions

#### 4.1. Results

##### 4.1.1. Characteristic of Respondents

The auditors working at BPKP Representative Office of Aceh Province dominated by men as many as 32 persons (53.3%), with the most of respondents' age range over 40 years is 25 person (41.7%). Respondents' education is dominated by under graduate level of which consisting of 50 people (83.3%), most of whom are belong to a 3<sup>rd</sup>. level of civil servant category of which are consisting of 40 persons(66.7%). In term of functional position, it was dominated by junior auditors of which are IT people (35.0%) with the most tenure of more than four years with 26 persons (43.30%).

#### 4.1.2. Hypothesis Testing

The summary output of processed and analyzed data using multiple linear regression model with a SPSS software can be seen on the table 1 and table 2 as follows:

**Table 1**  
**Summary of Multiple Linier Analysis**

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	0,756	0,327		2,314	0,024
Leadership Style (X1)	0,148	0,072	0,207	2,068	0,043
Integrity (X2)	0,503	0,076	0,572	6,578	0,000
Organization Commitment (X3)	0,152	0,065	0,237	2,329	0,024
Correlation Coefecience (R)	= 0,786		Sig F	= 0,000	
Determiration Coefecience (R <sup>2</sup> )	= 0,618		F <sub>table</sub>	= 2,77	
Adjusted R Square	= 0,597		t <sub>table</sub> (n=60,α	= 2,003	
F <sub>count</sub>	= 30,136		0,05)		

Source: Output of Primary Data Processing.2015

**Table 2**  
**Summary of Hipotesis Testing**

Hypothesis	Outcome of Hypothesis Testing	Criteria for Accepting and Rejecting of Hipotesis	Conclusion
Hypothesis 1	Leadership style, integrity and organizational commitment, have a significant simultaneous influence on the performance of government auditors	$Sig. < \alpha$ (0,000<0,05), and $F_{count} > F_{table}$ (30,136>2,77)	Accepted of Alternate hypothesis (Ha)
Hypothesis 2	Leadership style has a partially significant influence on the performance of government auditors	$Sig. < \alpha$ (0,043<0,05), and $t_{count} > t_{table}$ (2,068>2,003)	Accepted of Alternate hypothesis (Ha)
Hypothesis 3	Integrity has a partially significant influence on the performance of government auditors	$Sig. > \alpha$ (0,000>0,05), and $t_{count} < t_{table}$ (6,578<2,003)	Accepted of Alternate hypothesis (Ha)
Hypothesis 4	Organizational commitment has a partially significant influence on the performance of government auditors	$Sig. < \alpha$ (0,024<0,05), and $t_{count} > t_{table}$ (2,329>2,003)	Accepted of Alternate hypothesis (Ha)

Source: Output of Primary Data Processing.2015

Based on the figures on the table 2 above, it can be formulated the Multiple Linear Regression as  $Y = 0,756 + 0,148X_1 + 0,503X_2 + 0,152X_3 + e$ . It reveals that three underlying independent variables (leadership style, integrity, and organization commitment have a significant positive influence on dependent variable of auditor performance, either tested simultaneously or tested partially.

#### 4.2. Discussions

##### 4.2.1. Leadership style has a positive influence of on auditor performance of at BPKP representative office in Aceh Province

The results suggested that leadership style has a significant influence on the performance of government auditors in the province. The extend of the influence that reflected by its regression coefficient by 14,80 %, with significant value is 0,024, indicates a positive trend. This significant influence reveals that a designated leader who is able to protect and directing subordinates will have an impact on improving the performance of the auditors. This finding is in accordance with the research outcome noted by Morris (2014) that stated that leadership is a process of social interaction between the leader and his followers in the perception for the achievement of the agreed goals. The results of this study are also consistent with the that of conducted by Woodbine (2010), which concludes that the styles of leadership interact strongly in improving the performance of auditors. It also in line with the research performed by Olanrewaju (2012), which concludes the leadership style affect the performance of the government auditor. All three researchers hint that the better the leadership style adopted by the leader, the greater the chance to increase the performance of auditors to conduct supervision

and inspection of public finance management.

4.2.2. Integrity has a positive Influence on auditor performance at BPKP Representative office in Aceh Province  
Similar to the first variable, it also reveals that integrity has a positive significant influence on auditor performance. Its regression coefficient which is equal to 50,30 with a significant value by 0,000, signifies that it is moving toward a positive relationship and it also represent the most dominant factors influencing auditor performance. This dominant influence confirms the fact that integrity is the most important basic principle of any auditors in performing their jobs. The finding is also in line with general standard and guideline of government auditors at the agency (BPKP.2008) and The institute of Internal Auditors (2012). It was stated in the guideline that the auditors in carrying out their duties must uphold the principles of integrity to instill ethical values and carry out tasks according to the provisions applicable to produce reliable decisions in such a way that it can support performance improvement of government auditor at BPKP representative Aceh province. In addition, the results are also consistent with the research conducted by Watson (2004) and Ardelean (2014) that showed that the integrity of the auditor interact strongly in improving the performance of auditors. This research outcome therefore confirm that the higher the integrity of the auditors would be higher the contribution they play to the performance improvement.

d) Organizational commitment has a positive influence on government auditor's performance at BPKP Representative office in Aceh Province

The extend of the influence which is equal to 15,20 %, with a significant value of 0,024, indicates the positive influence. The research finding reveals that auditors who have high organizational commitment can improve their performance in performing surveillance, inspection and follow-up on the findings of the examination results. This similar finding also noted by Allen and Meyer (1997), in which the organizational commitment of auditors can increase the potential for the acceptance of organizational goals, may also increase the willingness to behave better on behalf of the organization in supporting the achievement of organizational goals that have an impact on improving the performance of auditors. The results are also consistent with that conducted by Ghorbanpour et al. (2014) that found that organizational commitment affect the performance of auditors. Hence, the research suggested that the auditor whose high organizational commitment tend to complete activities well and improve performance compared to those lack of commitment

#### **IV. Conclusion and Recommendation.**

##### **4.1. Conclusions**

1. The leadership style, integrity and organization commitment have a simultaneously significant influence on the performance. of government auditors at BPKP's representative office of Aceh Province
2. The leadership style has a partially significant influence on the performance of government auditors at BPKP's representative office of Aceh Province..
3. Integrity partially has a significant positive influence on the performance of government auditors at BPKP's representative office of Aceh Province
4. Organizational commitment has a partially significant effect on the performance of government auditors at BPKP's representative office of Aceh Province.

##### **4.2. Recommendations**

1. The government auditors should consider the leadership in establishing policies in accordance with the circumstances that exist around it, improving the principle of integrity in carrying out their duties in compliance with applicable regulations and work in accordance with the actual situation.
2. To promote the goals and objectives of the organization by instilling a sense of belonging in the organization and feel part of the organization and making organizational problems become part of the problem any auditor.
2. For further research, it may expand the object of study or replace of researched independent variables influencing performance of government auditors with such variables as motivation, competence, professional commitment, experience auditing, role conflict, organizational culture, etc

#### **V. The Limitation and Novelty of Research**

The limitations of the research are that firstly, the using a sample of merely listed manufacturing companies may not portray the whole performance of Indonesian manufacturing company, lastly because of using secondary data as the only source for the research analysis, it does not obtain a deep view of individual companies and does not capture the perception of the management involved.

As far as the researcher's view, the deployment of the theoretical framework using three independent variables of leadership style, integrity and organizational commitment affecting on performance of provincial government auditor agency is considered as the novelty of the research.

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