

The Effect of Audit Quality, Internal Audit Size, Auditor Competency and Management Support on the Effectiveness of Internal Audit

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ABSTRACT: The purpose of this study was to determine the effect of audit quality, the size of the internal audit, and the competency of auditors with management support as moderating variables on the effectiveness of internal audit. The theory used was institutional theory where internal audit as part of the company will try to adapt and equate itself with the values and culture around it (homogenization). The research population was internal auditors who worked in State-Owned Enterprises (SOE) in the Finance and Insurance Sector. The data used was primary data with a sample of 62 respondents with the snowball method of data collection. The results of the study show that audit quality and auditor competency have a positive effect and management support moderate the effect of audit quality on internal audit effectiveness.

Keywords: audit quality, internal audit size, auditor competency, management support, effectiveness of internal audit.

1. INTRODUCTION

During 2019, there was a lot of news that discussed financial problems in Indonesian State-Owned Enterprises (SOE). It was reported that the Financial Services Authority gave a fine of IDR 100 million to PT Garuda Indonesia (Persero) for violating the Public Company Annual Report (www.ojk.go.id). The company initially reported a profit of USD 5,081 million in the 2018 Annual Financial Statements which was later corrected to a loss of USD 228.889 million. In other news, the Supreme Audit Agency conveyed that there had been deviations from the laws and regulations related to the planning and implementation process of stock and mutual fund investment management at PT Asuransi Jiwasraya (Persero) resulting in state losses on financial management and investment funds for the period 2008 to 2018 amounting to IDR 16.81 trillion (www.bpk.go.id). This phenomenon shows the ineffectiveness of internal audit in SOE. An organization established an Internal Audit to oversee and promote good governance. The existence of the Internal Audit affects the possibility of errors or fraud in the company. If the internal audit runs well, the financial statements are less likely to contain material misstatements [1]

Internal Audit must work effectively to achieve the objectives of its audit activity. Internal auditors are said to be effective if they are able to provide a sense of security, free from doubts that are needed by stakeholders, in the form of confidence in business processes and company systems to manage risk in order to achieve organizational goals (Mark, 2013).

Previous empirical research has not provided sufficient evidence of how to measure the effectiveness of internal audit. Academic studies to explain the effectiveness of Internal Audit were still incomplete (Mihret & Yismaw, 2010). Most studies produced inconsistent findings and offer various methods of testing the effectiveness of Internal Audit as was done by Arena & Azzone (2009) and Erasmus & Coetzee (2018). Thus, it

can be assumed that the internal audit effectiveness test still needs further learning and one of the subjects that still has opportunities for more in-depth research.

This study refers to the results of research by Setyaningrum & Kuntadi, (2019) which shows that competency, audit work, and communication have a positive effect on internal audit effectiveness, while independence has no effect. The distinguished is the addition of the internal audit size variable and the management support variable as a moderating variable. Two variables in the Setyaningrum & Kuntadi (2019) study were not used. The Communication variable is omitted because oral and written communication skills are part of the competency that internal auditors must possess (Gamayuni, 2018). Meanwhile, independence is a distinctive character that is inherent and must be possessed by the internal audit. Without independence, internal audit is like any other part of the management team, losing its ability to offer fresh perceptions (Yee et al., 2008).

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

1.1. Institutional theory

This study used institutional theory as the basis of research. According to Ghozali (2020), institutional theory explains that organizations align perceptions of their practices and characteristics with social and cultural values to gain stakeholder legitimacy. This work is called "homogenization/isomorfism" (DiMaggio & Powell (1983) Wibowo, 2017). Gudono (2017) explained the three pillars of isomorphism as 1) coercive isomorphism (external pressure), pressure by external parties for the organization to develop an internal audit; 2) mimetic isomorphism (internal pressure), the organizational mechanism will imitate other organizations how large the size of the internal audit is needed in order to make an optimal contribution to improving organizational control and operational performance; and 3) normative isomorphism (professional pressure), an internal auditor will develop his abilities and competencies according to his professional organization to obtain an internal audit qualification.

Based on the institutional theory of the coercive isomorphism pillar, the effectiveness of internal audit is influenced by external pressure from internal audit, namely the audit quality which is influenced by pressure from professional institutions as a set of audit standards. Based on mimetic isomorphism pillar, internal audit effectiveness is influenced by internal audit size and based on normative isomorphism pillar internal audit effectiveness is influenced by auditor competency. In addition, Institutional Theory also explains the moderating effect of the management support variable.

1.2. Internal Audit Effectiveness

Internal audit has a value-adding role if it works effectively and therefore needs testing to determine what factors are added value (Mihret, James, & Mula, 2010). According to Badara and Saidin (2014) internal audit effectiveness is the ability of internal auditors to achieve the goals that have been set in the organization. Thus, it can be concluded that internal audit is said to be effective if it can provide added value and improve organizational processes by using a systematic and orderly approach to assess and improve the effectiveness of risk management, control, and governance processes.

1.3. The Effect of Audit Quality towards Internal Audit Effectiveness

Cohen & Sayag (2010) argue that if the quality of the internal audit work is good, the more effective the internal auditor will be. The higher the level of internal auditor compliance with the implementation of audit standards, the higher the efficiency of audit planning and implementation which has an impact on increasing the effectiveness of internal audit. Audit quality is one of the main themes in audit research. Taqi, Rahmawati, Bandi, Payamta, & Rusydiana, (2021) stated that during the period 1981-2020 there were 499 articles published discussing the theme of audit quality in the Scoopus database. The quality of audit work can be measured through the extent to which the level of compliance with audit standards, the level of specialization of the auditor, the professionalism of the auditor, and the application of professional ethics by the auditor (Setyaningrum & Kuntadi, 2019). This is in line with the research of George, Theofanis, & Konstantinos (2015) in the Greek Athens Stocks Exchange company and the research of Mihret & Yismaw (2007) at several major

universities in Ethiopia which concluded that the quality of internal audit is the most influential factor in Internal Audit Effectiveness compared to other variables. Hence, the first hypothesis is as follows:

H1: Audit Quality has a positive and significant effect on Internal Audit Effectiveness

1.4. The Effect of Internal Audit Size towards Internal Audit Effectiveness

The larger an organization, the more complex the problem of controlling and implementing regulations made (Mihret et al, 2010). The increase in control and regulatory issues has led to an increase in the need for internal audit, especially for organizational system control services (Arena, Arnaboldi, & Azzone, 2006). Although there is no specific standard how many auditors should be in the internal audit of a company, according to Alzeban & Gwilliam (2014) in carrying out its duties, internal audit requires sufficient resources, in the form of financial and human resources. An adequate number of personnel is very important in audit assignments. According to Turetken, Jethefer, & Ozkan (2019), one of the supply side factors that affect the effectiveness of the internal audit is the size of the internal audit. The results of Salehi's research (2016) in Iran concluded that internal audit effectiveness has a strong relationship with the size of the internal audit department. Hence, the second hypothesis is as follows:

H2: The Internal Audit size has a positive and significant effect on the internal audit effectiveness

1.5. The Effect of Auditor Competency towards Internal Audit Effectiveness

Internal auditor competency is the ability to carry out an assignment appropriately that combines the dimensions of knowledge, technical skills, capabilities, personal values, and attitudes (CBOK Study, 2015). The competency of audit staff is a key element in an effective Internal Audit activity (IIA, 2017). Mentioned by Baharuddin, Shokiyah, & Ibrahim (2014) competency can be related to a person's ability to do a job or task well based on the level of education, professional experience, and the extent of his efforts to continue professional development.

According to Turetken et al (2019), this variable has been the most studied in the literature, appearing in 22 of the 37 main studies studied. Previous research has shown that there is a positive effect of this variable on the effectiveness of Internal Audit including the research results of Salehi (2016), Bednarek (2017), Khalid (2017), Gamayuni (2018), Musah, Gapketor, & Anokye (2018), and Setyaningrum & Kuntadi (2019). Hence, the third hypothesis is as follows:

H3: Auditor competency has a positive and significant effect on the internal audit effectiveness.

1.6. Management Support moderates the effect of Audit Quality, Internal Audit Size, and Auditor Competency toward the Internal Audit Effectiveness

Management support is support in any form from the leadership for the smooth running of the duties and responsibilities of internal audit. With the support of management, auditors have access to adequate resources to support their duties and responsibilities, have qualified staff, and provide the necessary training and better career development (Alzeban & Gwilliam, 2014). The opportunity for training and improving the competence of auditors provided by management is a form of management support that has an important meaning for the internal audit function.

The audit findings and recommendations provided by internal audit will not function much without the support and commitment of management to implement them (Cohen and Sayag, 2010). Audit quality is determined, among others, from findings and recommendations for improvement which are followed up thoroughly by the auditee. Management support for follow-up on audit findings is very important for audit quality.

Salehi (2016) in his research in Iran stated that management support is the key to the effectiveness of internal audit because it has prepared sufficient staff and resources needed by the internal audit department to carry out its duties properly. So to get the ideal size of the audit function, both in terms of the number of human

resources, financial resources, and facilities resources, the role of management support is very crucial for internal audit.

Endaya & Hanefah (2013) proposed the use of management support as a moderating variable of the factors that affect the effectiveness of internal audit in empirical research. Research that uses management support as a moderating variable includes Poltak, Sudarma, & Purwanti (2019) regarding the influence of internal and external auditor relationships, independence, audit professionalism, and auditee perceptions on the effectiveness of internal audit. In the research of Endaya & Hanefa (2016), management support is also used as a moderating variable on the relationship between internal auditor characteristics and internal audit effectiveness.

Management support as a moderating variable is also used in Anisma, Safitri, & Yusralaini (2021) research on the Effectiveness of Internal Audit which uses independent variables in the form of competency, independence, and performance measurement. Arles, Anugrah, & Andreas (2017) also conducted research on the effect of moderating management support on competency and independence on the effectiveness of internal audit in North Sumatra.

Hence based on the above arguments, the fourth, fifth, and sixth hypothesis are as follows:

H4: Management support moderates the positive and significant effect of Audit Quality on Internal Audit Effectiveness

H5: Management support moderates the positive and significant effect of Internal Audit Size on Internal Audit Effectiveness

H6: Management support moderates the positive and significant effect of Auditor Competency on Internal Audit Effectiveness

Based on the description of the theory and previous research used as the basis for this research, the conceptual framework can be built and described as follows:

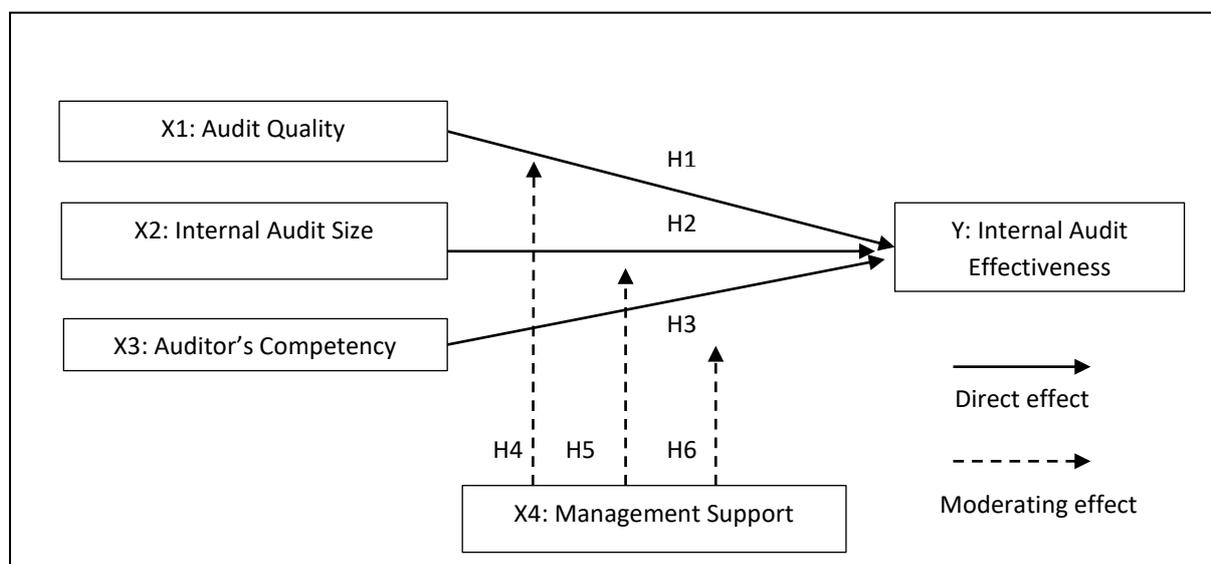


Figure 1. The Research Model

3. RESEARCH METHOD

The population of this study is the internal auditor in the SOE Financial and Insurance Sector which in 2019 managed a total asset of Rp. 4,398 trillion (www.bps.go.id). The high level of funds managed is the basis to select sample of group companies. Sampling was carried out with the snowball technique obtained through a rolling process from one respondent to another (Nurdiani, 2014). The questionnaire consists of the first part

containing questions that are used to obtain data about statements measured by a Likert scale and the second part contains questions related to the respondent's personal data.

4. VARIABLE OPERATIONS

Audit Quality (X1): The quality of internal audit is determined by the ability of the internal audit department to provide useful findings and recommendations. This variable is measured using the six indicators used by Alshbiel (2017).

Internal Audit Function Size (X2): The size of the Internal Audit Function relates to organizational complexity. The more complex the larger the size of the internal audit required. This variable was measured using the three research indicators of Musah et al., (2018) plus two additional indicators.

Auditor Competency (X3): Internal auditor competency is the ability to carry out an assignment appropriately that combines the dimensions of knowledge, technical skills, capabilities, personal values, and attitudes (CBOK Study, 2015). This variable is measured using ten indicators used by Gamayuni (2016).

Management Support (M): Management support means management's commitment to implementing audit findings and recommendations as well as access for internal audit to obtain adequate resources to support their duties and responsibilities. This variable is measured using four indicators, two research indicators by Musah et al., (2018) and two research indicators by Gamayuni (2018).

Internal Audit Effectiveness (Y): Internal audit is said to be effective if it adds value to the company and improves organizational processes through a systematic and orderly approach. This variable is measured using the twelve indicators used by Musah et al., (2018).

5. RESEARCH RESULTS

1.7. Respondent Description

Of the total 68 questionnaires received, the questionnaires used in this study are 62 responses (91%) while the other 6 responses (9%) cannot be used because they do not meet the criteria. The results of the demographic analysis showed that the majority of respondents were male (76%), aged 41-50 years (35%), worked for 1-5 years (34%) and more than 15 years (34%), and had undergraduate education (63%) so that respondents are believed to provide reliable questionnaire responses.

1.8. Model Test

The data in the study were analyzed using the Smart PLS (Partial Least Square) software application version 3.3.3. The evaluation of the model in PLS is carried out through testing the measurement model (outer model) to test the validity and reliability of the model and testing the structure model (inner model) to measure changes in the independent variable to the dependent variable and measure the value of observations generated from the model. Based on statistical tests using SmartPLS, the results are known as follows:

Table 1. Convergent Validity and Reliability Test Result

Variable	AVE	Composite Reliability
Auditor Competency (COMP)	0,516	0,905
Internal Audit Size (SIZE)	0,601	0,795
Audit Quality (QUA)	0,590	0,906
Management Support (SUPP)	0,570	0,795
Internal Audit Effectiveness (IAE)	0,519	0,813

Source: Data processing using Smart PLS (2021)

1.8.1. Convergent Validity Test

Based on table 1, the AVE value greater than 0.5 which indicates the indicator is valid so that the variables have met the criteria for convergent validity test (Ghozali, 2008).

1.8.2. Reliability Test

Based on table 1, it can be seen that each construct or latent variable has a composite reliability value above 0.7 which indicates that all variables have met the requirements of the reliability test criteria (Ghozali, 2008).

Table 2. Discriminant Validity Test Result

Indicator	SUPP	IAE	COMP	QUA	SIZE
SUPP1	0,868	0,548	0,556	0,539	0,184
SUPP 3	0,589	0,380	0,342	0,374	- 0,068
SUPP 4	0,780	0,396	0,442	0,483	0,007
IAE1	0,372	0,701	0,586	0,624	0,323
IAE 2	0,564	0,747	0,649	0,494	0,047
IAE 3	0,423	0,611	0,536	0,461	0,055
IAE 4	0,334	0,623	0,562	0,531	0,182
IAE 6	0,467	0,735	0,645	0,617	0,354
IAE 7	0,442	0,784	0,737	0,637	0,184
IAE 8	0,304	0,660	0,543	0,580	0,220
IAE 9	0,405	0,804	0,715	0,732	0,165
IAE 10	0,545	0,790	0,693	0,631	0,284
COMP1	0,488	0,641	0,700	0,602	0,134
COMP 2	0,357	0,623	0,720	0,538	0,283
COMP 3	0,379	0,561	0,632	0,501	0,276
COMP 4	0,267	0,585	0,741	0,575	0,355
COMP 5	0,391	0,647	0,695	0,570	0,031
COMP 6	0,677	0,592	0,708	0,695	0,043
COMP 7	0,592	0,701	0,796	0,689	0,267
COMP 8	0,409	0,744	0,811	0,686	0,371
COMP 10	0,327	0,560	0,642	0,629	0,014
QUA1	0,451	0,664	0,685	0,731	0,298
QUA 3	0,292	0,649	0,625	0,757	0,141
QUA 4	0,426	0,610	0,758	0,794	0,064
QUA 5	0,509	0,516	0,463	0,727	0,201
QUA 6	0,706	0,697	0,701	0,826	0,085
SIZE2	0,138	0,201	0,266	0,190	0,807
SIZE3	0,120	0,279	0,300	0,203	0,917
SIZE5	-0,140	0,158	0,029	0,051	0,558

Source: Data processed using PLS (2021)

1.8.3. Discriminant Validity Test

Based on table 2, it is known that the correlation of each indicator with its construct is higher than the other constructs and each construct has a cross loading value > 0.70 while the value between 0.50 to 0.60 is still acceptable (Ghozali, 2008). so that all variables have met the criteria for discriminant validity test.

Taking into account the results of the outer model test which includes the convergent validity test, reliability test, and discriminant validity test, it can be concluded that all indicators used in measuring each variable are valid and reliable, thus meeting the criteria for further testing.

1.9. Hypothesis testing

The results of hypothesis testing are shown in table 3, it can be seen that audit quality and auditor competency at a significance level of 5% have a positive and significant effect, while the internal audit size has no effect on the effectiveness of internal audit. The test results also show that management support moderates the effect of audit quality, does not moderate the effect of the internal audit size and weakens the effect of auditor competency on the effectiveness of internal audit.

Table 3. Hypothesis Testing Result

Variable	Hypothesis	Original Sample	T-Statistics	P-Values	Decision
Audit Quality → IAE	H1	0,429	3,233	0,001	Accepted
Internal Audit Size → IAE	H2	0,071	1,205	0,229	Rejected
Auditor Competency → IAE	H3	0,385	2,643	0,008	Accepted
Audit Quality *Management Support → IAE	H4	0,446	3,308	0,001	Accepted
Internal Audit Size * Management Support → IAE	H5	-0,023	0,376	0,707	Rejected
Auditor Competency * Management Support → IAE	H6	-0,389	2,987	0,003	Rejected

R-square value 0,862

Source: Data processed using PLS (2021)

The table 3 shows the R-square value of the Internal Audit Effectiveness variable of 0.862, this means that the Internal Audit Effectiveness variable can be explained by the construct of Audit Quality, Internal Audit Size, Auditor Competence, and Management Support by 86% while the remaining 14% is explained by other variables outside the variables studied in this research (Ghozali, 2008). It can be concluded that the model used has a good explanation level.

The Effect of Audit Quality on Internal Audit Effectiveness

Audit quality has been proven to have a positive and significant effect on the effectiveness of internal audit so that hypothesis 1 (H1) is accepted. This shows that the higher the quality of the work of the internal auditor, the higher the effectiveness of internal audit in the company. Compared to other independent variables in this study, audit quality has the greatest influence on the effectiveness of internal audit.

It is associated with Institutional Theory, the pillar of coercive isomorphism (external pressure) states that companies are trying to align themselves by adopting certain traits due to pressure from outside (Gudono, 2017). In this case the company's internal auditors try to follow external provisions (professional organizations). Internal auditor professional organizations issue audit standards so that audit work is carried out through planned, regular and measurable stages. The Institute of Internal Auditors as the largest professional institution in the world that is a reference for internal auditors, has developed policies regarding audit quality including in Standard 1300 which states that an organization/company is required to improve

audit quality covering all aspects of internal audit activities. The pressure of professional institutions for auditors to comply with standards and fully implement professional ethics to achieve good audit quality has been proven to increase the effectiveness of internal audit.

As explained in the research of Cohen & Sayag (2010), if the quality of the internal audit work is good, the more effective the internal auditor will be. The result of this study is in line with the research of Mihret & Yismaw (2007) in Ethiopia, George et al. (2015) in Athens Stocks Exchange companies in Greece, Anto, Sutaryo, & Payamta (2016) at BPKP throughout Indonesia, Alshbiel (2017) in industrial companies in Jordan, Tackie, Marfo-Yiadom, & Achina (2016) in The Inspectorate of Local Government in Ghana, and Setyaningrum & Kuntadi (2019) at the Ministry of Transportation of the Republic of Indonesia who concluded that the quality of internal audit is the most influential factor in the effectiveness of internal audit. In the implementation of internal audit, all stages of audit work must be considered, starting from preparing audit plans, audit assignments, reporting audit results, to monitoring follow-up audit recommendations, so that internal audits are said to be effective. In addition, the results of the study contradict the research conducted by Bednarek (2018) in Poland which stated that the effectiveness of internal audit was not influenced by audit quality.

The Effect of Internal Audit Size on Internal Audit Effectiveness

The internal audit size in this study was not proven to have an influence on the effectiveness of internal audit so that hypothesis two (H2) was rejected. This shows that the internal audit size does not affect the effectiveness of internal audit. The auditors are not affected by the internal audit size to work effectively. As long as they have adequate quality and competency, accompanied by careful audit planning, an internal auditor will carry out his audit work well

Institutional theory on the mimetic isomorphism pillar explains that the absence of standard provisions or rules of how large an internal audit function should be causes uncertainty (Gudono, 2017). The bigger the audit team, the more likely it is that there will be auditor rotation and the audit results will be more objective (Arena & Azzone, 2009). The IIA in its published Standards does not regulate how large the internal audit size in the company should be so that the audit can be carried out effectively. The company's efforts to adjust the internal audit size that is considered ideal in order to influence the effectiveness of the internal audit have not been proven

The result of the study is in line with Bednarek's (2018) research in Poland which found no evidence of the effect of the size of the audit department on the effectiveness of internal audit. In addition, the result of this test contradict the research conducted by Mihret et al., (2010), Arena & Azzone (2009), Alzeban & Gwilliam (2014), Salehi (2016), and Musah et al., (2018) which proved that there was the effect of the internal audit size on the effectiveness of internal audit.

The Effect of Auditor Competency on Internal Audit Effectiveness

Auditor competency in this study proved to have a positive effect on the effectiveness of internal audit so that hypothesis 3 (H3) is accepted. This illustrates that the higher the competency of the internal auditor, the higher the effectiveness of the internal audit work. In this study, the auditor's competency variable is the second variable that has the most influence on the effectiveness of internal audit. Given the importance of competency for auditors, the Institute of Internal Audit regularly conducts surveys to internal auditors around the world regarding what competencies are most needed in today's era. The survey results serve as a guide for internal auditors to improve what competencies are needed. Companies must provide opportunities for auditors to always participate in training and audit competency improvement programs so that they are not left behind with current developments.

Institutional theory on the normative isomorphism pillar explains that there is an "call" from the audit professional institution so that internal audit follows the internal audit professional standards that have been set and achieves the required competencies will increase the effectiveness of the internal audit work. The IIA

has developed an internal audit competency framework as a reference for internal auditors. Auditor competency can be obtained through work experience and various formal and informal educations, including certification. Certification is a sign that a person has sufficient technical expertise and training as an auditor. Certification has a strategic role in the common 'language' and the similarity of auditor perspectives, improving auditor competency, and guaranteeing the reputation of audit professionals. An appeal from the auditing professional institution for auditors to equate competency according to professional standards has proven to have an effect on the effectiveness of internal audit.

The result of this study is in line with research by Salehi (2016), Bednarek (2017), Khalid (2017), Gamayuni (2018), Musah et al., (2018), and Setyaningrum & Kuntadi (2019) where auditor competency has a significant positive effect on internal audit effectiveness. The results of this study contradict Gamayuni (2016) which proved that auditor competency had no effect on the effectiveness of internal audit.

The Effect of Audit Quality on the Effectiveness of Internal Audit with Management Support as a moderating variable

The results showed that management support moderated the positive and significant effect of audit quality on the effectiveness of internal audit, so hypothesis four (H4) was accepted. This shows that the existence of management support further strengthens the desire of internal audit to improve audit quality so that internal audit work is more effective. Quality audit work will produce quality findings and suggestions. Management support for follow-up on suggestions provided by internal auditors is also crucial. Suggestions for improvement submitted by internal audit will always be monitored by Management to the extent of its implementation. If there is a delay in implementation, management can use its influence so that the auditee immediately makes the necessary improvements. These improvements will have an impact on changes that have a significant positive effect (added value) for the company.

Institutional theory on the pillar of coercive isomorphism explains the existence of external coercion on internal auditors to be able to follow certain features/traits (Gudono, 2017). Management as an external party forces (desire) internal auditors to carry out a good/quality audit process and professional institutions as external parties have developed audit quality standards that must be followed by internal auditors. Internal audit tries to align itself with external pressure (Management) to provide quality recommendations to management through standards that have been determined by professional institutions. The existence of pressure from management support is proven to moderate the effect of internal audit quality on the effectiveness of internal audit.

This study is in line with the research of Penini & Carmeli (2010) where management support has a moderating effect on the relationship between internal auditor characteristics and internal audit effectiveness. Furthermore, the results of this study contradict the research of Gamayuni (2018), Tackie et al., (2016), Baheri, Sudarmanto & Wekke (2017), and Poltak et al., (2019) which resulted in the conclusion that management support did not moderate the influence of internal relations. and external auditors, independence, audit professionalism, and auditees' perceptions of the effectiveness of internal audits.

The Effect of Internal Audit Size on the Effectiveness of Internal Audit with Management Support as a moderating variable

The results showed that management support was not able to moderate the effect of the internal audit size on the effectiveness of internal audit so that hypothesis five (H5) was rejected. This shows that management support does not moderate the effect of the size of the internal audit on the effectiveness of audit work.

Based on Institutional Theory on the pillar of coercive isomorphism which refers to external pressure, Management as a party outside asks the internal audit to carry out audit work effectively. Whereas in the mimetic isomorphism pillar, there is no The standard rules or regulations of how large an internal audit should

be cause uncertainty. As a result of this uncertainty, a company's internal audit will imitate other companies to get an idea of the ideal size of the internal audit for the company. Management support in the form of flexibility for auditors to meet the needs of human resources, facilities, and financial resources needed to achieve the ideal size of the internal audit is very crucial. In this study, management support that should be able to moderate the effect of the internal audit size on the effectiveness of internal audit is not proven.

The result of this study is in line with research by Gamayuni (2018), Tackie et al., (2016), Baheri et al., (2017), and Poltak et al., (2019) which resulted in the conclusion that Management Support does not moderate the influence of internal relationships and external auditors, independence, audit professionalism, and auditees' perceptions of the effectiveness of internal audits. The results of the study contradict the research of Endaya & Hanefa (2016), where management support had a moderating effect on the relationship between internal auditor characteristics and the effectiveness of internal audit.

The Effect of Auditor Competency on the Effectiveness of Internal Audit with Management Support as a moderating variable

The results showed that management support weakened the effect of auditor competency on the effectiveness of internal audit, so hypothesis six (H6) was rejected. This illustrates that the existence of management support that is too strong can weaken the desire of internal audit to improve its competency so that the work of internal audit is not effective.

Institutional theory on the pillar of coercive isomorphism explains the existence of external coercion on internal auditors to be able to follow certain features/traits (Gudono, 2017). Management as an external party forces (desire) internal auditors to carry out audits with high competency. Meanwhile, the normative isomorphism pillar explains the existence of an "appeal" from the audit professional institution so that internal audit follows the internal audit professional standards that have been set and meets the required competencies. Both of these will increase the effectiveness of internal audit work. Management support for internal auditors to carry out audit work with high competency according to the standards determined by the professional auditor institution which should be able to increase the effectiveness of internal audits is not proven in this study.

This study is in line with the research of Arles et al., (2017) which concluded in their research that management support weakens the influence of independence on the effectiveness of internal audit. The influence of management support that is too high can be a threat to the independence of internal audit in achieving the effectiveness of internal audit.

The result of this research contradicts the research conducted by Poltak et al., (2019) which resulted in the conclusion that management support did not moderate the effect of internal and external auditor relationships, independence, audit professionalism, and auditee perceptions on the effectiveness of internal audit.

This study at the same time fills the research gap regarding the moderation of management support as expected by Endaya & Hanefah (2013) who proposes the use of management support as a moderating variable of the factors that affect the effectiveness of internal audit in empirical research.

6. Conclusions, Suggestions, and Limitations

This study aims to examine the effect of audit quality, internal audit size, and auditor competency on the effectiveness of internal audit with management support as a moderating variable. This is still relevant considering that there are many cases related to financial reporting in SOEs in the Finance and Insurance Sector due to the less than optimal role of internal audit. Internal audit should be more capable and possibly detect and correct minor problems before they become material errors (Penini & Carmeli, 2010). Factors that are proven to have a significant effect on the effectiveness of internal audit can be used as input for SOEs so that the role of internal auditors can be optimized. The test results show that audit quality and auditor

competency have a positive influence and management support moderates the effect of audit quality on internal audit effectiveness.

The results of the study also contribute to Institutional Theory in explaining the increase in the effectiveness of internal audit. Institutional theory can be applied to the audit quality, auditor competency, and management support moderating variable on the effect of audit quality but cannot be applied to the internal audit size and management support moderating variable on the effect of internal audit size and auditor competency.

This research has implications for SOEs in the Financial and Insurance Sector. The internal auditors must always pay attention to all stages of audit work, from planning to monitoring follow-up audit recommendations, to maintain audit quality. The existence of management support has a significant role in improving audit quality so that audit work is more effective.

Internal auditors need to be equipped with sufficient technical competency. They should be given the opportunity to attend seminars and training so that they are always informed of developments in the auditing and government regulations. The ability to communicate in both oral and written forms needs to be improved in order to be able to compile audit reports and present them effectively.

The limitations of this study include the relatively small number of respondents. The reasons for this include the withdrawal of data through the snow ball method so that the distribution of the questionnaires is not well distributed. Further research is expected to conduct survey research and direct interviews with respondents so that the number of respondents is sufficient.

7. REFERENCES

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