

Plagiarism Scan Report

Summary

Report Generated Date	13 Jul, 2018
Plagiarism Status	92% Unique
Total Words	976
Total Characters	6723
Any Ignore Url Used	No Ignore Url used

Content Checked For Plagiarism:

Effective internal audit function can support management to produce qualified financial reporting. The purpose of this study is to examine the influence of competency and objectivity of internal auditor toward internal audit function effectiveness and its implication on financial reporting quality. Survey was conducted on 87 companies listed in Indonesia Stock Exchange and analyzed using path analysis. The empirical results indicate that competency and objectivity of internal auditor have a positive and significant effect on internal audit function effectiveness and financial reporting quality. Furthermore, internal audit function effectiveness is significantly related to financial reporting quality.

Investors in the capital market depend on the information presented by the management company, and used to assess the risk and future prospects of the investment (Healy and Palepu, 2001). Information needed by investors in making business decisions is the financial statements (Kieso et al., 2012).

To improve the quality of financial reporting, an effective internal audit function is required (Collier and Ampomah, 2009). Some factors that may affect the internal audit function is the competence and objectivity of the internal auditor (Messier et al., 2008; Moeller, 2008; Arens et al., 2012).

Several previous studies which explain that the competence and objectivity of the internal auditors affect the effectiveness of the internal audit function, performed by: Krishnamoorthy (2002), Desai et al. (2006), Brown (2006) and Soh et al. (2011).

The hypothesis proposed in this study are as follows:

- H1 : competency of internal auditor affect internal audit function effectiveness
- H2 : objectivity of internal auditor affect internal audit function effectiveness
- H3 : competency of internal auditor affect financial reporting quality
- H4 : objectivity of internal auditor affect financial reporting quality
- H5 : internal audit function effectiveness affect financial reporting quality

Based on analysis from research data using SPSS, it can be said that data are free from classical statistical assumptions, both the normality, multicollinearity and heteroscedasticity. R square value for the effect of internal auditor competency and internal auditor objectivity on internal audit function effectiveness are equal to 0.675. It means that 67.5% change in internal audit function effectiveness explained by internal auditor competency and internal auditor objectivity. Furthermore, R square value for the

effect of internal audit competency, internal audit objectivity and internal audit function effectiveness on financial reporting quality are equal to 0.846, which means that 84.6% change in financial reporting quality explained by internal audit competency, internal audit objectivity and internal audit function effectiveness.

Results of path analysis showed that the internal audit competency can impact directly to the quality of financial reporting and can also indirectly affect to the quality of financial reporting through the internal audit function effectiveness as a mediator. The direct effect is equal to 0.347 while the indirect effect is equal to 0.125. The total effect of internal audit competency on financial reporting quality is equal to 0.472.. Furthermore, results of path analysis showed that the internal audit objectivity can impact directly to the quality of financial reporting and can also indirectly affect to the quality of financial reporting through the internal audit function effectiveness as a mediator. The direct effect is equal to 0.493 while the indirect effect is equal to 0.054. The total effect of internal audit objectivity on financial reporting quality is equal to 0.547.

Based on results of study, the effect of internal auditor competency on internal audit function effectiveness is equal to 0.628 with t value = 8.065 which means that internal auditor competency has positive and significant effect to internal audit function effectiveness. The effect of internal auditor objectivity on internal audit function effectiveness is equal to 0.273 with t value = 3.513 which means that internal auditor objectivity has positive and significant effect to internal audit function effectiveness. The direct effect of internal auditor competency on financial reporting quality is equal to 0.347 with t value = 4.833 which means that internal auditor competency has positive and significant effect to financial reporting quality. The direct effect of internal auditor objectivity on financial reporting quality is equal to 0.493 with t value = 8.545 which means that internal auditor objectivity has positive and significant effect to financial reporting quality. The effect of internal audit function effectiveness on financial reporting quality is equal to 0.199 with t value = 2.626 which means that internal audit function effectiveness has positive and significant effect to financial reporting quality.

Moreover, according to results of study, the mediation effect of internal audit function effectiveness on the relation of internal auditor competency to financial reporting quality is equal to 0.125 with t value = 2.717. The mediation effect of internal audit function effectiveness on the relation of internal auditor objectivity to financial reporting quality is equal to 0.054 with t value = 2.347 which means that internal audit function effectiveness has a mediation effect on financial reporting quality for both of internal auditor competency and internal auditor objectivity.

Based on the results of study it can be concluded that internal auditor competency and internal auditor objectivity have a positive and significant effect on internal audit function effectiveness. Improving the internal auditor competency and internal auditor objectivity will improve the internal audit function effectiveness. Results of study also concluded that internal auditor competency and objectivity have a positive and significant direct and indirect effect on financial reporting quality, which internal audit function effectiveness plays a role as mediator. Furthermore internal audit function effectiveness has a positive and significant effect to financial reporting quality.

This study is only examine factors affecting internal audit function effectiveness and its implication on financial reporting quality. Therefore, the further research are expected to examine other variables that can also effect financial reporting quality,

such as: good governance mechanism and accounting information system. The further research is also expected to use qualitative methods to discover new factors that can affect the quality of financial reporting.

Report generated by smallseotools.com

SmallSeoTools.com