

ABSTRACT

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Internal control is the representation of holistic activities inside an organization. Thus, its quality must be enhanced in order to maintain good corporate governance. In charge of it, Internal Audit Function is existing. The study aims to investigate the effect of internal audit function on internal control quality. The effect can be seen from the internal audit function characteristics which breakdown into six, namely: organizational status; audit committee's involvement; competence; internal audit investment; quality assurance and improvement program, and follow-up on internal control deficiencies. The samples are Indonesia public listed companies (10 companies). The study uses non-parametric statistic to test the correlation (Rank Spearman and Eta Coefficient) along with deep descriptive analysis

The findings are as follows: 1) the relationship between organization status and internal control quality is positively insignificant (0.3588); 2) the relationship between audit committee's involvement and internal control quality is positively insignificant (0.0276); 3) insignificant the relationship between internal auditor's competencies and internal control quality is negatively insignificant (-0.1249); 4) the relationship between internal audit investment and internal control quality is negatively insignificant (-0.0304); 5) the relationship between quality assurance and improvement program and internal control quality is positively insignificant (0.1822); 6) the relationship between follow-up on internal control deficiencies and internal control quality are positively insignificant (0.0764). Most relationship strength is very weak and statically insignificant. It is likely because of insufficient data or the other variables affect internal control quality. The other findings are namely: 7) majority companies in all sectors have moderately effective in internal control; 8) majority companies have obeyed the regulations and professional standards.

Keywords: Internal Control, Internal Audit Function, Organizational Status, Audit Committee's Involvement, Competence, Internal Audit Investment, Quality Assurance and Improvement Program, Follow-up on Internal Control Deficiencies.