The Effect of Management Support on the Quality of Internal Auditing and Its Level of Implication on Financial Accountability

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This research aims to test: the effects of Management Support on the quality of internal auditing and its implication on the level of financial accountability. This research used descriptive and verification approaches in the survey method. Type of research is causal research. It was conducted on 10 Ministry Inspectorate and 11 Inspectorate Institutions in Timor Leste. The observation units were audit teams consisting of Inspectors, Inspectors and Intern auditors. The primary data was collected by research tools in the forms of questionnaires using the ordinal scale as the measurement scale. Validity and reliability testing was conducted using the collected questionnaires. Then the data was converted into interval scale, then hypothesis testing was conducted using Path Analysis. Results of the research show that: (1) the effects of management on the quality of an internal audit; (2) the effects of the quality of intern auditing on the level of financial accountability.

Keywords: Effect of Management Support, Quality of Internal Audit, Financial Accountability
Introduction

Accountability is the process of the provision of information by officials in government agencies about the use of public funds for general public (stakeholders), showing whether the use of these funds is in accordance with the addressed targets or not, forms of accountability should be reported in financial statements, Janet (2008). Furthermore, according to Schiavo-Campo and Tomasi (1999), accountability is provision of information on any activities using public funds so that any interested parties can access the financial performance of certain government agencies.

According to Mardiasmo (2012: 21), accountability is the responsibility for accessibility given by government officials for the use of resources, particularly the use of public funds in an effective and efficient manner and the use of these funds should be in accordance with the agreed plan so there is no misuse. The used funds should be reported in the form of financial statements so that any interested parties can access the performance of certain government agencies.

Accountability is the provision of financial information given to interested parties on the financial activities in an institution or organisation, particularly for the operation of effective and efficient government institutions; Farzad et al (2012). Such statement, as stated by Provedoria, and explained by Human Resource and Justice (PDHJ), (21 September 2015) shows that many misuses of state assets, particularly the use of transportation (vehicles) owned by government for personal interests, can lead to state losses due to the mismatch of government spending. The existence of a plan showing government demands in a good and maximum control system from each government agency is expected.

According to Onuorah and Appah (2012), financial statements are the provision of information openly to general public about operations taken by government agencies, particularly in provision of public funds. Furthermore, according to Mardiasmo (2006), financial statements are seen as a form of transparency for activities using public funds for any outside stakeholder so that those stakeholders can conduct a study on the performance of certain government agencies.

According to the Inspector Internal Auditor Ministry of Justice of Timor Leste (24 August 2015), it is expected that implementers, in this case the National Director and all staff, can increase their capacity in order to serve public interest leading to effective, efficient, professional, transparent, and accountable service so that it will achieve more professional work. In managing public finances pursuant to Law No. 7 of 2015 (DECRETO - LEI No. 7/2015 de 22 Abril) states that it is necessary for efficient and effective public financial management by the government in order to build trust for any concerned parties.

Regarding weaknesses of the internal control system, Maricio Akara, Executive Director of Luta Hamutuk stated that according to the report of Anti-Corruption Commission (CAC), cases of corruption occurred in Timor Leste, especially in the Ministry of Finance. The Ministry of
Customs and Excise were to first rank with a corruption percentage of 87% (eighty seven percent), then followed by the Ministry of Education and Culture by 85% (eight five percent) and the last being the Ministry of Health and the Attorney General by 81% (eight percent one percent) corruption, respectively. This is due to the functions of the weak internal control system, even authorised officials are not only engaged in corrupt money dealings but they are also involved in state asset misuse.

Furthermore, according to Mauricio Akara, “the international transparency report data from countries as the members of Portuguese language forum (CPLP) including Timor Leste, this country also has a high level of corruption”. These countries have natural resources, but do not have good management, transparency, and accountability.

There are global cases on authority misuse and corruption. Also, there are abundant cases of authority misuse and corruption in East Timor, as expressed by former Prime Minister of Timor Leste, Mari Alkatiri in his friendship visit to the house of Chairman of PP Muhammadiyah Din Syamsudin. He said that there was a rapid increase in Corruption cases in the Bureaucracy of Timor Leste Government. This was consistent with the data taken from reports of the international agency. To eradicate corruption in Timor Lorosa’e, it is greatly necessary for improved system management function and internal control (http://kompas.com, 2 October 2008). Referring to the findings by the Anti Corruption Commission (CAC), this shows the many corruption cases in almost all ministries in East Timor. This also shows that there is yet to be any good government and there is still weak financial accountability. This is also consistent with the results of the research by Onuorah and Appah (2012) showing the low level of accountability and high level of corruption due to the lack of transparency in the management of public funds and unpunctual information on government operational activity reports. As for results of the study proposed by Sylvester (2012), the financial statements produced by the government had no good performance so this can lead to low accountability.

To create better government financial accountability, it is necessary for audits to be undertaken by government auditors from government institutions. M. Adil and Numayr stated that it is necessary for government audits in order to be able to prevent and assess corruption as well as create accountability for government operations. Furthermore according to Mardiasmo (2005), government audits serve as an important element in public accountability and support the creation of good governance. To create a good audit, government auditors must be able to understand and evaluate internal control activities (Kamar; 4).

By not referring at the regulations concerning internal auditors in Timor Leste known as Statuto Inspectorate Geral, in chapter 1 paragraph 1, it also explains that internal auditors can do works
such as supervising, checking and conducting independent investigations to create transparency in all activities carried out by government agencies in Timor Leste. The following paragraph describes in detail the tasks of the inspectorate, namely: 1) Conducting inspections to ensure that all works related to the public sector administration are well-adjusted to applicable ethics and regulations; 2) Investigating all administrative irregularities; 3) Assisting public sector administrators to ensure that all practices are well aligned to ethics in order to create a good government control system; 4) Conducting anti-corruption campaigns to create public sector integrity; and 5) Conducting an internal audit function to create a good audit quality (Statuto Inspectorate of Geral Timor Leste).

To create a good audit quality, the government internal auditors conducting the audits must comply with audit standards and regulations. This is as revealed by Messier et.al (2006: 48) that audit standards are guidelines that provide direction for government internal auditors to measure the quality and performance of government auditors. Audit standards are also a guideline in preparing financial statements appropriately, systematically and reliably. As expressed by Ministerio Justica, Internal Inspector General Auditoria, tall Gestors included as internal auditors in the ranks of the Ministry of Justice (Ministerio Justica) should comply with regulations and ethics so that there will be improved audit quality in order to achieve maximum results (www.mj.gov.tl. 24 August 2015).

In order to produce high quality internal audits in Timor Leste, the Government of Timor Leste in this case through the Inspectorate of Timor Leste (IGE) is working with the Indonesian Internal Audit Education Foundation (YPIA) in providing training and education to improve the audit internal capacity for the government of Timor Leste so that it can have a good quality inspection, Francisco-Ridwan (www.oig.tl, 5-6-2013). Internal auditors serve as the spearhead in the framework for creating government financial transparency through the assessment of good internal control functions. Internal audits are an independent appraisal function established within an organisation in order to test and evaluate organisational service activities (Gray and Manson, 36). To create high quality audits, it is necessary for support given by the management or those who have the authority in managing organisations such as executive auditors, middle management and top management. Management support is used to create successful implementation of the Commitments (Phillips et.al:137). Management is used to follow up on audit recommendations and management support is used to strengthen the internal audit function which is very important for the effectiveness of an internal audit (Sawyer, 1995).

Management as the examined entity is responsible for following up any recommendations and creating as well as maintaining information processes and systems, and then monitoring the status of follow-up on the examiners’ recommendations (SPKN, 2007). One example for such matter is a violation case revealed by the National Inspector of Timor Leste in the audit results showing
misuse of administrative authority and irregularities which resulted in state losses so it is necessary for attention given by any relevant departments, (www.oig.gov.tl; 3 March 2015). This is in line with research by Marianne & Blanche (2009) that support given by the chief audit executive, having a higher level of education, knowledge in auditing and professional expertise in auditing; will have positive effects on audit quality. Furthermore, results of the research conducted by Zulkifli et.al (2014) show that management support plays a very important role in creating the quality of auditor’s work. While results of other research on management support by Donald et al (2006) show that through support given by financial directors for each auditor who understands the client's work system, the internal control system, and has the ability to measure auditee satisfaction and various measures of the auditor's ability, it can provide high audit quality conducted by a number of auditors and managers leading to their own satisfaction with audit quality.

Management support is seen as a commitment to the effectiveness of the internal audit function within an institution or organisation; Zulkifli et.al (2014). Furthermore, according to Zulkifli et.al, conducting audit activities without support given by management brings difficulties in the ability to follow up on all findings and recommendations from internal auditors. ISA 610 standard on internal audit activities reviews accounting and internal control transactions, examines financial data and information systems, reviews economic activities and evaluates operational effectiveness and evaluates the suitability of activities within applicable regulations and ethics. If an auditor conducts his functions according to the above standards, there will be good audit quality. Furthermore, according to the Institute of Internal Auditors (IIA), quality of financial reporting is inseparable from the role and function of internal auditors in detecting irregularities in accounting data. This statement is supported by results of research conducted by Maletta (1999). From this research, it can be found that use of an internal audit will contribute to completion of the financial statement audit.

The quality of government internal audits is very important, since the quality of the government internal audit will improve financial accountability so the financial statement can be trusted by stakeholders (Mardiasmo 2006; Havens,1990; Bayramov, 2009). Implementation of government internal audit influences the quality of regional government financial institutions accountability (Sadeli, 2008).

**Research questions**

By referring at the background, the researchers can formulate the following research questions:

1. How can the effects of management contribute to intern audit quality?
2. How can the quality of an intern audit contribute to accountability of a financial statement?
Literature Review

1. Management Supports

According to Philip et.al (2001: 118) management support is defined as a very important element in development of skills in organisations (Philippis et.al; Management support is an important application for newly acquired skills). Furthermore, management support according to Mathis and Jackson (2004: 114), is anything that can be given to staff to improve their abilities so that they can support work processes in certain companies or organisations. Still according to Mathis and Jackson; The dimensions of management support are as follows:

1) There must be training and development;
2) There must be performance standards;
3) There must be equipment and technology

According to Decenzo et.al, the effectiveness of employee work depends on management support in the company or organisation culture including how to treat employees who violate the code of ethics. Their effectiveness depends greatly on whether management supports them, manipulates them into corporate culture, and how individuals who violate the code are treated.

According to Mihret and Yismau (2007), management support has dimensions: (1) Responses to audit findings, (2) Commitment to strengthening internal audit. Based on the above definition, it can be concluded that management support for the internal audit function includes support in providing resources (human, equipment / technology, budget), responses to audit findings, and commitment to strengthen the internal audit. According to Alzeban and Gwilliam (2011), there are a number of management support dimensions for internal auditing including:

1. Management provides support for the internal audit planning process taken by internal auditor staff.
2. Management can provide responses to internal audit reports.
3. Management can pay attention to resources in the internal audit department.

Based on the aforementioned definition, it can be concluded that management support includes all efforts given by management at all levels in the organisation to its subordinates, particularly in the field of auditing so that staff can improve their abilities and ultimately improve their expertise in their fields, particularly in the field of internal control.
2. Quality of Internal Audit

According to the Institute of Internal Auditors (IIA, 2011), the definition of the internal audit is as follows:
Internal audits are independent activities, objective guarantees and consultations that are designed to add value and improve organisational operations. They assist organisations to achieve their goals by applying a systematic and disciplined approach in order to evaluate and improve effectiveness of risk management, control, and governance processes.

Moeller (2005: 3), stated that internal audit is defined as follows:
“Internal audit is an independent function established in an organisation with function to examine and evaluate its activities as a service for the organisation.” Furthermore, Internal Audit definition according to Sawyer, et., Al (2006), is as follows: “Internal audit is an independent function established in an organisation to examine and evaluate its activities as a service to the organisation”.

Messier, et., Al (2006: 514), defined internal audit as an independent activity, objective beliefs, and consultation which are addressed to add value and improve organisational operations. This internal audit assists the organisation to achieve its objectives by taking a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Hiro Tugiman (2006: 11), defined internal audit as: “Internal inspection is an independent assessment function in citizenship to test and evaluate any activities conducted by the organisation.”

Based on the above definitions, an internal audit is an independent activity that provides objective guarantees of assurance and consulting activities which provide added value, as well as improve company operations. Internal audits assist organisations to achieve their goals through a directed and systematic approach to evaluate and improve the effectiveness of risk management through control and governance processes.

Internal audit is an audit conducted by an audit unit as part of a supervised organisation (Mardiasmo, 2005). Internal auditors must evaluate their performance and continue to improve their services (Ziegenfus, 2000). Changes in perspective, as one of the internal audit characteristics in the past decade, have focused on increased attention given to any issues such as value added, effectiveness and evaluation of internal audit performance (Sarens and de Beelde, 2006). Internal auditors have a unique position in terms of their status as employees of an organization and having the responsibility to act as an internal guarantee provider. This requires internal auditors to assess and monitor various governance decisions made by the management and also to advise the
management on adequacy and effectiveness of internal controls (Dittenhofer, 2001). Sawyer (1995), stated that internal audit quality is defined as follows: “The quality of internal audit is determined by ability of the internal audit department to provide useful findings and recommendations, it plays an important role to audit effectiveness. Internal audit must prove that it serves value to the organisation and gains reputation within the organisation”.

According to Arens et., Al (2011: 105), the definition of audit quality is how the audit detects and reports material misstatement in financial statements. The detection aspect is a reflection of auditor's competence, while reporting is a reflection of auditor ethics or integrity, especially independence. De Angelo (1981), believes that definition of audit quality is as follows: “Quality is defined as probability audit that auditors will find any material misstatements in the client's financial statements and honestly report such material errors, misstatements, or commissions in the client's financial statements in auditor's (independence) report. Furthermore, Deis and Giroux (1992), stated that audit quality is defined as follows: “Audit quality is the possibility of finding violations depending on auditor's technical ability, and possibility of the courage to report violations depending on auditor's independence.” Lowenshon, et al, (2005), stated that audit quality in the government sector is: “Audit quality is compliance with professional standards and contractual binding during an audit.”

According to Carcello et., Al, (2002), audit quality is a greater guarantee requiring more audit works. Audit quality refers to standards related to criteria or measures of quality of implementation (Boynton and Kell, 2005: 7). In the public sector, the Government Accountability Office (GAO, 2007) defined audit quality as: “Audit quality is well-adjusted to professional standards and contractual terms for the audit being considered. High quality audits are conducted by adjusting to GAAS in order to provide reasonable assurance that the audited financial statements and related disclosures are (1) presented based on GAAP and (2) have no material misstatement whether due to an error or fraud.”

From the several definitions of audit quality above, it can be concluded that, audit quality must be in compliance with accounting standards, audit standards, professional ethical standards, professional quality, and with independence and expertise of auditors and their teams in conducting audits. One way to measure the quality of an auditor's work is to find violations in the client's accounting system and measure the quality of decisions taken by the auditor during the audit. According to GAO (2007), the types of government audits based on the accepted government audit standards (GAGAS) in general are:

1) Financial audit;
2) Agreement of ratification;
3) Performance audit.

A similar opinion was expressed by IIA (2009) stating that the types of audits that can be conducted by government internal auditors are:

(1) Financial audits;
(2) Performance appraisal;
(3) Examination with a specific purpose (investigation).

3. Financial Accountability

The Government Accounting Standards Board (GASB), (1999, section 56) presents the following definitions of accountability:

“Government accountability for responding citizens in order to justify public resources and its use purpose. Government accountability is based on a belief that citizens have the right to know, the right to accept openly any facts that can cause public debate by citizens and their elected representatives. Financial reporting serves its main role in fulfilling government tasks to be responsible publicly in a democratic society”.

Next Gray and Jenkins (1993), defined accountability as follows: “Accountability is an obligation to provide accountability for financial management to those who trust it with responsibility”. Gregory (1995) as quoted by Jacobs (2000), argued that accountability is defined as “the needs to provide accountability for one's actions”. Furthermore, Goni (1997), stated that responsibility is defined as “Accountability is controlled by rules and regulations which are established by various formal procedures in order to minimize judgment and personal mistakes by civil servants. Compliance with these formal procedures serves as the main focus of accountability systems such as auditing and financial management”.

Dauglas (1991) stated that, “Accountability implies provision of information on decisions and actions taken during operations and entities. Accountability is a form of responsibility for success or failure in achieving goals and targets that have been previously determined in terms of the organisation mission, through period of media accountability undertaken periodically (Stanbury, 2003). According to the Government Accounting Standards Committee (KSAP, 2010) within the SAP conceptual framework, accountability is defined as “Accountability is the accountability of resource management and implementation of policies that are entrusted to the reporting entity in achieving any determined objectives periodically”. According to Mardiasmo (2006), definition of accountability is: “Accountability is the provision of information and disclosure about activities
and performance of State Finance to all stakeholders so that it can meet public rights, namely the right to obtain information, and the right to be heard (the right to be heard and hear).”

From the above definition, it can be concluded that accountability is controlled by rules and regulations that form a number of formal procedures and obligations to provide accountability for financial management and management of resources that are entrusted to the reporting entity. Compliance with formal procedures is the focus of accountability systems such as auditing and financial management. Accountability means provision of information on decisions and actions taken in a unit, an independent party reviews the information and makes any necessary corrections.

Accountability can be seen from various perspectives. From an accounting perspective, the American Accounting Association in Arja Sadjiarto (2000) states that accountability of government entities can be divided into four groups, namely accountability for:

1. Financial resources
2. Compliance with legal rules and administrative policies
3. Efficiency and economy of an activity
4. The results of government programs and activities are reflected in the achievement of objectives, benefits and effectiveness.

In government administration, there will be no government accountability when the government does not inform people about information regarding collection of resources and sources of public funds as well as its use. Sinclair (1995), stated 5 (five) types of accountability, namely:

1. Political accountability
2. Managerial or financial accountability
3. Public accountability
4. Professional accountability
5. Structural and personal accountability

According to Gray and Jenkins (1993), there are 3 (three) types of accountability, namely: 1) Financial Accountability, 2) Management Accountability, 3) Professional Accountability. Elwood (1993) further stated four dimensions of accountability in public sector organisations, namely: a) Accountability for honesty and legality; b) Processing Accountability; c) Program Accountability; d) Policy Accountability.

Meanwhile according to Mardiasmo (2004), in addition to the four dimensions of accountability above, there are two other dimensions related to accountability, namely: 1) Performance accountability; 2) Financial Accountability.
Gray and Jenkins (1993), argued that financial accountability combines legal and economic rationality and emphasizes honesty, compliance, efficiency. Furthermore, according to Sinclair (1995), financial accountability includes concepts of efficiency and effective use of resources. The task of serving voters is stated in public accountability. Premchand (1999: 18), concluded that, “The main instruments of financial accountability are

1) Government budget;
2) Periodic data published on public finances,
3) Annual accounts
4) Investigations and other general reports preparing an independent agent.

According to LAN (2000: 28), financial accountability is the responsibility regarding financial integrity, disclosure and compliance with applicable laws and regulations including receipt, deposit and expenditure by government agencies, which the target of accountability must be made in the form of financial statements.

Concept Statement No. 1 (GASB, 1999), also emphasizes that government financial reports must be able to assist users in making economic, social and political decisions by comparing actual financial performance with budgets, assessing financial conditions and results of operations, assisting to determine the level of compliance with statutory regulations related to financial problems and other provisions, and assisting to evaluate the level of efficiency and effectiveness.

Presenting financial statements aims to provide information which is used in decision making, evidence of accountability and management, and evaluation of managerial and organisational performance (IFAC, 2000; GASB, 1999). In the conceptual framework of SAP 26th paragraph (2010), it states that government financial reporting must present any useful information for stakeholders in assessing accountability and making decisions both economic, social and political decisions by:

(a) Providing information about sources, allocations and uses of financial resources;
(b) Providing information about adequacy of income for current period to finance all expenses;
(c) Providing information about the amount of economic resources used in activities of reporting entity and the achieved results;
(d) Providing information about the reporting entity funds which are used for all their activities and meet their cash needs;
(e) Providing information about financial position and condition of reporting entities related to their sources of income, both short and long term, including those from tax levies and loans,
(f) Providing information about changes in the financial position of reporting entity, whether there is an increase or decrease, as a result of activities taken during the reporting period.

Hypothesis

According to Sekaran (2010: 103), hypothesis is defined as “logical assumption relationship between two variables that are expressed in the form of a testable statement”. According to the above definition, a hypothesis is a logically assumption relationship between two or more variables in the formulation of testable propositions empirically.

In accordance with the framework described previously, the research hypothesis can be formulated. Formulation of the hypothesis is as follows:

Hypothesis 1: Management support influences on the quality of internal audit.
Hypothesis 2: Internal audit quality influences on the level of financial accountability.

Research Measurements

This study used the measuring instrument namely Summated Rating Method: Likert Schale. According to Sugiono (2008: 86), Likert Scale is used to measure attitudes, opinions, and individual or group perception about social phenomena. In this research, social phenomenon are specifically determined by the researchers, then these are determined as research variables. By using a Likert scale, the measured variable is described as the starting point for arranging instrument items in the form of statements or questions and given scores in five levels from 1 to 5 for the respondent's answers.

Discussion

Based on results of testing each problem statement and proposed hypothesis, the results can then be compared with the theories and results of previous studies. The discussion results are based on the answers taken from the questionnaire submitted by the researchers.

Effect of Management Support on Internal Audit Quality

The test results for the first hypothesis in this study show that strong effects of internal auditor competency to improve the quality of internal audits. This can be proven by the statistical calculation value by 35.2%. Meanwhile, according to the opinion expressed by Guilford (1956), it states that strengths and weaknesses of internal auditor's competency regarding the quality of
internal audit by the government can be determined by <0.20 in the very weak classification. The weaker and stronger competency of internal auditors on audit quality be seen from the responses of respondents to the competence of internal auditors with an average value of 3.70, this implies the competence in enough category. The weakness of competency of an internal auditor in the institution for each ministry in Timor Leste, is caused by low level of formal education and the placement of auditors not being based on the field of audit (the auditor does not have a good understanding on the audit). In other words, the internal auditors in each inspectorate in each ministry have no background on accounting education. With a lack of internal auditors having educational backgrounds on accounting, auditors are caused to face difficulties in conducting the audit process, due to inappropriate level of education, lack understanding of audit standards and audit process.

Based on the evidence from statistical calculations, results can be obtained regarding auditor's competence and internal influence on audit quality. This is well aligned to the definition stated by experts: Competence integrates knowledge, skills, personal values and attitudes. Competencies are built based on the knowledge and skills acquired through work experience and learning by doing. Knowledge related to education, skills and experience as well as ethical behavior, regarding ethics must be fulfilled as an auditor (CBOK / IIA, 2007; Arens., Et., Al, 2011: 107; Pickett, 2010: 355-356; Mills, 1993: 84). The results of this study can also support researches conducted by Angelo, 1981; Cercello et., Al, 1992; Deis and Groux, 1992; Behn, et., Al., 1997; Francis, 2004; Duff, 2004, 2009; Lawenson et., Al., 2005, 2007; Carey and Simnett, 2006; Samelson, et., Al., 2006; Mansouri, et., Al., 2009, showing that audit quality can be determined by auditor competence and independence.

Effect of Effectiveness of Internal Auditor Function on Audit Quality

Referring to the second hypothesis testing results, namely the effectiveness of the internal audit function on audit quality. From results of the study it can be seen that effectiveness of the internal audit function can improve audit quality, this can be proven by statistical calculations with value of 44.2%. From the results of the study, it can be seen that the response of respondents to the effectiveness of internal audit function has a mean value by 3.89 because it is still in the enough category.

In accordance with hypothesis testing, it can be concluded that there are significant impacts caused by the effectiveness of the internal audit function on audit quality. The results of this study are in accordance with the theory by experts including Robert Muller (2005; 648) stating that there will be satisfactory audit quality if auditors apply their functions more effectively. Furthermore, according to the 610 ISA Standard, in carrying out its functions the audit includes a review of
accounting transactions and internal control, testing financial data and information systems, reviewing economic activities and assessment of the effectiveness of operating activities and activity suitability with applicable regulations and ethics. If the auditor performs the functions according to the above standards, they will create good audit quality. Furthermore, according to the Institute of Internal Audit (IIA), if the auditor in conducting their functions more effectively, they will produce good quality financial reports. The results of this study can also support and are in line with results of research conducted by Baolei et.al (2015) suggesting that an effective auditor's involvement will improve audit quality. The results of other studies presented by Fatimah and Sherliza (2012) show that auditors conducting their functions more effectively can add and improve audit quality. Another study conducted by Maletta (1999) found that an internal audit can contribute to the completion of financial audit reports. Results of another study by Zulkifli et.al (2014) show that internal audits evaluating the financial public sector can effectively create high audit quality.

**Effect of Internal Auditor Competence and Effectiveness of the Internal Auditor Function on Audit Quality**

The third hypothesis results show the effects of internal auditor competency and effectiveness of internal audit functions on the quality of the internal audit in all ministry inspectorates in Timor Leste. From the results of statistical testing simultaneously, the value of 79.4% is obtained. Results of this calculation indicate that simultaneously or jointly Internal auditor's competence and effectiveness of the internal audit function significantly influence on audit quality, and the remaining of 20.6% is influenced by other factors excluded in this study. Then, the result of calculation on mean or grand mean is at intervals of 3-4 with a value of 3.85, which means that the quality is still in the enough category. The results of this study are in accordance with the theory and results of researches conducted by Moeller, 2005; 655; Arens et.al 2011; 105; Lin et.al 2007. Mihret and Yismaw, 2007; Halimah et.al, 2009 and Mansouri et al. 2009. From the results of this study, it can be concluded that the internal auditor competencies and effectiveness of the internal audit function can improve audit quality on the Inspectorates in all Ministries in East Timor.

**Effect of Internal Audit Quality on the Level of Financial Accountability**

The test results of the hypothesis for this variable show that the internal audit quality has significant effects on the level of financial accountability in the public sector for each ministry in Timor Leste. Changes in the level of financial accountability are directly proportional (positive) to an improved quality of internal audit so that there will be a higher level of financial accountability by improving internal audit quality. This means that high audit quality will be able to improve the level of financial accountability in Timor Leste, this is consistent with the results of statistical calculations.
with value for this variable by 57.1% and the mean or grand mean is at intervals of 3-4 or the value of 3.84, this shows that it is still in the quite good category.

The results of this study are in accordance with several theories put forward by LAN 2000, Mohammed et.al, 2004: 43 Sadeli, 2008. Mardiasmo, 2002; Premchand, 1999) and these results are also in accordance with researches conducted by Bayramov (2009), Tilema and Henk (2008), Momeni (2007) Havens (1990). From the research, it can be found that there are significant effects on audit quality within internal government at the level of government financial accountability.

**Conclusion**

In accordance with the discussion of problem formulation, formulation of hypothesis and research results, the research can be concluded as follows:

From the study results, it can be concluded that there are effects from internal auditor competence and effectiveness of the internal audit function on the quality of internal audit. There is still a low quality of internal audit at each inspectorate in ministries in Timor Leste because auditor inspectorates do not all have appropriate education in accordance with their main duties as internal auditors in each ministry, so that auditors do not understand audit standards, accounting systems, and do not have skills in statistical sampling, experience in fraud detection and financial accounting.

From the results of hypothesis testing for audit quality variables at the level of accountability, it can be concluded that there are effects on the internal audit quality at the level of financial accountability. There is low level internal audit quality in each inspectorate in ministries in Timor Leste. To improve the level of financial accountability is all internal auditors must have a proficient ability in planning an audit, in obtaining audit findings and in communicating audit findings to their leaders or auditors.
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