

TABLE OF CONTENTS

PROOF OF SUPERVISOR APPROVAL

PROOF OF APPROVAL AND VALIDATION

STATEMENT OF NONE-PLAGIARISM

ABSTRACT i

PREFACE ii

TABLE OF CONTENTS iv

LIST OF TABLE viii

LIST OF FIGURE ix

LIST OF DIAGRAM x

LIST OF APPENDICES xi

CHAPTER I. INTRODUCTION

1.1. Research Background 1

1.2. Problem Statement 5

1.3. Research Limitation 5

1.4. Research Question 6

1.5. Research Objective 6

1.6. Research Benefit 6

CHAPTER II. LITERATURE REVIEW

2.1. Theoretical Framework 7

2.1.1. Internal Control Quality 7

2.1.2. Overview of Internal Auditing 11

2.1.3. Regulation of Internal Audit Function 12

2.1.4. Internal Audit Function 12

2.1.5. Internal Audit Function Characteristics 14

2.1.5.1. IAF Organizational Status	14
2.1.5.2. Audit Committee's Involvement	15
2.1.5.3. IAF Competence	16
2.1.5.4. IAF Investment	17
2.1.5.5. Internal Audit Quality Control Assurance	18
2.1.5.6. Follow-up Internal Control Deficiencies	20
2.1.6. Agency Theory	20
2.2. The Prior Research	21
2.3. Conceptual Framework.....	24
2.4. Hypothesis	27

CHAPTER III. RESEARCH METHODOLOGY

3.1. Research Paradigm	28
3.2. Population and Sample	28
3.2.1. Population	28
3.2.2. Sample	28
3.3. Research Variables and Operational Definition.....	29
3.3.1. Research Variables	29
3.3.1.1. Dependent Variable.....	29
3.3.1.2. Independent Variable	29
3.3.1.3. Control Variable	31
3.4. Data Collection.....	34
3.5. Data Analysis	34
3.5.1. Descriptive Statistics	34
3.5.4. Multiple Regression Analysis	34
3.5.4.1. Determination Coefficient (R^2).....	34

3.5.5. Classical Regression Test	35
3.5.5.1. Normality Test	35
3.5.5.2. Multicollinearity Test	35
3.5.5.3. Heteroscedasticity Test	35
3.5.6. Hypotheses Test	36
3.5.6.1. Simultaneous Significance Test (F-Test)	36

CHAPTER IV. RESULTS AND DISCUSSION

4.1. Descriptive Sample	37
4.2. Data Analysis	40
4.2.1. Descriptive Analysis	40
4.2.1.1. Respondent's position in the company	40
4.2.1.2. The existence of audit committee	41
4.2.1.3. The Existence of Internal Audit Unit	41
4.2.1.4. The Number of Internal Auditors in Internal Audit Unit	42
4.2.1.5. Internal Audit Organizational Status	43
4.2.1.6. Audit Committee's Involvement	44
4.2.1.7. Internal Audit Function Competence	45
4.2.1.7.1. Education	45
4.2.1.7.2. Training	46
4.2.1.7.3. Experience	46
4.2.1.7.4. Commentary	47
4.2.1.8. Quality Control Assurance and Improvement Program	47
4.2.1.8.1. The Existence of Quality Assurance and Improvement Program	48
4.2.1.8.2. Internal Assessments	48

4.2.1.8.2.1.	Ongoing Monitoring of the Performance of the Internal Audit Activity	49
4.2.1.8.2.2.	The Existence of Periodic Reviews	49
4.2.1.8.3.	External Assessments	50
4.2.1.9.	Follow-up Internal Control Deficiencies.....	51
4.2.1.10.	Internal Control Quality	52
4.2.1.10.1.	Organization, Roles and Responsibilities.....	53
4.2.1.10.2.	Risk Management	54
4.2.1.10.3.	Overall Monitoring	54
4.2.1.10.4.	IT Function and Organization.....	55
4.2.1.10.5.	System Characteristics	56
4.2.1.10.6.	IT Monitoring Control.....	56
4.2.2.	Correlation Analysis	57
4.2.2.1.	Rank Spearman Correlation Test	58
4.2.2.2.	Eta Coefficient Correlation Test	66
4.2.3.	Commentary and Discussion	61

CHAPTER V. CONCLUSION AND RECOMMENDATION

5.1.	Conclusion	66
5.2.	Recommendation.....	67

REFERENCES

APPENDICES