



The Effect of Internal Audit Quality on Financial Accountability Quality at Local Government

Elvira Zeyn¹

¹Department of Economics and Business, Pasundan University, Indonesia

Email: z.hera@yahoo.co.id

Abstract

The need for local government audit is actually based on the demands of public accountability to the government by the public entity in order to realize the creation of good governance (good government governance). The role of government internal audit is an important management function in governance both at central and local government. Government internal audit quality is very important, because the internal audit quality will improve the financial accountability that will be produced reliable financial reports as a basis for decision making by the stakeholder's. There are many factors influencing financial accountability quality, including internal audit quality. Based on this background, this research has been aimed to study: (1) the effect of internal audit quality on financial accountability quality. This research uses survey method with description verification approach and type of causal research, conducted on 36 Inspectorate Local Government in West Java and Banten as the unit of analysis, while the unit of observation is a Team Audit such as, Inspector, Inspector of area, audit team leader and members of audit team. The type of data is primary data collected by a questionnaire research instruments containing ordinal scale for measurement. Validity and reliability tests have also been done on the entire collected questionnaire. Furthermore, data are converted into interval scale, then hypothesis test are done using Regression.

Keywords:

*Good government governance
Government financial report
Internal audit quality
Financial accountability quality.*

Licensed:

*This work is licensed under a
Creative Commons Attribution 4.0
License.*

Publisher:

Scientific Publishing Institute

1. Introduction

1.1. Background Research

Schiavo-Campo and Tomasi (1999) argue that accountability is the provision of information and disclosure on the financial activities and performance to the concerned parties (stakeholders). Furthermore, financial accountability is responsibility of public institutions to use public funds (public money) economically, efficiently and effectively, there is no wastage and leakage of funds, as well as the corruption so that accountability requires public agencies to make financial reports to describe the organizational financial performance to outsiders (Mardiasmo, 2002).

The financial report is a form of transparency which is a condition of their support in the form of openness of government accountability over public resources management activities (Mardiasmo, 2006). The role of financial reporting has changed from purely administrative process into a form of accountability (Indra Bastian 2006). In the management of public finances, the Law No. 17 of 2003 demands for transparency and accountability in public finance. Financial statement is indeed one of the results of the transparency and accountability of public finances.

Rizal Yaya (2007) suggests that low levels of accountability in financial management by local governments (LGs), which means that the public can not fully trust the government financial information presented in the financial statements. Furthermore, Vice Chairman of BPK Abdullah Zainie stating that the area of financial management and financial responsibility for these areas is still unsatisfactory because it is not

transparent and accountable, and there are still many irregularities on the use of public funds. Abdullah Zainie's statement is supported by data on the number of BPK findings on LKPD in 2008-2010 related to the financial management area in Indonesia. The results of BPK audit findings data on the weaknesses of the Internal Control System as well as the findings of Disobedience towards Legislation Provisions in particular to the Province on the island of Java on LKPD in 2010 in table 1.1.

Table-1.1. BPK Findings Result on LKPD 2010 Local Government in Java Island

No.	Province Name	ICS Weakness Findings		Disobedience Towards Legislation Provisions Findings	
		Total Case		Total Case	Value (Jutaan)
1.	DKI Jakarta	48		71	16.445,44
2.	Banten	78		183	72.934,91
3.	Jawa Barat	216		361	1.377.742,14
4.	Jawa Tengah	284		319	70.119,44
5.	DI. Yogyakarta	46		44	8.667,41
6.	Jawa Timur	377		383	208.192,64

Source: Summary of Audit Results Semester I BPK 2011

From the above audit results, show that the Province of West Java and Banten, the local governments' financial accountability still relatively low compared to other provinces on the island of Java.

Furthermore, according to the Secretary General of the IAI KASP Cris Kuntadi in Indonesia Accountant Magazine (2009) examination of the financial statements of local governments (LKPD) is intended to provide reasonable assurance that the financial statements comply with government accounting standards (SAP), laws and regulations, and internal control where examination done in order to create public accountability more transparent and accountable. Furthermore, he stated that the government accountability among other things, can be seen by the opinion given by BPK on the examined financial statements; the financial accountability of local government gets worse when viewed from LKPD who obtain an unqualified opinion that still small. Cris Kuntadi statement can be supported by data on the development of audit results on LKPD in 33 provinces in Indonesia from 2007 and 2010, can be seen in Table 1.2.

Table-1.2. LKPD Opinion Development 2007-2010

LKPD	OPINION								Total
	Unqualified Opinion		Qualified Opinion		Adverse Opinion		Disclaimer of Opinion		
	Jumlah	%	Jumlah	%	Jumlah	%	Jumlah	%	
2007	4	1	283	60	59	13	123	26	469
2008	13	3	323	67	31	6	118	24	485
2009	15	3	330	66	48	10	111	22	504
2010	32	9	271	76	12	3	43	12	358

Source: Summary of Audit Results Semester I BPK, 2011

In addition to BPK findings and opinion on the financial management area associated with lower financial accountability area, it can also be seen from the number of cases of corruption in Indonesia. Data on cases of corruption in Indonesia, mostly in the local government, which illustrates the weakness of the financial accountability of local governments (LGs). Report of Indonesia Corruption Watch (ICW) in January-July 2009 from the data mentioned research results, from 86 cases of corruption in Indonesia with the number of suspects of 217 people and Rp1.17 billion loss to the state, corruption cases occurred in local government some 26 cases (30.2%) with the country losses Rp48,20 billion (Danang Widoyoko, Tempo, December 11, 2009). Furthermore, according to Booz-Allen study results and Sadeli (2008) the lower the index number of good governance, the lower the level of good governance and higher corruption and this show that accountability has not completely functioning.

Mulgan (1997) argued that the need for public sector audit is actually constituted by the demands of public accountability to government by public entities. Furthermore, Mardiasmo (2005) argued that the government audit is one important element in the public accountability and support the creation of good government governance.

The role of the internal auditor of government as the government's internal control is an important management function in governance (Regulation no. 79 of 2005; Regulation minister No.Per / 05 / M.PAN / 03/2008). Internal auditors of local government plays a very important role in the process of creation of accountability and transparency in the area of financial management and helping Regional Head presenting financial statements accountable and acceptable in general (Indra Bastian, 2007).

In carrying out the inspection, internal auditors must comply with government auditing standards and legislation in force. The Indonesian government's internal auditor, in carrying out audits shall use the State Auditing Standards (SPKN) set out in Regulation Audit Board of the Republic of Indonesia Number 01 of

2007, the APIP Code of Ethics and APIP Auditing Standards as a measure of quality audit of financial statements (Messier et. al., 2006:48; PER/05/M.PAN/03/2008; BPK, 2008).

Adherence to auditing standards and code of ethics and regulations in force in carrying out the audit is a measure of the quality of audit for internal auditors (IIA, 2011). Audit quality is the probability that an auditor discovered and reported on the existence of a breach in the client's accounting system. Find a violation is determined on the competence of auditors and report any violation of the client's accounting system is largely determined by the auditor independence (DeAngelo, 1981; Deis and Giroux, 1992; Arens et., Al., 2011).

Chairman of the BPK, Hadi Purnomo (2011), states that based on the results of the examination of LKPD audit findings have increased from year to year. These findings are in the form of non-compliance with laws and regulations, fraud, and non-compliance in financial reporting should be detected early by the inspectorate. With the number of audit findings by the BPK indicates that audit quality inspectorate officials are still relatively low (BPK Press Release, 2011).

Government internal audit quality is very important, because the internal audit quality will improve financial accountability that will produce reliable financial reporting as a basis for decision-making by the stakeholder's (Mardiasmo 2006; Havens, 1990; Bayramov, 2009). The practice of internal audit of government influences on the financial accountability quality of local government agencies (Sadeli, 2008).

In connection with the phenomenon described in the background, this study seeks to analyze about the independence and competence of internal auditors in the government in its influence on the internal audit quality and financial accountability quality of local governments. Based on this, the authors conducted a study with the title: "The Effect of Internal Auditor Independence and Competence on the Internal audit quality and the Implication on Accountability Quality on Local Government Finance.

1.2. Problem Formulation

In accordance with the background that has been described, the problems can be formulated as follows:

1. How is the internal audit quality in local government.
2. How is the financial accountability quality in local government.
3. How much influence the internal audit quality towards the financial accountability quality in local government.

1.3. Research Objectives

The purpose of this study to prove empirically:

1. The internal audit quality in local government.
2. The quality of accountability in local government.
3. The effect of the internal audit quality towards the financial accountability quality in local government.

2. Theoretical Study and Hypothesis

2.1. Internal Audit Quality

According to Power (1997) based on the concept of auditing, audit quality related to the independence, competence and ethical codes of auditors. Independence and competence is an important factor that must be owned by an internal auditor in the implementation of the audit task. Quality audit is an audit that can be acted upon by the *auditee*.

Internal audit quality is determined by the internal audit department's capability to provide useful findings and recommendations, is central to audit effectiveness. Internal audit has to prove that it is of value to the organization and earn a reputation in the organization. Audit quality is how well an audit detects and reports material misstatements in financial statements. The detection aspect is a reflection of auditor competence, while reporting is a reflection of ethics or auditor integrity, particularly independence (Sawyers, 1995; Arens et.,al., 2011; DeAngelo, 1981).

Internal audit quality according to Moeller (2005); Cohen and Sayag (2010); Arena and Azzone (2009); Mihret and Yismaw (2007); Fadzil et al. (2005); Xiangdong (1997); Spraakman (1997) include: *The level of compliance with the IIA standards, the ability to audit plan, audit findings and Communicate Execute audit findings*. This quality must be built from the beginning of the audit to reporting and giving recommendations. Thus, the indicators used to measure the quality of audits, among others, the quality of the process, whether the audit is done carefully, according to the procedure, while continuing to maintain skepticism. Furthermore, GAO (2007) states that, *high quality government audits and attestation engagements with competence, integrity, Objectivity, and independence*.

Independent check on the accuracy of the financial information reported by management can reduce the risks associated with their stakeholders agency cost (Otley and Bernard, 1996). Bagus Rumbogo (2009) states that the financial statements of provincial/regency/city before it is signed by the governor/regent/mayor must reviewed first by the inspectorate provincial/regency/city as Government Internal Supervisory Apparatus (APIP). Governments are with the private sectors in several ways, including the nature of its operations, accounting, and financial reporting. Government units differ from the private sector/commercial organization, for example: the absence of profit motive, collective ownership of the constituent (citizen is the

owner), who did not share proportionately in the provision of goods or services for the government (Samelson, et al., 2006). And political processes that influence the decision-making process (Freeman and Shoulders, 2003).

2.2. Financial Accountability Quality

Financial accountability is combining legal and economic rationality and emphasizing probity, compliance, efficiency. Financial accountability includes the concepts of efficiency and effective use of resources (Gray and Jenkins, 1993; Sinclair, 1995; Premchand, 1999). The financial accountability quality is the responsibility of the financial integrity, disclosure and compliance with laws and regulations (Mohammad et., Al., 2004).

Financial accountability is very important because it is focus of the community. Accountability requires public agencies to make financial reports to describe the financial performance of the organization to outsiders. Financial accountability related to the avoidance of misuse of public funds (Mardiasmo, 2002). The financial statements of one of the tools to facilitate the creation of public transparency and accountability. The financial statements are presented in a comprehensive local government (Mardiasmo, 2002).

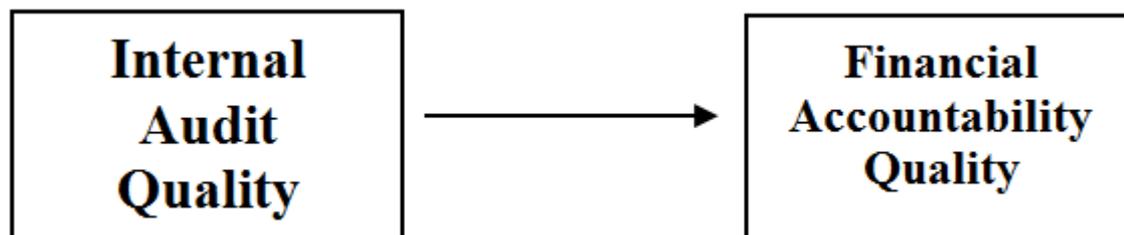
By doing a financial audit on the financial accountability of local governments expected better for the financial audit will produce an independent report on whether the financial information prepared by the government has been presented fairly (GAO, 2007). According to the Mohammad et., Al (2004); Mardiasmo (2002); Abdul Halim (2007) a qualified financial accountability include: financial management responsibilities to implement government programs and activities, assessment of financial performance, built on a reliable information system, the follow-up on audit findings.

To produce quality financial accountability need to be supported by elements of supervision. This is necessary so that financial accountability contains information that does not contain material errors and in accordance with the legislation (Sadeli, 2008). Normanton (1966) as quoted by David Flint (1988) suggests that *without the audit, no accountability; without accountability, no control; and if there is no control, where is the seat of power*. Internal auditors also encouraged the government to help the head region presenting accountable financial statements and generally accepted (Indra Bastian, 2007).

According to Weirich et., al., (2010) *government auditing standards have the objective of improving the quality of governmental audits at the federal, state and local levels. Quality of government audits were founded on premise that government accountability should go beyond identifying the amount of funds spent in order to measure the manner and effectiveness of expenditures*. Boynton et., Al., (2006) stating that the internal audit quality certainly referring to the standards or criteria relating to the size and quality of implementation relating to the goals to be achieved by using the procedure in question. The quality of accountability will affect the level of public confidence in the government (Bachtiar Arif, 2001).

Results of research conducted by Tilema and Henk (2008); Bayramov (2009) indicates that the successful implementation of internal audit in local government is an important instrument in improving the financial accountability quality of the government. Research conducted by Momeni (2007) the local government in Iran shows that, the internal audit quality of government influence on the quality of the financial accountability of the government. With a quality audit, it will assist the legislature in overseeing the executive, mainly related to the use of public funds and accountability of local government financial management. Subsequent research by Sadeli (2008) the local governments with populations SKPDs 25 cities and regencies in West Java, from the results showed that: there is a significant effect of the implementation of the government's internal quality audits towards the financial accountability quality of Local Government Agencies.

Financial statement audit performed by the internal auditors of government will improve the financial accountability quality, because it produces an independent report on whether the financial information prepared the government presented fairly, and as well as meet regulatory compliance requirements on applicable legislation (Indra Bastian 2006). *Auditing is necessary to secure accountability* (David Flint, 1988). This is confirmed by Power (1997) which suggests that the internal audit is an essential component of financial accountability. By providing quality information to the public, then the audit is the best tool for executive oversight (Normanton, 1966: 403; Gendron et., Al, 2001; Ryan and Mack, 2006).



Picture-2.1. Research Framework

2.3. Hypothesis

"The internal audit quality affects the financial accountability quality."

3. Research Methods

3.1. Research Design

This research is a field that is done by cross sectional for hypothesis testing by testing the relationship of all the variables studied (casual research). According to Sugiyono (2008), the research aims to test the correctness of the theory or the results of existing research, which is formulated in the research hypothesis. Because before being tested or verified, the study variables will also be explained or described. Descriptive research method is also often called the survey method. In general, survey research is limited to research on data collected from a sample of the population to represent the entire population (Nazir, 2005) then it can be said the study is a descriptive verification study.

3.2. Research Population, Sample and Sampling Techniques.

The population is a whole group of people, occurrence or matter of interest that researcher want to investigate (have now and Bougie, 2010). Target population studied (the unit of analysis) in this study is, the Local Government Inspectorate in West Java and Banten. Furthermore, to determine roughly how much members of the population to be taken, when the subject is less than a hundred better taken all that research is a study population (census). Based on the above statement, it is a sample of the target population in this study were carried out by taking the whole Inspectorate of the Provincial/City/Regency in West Java and Banten with the total of 36 Local Government Inspectorate consisting of 27 Local Government Inspectorate of West Java and Banten and 9 Local Government Inspectorate as the unit of analysis. The sampling technique used in this study is: saturated sample (census).

3.3. Operationalization of Variables and Data Analysis Tool Research

3.3.1. Internal Audit Quality

Internal audit quality by Arens et., Al (2011) "*Audit Quality is how well an audit detects and reports material misstatements in financial statements.* Furthermore, Moeller (2005) suggests that the internal audit quality include: *the level of compliance with the IIA, the ability to audit plan, execute the audit findings, and communicate audit findings.* To further the concept of internal audit quality is operationalized in the form of variable (X)

3.3.2. Financial Accountability Quality

Financial Accountability Quality by Mohammad et., al (2004) is the responsibility of the financial integrity, disclosure and compliance with laws and regulations. Furthermore, the concept of financial accountability quality is operationalized in the form of variable (Y).

Measuring instruments used in this study is Summated Rating Method: Likert Scale. According Sugiono (2008) Likert Scale is used to measure attitudes, opinions, and perceptions of a person or a group of social phenomenon.

Testing the validity of the research was conducted using Pearson Product Moment (Rochaety, 2007). Reliability testing using Crobach Alpha analysis in accordance with the advice given by Sekaran and Bougie (2010). Benchmark which generally has been widely accepted is for indicators that gets coefficient greater than 0.60 is otherwise reliable.

Data analysis tools for analyzing the data in this study, uses Simple Regression analysis. Classical Assumption testing done for autocorrelation, multicollinearity and heteroscedasticity.

4. Results and Discussion

4.1. Research Data Validity and Reliability Test Results

Table-4.1. Research Data Validity Test Results

Variable Instrument	Validity Coefficient	Explanation
Internal Audit Quality	0,681-0,853	Valid
Financial Accountability Quality	0,400-0,760	Valid

Source: Data processed

Table-4.2. Research Data Reliability Test Results

Variable Instrument	Reliability Coefficient	Explanation
Internal Audit Quality	0,977	Reliable
Financial Accountability Quality	0,941	Reliable

Source: Data processed

4.2. Descriptive Analysis Variable Data Research

Internal audit quality is measured using 4 (four) indicators and operationalized into a 16-point declaration. Here are the results of categorization average score of respondents to each indicator in the variable internal audit quality.

Table-4.3. Recapitulation of the Mean Score of Respondents about the Internal Audit Quality

Indicator	Mean Skor	Category
Compliance with standard	3,98	Cukup
Ability to audit plan	3,99	Cukup
Execute the audit findings	3,93	Cukup
Communicate audit findings	3,97	Cukup
Grand Mean	3,97	Cukup

Source: Data processed

Table 4.4. Entity Distribution Based on the Internal Audit Quality

Criteria	Total Entity	Percentage
Qualified	16	44,44%
Average	19	52,78%
Less Qualified	1	2,78%
Not Qualified	0	0,00%
Total	36	100%

Source: Data processed

The financial accountability quality is measured using 4 (four) dimensions and operationalized into a 13-point declaration. Here are the results of categorization average score of respondents to each dimension of the variable financial accountability quality.

Table-4.5. Recapitulation of the Mean Score of Respondents about the Financial Accountability Quality

Indicator	Mean Skor	Category
Responsibility based on a budget	3,91	Sering
Assessment of financial performance	3,82	Cukup
Reliability of information systems	3,89	Cukup
Follow-up	4,16	Selalu
Grand Mean	3,92	Cukup

Source: Data processed

Table-4.6. Entity Distribution Based on the Financial Accountability Quality

Criteria	Total Entity	Percentage
Qualified	14	38,89%
Average	22	61,11%
Less Qualified	0	0,00%
Not Qualified	0	0,00%
Total	36	100%

Source: Data processed

4.3. The Effect of Internal Audit Quality towards the Financial Accountability Quality

Based on the results of data processing, the total effect of the internal audit quality variables (Y) on the financial accountability quality (Z) at the Provincial/City/Regency Inspectorate in West Java and Banten is equal to 0.1358 or 13.58%. While the remaining 86.42% is the influence of other factors beyond the internal audit quality.

Table-4.7. Internal Audit Quality towards Financial Accountability Quality

Variable	Correlation Coefficient	t _{count}	R ² = 0,1358
X ----- Y	0,3685	2,2774	

Source: Data processed

Based on the above test results can be seen t_{count} variable internal audit quality at 2.2774 and t_{table} at 2.032 where t_{value} = 2.2774 > t_{table} = 2.032. Because t_{count} greater than t_{table}, then with α = 5% was decided to reject H₀ so that H₁ is accepted. So based on the test results it can be concluded that the internal audit quality has a significant effect on the financial accountability quality in Provincial/City/Regency Inspectorate in West Java and Banten. These test results provide empirical evidence that the better the internal audit quality will improve the financial accountability quality in Provincial/City/Regency Inspectorate in West Java and Banten.

Of testing the assumptions of classical statistically obtained residual data in this study are normally distributed. The regression model also shows that no autocorrelation, multicollinearity between independent variables in the regression model where VIF <10. Besides that, statistically regression model in this study does not contain any heteroscedasticity (see diagram scatter plot).

In SKPD financial statements, there are still weaknesses that occur in the disclosure of the causes of differences in the budget realization of the current year compared to last year's budget realization in the notes

to the financial statements (CaLK) the current budget year. This is due in CaLK SKPDs, only revealed differences with the realization of the budget and the budget for program activities for the year. In the Budget Realization Report (LRA), SKPDs only presents the magnitude of the budget realization last year but did not include the causes of the difference between the current year and last year budget realization. Neither the causes of the failure in reaching targets that have been set are still less clearly expressed that came with the measurement of performance indicators to determine the performance of the programs and activities of the SKPD.

The financial statements is one of the tools to facilitate the creation of public transparency and accountability. Financial accountability related to the avoidance of misuse of public funds (Mardiasmo, 2002; Premchand (1999). In other words, accountability obligations contained presenting and reporting of financial management into the financial statements of the region. According to the Mohammad et ., al. (2004); Sinclair (1995); Mardiasmo (2002) and Gray and Jenkins (1993) the financial accountability quality include the use of public funds (public money) economically, efficiently and effectively, there is no wastage and leakage funds, as well as corruption, financial integrity, disclosure and compliance with laws and regulations.

There is a weakness that occurs in disclosures in the SKPD financial statements regarding the valuation realization of the budget for activities associated with the availability of budget (economic aspect), aspects of efficiency, effectiveness and goal attainment aspects of the perceived benefits (outcome). This is because some SKPD had not been able to identify with both the indicators that will be used in the assessment of financial performance for each program and activity.

In the delivery of SKPD financial statements to SKPKD ie Regional Office of Financial Management and Assets (DPKAD) or Regional Finance and Asset Management Agency (BPKAD) there are delays in delivery. Still there are some SKPD who find it difficult in the preparation of the financial statements due to the limited number of human resources understand financial accounting and the Government Accounting Standards (SAP). Late submission of SKPD financial statements causes delay on consolidating financial statements by DPKAD to turn into the government financial statement (LKPD) so the review of financial statements that should be conducted in January by the inspectorate in several governments postponed to February. LKPD review should be completed by the end of March due in early April BPK will audit the results of the review of the LKPD inspectorate and submitted to the BPK.

The results of this study are consistent with the results of research conducted by Bayramov (2009); Tilema and Henk (2008); Sadeli (2008); Momeni (2007); Baltaci and Yilmaz (2006); Havens (1990), with research showing that the empirical evidence, there is a significant influence of the internal audit quality of the government towards the financial accountability quality of Local Government.

There is the influence of the internal audit quality to the quality of local government financial accountability in Provincial/City/Regency Inspectorate in West Java and Banten with the influence of **13.58%**. While the remaining **86.42%** is the influence of other factors that affect the quality of such financial accountability, budgeting, financial statement disclosure levels, adherence to legislation and the professionalism of internal functional control apparatus (Mohammad et ., al., 2004: 43; Sadeli, 2008; Mardiasmo, 2002; Premchand, 1999).

5. Conclusions and Recommendations

Based on the formulation of the problem, the formulation of hypothesis and the results of the research, the authors draw the following conclusions:

1. There is the influence of the internal audit quality to the financial accountability quality. Not qualified internal audit inspectorate towards the financial accountability quality caused by the inspectorate auditor's not all have good skills in planning the examination, the finding in the audit findings and communicate audit findings to both the head of region and head of SKPDs (audittee) and there are still financial statements SKPDs not in accordance with SAP and legislation.

Suggestions in this study are as follows:

1. It is best that all inspectorate auditors have good skills in planning the examination, is able to find the audit findings that should be found and always communicate audit findings to both the head area and head of SKPD (audittee) so that can be done to improve the presentation of the SKPD financial statements.
2. The harmonization between the Minister of Home Affairs and Ministry of Finance in making regulations related to regional financial management so as not to complicate and confuse the government in implementing the regulation.
3. This study has not revealed all of the variables that can affect the internal audit quality to the financial accountability quality, then in order to further research is expected to examine other variables such as, budgeting, financial integrity, the level of financial statement disclosure, obedience to the laws and professionalism functional internal control at local government.

References

Abdul Halim. (2007). Regional Financial Accounting. Jakarta: Salemba Empat.

- Arena, Marika & Giovanni Azzone. (2009). Internal Audit Effectiveness: Relevant Drivers of Auditees Satisfaction. *International Journal of Auditing*, 13(1): 43-60.
- Arens, Alvin, A., Best Peter, Shailer Greg, Fiedler Brenton, Elder, Randal J. & Beasley, Mark S. (2011). *Auditing, Assurance Services and Ethics in Australia An Integrated Approach*. Clarity Update Edition. 8th Edition. Pearson Australia.
- Bachtiar Arif. (2001). State Financial Accountability: Between Hope and Reality. *Journal Accountability*, 1 (1): 2-3.
- Bagus Rumbogo. (2009). How to Prevent Opinion from Disclaimer? *Indonesian Accountant Magazine*, edition no. 18, year II, July 2009.
- Baltaci, Mustafa & Serdar, Yilmaz. (2006). Keeping an eye on Subnational Governments: Internal Control and Audit at Local Levels. *The International Bank for Reconstruction and Development/The World Bank*.
- Bayramov, Vugar. (2009). Report on the Audit of the Local Government's Financial Management in Azerbaijan Local Government and Public Service Reform Initiative. *Open SocietyInstitute–Budapest*.
- Boynton William C., Raymon N. Jhonson, and Walter G. Kell. (2006). *Modern Auditing*. 8th Edn., USA: Richard D. Irwin Inc.
- Cohen, Aaron & Gabriel Sayag. (2010). The Effectiveness of Internal Auditing: An Empirical Examination of its Determinants in Israeli Organisations. *Australian Accounting Review*, No. 54 20(3).
- Cris Kuntadi. (2009). Government Audit and Financial Accountability. *Indonesian Accountant Magazine*, edition no. 18, year II, July 2009.
- Dadang Sadeli. (2008). Professional Effect of Internal Functional Supervision Apparatus on Government Audit Implementation and Its Implications to the Quality of Financial Accountability. *Journal of Business and Accounting*, 10(2): 101-111.
- Philosophy and principles of auditing an introduction
- DeAngelo, L.E. (1981). Auditor Size and Audit Quality. *Journal of Accounting & Economics*, December 1981, pp. 183-199.
- Deis, Donald R. Jr & Gary A. Giroux. (1992). Determinants of Audit Quality in the Public Sector. *The Accounting Review*, 67(3): 462-479.
- Fadzil, F.H., Haron, H. & Jantan, M. (2005). Internal auditing practices and internal control system. *Managerial Auditing Journal*, 20(8): 844-66.
- Flint, David. 1988. *Philosophy and Principles of Auditing. An Introduction*. Published by Macmillan Education. London, UK.
- Freeman, R.J., Shoulders, C.D., (2003), *Governmental and Nonprofit Accounting*. Prentice Hall: New Jersey
- Gendron, Yves, David J. Cooper and Barbara Townley. 2001. In the name of accountability State auditing, independence and new public management Accounting. *Auditing & Accountability Journal*, 14(3): 278-310.
- Government Accountability Office (GAO). (2007). *Government Auditing Standard*. July Revision. By Comptroller GERALD of the United State.
- Gray, A. & W. Jenkins. (1993). Codes of Accountability in the New Public Sector. *Accounting, Auditing and Accountability Journal*, 6(3): 52-67.
- Hadi Purnomo. (2011). CPC: There Are Still Weaknesses That Need Improvement. *BPK Press Release*, 5 April 2011.
- Havens, Harry S. 1990. *The Evolution of the General Accounting Office: From Voucher Audits to Program Evaluations*. United States General Accounting Office (GAO).
- Indra Bastian. (2006). *Public Sector Accounting: An Introduction*. Erlangga Publisher, Jakarta.
- Indra Bastian. (2007). *Audit Sektor Publik*. Penerbit Salemba Empat, Jakarta.
- Mardiasmo. (2006). Realization of Transparency and Public Accountability Through Public Sector Accounting: A Means of Good Governance. *Government Accounting Journal*, 2 (1): 1-17.
- Mardiasmo. (2002). *Akuntansi Sektor Publik*. Yogyakarta: Penerbit Andi.
- Mardiasmo. (2005). *Akuntansi Sektor Publik*. Edisi 2. Yogyakarta: Penerbit Andi.
- Messier, William F, Steven M. Glover, & Douglas F. Prawitt. (2006). *Auditing and Assurance Service: A Systematic Approach*. Fourth Edition. McGraw-Hill Companies Inc. New York.
- Mihret, Dessalegn Getie & Yismaw, Aderajew Wondim. (2007). Internal audit effectiveness: an Ethiopian public sector case study. *Managerial Auditing Journal*, 22 (5): 470-484.
- Moeller, Robert R. (2005). *Brink's Modern Internal Auditing*. 6th Edn., New Jersey: John Wiley and Sons, Inc.
- Mohammad, Sjahruddin Rasul dan Haryono Umar. (2004). *Konsep dan Pengukuran Akuntabilitas*. Jakarta: Penerbit Universitas Trisakti.
- Mulgan, Richard. (1997). The Processes of Public Accountability. *Australian Journal of Public Administration* 56 (1): 26-36.
- Nazir, Moh. 2005. *Metode Penelitian*. Cetakan ketiga, Ghalia Indonesia, Jakarta.

- Normanton, E.L. (1966). *The Accountability and Audit of Governments*. Manchester University Press, Manchester.
- Otley, D. T. and Pierce, Benard. J. (1996). Auditor Time Budget Pressure. *Accounting, Auditing & Accountability Journal*, 9(1): 31-58.
- Premchand. (1999). *Public Financial Accountability in Governace, Corruption, and Public Financial Management*. Manila Filipina, Salvatore-Campo, Asian Development Bank.
- Power, M. (1997). Expertise and the Construction of Relevance: Accountants and the Environmental Audit. *Accounting, Organizations and Society*, 22: 123-126.
- Ryan,C. and J.Mack. (2006). Reflections on the theoretical underpinnings of the general-purpose financial reports of Australian government departments, *Accounting, Auditing & Accountability Journal*, 19(4): 592-612.
- Rizal Yaya. (2007). *Problems with Regional Financial Accountability*. UMY FE, November 2007.
- Sawyer, B. Lawrence. (1995). An Internal Audit Philosophy. *The Internal Auditor*. August, pp. 46-55.
- Samelson, D., Lowensohn, S., Johnson, L. (2006). The Determinants of Perceived Audit Quality and Auditee Satisfaction in Local Government. *Journal of Public Budgeting, Accounting & Financial Management* 18 (2), 139-166.
- Schiavo-Campo, S., & Tomasi, D. (1999). *Managing Government Expenditure*. Asia Development Bank, Manila.
- Sekaran, Uma and Roger Bougie. (2010). *Research Methods for Business: A Skill Building Approach*. John Wiley & Sons Ltd. UK.
- Sinclair, A. (1995). The Chameleon of Accountability: Forms and Discourses. *Accounting, Organizations and Society*, 20(2/3): 219-237.
- Spraakman, G. (1997). Transaction Cost Economics: a Theory of Internal Audit. *Managerial Auditing Journal*, 17(7): 323-330.
- Sugiyono. (2008). *Quantitative Research Methods, Quality and R & D*. Alfabeta Publisher. Bandung.
- Tillema, Sandra & Henk J.. (2008). *Dutch Local Government Audit Committees, Effective Instument in the Search for Improvements in Accountability and Local Democracy*. Local Government and Public Service Reform Initiative, Open SocietyInstitute–Budapest.
- Xiangdong, W. (1997). Development Trends and Future Prospects of Internal Auditing. *Managerial Auditing Journal*, 12(4/5): 200-204.
- Weirich, R. Thomas, Thomas C. Pearson, & Natalie T. Churyk. (2010). *Accounting and Auditing Research: Tools and Strategies*. Seventh Edition.