

Internal Auditor's Performance In Sas Parts Companies

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Abstract. Auditors' performance currently faces challenges in gaining public trust. Many factors are considered to influence, while several previous studies still show inconsistent results. The aim of the research is to identify the influence of independence, work experience and ethics's code on performance of internal auditors at SAS PARTS companies. This quantitative research's data gained from questionnaires. The research's population were 40 auditors spread across branch offices in Indonesia. The saturation sampling techniques used in this research. The method to analyze data was multiple linear regression. Indications of the research's results as follows: 1. Independence does not affect internal auditor's performance. It can be shown from the third question item which states that the lack of auditee assistance in collecting audit evidence has an impact on auditor performance. Auditor performance is not solely shown by auditor independence. 2. Work experience does not influence internal auditor's performance, this is because the majority of respondents work less than 3 years which causes their lack on experience in carrying-out assignments. 3. The Ethic's code affects the performance of internal auditor because of the existence of a code of ethics as a guide for the auditor to know what is allowed and not to be done, in order to improve the internal auditor's performance. 4. Independence, work experience, and code of ethics simultaneously (together) affect the performance of auditors at SAS PARTS Company. There has never been any other previous research on this research object of SAS PARTS Company about internal auditor's performance.

Keywords: Independence; Work Experience; Code of Ethics; Auditor Performance

INTRODUCTION

An excellent performance of auditor will develop public's trust in accounting career (Indrayati, et al. 2021). It can also increase public trust in KAP services. Auditor performance has become the main focus of clients and the public in assessing audit results (Safitri, 2014). Lismaita, et al. (2017) and Agustina & Sulardi (2018) suggest that independence influences auditor performance, but according to Salju, et al. (2014) independence has no impact on performance of auditor.

Another auditor performance's predictor is experience. Utami (2015) states that experience can improve auditor performance. This is based on the assumption that repetitive tasks provide opportunities for learning to do something well. Work experience is also one of the needs to become a public accountant as stated in Law no. 5 of 2011 about Public Accountants. Utami (2015) shows that work experience influences auditor performance at the Riau Province Inspectorate. Katili, et.al (2017) states that partially work experience has positively effect auditor's performance, but not significant. It indicates that there is inconsistency related to work experience and independence on the auditor's performance. As for research on the variable Code of Ethics according to Ariani & Badera (2015) shows that the code of ethics influences auditor performance. Research by Yendrawati & Narastuti (2014) stated that the Code of Ethics influences performance of auditor because it creates a reliable auditor with optimal performance in accordance with the rules.

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Agency theory states that agency is a relationship that occurs in each entity that relies on principal and the agent's contract, either explicitly or implicitly. The principal delegates responsibility to the agent, where the principal put mandate on their agent to do the job as their commitment (Jensen & Meckling, 1976).

Mulyadi (2014: 26) states that independence means a mental attitude that is free from influence, not controlled by other people, does not depend on other people, independence also means there is honesty in the auditor to consider objective facts impartial in concluding and expressing his opinion. Independence is an attitude and a step when carrying out an examination not to take sides with anyone and not be influenced by anyone.

There are several requirements before practicing as an auditor are as follows (Mulyadi, 2013: 28):

- a. The auditor graduated from the accounting department of the economics faculty or has an equivalent diploma.
- b. Has earned an accountant degree from the Expert Committee for Equalization of Accountant Diplomas and received a license to practice by the Minister of Finance.
- c. Has received technical training and experience in auditing science.

The term independence is grouped into two groups, (Agoes & Ardana 2012: 146) as follows:

- a. Independence in fact: emphasizes the mental attitude in making decisions on various facts encountered without interference, influence, or pressure from outsiders who carry out the examination.
- b. Independence in appearance: means that according to another party's point of view, an auditor physically does not have family ties (direct interest) with the auditee which can cast doubt on outsiders regarding the neutrality of the auditor in making decisions.

In line with the work rules of the company's audit department, each internal auditor must have a code of ethics in carrying out his duties and responsibilities with important values in it, namely independence, which is the main basis for conducting each audit in all divisions and branch offices throughout Indonesia (Human Capital SAS : Code of Ethics: V.03)

Work experience can provide a great opportunity for someone to do a better job in the future, so that if the audit process has been carried out in accordance with existing procedures, an auditor will have the ability in the future. Work experience provides work skills, but conversely limited experience makes the level of skills or expertise possessed lower. Therefore the importance of experience at work really helps lighten the work being done (Masrizal, 2010).

The existence of a code of ethics for users of information is not easily harmed by errors in recording or manipulation of information. This code of ethics must be obeyed by everyone regarding what may and may not be done, in order to improve the auditor's performance, the auditor is required to maintain standards of ethical behavior. In general, ethics is defined as a kind of value or rule of behavior that is accepted and used by a certain group or individual (Suraida, 2005).

Performance is an estimate of the level of achievement of an activity that has been carried out in accordance with the goals, objectives, vision and mission stated in the organization. The term performance is often used to refer to achievement or level of success. The benchmark for this success is in the form of goals or targets to be achieved, without these goals or targets individual or organizational performance is impossible to obtain because there are no benchmarks (Mahsun, 2006: 25). Research (Lismaita, et al. 2017) shows that simultaneously and partially Educational Background, Inspector Independence and Code of Ethics Compliance affect Auditor Performance at the Aceh Provincial Inspectorate. Research (Utami, 2015) shows that Integrity, Objectivity, Confidentiality, Competence, and Work Experience affect Auditor Performance at the Inspectorate of Riau Province. Research (Katili, et al. 2017) shows that partially Professional Skills and Work Experience have no effect on Auditor Performance, while Integrity and Leadership Commitment partially affect Auditor Performance. Simultaneous testing of professional skills, integrity, work experience and leadership commitment affect the auditor's performance.

Salju, et al. (2014) conducted research on the Government of East Luwu Regency on the Influence of Competence and Independence on Auditor Performance. The results of the study show that partially Competence and Independence have no significant effect on the performance of local government auditors. While simultaneously (F test), shows that competence and independence affect the performance of local government auditors.

Research by Ariani & Badera (2015) with the title Effects of Integrity, Objectivity, Confidentiality, and Competence on the Performance of the Denpasar Inspectorate Auditor, showed that Integrity, Objectivity, Confidentiality, and Competence had a significant and positive effect on the Performance of the Denpasar Inspectorate Auditor.

a. Effect of Independence on Auditor Performance

According to Hery (2010: 73) what is meant by the independence of an auditor is that the auditor must be independent and not bound to any activities being examined. Halim (2008: 46) argues that independence is an attitude that the auditor has to be impartial in conducting an audit.

An auditor performs his work in the public interest and does not favor the interests of anyone. An independent auditor can provide an assessment in accordance with the actual situation and is not easily influenced in conducting an audit. The higher the independence of an auditor, the better the quality of the audit on the performance of the auditor will produce. Therefore the importance of independence for auditors can make their performance get maximum results and can be trusted by all interested parties (Nasution & Hasyim, 2017).

Research Lismaita et al. (2017) and Agustina & Sulardi (2018) reveal that independence has a positive effect on auditor performance. Meanwhile, research Salju, et al. (2016) states that independence has no effect on auditor performance.

b. Effect of Work Experience on Auditor Performance

Utami's research (2015) which shows that work experience has an influence on auditors because it can improve performance. However, research Katili, et al. (2017) states that partially work experience has no effect on auditor performance.

c. Effect of the Code of Ethics on Auditor Performance

According to Tugiman (1997) the Code of Ethics is a provision to regulate individual behavior to suit the needs of society and as a rule of conduct made for guidelines in behaving or carrying out assignments.

From the description above, the relationship between these variables can be described as follows:

1. It is suspected that Independence has a significant positive effect on internal auditor's performance of SAS PARTS Companies.
2. It is suspected that work experience has a significant positive effect on the internal auditor's performance of SAS PARTS Company.
3. It is suspected that the Code of Ethics has a significant positive effect on the internal auditor's performance of SAS PARTS Company.
4. Allegedly Independence, Code of Ethics, Work Experience simultaneously influence the internal auditor's performance at the SAS PART Company.

Several studies have shown inconsistent results. These considerations form the basis of the authors in making the problem's formulation in this study as follows: 1) Does independence have a significant positive effect on internal auditor's performance?; 2) Does work experience have a positive effect on internal auditor's performance?; 3) Does the code of ethics positively affect the internal auditor's performance?; 4) Does independence, code of ethics, work experience simultaneously affect the internal auditor's performance at SAS PART Company?

METHOD

The population of this research are the internal auditors of SAS Autopart company. Population data was obtained by 40 internal auditors in all branches in Indonesia, from the Medan to Papua branches; and the entire population of the research sample is 40 internal auditors; so the sampling technique in this study used saturated sampling. All members of the population are used as a sample to anticipate a low level of questionnaire taking.

Data Analysis and Hypothesis Testing

1. Descriptive Statistics

Descriptive statistics provide an overview or description of the data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution skewed), as well as test data quality using validity, reliability tests, classical assumption test, normality test, multicollinearity test, heteroscedasticity test.

2. Hypothesis testing

- a. Multiple linear regression analysis was carried out as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Note:

Y : Auditor Performance

X1 : Independence

X2 : Work Experience

X3 : Code of Ethics

a : Constant

bx : Regression Coefficient

e : Error (error rate)

- b. Individual Parameter Significance Test (Statistical Test t)

The t statistical test states how far the influence of one explanatory/independent variable individually explains the variation of the dependent variable.

- c. Test of Overall Significance of Sample Regression (Test Statistic F)

The F statistical test shows whether all independent variables have a simultaneous effect on the dependent variable.

RESULTS AND DISCUSSION

Descriptive Statistical Test Results

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std.Deviation
Independence	40	8	20	15,17	3,257
Work Experience	40	11	20	15,33	2,645
Code of Ethics	40	34	53	44,15	4,780
Auditor Performance	40	20	35	26,13	3,360
Valid N (listwise)	40				

Source: processed primary data (2022)

The table explains that the independence variable with a minimum of 8 and a maximum of 20, with an average of 15.17 and a standard deviation of 3.257. Work Experience variable with a minimum of 11 and a maximum of 20, with an average of 15.33 and a standard deviation of 2.745. Variable Code of Ethics with a minimum of 34 and a maximum of 53, with an average of 44.15 and a standard deviation of 4.780. Auditor performance variable with a minimum of 20 and a maximum of 35, with an average of 26.13 and a standard deviation of 3.360.

Table 2 . Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	10,410	4,245		2,452	,019
Independence	-,272	,145	-,264	-1,876	,069
Work Experience	,039	,221	,031	,177	,861
Code of Ethics	,436	,111	,620	3,916	,000

Dependent Variable: Internal Auditor's Performance

Source: processed primary data (2022)

Based on the table above, the regression equation is obtained as follows:

$$Y = 10.410 - 0.272X_1 + 0.039X_2 + 0.436X_3 + e$$

The multiple linear regression equation above can be interpreted that:

- Positive constant value of 10.410 means that if the variable independence (X_1), work experience (X_2), and code of ethics (X_3) is 0 (zero), then the internal auditor's performance (Y) is 10.410.
- Coefficient value -0.272. states that if there is a negative effect between independence (X_1) on auditor performance (Y) of -0.272. This means that if independence (X_1) decreases, it will cause a decrease in internal auditor's performance (Y) of -0.272.
- Coefficient value of 0.039. states that there is a positive influence between work experience (X_2) on auditor performance (Y) of 0.039. This means that if the work experience variable (X_2) increases, it will lead to an increase in internal auditor's performance (Y) of 0.039.
- Coefficient value of 0.436. states that there is a positive influence between the code of ethics (X_3) on auditor performance (Y) of 0.436. This means that if the code of ethics variable (X_3) increases, it will lead to an increase in internal auditor's performance (Y) of 0.436.

Table 3. Statistic t-Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	10.410	4.245		2.452	.019
Independence	-.272	.145	-.264	-1.876	.069
Work Experience	.039	.221	.031	.177	.861
Code of Ethics	.436	.111	.620	3.916	.000

Dependent Variable: Internal Auditor's Performance

Source: Processed primary data (2022)

Based on the table it can be interpreted that: the independence variable has a negative coefficient value of -0.272 with a significant value of 0.069, it is concluded that the independence variable has no effect on the internal auditor's performance. This statement is proven by a significant value of $0.069 > 0.025$, which means H_1 is rejected. The work experience variable has a positive coefficient value of 0.039 with a significant value of 0.861. It can be concluded that the work experience variable has no effect on internal auditor's performance. This statement is proven by a significant value of $0.861 > 0.025$ which means H_2 is rejected. The code of ethics variable has a positive coefficient value of 0.436 with a significant value of 0.000. It can be concluded that the code of ethics variable has an effect on internal auditor's performance. This statement is proven by a significant value of $0.000 < 0.025$, which means H_3 is accepted.

Table 4. F Statistic Test

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	192.039	3	64.013	9.280	.000 ^b
Residual	248.336	36	6.898		
Total	440.375	39			

Anova^a

Dependent Variable: Internal Auditor's Performance

Predictors: (Constant), Code of Ethic, Independence, Work Experience

Source: processed primary data (2022)

The table above shows that the results of the F test on the F Count value are 9.280 with a significant level of 0.000^b. Because the significance level is less than 0.05, it can be concluded that independence, work experience and code of ethics simultaneously affect internal auditor's performance.

Table 5. Determination Coefficient (R²)Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.660 ^a	.436	.389	2.626

a. Predictors: (Constant), Code of Ethics, Independence, Work Experience

b. Dependent Variable: Internal Auditor's Performance

Source: processed primary data (2022)

The table above shows that the value of the coefficient of determination (Adjusted R Square) is 0.389, meaning that 38.9% of the internal auditor's performance variables can be explained by the variables of independence, work experience and code of ethics.

Hypothesis testing obtained the following results:

a. Effect of Independence on Internal Auditor's Performance

Based on the results of the t test stated that independence has no effect on the internal auditor's performance in the SAS PARTS Company Internal Auditor by showing a significant value of $0.069 > 0.025$.

Independence is the attitude and actions when carrying out an examination are not influenced by any party and do not take sides with anyone (the Supreme Audit Agency of the Republic of Indonesia, 2017: 16). In this study, independence has no effect on internal auditor's performance because an auditor often experiences a dilemmatic situation where one side the auditor must act independently but on the other hand the client is a relative of the auditor, so that the position to maintain an attitude of independence is greatly tested in order to obtain audit results that are neutral and impartial to either party. Despite being faced with such a situation, auditors should be able to behave ethically by applying their ethical values and professional commitments to produce quality performance.

The results of this study are in line with research (Salju, et al. 2014) which states that independence has no effect on the performance of local government auditors.

b. Effect of Work Experience on Auditor's Performance

Based on the results of the t test stated that work experience did not affect the internal auditor's performance at SAS PARTS Company by showing a significant value of $0.861 > 0.025$.

Experience is a learning process that can provide opportunities for someone to do a better job in the future, so that if the audit process has been carried out according to procedures then someone will have the ability in the future (Masrizal, 2010). According to (Sukriyah, et al. 2009) experience consists of two components, namely: first, length of service is the length of time an auditor has worked which is determined by how long the auditor spends in following the type of audit assignment so that he can provide consideration in making decisions, and provide recommendations. Second, the large number of inspection tasks, namely an auditor can provide experience to learn from previous failures, and can spur the auditor to immediately complete his work so that there is no overlapping of tasks. In this study, it shows that work experience has no effect on the internal auditor's performance because the auditor carries out the audit process in accordance with the audit implementation standards set out in the Government's Internal Audit Standards. The results of this study are in line with research (Katili, et al. 2017) which states that work experience has no effect on auditor performance.

c. Effect of the Code of Ethics on Internal Auditor's Performance

Based on the results of the t test stated that the code of ethics affects the internal auditor's performance in the SAS PARTS Company by showing a significant value of $0.000 < 0.025$. The code of ethics is a system of written professional norms, values and rules that expressly state what is right and good and what is not right and not good for professionals. The existence of a code of

ethics for users of information is not easily harmed by errors in recording or manipulation of information. This code of ethics must be obeyed by everyone regarding what is permissible and what may not be done, in order to improve the internal auditor's performance, the auditor is required to always maintain standards of ethical behavior (Suraida, 2005). According to (BPKP, 2008) the code of ethics that applies to government auditors is the code of ethics of the Government Internal Supervisory Apparatus (APIP) which consists of integrity, objectivity, confidentiality and competence.

The results of this study are in line with research (Lismaita, et al. 2017) which states that the code of ethics affects the performance of auditors at the Aceh Province Inspectorate, and is also in line with research (Ing, et al. 2020) which states that the code of ethics has an effect on auditor at the Public Accounting Firm in Malang City.

CONCLUSION

Based on the results of the analysis and discussion of the previous chapters, the following conclusions can be drawn: 1) Independence has a negative and non-significant effect on internal auditor's performance. Evidence of the results of this study can be shown from the third question item which states that the auditee's lack of assistance in collecting audit evidence has an impact on the auditor's performance. 2) Work experience has no effect on internal auditor's performance, it has a positive but not significant effect. This is because the majority of respondents have worked for less than 3 years which causes the auditor's lack of experience in carrying out assignments. 3) The Code of Ethics affects the internal auditor's performance, it has a positive significant effect caused by the existence of a code of ethics as a guidance for auditor performance. 4) Independence, Work Experience, and Code of Ethics simultaneously (together) affect the performance of internal auditors at SAS PARTS Company. Advice that can be given to companies is the need for various training activities and seminars for auditors who do not have enough work experiences to improve them. Future researchers can use another variables such as leadership style, accountability, organizational commitment and others.

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