



## Model of Intellectual Capital and Locus of Control on the Performance of Public Sector Internal Auditors Through Professional Commitment

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### Abstract

The development of a paradigm towards good governance requires government officials who are responsive to bureaucratic reform demands by changing ways of working and behavior characterized by a high level of performance, accountability, transparency, clean from corruption, collusion and nepotism. The purpose of this research is to develop the model of Intellectual Capital and Locus of Control to improve the performance of Public Sector Internal Auditors through professional commitment. The benefits of this research are expected to contribute and respond to various problems in the implementation of organizational governance in the field of supervision through strengthening performance-based internal auditors' behavior so that they are able to work objectively and independently in investigations for preventive prevention of practices *fraud*. The results of the study provide an overview of intellectual capital (human capital, organizational capital and consumer capital) and locus of control both internally and externally affect the strengthening of professional commitment (affective, continuous, normative) and have implications for the high performance of internal public sector auditors. The relationship is illustrated in the path diagram model of 30 Government Internal Supervisors in the district / city inspectorate in West Java Province.

## Introduction

The obligation of the Government to account for adequate activities is the demands and expectations of the community. In order for the ideal condition of the government to be in line with the expectations of society and able to provide the greatest benefit for the welfare of the people. The demands of Good Governance are one important thing to strengthen accountability. (Afriyanti, Sabanu, & Noor, 2015) (Shah, A., 2017) (Simanungkalit, 2017). Bureaucratic reform mandated in Law No. 28 of 1999 concerning the Organization of a Clean and Corruption-free State aims to make changes to development management towards good governance, although in its implementation bureaucratic reform has not been carried out effectively, still loaded with various irregularities and fraud practices that occur in the sector. The public that has caused losses to state finances and harms the public. (Gamar & Djamhuri, 2015) (Ariani, KG, & Badera, IDN, 2015) (Samociuk, M., & Iyer, N., 2017)

Results of the ACFE Survey (Association of Certified Fraud Examiners) Chapter Indonesia in 2016 forms of fraud in Indonesia the biggest is corruption (77%), misuse of assets / Asset misappropriation (19%) and Financial Statement Fraud (4%), while the latest survey conducted by Transparency International in the position of Perception Index Indonesia in 2017 is ranked 96 out of 180 countries which means Indonesia is still included in the category of countries with the highest corruption. (Wells, JT, 2017) Based on the publication of Indonesian Corruption Watch (ICW) the ineffective role of supervisory apparatus in the regions is one of the causes of increasingly widespread

corruption cases and poor governance (Yohanes, Paton, & Alaydrus, 2016) (Lumbantobing, Saerang, & Wokas, nd) (Murharsito, M., Fauziah, et al, 2017)

Government internal supervision duties as determinants of organizational governance are already regulated in Presidential Regulation Number 192 of 2014 concerning Government Internal Supervisory Apparatus in charge of coaching and mentoring in the planning process, preparation and reporting of performance. (Adha Inapty, M., & Martiningsih, RR, 2016) (Verasvera, 2016). There are at least 3 weaknesses of the current supervisory apparatus, namely professionalism, independence and system problems. Where professionalism concerns the background of APIP that is not suitable both in terms of education and experience and weak competencies, the independence issues are related to the position of the Supervisory Apparatus chosen by the agency leader to be supervised so that the scope is limited, so that the Supervisory Apparatus system is confronted with overlapping supervision and low commitment to follow-up on monitoring results and weak internal control systems. (Ekoprasojo, 2013) (Afiah & Azwari, 2015) (Sujana, E., 2012) (Kharismatuti, N., & Hadiprajitno, 2012)

The results of this study can provide an overview of competence and knowledge (intellectual capital) and various behaviors (loci control and professional commitment) expected from the government's internal supervisory apparatus to be able to work objectively and independently so that they can contribute and respond to problems in the implementation of governance in the field of supervision, especially in preventing

preventive fraud practices that harm the public.

### **Literature Review and Hypothesis Intellectual Capital**

The Human Capital Approach as the determining factor of the organization is designed as a system in order to create sustainable competitive advantage through employee development. Human resource development is emphasized on the development of intellectual capital to encourage self-development with adequate support from the organization. (Kalangi, 2015) (Sedarmayanti, 2017). As a concept, Intellectual Capital refers to physical and non-physical capital, including knowledge, experience, and technology. Intellectual capital has the potential to advance organizations and society through the creation, transfer, and implementation of knowledge. The Intellectual material is the knowledge, information, intellectual property and experience used to generate wealth. The concept of intellectual capital consists of submodal namely human capital, structural capital (customer capital and organizational capital). (Andreas Budiharjo, 2016). Intellectual capital is a key resource that leads to better exploitation of investment in human resources through the creation of a performance that is influenced by the ability, innovation, and capability of the organization. (Naslmosavi, Ghasemi, & Mehri, 2011).

Based on the International Federation of Accountant (IFAC) intellectual capital as a synonym of intellectual property, intellectual assets, and knowledge assets so that it can be interpreted as knowledge-based capital. Intellectual capital is used as a tool to determine the value of a company, where intellectual capital is a series of

intangibles that includes resources, abilities, and competencies that drive organizational performance and value creation. (Gogan & Draghici, 2013). In essence, the approach to intellectual capital generally leads to organizational performance, facts show that innovation and organizational capabilities are needed so that organizations gain a competitive advantage by utilizing all resources and ability to create value and maintain the existence of the organization. (Tamer, Derehi, & Sağlam, 2014)

### **Locus of Control**

Personality is a perennial characteristic that describes individual behavior, each individual has a unique behavior in the workplace with personality traits that become a measure, namely: locus of internal and external control, machiavellianism (how people get and manipulate power), self-esteem, self-monitoring, and risk taking. (Stephen P. Robbins, 2013) (Mindarti, CS, 2015) Every individual is responsible for every behavior and consequences, where the control locus explains a person's tendency to link the causes of behavior, especially to themselves or to environmental factors and the degree to which a person accepts responsibility personal answers to what happens to them. (Robert Krietner, 2013).

Locus of Control are individual controls over events that occur to them, where individuals who have an internal control locus believe in results based on personal abilities, whereas people with external loci believe that results are determined by outside sources and are beyond their control. (Arazzini Stewart & De George-Walker, 2014). Control locus is a concept that refers to self-confidence that affects work where people with high internal locus

believe that promotions and penalties will be obtained according to the performance displayed, whereas people with high external control loci believe every event in the work is out of control and if it works then it is fate, coincidence, and luck. (Shaik & Buitendach, 2015)

### **Professional Commitment**

Organizational commitment has been conceptualized and measured by three commitment models, namely affective commitment, continuous commitment and normative commitment that relate these components such as employee turnover with various concepts, where employees with high commitment tend to survive in the organization. In general, the conceptualization of commitment involves differences and psychological conditions that lead to the development of expected behavior. (Allen & Meyer, 1990) Attitudes in organizational commitment are determined according to the variables of people and organizations, for that career / professional commitment mediates between policy perceptions and practices and organizational commitment. (Fred Luthan, 2008).

A behavior is measured by integrity values where if the employee shows integrity in carrying out his commitment, integrity supports his behavior, whereas if the employee does not carry out his commitment, the integrity value is only an aspiration that does not affect behavior. (Nasrabadi & Arbabian, 2015)

### **Internal Auditor Performance The Public Sector**

Performance is an overall display of the organization over a certain period of time and is a result or achievement that is

influenced by the company's operational activities in utilizing the resources owned, performance is everything that people do in an organization that is relevant to the goals of the organization. (Greg L Stewart. 2011). Supervision of the performance of public services is important to ensure that public services run by the state are of sufficient quality in accordance with established standards. (Mukarom, 2015). The internal auditor is an independent assessment function to test and evaluate the program in accordance with established standards. (Gamayuni, 2015).

The auditor's performance is directed in order to carry out an objective audit assignment of the financial statements of an organization that establishes the fairness of the report with generally accepted principles. (Fembriani, A., & Budiarta, 2016). The purpose of the audit of performance is to provide honest opinions about the financial position, operating results and cash flows that are adjusted to accounting principles in general (Indra Bastaman, 2010). The performance of public sector auditors requires high commitment from the apparatus in carrying out the audit function in accordance with the Auditing Standards of Government Internal Supervisory Apparatus. (Lumbantobing et al., Nd).

Based on the explanation of the theory, it can be compiled hypotheses:

- |               |   |
|---------------|---|
| Hypothesis 1: | Intellectual capital influences professional commitment |
| Hypothesis 2: | Locus of control influences professional commitment     |
| Hypothesis 3: | Intellectual Capital and Locus of Control               |

Hypothesis 4: influences Professional Commitment Simultaneously Intellectual capital and Locus of control influence the performance of internal auditors of the public sector through the professional commitment

above 0.3 so that it can be concluded that all items are valid so that they can be used as research data. To test reliability in order to get the accuracy of data collection tools using the Cronbach Alpha formula can be relied on with a minimum reliability coefficient can be accepted because it is positive and above 0.7. Furthermore, for descriptive analysis of variables and dimensions of research, it looks like the following:

### The research Method

The Method used is a descriptive and explanatory survey to obtain an overview of the relationship of the variables studied through hypothesis testing. Research respondents as an analysis unit were 30 public sector internal auditors for the Auditor (JFA) Functional Position category and Supervisors for the Implementation of Regional Government Affairs (P2UPD) in the District / City Inspectorate office in West Java Province with proportional sample selection. The reason for choosing West Java Province as a research location is because there is still a BPK opinion on the Regional Government Performance Report showing Fair with Exception (WDP) and C Accountability Value that shows Less Performance. Data collection using Likert scaling technique, and data analysis techniques using path analysis to test the contribution shown by the path coefficient of the relationship between variables with the help of SPSS 22.00 software.

Table 1. Descriptive Analysis of Variables and Dimensions of Research

Variable	Dimensions	Highest	Score Actual	Score Index	Score Average	Criteria
Intellectual Capital	Capital Human	150	116	77		
	Capital Organization	150	106	71	74.33	Enough
	Consumer Capital	150	113	75		
Locus of Control	Internal	150	54	36	33.5	Low
	Locus External Locus	150	46	31		
Professional Commitment	Affective	150	120	80		
	Commitment Continuous	150	120	80	80.3	Enough
	Commitment Normative	150	121	81		
	Commitment					
Performance of Internal Auditors Public Sector	Accountability	150	109	73		
	Independent	150	103	69	77	Enough
	Objective	150	115	77		

Source: Results of data processing, 2018

Based on Table 1 variables and dimensions of research Intellectual Capital, Professional commitment, and Internal Auditor Performance are in the sufficient category, while the locus control variable is in a low category.

To test the hypothesis partially and simultaneously can be explained as follows:

### Results and Discussion

Based on data collected from 30 public sector public auditors consisting of 21 JFA (Functional Auditor Position) and 9 people P2UPD (Supervisory for Local Government Affairs), the validity of the measuring instrument can be determined using the correlation value based on the results of the study the correlation value

Table 2. Calculation of Partial Hypothesis

Hypothesis	Path Analysis	t	t <sub>table</sub>	Significant	Conclusions
Influence X1-Y	0.963	5.250	1.701,	000	Significant
Influence X2 - Y	0.922	10.137,	1.701	000	Significant

Source: The results of data processing, 2018

table 3. Calculation Results of Simultaneous hypothesis

hypothesis	Path Analysis	F <sub>count</sub>	F <sub>table</sub>	Significant	Conclusions
Influence X1, X2 - Y	0.962	168.356,	3.34	000	Significant
Influence of X1, X2 - Y-Z	0.967	124.661,	3.34	000	Significant

Source: Results of data processing, 2018

From tables 2 and 3 the influence of intellectual capital on professional commitment is partially 0.963 (96.3%) while the influence of the locus control is partially 0.922 (92.2%). For the simultaneous effect of the influence of intellectual capital and control locus on professional commitment simultaneously of 0.962 (96.2%) with a standard error of 2.462 and simultaneously the influence of intellectual capital and control locus on performance through a professional commitment of 0.967 (96.7%) standard error of 1,869.

Based on the results of hypothesis testing, it can be described the research path diagram as follows:

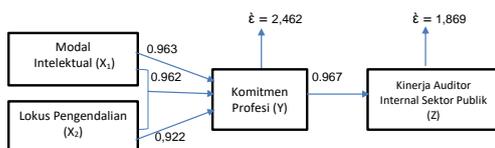


Figure 1  
 Path Diagram Model

Based on the results of the study it can be seen that in general, the description of the performance of the public sector internal auditors in the West Java Province is in the category of sufficient that is in line with the IACM (Internal Audit Capability Model) survey conducted by BPKP in general Internal Audit capabilities located at Level 1 (initial) and level 2 (Infrastructure) means that internal audit capabilities are still not able to produce optimal performance and have not been able to guarantee the governance process in accordance with applicable regulations in detecting and preventing irregularities

(Mulyono, 2016) (Vera, 2016) (Mulyatini, 2018) In addition to the still weak intellectual capital shown by audit capabilities, the causes of low performance are also due to individual characteristics, namely the locus of control where the results of previous studies explain that there are behavioral differences from individuals in producing performance where individuals with high internal loci tend to have high motivation and confidence in work and be able to get out of pressure and despair, while individuals with high external loci tend to have low performance, not creative and easily give up. ( Kayser, AS, Mitchell, JM, Weinstein, D., & Frank, MJ 2015) (Budiman, 2015). Furthermore, the high and low performance of public sector internal auditors is also determined by the high level of professional commitment in which the commitment attitude is related to independence and objectivity as a measure of audit performance. (Marsono, 2011) (Herawati, TD, & Atmini, 2010)

## Conclusion

From the results of the study it can be explained that in general the performance of the public sector Internal Auditors is in the category of sufficiently influenced by the lack of optimal management of intellectual capital as forming organizational values with the dimensions of human capital, Organizational capital and consumer capital, in addition to the locus of control that is owned by public sector internal auditors who are part of the personality of most auditors having an external control locus that shows individuals who lack confidence and low motivation and believe success occurs because something is out of their control. it has a very large influence on the professional commitment which has implications for the independence and objectivity of audit performance. So it is clear that the ability of the internal government supervisory apparatus (public sector internal auditors) to detect

fraudulent practices can be built on the basis of individual competencies and behavioral factors that can increase internal control that is associated with personal motivation and strength.

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