



Moral Courage as a Moderation of the Influence of Internal Auditor's Characteristics on the Effectiveness of Internal Audit

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Abstract

Purpose - To examine the influence of internal auditor characteristics on the effectiveness of internal audit with moral courage as a moderating variable in the banking industry in South Sumatra and Jakarta. **Design / methodology / approach** - The data analysis method used is Structural Equation Modeling (SEM) by implementing the rule of thumb assessing Convergent Validity, Discriminant Validity, Reliability, F test hypothesis testing, Coefficient of Determination (R²), Moderated Regression Analysis (MRA) and t test. **Findings** - The results showed: Characteristics of Internal Auditors, Moral Courage has a positive and significant effect on the effectiveness of internal audit. Moral courage weakens the influence of the characteristics of internal auditors on the effectiveness of internal audit. Internal auditors have a weak attitude of moral courage by considering concurrent positions. **Practical implications** - The characteristics of the Internal Auditor must refer to the attributes that must be possessed by each internal auditor, among others; capability, integrity, objectivity, effective communication, proficiency, appropriate professional experience, as well as training and development as well as paying attention to strong locus of control and ethical awareness in audit assignments. **Originality / value** - In contrast to most previous studies, this study is located on indicators of the characteristics of internal auditors (integrity, capability, locus of control and ethical awareness). In addition, the second novelty lies in the effective role of internal audit in improving corporate governance, risk management and management control

Keyword: Internal Auditor Characteristics, Moral Courage, Internal Audit Effectiveness

Introduction

An effective internal audit is the goal and ultimate goal of the internal audit function. Based on the official definition of internal audit, the main objective of the internal audit function is to create added value for the organization (Dittenhofer, 2001). Therefore, the internal audit function is effective when it actually contributes to creating added value for the organization (Badara & Saidin, 2014; Mihret & Yismaw, 2007). The effectiveness of internal audit contributes greatly to the organization in general (A. Cohen & Sayag, 2010; Dittenhofer, 2001; Institute of Internal Auditors Research Foundation, 2009; Mihret & Yismaw, 2007;). In supporting the effectiveness of internal audit, it is necessary to have the integrity of an auditor to produce quality and correct audit reports that can be useful for those who need information from the audit report. The competence of an internal auditor as a determining factor for the effectiveness of the internal auditor (Barac & Van Staden, 2014; Drogalas et al., 2015;), (Lee & Fargher, 2013) noted that an adequate level of competence of internal audit staff in terms of training, experience, knowledge, and professional qualifications has a positive influence on the effectiveness of internal audit. Similar research was carried out by other researchers conducted in Malaysia, (Alizadeh, 2011;

Wirahadi et al., 2018) found the ranking of auditor education level, staff experience, certified staff and number of internal auditor training among the most influential inputs of internal audit performance. Expertise, knowledge, experience and skills are the competencies required by internal auditors in carrying out their audits. (Pickett, 2015; Sarens et al., 2012; Utami, 2015)

Apart from the competence of internal auditors, Khaled and Mustafa (2016) explaining the cardinal indicators of internal auditors must include report elements that show good and false performance and the contents of the report are discussed with auditee management before issuing the final report and include auditee management comments in the audit report. Besides, Khaled and Mustapa also explained that experience is a characteristic of an internal auditor or knowledge of auditing and has an educational background and has the character of effective communication. (Endaya & Hanefah, 2016). If the transaction evidence used as a source is not objective, it will result in non-objective financial reports (Institute of Internal Auditors Research Foundation, 2009; Pickett, 2015). Objectivity is a characteristic of internal auditors that cannot be separated from other characters such as competence, objectivity and confidentiality. The characteristics of the internal auditor are also inseparable from personality (locus of control) which is an element of the characteristics of the internal auditor

which forms the stability of an auditor in facing task difficulties. (Aikins, 2011) and personal characteristics of a person require ethical awareness, which is a leadership component that is important in developing ethics for individual success as company leadership. (Humphrey et al., 2007)

The personality possessed by a professional is shown by character and manifested in the form of ethical attitudes and actions (Stoldt et al., 2019). Ahmad et al., (2014); Endaya & Hanefah, (2016) finding that the effectiveness of internal audit is not influenced by management support because the aim of exploring the importance of internal audit shows that internal audit is limited by lower staff and is hampered by adequate support from top management, whereas auditors rarely extend their cooperation. While (Marais et al., 2009) explained that the effectiveness of internal audit is significantly affected by management support. The results of these studies are not in line with the research conducted by (Dittenhofer, 2001) which explains that the implementation of support by management often does not work effectively so that top management support does not have an impact on the effectiveness of internal audit. These findings indicate that management support and audit quality have an influence on the effectiveness of internal audit, whereas the effectiveness of internal audit is not influenced by the regulatory and organizational attributes of the audit. (Ammar, 2015) Illegal and / or unethical cases in organizations take many forms. Fraud, corruption, accounting or auditing irregularities, abuse of power, waste and mismanagement are the most common mistakes in organizations. Over the years the incidence of organizational error worldwide has increased (Bowen et al., 2010). The role of internal auditors is needed and the courage to reveal internal cases is very important (Cohen & Sayag, 2010)

Moral courage in the audit process is an important factor when there are growing pressures that will be faced by auditors when carrying out their professional work (Khelil et al., 2018) Ethical behavior in the face of pressure is assisted by the moral courage of an auditor (Karssing et al., 2017; Peterson & Seligman, 2004). Moral courage is unnecessary if it has the support of senior management. Management support affects the effectiveness of internal audit because the relationship between the internal auditors and senior management can contribute to the effectiveness of internal audit (Alzeban & Gwilliam, 2014b; A. Cohen & Sayag, 2010; Drogalas et al., 2015; Endaya & Hanefah, 2016; Hoo et al., 2014; Mihret & Yismaw, 2007; Soh & Martinov-Bennie, 2011a).

Researcher's motivation in conducting this research concerns the unique position of internal auditors in the organization. The unique position here refers to the dual positions that internal auditors have: first, for the internal audit profession and second, for the organization. On the one hand, internal auditors are paid for their work by the organization, i.e. they are paid to do what the management team asks them to do, on the other hand, internal auditors are obliged to uphold standards of professional practice which include integrity, competence, confidentiality and objectivity. Conflicts arise when internal auditors are asked to safeguard the interests of the management team, or those in power, above the interests of the organization itself or other stakeholders. These conflicts put the personality values and ethical awareness of an internal auditor supported by their moral courage at risk. The possible tension between management demands and professional responsibility, which refers to the literature as organizational-professional conflict, creates a critical point for internal auditors in deciding whether to do it by internal auditors and to get senior management support in their company.

Literature Review and Hypothesis Development

Contingency leadership theory is a leadership theory that prioritizes organizational culture and work situations. This theory is presented (Fiedler, 1981) explain the situational determinants determine an excellent leadership model. The leadership style is determined by the qualities and methods, this is also determined by how the leadership situation is when doing the job. Sometimes a leadership style is not needed in certain conditions, meaning that this leadership style has its time but still there is no leadership style that is the best, it's just that there is the most effective and that is when the style is in accordance with the conditions at hand. It can be related to group characteristics with the state of the company, for example whether it is structured or not as measured by the level of experience and the nature of the group's assignments.

Auditor characteristics refer to the various aspects that must be possessed by internal auditors which are an important part for every professional providing professional judgment both himself and others. (Endaya & Hanefah, 2016). Aspects of measuring the characteristics of internal auditors include integrity (Kizirian, 2012), competence (Pickett, 2015), the objectivity of the internal auditors, the report shows good and wrong performance, the contents of the report are discussed with the auditee's management before issuing the final report, the auditee's management comments are included in the report, effective communication, experience or knowledge of auditing, professional certification, educational background (Endaya, 2018), personality / Locus Of Control. (Brownell, 1981) as well as ethical awareness (A. Cohen & Sayag, 2010). An auditor needs to pay attention to the characteristics of the internal auditor in supporting the results of his work so that it is expected to create an effective internal audit effectiveness. Likewise with integrity which is an action to prevent the possibility of deletion of information by persons who do not have the right to do so. Broadly speaking, integrity is information that has been appropriate and appropriate in the system which has been included in the term "messaging" which means that there is no shortage of anything in the process from the presenter to the recipients who have the right to do so to avoid conflicts of interest with their expertise. to uphold ethics (Naegele, 2018). The capabilities of the internal auditors are directly related to the actions of the chief internal auditor to establish the processes and practices required to achieve and maintain internal audit capabilities and the actions of the organization's management to create an enabling environment for internal audit. (Institute of Internal Auditors Research Foundation, 2009).

Internal auditors need to show their objectivity and professionalism at the highest level in collecting, evaluating, and informing information about activities or processes that are being carried out. Internal auditors can show recommendations for improvements to company performance such as increasing revenue, reducing spending, increasing efficiency and productivity, improving quality. services provided, as well as increasing management awareness of transparency and accountability in the use of public resources. (Khelil, Hussainey, & Noubbigh, 2016) Standard for Professional Practices of Internal Auditing (SPPIA) contained in standard 2310 describes the adequacy of information, reliable, relevant and useful, this needs to be identified by the internal auditor so that the achievement of the engagement objectives can be fulfilled. When the contents of the report are discussed with auditee management before issuing the final report, it is an element of the character of the internal auditor that shows a

person's ability to state the results of their performance as outlined in recommendations in order to improve company performance.

The auditee's management comments included in the report are elements of the auditor's internal characteristics that refer to the quality of the communication criteria. The characteristics of the internal auditor must be able to communicate and convince the role of the internal auditor, the internal audit unit must fully understand the main duties, functions and business processes of the auditee about what the organization is doing, significant risks and potential risks it faces, plans, business and how they are able to mitigate the risks it faces (Khelil, et al., 2016) Accounting professional certification is an official recognition for someone's professionalism in their field. In the labor market, a professional certificate can give more value to those who have it. Professional certificates are able to distinguish the level of quality and expertise between those who have certificates and those who are not. For example, accountants who have certificates usually get more trust by clients in carrying out their duties than those who do not have certificates. Personality is a set of traits / characteristics, tendencies and mental tendencies that tend to be stable which are produced by several factors such as environment, culture and heredity. A person's perspective is obtained from experiments on measurement through the location of control and creativity (Ivancevich, 2006). Moral courage is defined as an attempt to correct problems generated by ethical dilemmas and to find ways to help people resist pressure and overcome fear to behave ethically. Similarly, it considers moral courage to be a subtype of prosocial behavior, noting that prosocial behavior "includes various actions that are intended to benefit one or more people." Behaviorist theory is one learning approach that states that behavior change is caused by stimuli from the environment. Moral courage explains why individuals act ethically when others arrive at dissimilar points (Khelil, Hussainey, Hussainey, et al., 2016)

The effectiveness indicator in the sense of achieving predetermined goals or objectives is a measurement where a target has been achieved in accordance with what has been planned. Effectiveness focuses on outcomes, programs or activities that are considered effective if the resulting output can meet the expected objectives or it is said to be spending wisely. The Internal Audit Effectiveness Model consists of four components (Tugiman, 2006) namely: a) An auditor must be guided by and understand the applicable audit standards; b). In carrying out an audit, an auditor must have careful planning and objective identifiers; c). Provide an assessment of the ability of auditors before accepting assignments to increase organizational productivity; d). Provide an assessment of the auditor's ability to find errors. Pickett, (2015) adding an indicator of the effectiveness of an internal audience is related to risk management and corporate governance. Internal auditors' duties include auditing risks; conduct a risk evaluation, propose a risk management stance while explaining the benefits of risk management, or declare support for a risk management program (Jian and Jou 2014)

The effectiveness of internal audit is a measure of the success of an internal audit process within an organization to what extent the organization is declared successful in its efforts to achieve these goals. The effectiveness of internal audit is determined by the suitability between the audit and some general standards that are taken from the characteristics of the internal audit (Brownell, 1981; A. Cohen & Sayag, 2010; Khelil, Hussainey, & Noubbigh, 2016; Kizirian, 2012; Pickett, 2015) Based on the theory discussed previously, the characteristics of internal auditors can have a positive impact on the effectiveness of internal audit. Because auditors who have high integrity will produce recommendations

that can increase the effectiveness of internal audit. When related to effectiveness, the effectiveness of internal audit is the ability of the internal auditors to achieve or realize the functions of internal audit. This means that the higher the integrity of the auditor, the more effective the auditing will be. This is in accordance with the research conducted by (Arena & Azzone, 2009; Bierhoff, 2014; Geert, 2007; Khelil, Hussainey, & Noubbigh, 2016; Mihret & Yismaw, 2007; Sarens et al., 2012; Sarens & De Beelde, 2006; Shahid, 2015; Soh & Martinov-Bennie, 2011b). So from this description, it can be assumed that integrity has a positive effect on the effectiveness of internal audit. Consistent with these reasons, previous academic studies have generally considered that effective internal auditors require competence and training (Arena & Azzone, 2009; Felix et al., 2005; Geert, 2007; Hermanson & Rittenberg, 2003; Iakovleva, 2015; Mihret & Yismaw, 2007; Soh & Martinov-Bennie, 2011ba) Based on this explanation, the researchers concluded the first hypothesis:

H1: Internal Auditor characteristics have a positive effect on the effectiveness of internal audit.

Moral courage is defined as courageous behavior, an important virtue in society and not innate behavior but can be learned and trained. Moral courage is a type of proposal behavior, noting that proposal behavior includes a variety of actions intended to benefit one or more people. The development of a willingness to act with moral courage is influenced by personal factors, which in turn depend on social forces such as management, social norms, perceived rewards or punishments and other contextual factors. (Khelil et al., 2016). Direct and formal communication will reduce the fear of being punished or fired for communication such as reducing overall pressure and strengthening the courage to act independently and objectively. (Scarborough et al., 1998 ; Raghunandan et al., 2001 ; Mat Zain et al., 2006 ; dan Alzeban 2015). The effectiveness of internal audit is the ability of internal auditors to achieve or realize the function of internal audit. The effectiveness of internal audit is determined by the suitability between the audit and some general standards taken from the characteristics of internal audit. The effectiveness of internal audit contributes greatly to the organization in general (IIA, 2011 ; Cohen, 2010 ; Moeller, 2005 ; Sawyer, 2003 ; Rindu, 2016 ; Dessalegn, 2007 ; Dittenhofer, 2001 ; Adhista, 2015). From this description, it can be seen that moral courage has a relationship with the effectiveness of internal audit because if an auditor has moral courage, they will avoid ethical dilemmas and dare to follow up on existing fraud so that the effectiveness of internal audit will increase. Based on this explanation, the researcher concludes the second hypothesis:

H2: Moral courage has a positive effect on the effectiveness of internal audit.

The development of actions with moral courage is influenced by personal factors which in turn depend on social forces such as management, social norms, perceived rewards or punishments, other contextual factors. (Khelil, et al., 2016; Sekerka & Bagozzi, 2007). With moral courage this is considered a strength of character or trait that invites followers with inner psychological strength to face difficult ethical choices (Peterson & Seligman, 2004; Saxby et al., 2002; Yongo et al., 2016) The decisions a person makes are also influenced by psychological factors such as

personality (Miller, 2009). Two main personality variables that influence decisions made, such as ideology versus power and emotional versus objectivity. Some decision makers have a certain ideological orientation, which means that decisions are influenced by a particular philosophy or set of principles. Meanwhile, decision makers or other people base their decisions on something that will politically increase their personal power. Based on cognitive theory, personal character has a direct relationship to individual decision making and personality (Shafer et al., 2001). Lin & Hwang, (2010) explaining (1) justice is related to formal justice, which is treated equally and which is treated unequally. (2) Relativism is a pragmatic model of thought, argues that ethical rules are not universal, ethics are influenced by culture. (3) Utilitarianism states that actions are called ethical if they bring benefits to society as a whole. (4) Deontology is an obligation to obey ethical rules, both written and unwritten. (5) Selfish thinking is an action that tries to maximize the welfare of the individual and advance himself (J. Cohen et al., 2004) examined the relationship between ethical orientation and auditors' ethical awareness. The ethical orientation shows the level of various ethical principles such as utilitarianism, fairness and openness, deontology, relativism. Self-interest (egoism) is used to consider ethical situations. Based on the existing things, a third hypothesis is proposed:

H3: Moral courage strengthens the influence of characteristics of internal auditors on the effectiveness of internal audit

Materials and Methods

The approach in this study will use a quantitative analysis approach by using two constituencies of the banking industry, the head office of Jakarta, 119 banks with 479 internal auditors and for the South Sumatra branch offices as many as 402 banks with 405 internal auditors. The criteria used as a consideration for determining the sample, so that the sampling technique with the non-probability method used was purposive sampling. The criteria used in determining the sample are: a) Internal auditors who work at the head office which is domiciled at the head office in Jakarta (not a regional representative office); b) Internal auditors who have status as permanent Internal Auditors; c). Internal auditors who have participated in the Internal Banking Auditor Formation Certification (for expert and skilled team members); d). Internal auditors who have experience in conducting audits for at least 1 (one) year; e) The internal auditor is willing to respond to the questionnaire given.

First generation statistical analysis techniques, such as regression-based approaches (e.g., multiple regression analysis, discriminant analysis, logistic regression, analysis of variance) and factor or cluster analysis, are among the core statistical tools that can be used to identify or confirm theoretical hypotheses based on empirical data analysis. Structural Equation Modeling (SEM) is a second-generation multivariate data analysis method that is often used to test linear models and theoretically supported causal research. (Haenlein & Kaplan, 2004). Data collection was carried out using a questionnaire model with Google facilities with data collection from November 10, 2020 to January 10, 2021. The distribution of the questionnaire was carried out by initially sending the google facility questionnaire link sent via the whatshap number of the branch office internal auditor head, then forwarding it via the whatshap link head. head office internal auditors. The

results of distributing questionnaires with the number of respondents targeted and distributed as many as 881 respondents obtained the results of the questionnaires that were returned 647 and eliminated with the non-competent parts of their fields, so that the total data obtained was 472 respondents. The researcher used the following empirical model to test the hypothesis:

IAE	=	$\alpha 0 + \beta 1 IAC + \beta 2 MC + \epsilon$	(1)
IAE	=	$\alpha 0 + \beta 1 IAC + \beta 2 IAC.MC + \epsilon$	(2)

Dimana :

- IAE = Effectiveness of Internal Audit
- KAI = Internal Auditor characteristics
- KM = Moral courage
- IACIMC = Interaction between Internal Auditor Characteristics and Moral Courage
- α = Constant Value
- $\beta 1 \beta 2 \beta 3 \dots$ = Independent Variable Regression Coefficient

The construct of this indicator is measured using a questionnaire item that has been prepared based on the references set by professional standards and the management auditor's code of ethics. (Betri, 2019). Questions consist of items consisting of several indicators. Each item is given a score of 1 to 7. The scale used in this study is the Likert scale. On the Likert scale, the variables translated into variable indicators. Then the indicators are used as benchmarks for arranging instrument items in the form of questions or statements. Answers on a scale can be in the form of words including: Absolutely Disagree (Score 1); Strongly Disagree (Score 2); Disagree (Score 3); Neutral (Score 4); Agree (Score 5); Strongly Agree (Score 6); Strongly Agree (Score 7).

Results and Discussion

Analysis of the measurement model in this study uses SmartPLS3 software with the second order construct (SOC) or higher order construct (HOC) method, which is a modeling method in which constructs are reflected or formed by dimensional latent constructs. The Higher Order Construct (HOC) modeled in this study uses the type 3 HOC where the lower order and higher order measurement levels are both carried out reflectively.

Characteristics of Internal Auditors: The results of the revision of the measurement model on the variable characteristics of internal auditors are able to produce validity and reliability parameter values that meet the rule of thumb. All values of outer loading on the manifest variable for the dimensional construct, as well as the outer loading value for the dimension construct on the variable of the characteristics of the internal auditor were above 0.7. The resulting AVE value for each dimensional construct and the Internal Auditor Characteristics variable is also above the value of 0.5, so it can be said that the convergent validity of the Internal Auditor Characteristics variable and its manifestations is fulfilled. Furthermore, the validity measurement is continued by measuring the discriminant validity on the Internal Auditor Characteristics variable. The first method of measuring discriminant validity is to use criteria Fornel C & Larcker D (1981). A latent variable is said to fulfill discriminant validity if the squared value of the correlation between latent constructs <AVE for each related construct, or the square root of AVE> the correlation between latent constructs.

Internal Auditor Moral Courage: The revision of the measurement model on the Internal Auditor Moral Courage variable is able to produce parameter values of validity and reliability that meet the rule of thumb. All values of outer loading on the manifest variable to the dimensional construct, as well as the outer loading value of the dimensional construct on the Internal Auditor Moral Courage variable were above 0.7. The AVE value generated in each dimensional construct and the Internal Auditor Moral Courage variable is also above the value of 0.5, so it can be said that the convergent validity of the Internal Auditor Moral Courage variable and its manifestations are fulfilled. This means that to form a variable construct of Internal Auditor Moral Courage, a second order cannot be used, but a first order is used. Furthermore, the validity measurement is continued by measuring the discriminant validity on the Internal Auditor Moral Courage variable. The first method of measuring discriminant validity is to use the criteria. Fornel C & Larcker D (1981). A latent variable is said to fulfill discriminant validity if the squared value of the correlation between latent constructs <AVE for each related construct, or the square root of AVE> the correlation between latent constructs.

Internal Auditor Effectiveness: The results of the revision of the measurement model on the Internal Audit Effectiveness variable are able to produce validity and reliability parameter values that meet the rule of thumb. All values of outer loading on the manifest variable to the dimensional construct, as well as the outer loading value of the dimension construct on the Internal Audit Effectiveness variable were above 0.7. The resulting AVE value for each dimensional construct and the Internal Audit Effectiveness

Table 1 Nilai path coefficients, t-statistics significance, p-value,

RELATIONSHIP	Original Sample (O)	(STDEV)	T Statistic	P Values
Internal Auditor Characteristics -> Internal Audit Effectiveness	0,661	0,032	20,618	0,000
Courage Moral -> Internal Audit Effectiveness	0,167	0,043	3,886	0,000
M1 -> Internal Audit Effectiveness	-0,187	0,031	5,953	0,000

The table shows that:

- a. There is a positive influence on the internal characteristics of auditors on the effectiveness of internal audit of 0.661 (66.1%) and it is statistically significant because the t-value is 20.618 (greater than 1.96) with a p-value of 0.000 (less than 5). %. This condition indicates that the better the characteristics of the internal auditor, the better the effectiveness of the internal auditors. These results indicate the dominant influence of internal characteristics on the effectiveness of internal auditors.
- b. There is a positive effect of moral courage on the effectiveness of internal audit of 0.167 (16.7%) and it is statistically significant because the t-value is 3.886 (greater than 1.96) with a p-value of 0.000 (less than 5%).). This condition shows that the better the moral courage of the auditors, the better the effectiveness of the internal auditors.
- c. The moderator variable for moral courage moderates the characteristics of internal auditors on the effectiveness of internal audit by -0.187 (18.7%) and is statistically significant because the t-value is 5.953 (greater than 1.96) with a p-value of 0.000 (more smaller than 5%). This suggests that the relationship between the characteristics of internal auditors and the effectiveness of internal audit can be weakened by auditors' moral courage.

variable is also above the value of 0.5, so it can be said that the convergent validity of the Internal Audit Effectiveness variable and its manifestations is fulfilled. This means that to form a construct of the effectiveness of the Internal Audit variable, a second order cannot be used, but a first order is used. Furthermore, the validity measurement is continued by measuring the discriminant validity on the Internal Audit Effectiveness variable. The first method of measuring discriminant validity is to use criteria Fornel C & Larcker D (1981). A latent variable is said to fulfill discriminant validity if the squared value of the correlation between latent constructs <AVE for each related construct, or the square root of AVE> the correlation between latent constructs.

Based on the test results, it was found that all the squared values of the correlation between latent constructs <AVE for each related construct, so that it can be said that the latent variables of Internal Auditor Characteristics, Internal Auditor Moral Courage, Internal Audit Effectiveness fulfills discriminant validity. (Fornel C & Larcker D, 1981).

Results of the Inner Model Structural Analysis

The following page shows the full model image on the inner structural model designed in this study. Furthermore, the final model is formed for the full model as shown below. The following is a tabulation of the results of testing the structural equation model as a whole (full model) which is described based on the path coefficient or the relationship between latent variables as in Table 1

Based on the analysis of the value of path coefficients, t-statistical significance, p-value, using the bootstrapping step on SmartPLS, in Table 8 data, namely the Structural Model Hypothesis Test can be explained as follows:

The Effect of Internal Auditor Characteristics on the Effectiveness of Internal Audit

The results of this study are in line with the findings made by (Arena & Azzone, 2009; Bierhoff, 2014; Geert, 2007; Khelil, Hussainey, & Noubbig, 2016; Mihret & Yismaw, 2007; Sarens et al., 2012; Sarens & De Beelde, 2006; Shahid, 2015; Soh & Martinov-Bennie, 2011b). When related to effectiveness, the effectiveness of internal audit is the ability of the internal auditors to achieve or realize the functions of internal audit. This means that the higher the integrity of the auditor, the more effective the auditing will be. In line with the explanation of the contingency theory which explains that an indication of the realization of a good management supervision system, namely a system that can monitor the maximum influence of management (Lumapow, 2018). In line with this view carried out by (Fisher, 2007) states that supervision is an activity in certain situations to direct the organization to what it achieves and aspires to or is expected at some time in the future. Consistent with this reason, previous academic studies generally considered that effective internal

auditors require competence and training (Arena & Azzone, 2009; Felix et al., 2005; Geert, 2007; Hermanson & Rittenberg, 2003; Iakovleva, 2015; Mihret & Yismaw, 2007; Soh & Martinov-Bennie, 2011bal) Contohnya, Hermanson & Rittenberg, (2003) identified experience and certification as the most important aspects of mentioning his status as an internal auditor. In Malaysia, (Dellai, 2015) found that professional internal auditors significantly affect the effectiveness of internal audit. Based on the theory discussed previously, the characteristics of internal auditors can have a positive impact on the effectiveness of internal audit. Because auditors who have high integrity will produce recommendations that can increase the effectiveness of internal audit. The effectiveness of internal audit is a measure of the success of an internal audit process within an organization to what extent the organization is declared successful in its efforts to achieve these goals. The effectiveness of internal audit is determined by the suitability between the audit and some general standards that are taken from the characteristics of the internal auditor (Brownell, 1981; A. Cohen & Sayag, 2010; Khelil, Hussainey, & Noubbigh, 2016; Kizirian, 2012; Pickett, 2015)

The results prove that to ensure their capabilities, internal auditors must have expertise in the field of auditing and have sufficient knowledge of the field being audited. Auditor competence is shown by their educational background and experience. Ideally, an auditor has an educational background (formal or certification) in the auditing field. Whereas in experience, it is usually indicated by the length of the auditor's career in the audit field, or the variations in conducting the audit. If an auditor assigns a less experienced person, that person must be supervised by an experienced senior. Auditors who audit financial statements must have an educational background, understand the preparation of financial reports and applicable accounting standards. Likewise with auditors who audit operations and compliance, which must have knowledge of the operational activities being audited. This is related to how it is implemented, as well as the assessment criteria. If the auditor is less capable or does not have this capability, then the auditor is required to use appropriate experts.

The results of interviews from several internal auditors both at the head office and branch offices regarding the instrument characteristics of internal auditors, they said that the characteristics of auditors refer to various aspects that they need to have which are an important part of every professional who provides professional judgment in their work. They always pay attention to the regulations issued by Bank Indonesia regarding the Implementation of the Compliance Function of Commercial Banks which state that internal audit must be implemented by banks that have been determined in the Implementation Standards for the Bank's Internal Audit Function. These results indicate the dominant influence of internal characteristics on the effectiveness of internal auditors. Based on some of the previous explanations, the conclusions that can be drawn are the characteristics of internal auditors, which are aspects that must be possessed by internal auditors, which are an important part for every professional who provides professional judgment, both himself and others.

The Effect of Moral Courage on the Effectiveness of Internal Audit

The results of this study are in line with the research (Khelil, Hussainey, Hussainey, et al., 2016) which explains that with moral courage, the auditor can correct any ethical problems or dilemmas

that occur in order to produce an effective audit. The results are also confirmed by research Peterson & Seligman, (2004); Saxby et al., 2002; Yongo et al., (2016) which explains that moral courage is considered a strength of character or trait that invites followers with inner psychological strength to face difficult ethical choices. This is in line with the statement that moral courage is an important factor when creating a lot of pressure in the auditing process, which is faced by auditors in their work. Moral courage in the face of pressure will help prevent unethical behavior (Diggins, 2011; Karssing et al., 2017; Kobuck, 2015; Osswald et al., 2010) Moral courage is an act of glory (an act of virtue) in the face of moral challenges (Sekerka & Bagozzi, 2007)

The Influence of Internal Auditor Characteristics on the Effectiveness of Internal Audit which is Moderated by Moral Courage

Results reinforce the explanation of Diggins, (2011); Karssing et al., (2017) Kobuck, (2015); dan Osswald et al., (2010) who found that moral courage is an important factor when cultivating the many pressures in the auditing process faced by auditors in their work. Moral courage in the face of pressure will help prevent unethical behavior. Contingency theory can support researchers to explain an event and can support researchers to explain the relationship between two or more variables (Badara & Saidin, 2013) Efektivitas audit internal tergantung pada variabel karakteristik auditor internal dan perilaku manajemen senior sebagai control serta perilaku keberanian moral auditor internal sebagai pemoderasi. The decisions a person makes are also influenced by psychological factors such as personality (Miller, 2009). Two main personality variables that influence decisions made, such as ideology versus power and emotional versus objectivity. Some decision makers have a certain ideological orientation, which means that decisions are influenced by a particular philosophy or set of principles. Meanwhile, decision makers or other people base their decisions on something that will politically increase their personal power. Based on cognitive theory, personal character has a direct relationship to individual decision making and personality (Shafer et al., 2001). In the world of auditing, auditors will make judgments and decisions in difficult circumstances. Personality is the psychological attitudes and mechanisms in an individual that are organized and relatively stable and this affects the interaction of individuals with other people, and their adaptation to the environment (including between psychological, physical and social environments). (I. Utami & Nahartyo, 2013) The development of actions with moral courage is influenced by personal factors which in turn depend on social forces such as management, social norms, perceived rewards or punishments, other contextual factors. (Khelil, et al., 2016; Sekerka & Bagozzi, 2007). With moral courage this is considered a strength of character or trait that invites followers with inner psychological strength to face difficult ethical choices (Peterson & Seligman, 2004; Saxby et al., 2002; Yongo et al., 2016).

Conclusions

This study aims to analyze the influence of Internal Auditor Characteristics on the Effectiveness of Internal Audit with Moral Courage as a Moderation Variable. Conclusions can be drawn: 1) There is a positive effect of the characteristics of the internal auditor on the effectiveness of internal audit . This condition indicates that the better the characteristics of the internal auditor,

the better the effectiveness of the internal auditors. These results indicate the dominant influence of internal characteristics on the effectiveness of internal auditors; 2) There is a positive influence of moral courage on the effectiveness of internal audit. This condition indicates that the better the support from senior management, the better the effectiveness of the internal auditors. 3) Moral courage moderates the influence of the internal characteristics of auditors on audit effectiveness. This suggests that the effect of the internal characteristics of auditors on the effectiveness of internal audits can be weakened by auditors' moral courage.

The research implementation still has a limited number of respondents because researchers cannot distribute questionnaires directly during the Covid-19 pandemic. The factors that influence the effectiveness of internal audit in this study only consist of two variables, namely the characteristics of internal audit and moral courage. There are many other factors that affect the effectiveness of internal audit, including; Internal auditor's responsibility, Internal auditor loyalty, Internal auditor's consideration professional, Internal auditor's be careful and thoughtful

The effectiveness of internal audits carried out within an organization must be carried out by internal auditors who have a legal responsibility to the public for what they do and report as findings. Internal audit must be carried out by internal auditors who, either individually or collectively, have adequate personal characteristics and careful accuracy in their field of work. Recruit internal audit unit personnel who have CIA (Certified Internal Auditor) competence or improve the competence of internal audit unit personnel with continuous and direct training related to internal audit. Determine the characteristics that must be owned by the internal auditors as benchmarks and internal audit strategies that can be carried out by personnel in the internal audit unit for management and improve the supervisory and control functions more effectively which impact the effectiveness of the recommendations given.

Conflicts of Interest

The author states that there is no conflict of interest regarding the publication of this paper

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