

Effect of Internal Audit and Accounting Information System on the Effectiveness of Internal Control

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Abstract

This study aims to examine and analyze the effect of internal audit and accounting information systems on the automotive trading company PT. Kars Inti Amanah provides a perspective for the management of similar companies about internal audit and accounting information systems' power to increase internal control effectiveness. The population in this study were all employees of PT. Kars Inti Amanah, amounting to 67 people, were then sampled using a simple random sampling technique so that 40 samples were selected; this study uses a quantitative approach with descriptive statistical analysis to map the value of respondents' answers and multiple lien regression analysis to examine the influence between internal audit variables and accounting information systems on the effectiveness of internal control. The descriptive statistical analysis results show the overall value of the products that internal audit and accounting information systems have a positive and significant effect on the effectiveness of internal control at PT. Kars Inti Amanah.

Keywords : Accounting Information System; Effectiveness; Internal Control System; Internal Audit

1. Introduction^a

The business world's development has logical consequences that cause companies to face problems in increasingly competitive and complex business competition activities. This causes difficulty in carrying out supervision higher and can create risks that can hinder the company from achieving its goals. Each company must evaluate and increase the effectiveness of risk management, control, and corporate governance aspects. In exercising direct control over its business operations, company management may not do it alone because of its limitations (Komalasari, 2018). Therefore, the company needs someone who can assist management in supervising its activities, namely the internal auditor. Internal auditors can help management carry out control activities of the company's activities because internal auditors can effectively produce information needed by managers to achieve established company goals. Internal audit is considered crucial in all matters relating to management and risk in business continuity.

The development of a business entity also demands accountability and transparency in the management of business organizations. This makes management necessary to implement an effective internal control system to produce quality financial reports that can be used for relevant and reliable company decision making. Companies can produce quality financial reports if an effective internal control system supports them (Dityatama, 2011; Lu, Richardson & Salterio, 2011), while quality internal audit function can support an effective internal control system (Dityatama, 2011; Miettinen, 2008). The implementation of internal sound control is part of the responsibility of management. (Arens, Loebbecke & James K, 2011).

PT. Kars Inti Amanah, as a company that continues to grow and develops, is required to have methods and plans related to safeguarding resource assets, providing relevant and reliable information, increasing efficiency, monitoring compliance with the company's implementation's operational projects with a predefined business plan. PT. Kars Inti Amanah, as a company that continues to grow and develops, is required to have methods and plans related to safeguarding resource assets, providing relevant and reliable information, increasing efficiency, monitoring compliance with the company's implementation's operational projects with a predefined business plan.

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Internal audit effectiveness is not the only component that can determine the success of internal control (Rizki & Anisykurlillah, 2018; Sholehah et al., 2018). The International Auditing Standards Board (ISAC 31) states that the five components of internal control are useful for an entity's work in carrying out a control activity, the five-element of internal control. Control environment, risk assessment, information and communication control activities, supervision, monitoring, and control components cannot run effectively without an information system (Schandl & Foster, 2019). According to (Romney 2015), the accounting information system is a system used to collect, record, store, and manage data to produce information for making decisions. This system includes people, software data instructions and procedures, information technology infrastructure, and internal control and security measures. The accounting information system plays an essential role in managing information about transactions related to its business activities (Ardhiani et al., 2020). The Accounting Information System enables a business entity to carry out transaction recording activities, store transaction data, process transaction data, and produce financial information that can be used for management in making decisions.

The accounting information system is used as a system that facilitates support for the implementation of PT's internal control and business management. Kars Inti Amanah is a company that has complex activities so that it requires fast, accurate, and useful information at various levels of management for corporate decision making. This research is a development of previous research conducted by (Nurmaulidiya & Suryani, 2019). The difference between this research and research (Nurmaulidiya & Suryani, 2019) is in the object under study. Research (Nurmaulidiya & Suryani, 2019) used the pharmaceutical industry company object listed on the IDX, while the item in this study used an automotive trading company, namely PT. Kars Inti Amanah whose ownership is owned by the family and is an entity without public accountability. The choice of the family company's object is because there is a phenomenon that shows that family companies tend to unprofessional management. After all, they cannot separate the interests of the family and the interests of the business entity, so that family relationships tend to take precedence over performance relationships and impact the less controlled internal control system (Hidayah, 2016; Bardhan, Lin & Wu, 2015).

Internal audit is described as an organizational function that functions to test and evaluate corporate activities as a service provided to the organization (Sunyoto, 2014). Internal audit checks are carried out by company employees who are not involved in the company's business operations and record its financial statements. Internal auditors can support the company to achieve efficiency, effectiveness, and compliance in implementing company operations. Reasonable internal control can also provide input related to company conditions useful for management in the decision-making process. The study (Nurmaulidiya & Suryani, 2019) states a positive and significant influence between internal audit on internal control. Dianawati & Ramantha (2013) stated that the independence of internal auditors, professional expertise, and work experience has a positive and significant effect on internal control effectiveness.

There is a mutually supportive relationship between the accounting information system and internal control. The accounting information system contains various methods and procedures that must support internal control structure activities (Susanto, 2013). The accounting information system contains various methods and procedures that must support internal control structure activities.

H1: The effectiveness of internal audit has a positive effect on internal control.

H2: The accounting information system has a positive effect on firm value.

3. Research Design and Method

The population in this study were all 67 employees of PT Kars Inti Amanah. The sampling technique used in this study was a simple random sampling technique with the consideration of PT. KIA has long implemented an accounting information system and has had an internal audit section for a long time so that all employees are used to dealing with these two things, and a sample size of 40 people is determined. Collecting data using a questionnaire and then analyzing the relationship between variables with the analysis stage of classical assumption testing on the regression model that has been processed includes a multicollinearity test, autocorrelation heteroscedasticity, and normality test (Ghazali, 2016). The regression equation for this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Description:

Y = Effectiveness Internal Control System
a = Constant
X₁ = Internal Audit
X₂ = Accounting information system
β₁- β₂ = Regression Coefficient
e = error term

4. Results and Discussion

Statistical Analysis

The descriptive statistical analysis results for internal audit variables consist of 20 statements from 4 types of indicators, namely independence, professional expertise, the scope of work, and implementation of audit activities. The internal audit variable obtained a good category score of 81.69%. This shows that the internal auditors at PT Kars Inti Amanah have correctly carried out their duties and responsibilities. Descriptive statistical analysis results for accounting information system variables with 18 statements from 6 indicators, namely Hardware (Hardware), Software (Software), Human Resources, Procedures, Databases and database management, and Telecommunication Network Technology get good scores, namely in numbers. 85.3%. This implies that the accounting information system at PT Kars Inti Amanah has supported employees' work well. The results of descriptive statistical analysis for the variable of internal control effectiveness were 22 statements from 5 indicators, namely control environment, risk assessment, control activities, information, and communication, as well as monitoring regarding the point of internal control, including in the excellent category, namely 80.3%. This shows that PT Kars Inti Amanah's internal controls are running efficiently and effectively.

Statistical tools are used to assess whether a high correlation exists between the independent variables in a multiple linear regression model, a measure to determine the occurrence of collinearity, that is if the tolerance value is not below the number 1. The VIF value does not exceed the number 10. Based on table 1, it is concluded that there is no relationship between the Accounting Information System and Internal Audit variables because the tolerance value is more significant than 0.1, and the VIF value is less than 10.

Table 1.

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Internal Audit	.776	1.289
	Accounting information system	.776	1.289

Source: Output SPSS, (2020)

There is a parameter in assessing whether in a study, there are no symptoms of heteroskedasticity or not. If there is a specific pattern on the graph, such as collecting in the middle, widening, then narrowing, or vice versa, it can be stated that heteroscedastic does not occur.

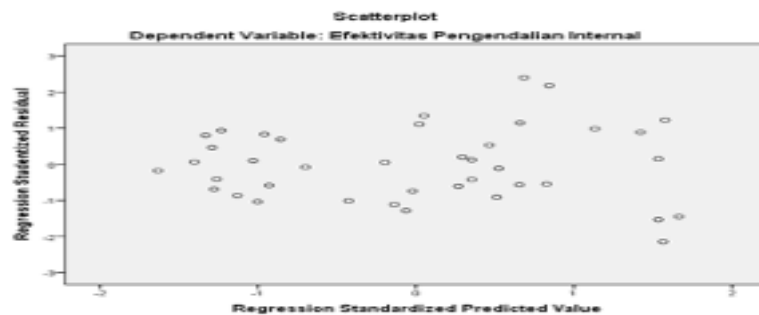


Figure 1. Scatterplot Heteroscedacity

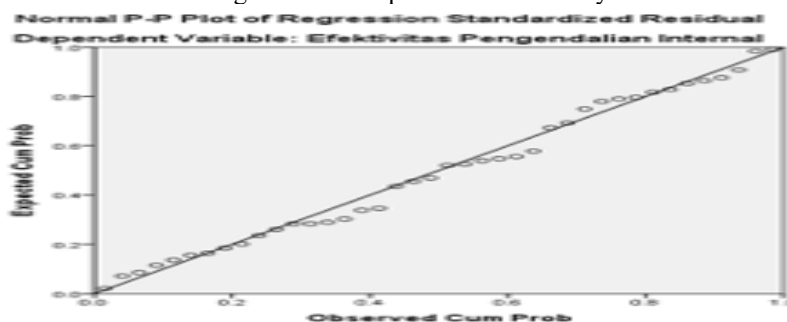


Figure 2. Normality Test Results

Source: Output SPSS, (2020)

Figure 1 shows no heteroskedasticity in the regression model in this study because it has a clear pattern, and the points found on the graph spread below the number 0 and above the number 0 on the Y-axis. A normality test is a test to determine whether the residual value is normally distributed or not; if the residual value is usually distributed, the study's data can be used to carry out hypothesis testing. Graph of Normal P-Plot of Regression Standarized Residue as shown in Figure 2 shows the dots spread around the diagonal line. This shows that the regression model is feasible because it meets the assumption of normality.

Table 2.

Multiple Linear Regression Analysis
Coefficients^a

Model		Unstandarized Coefficients		Standarized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.029	11.915		.086	.932
	Internal Audit	.504	.140	.394	3.593	.001
	Accounting information system	.651	.131	.544	4.961	.000

Source: Output SPSS, (2020)

The regression equation shown in table 2 is:

$$Y = 1.029 + 0.504AI + 0.651SIA + e$$

The constant value of the research linear regression equation is 1.029; it is described that without the influence of the independent variables of the Internal Audit and the Accounting Information System, the effectiveness of Internal Control will be 1.029. The Accounting Information System has a regression coefficient value of 0.651. The positive regression coefficient indicates that the Internal Audit variable has a positive relationship or is in line with the Effectiveness of Internal Control. This also means that each increase in the Internal Audit variable will encourage growth in the Internal Control Effectiveness variable as much as 0.651. Internal Audit has a regression coefficient value of 0.504. The positive regression coefficient indicates that the Internal Audit variable has a positive relationship or is in line with the Effectiveness of Internal Control. This also means that each increase in the Internal Audit variable will encourage growth in the Internal Control Effectiveness variable by 0.504.

Table 3.

Determination Coefficient Test Results
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.809 ^a	.655	.636	3.73498

a. Predictors: (Constant), Internal Audit, Accounting Information Systems

b. Dependent Variable: Effectiveness of Internal Control

Table 4.

Simultaneous Test Results (Test F)
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	978.247	2	489.124	35.062	.000 ^b
	Residual	516.153	37	13.950		
	Total	1494.400	39			

Source: Output SPSS, (2020)

Table 3 shows the adjusted Rvalue2 obtained for 0.636. This means that internal audit and accounting information systems' variables can explain 63.6% of internal control effectiveness, while other variables explain the remaining 36.4%. The considerable enough adjusted R square value illustrates that internal audit and accounting information systems significantly contribute to the effectiveness of internal control. The results of the simultaneous test (F test) in table 4 show

an F value of 35.062 with a probability level of 0.00; this illustrates that internal audit and accounting information systems together have a positive and significant effect on the effectiveness of internal control because the probability has a value smaller than 0.05. The significance value for the internal audit variable is .001, and the information system variable is .000; This explains that internal audit has a positive and significant effect on internal auditing effectiveness.

Discussion

Internal audit plays an essential role in the effectiveness of internal control; internal auditors help management monitor and evaluate the company's business plan and implement the company's business operations (Muslim et al., 2020). Internal controls in a company can increase if the internal auditors have the right attitude of independence and adequate professional expertise. The philosophy of autonomy will make auditors more carefully at a problem and be free from conflicts of interest. Freedom is synonymous with mental attitude and general standards in conducting audits. The mental attitude is vital in the implementation of control activities for business entities. A mental attitude directed and focused on the company's benefit will make the effectiveness of internal control run well. The internal audit requires professional expertise that refers to general auditing standards. This is necessary because auditors must understand the company's business operational conditions so that auditors can determine the scope of audit materiality and carry out monitoring effectively. A good range of audit materiality will have an impact on effective internal control.

A right level of understanding can be seen if the internal audit can understand the scope of audit work. For example, how the process of carrying out internal audits is, the process of assessing risk management and corporate governance will provide the auditor's rationale in seeing the company's operationalization process. These results explain that the audit carried out by auditors who have the professional expertise is independent and understand a comprehensive scope of work will result in effective internal control so that the auditors can provide recommendations for improvements to the company's management. One of the critical elements in internal control, namely information, and communication; Good information systems help companies carry out the processing, storage, and management of corporate data. Companies need an adequate information system infrastructure to carry out internal control (Azhar, 2008). Because internal control can help prevent the possibility of fraud by closing off opportunities to cheat. These results illustrate that PT. Kars Inti Amanah has done well in providing the means and infrastructure to support creating a sound accounting information system to realize adequate internal control.

5. Conclusions

The development of a business entity demands accountability and transparency in organizational management; Therefore, the company's management is obliged to implement an effective internal control system to produce quality financial reports used for decision-making. Companies can create quality financial reports if an effective internal control system supports them. A well-executed internal audit is proven to help an effective internal control system. A sound accounting information system can assist management in monitoring company resources' availability and fulfilling company obligations. Through a quality Accounting Information System, companies can provide data that can be used to measure and assess the performance and health level of a business to create transparency and reduce information asymmetry.

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