



## ETHICAL AND INTERNAL AUDIT RESULTS GAP AT BANK BTPN JEMBER BRANCH

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### ARTICLE INFO

#### Article history:

Received: Jun 12, 2022

Revised: Jul 10, 2022

Accepted: Aug 30, 2022

#### Keywords:

Quality Assurance; Ethical Dilemma; Transcendental Awareness

### ABSTRACT

Banking as a highly regulated sector must ensure principles of GCG are applied to every aspect of the business. GCG principles like transparency, accountability, responsibility, independence, fairness, and equality. Quality Assurance in the audit process is responsible for reporting and disclosing any violations, including the code of ethics. Ethical principles are very important for internal auditors. Internal auditors often face ethical dilemmas that can challenge them from the standard. This study examines ethical dilemmas and gaps in the work of QA in carrying out audits at Bank BTPN in the Jember area. Phenomenology transcendental Husserl analysis method with two respondents with Noema, Noesis, Epoche, Intentional analysis, and Eidetic Reduction. The results showed that respondents realized that ethical dilemmas deviate from the company's SOPs. To anticipate this, the resource persons are professional, objective, and independent in their assignments. Both establish good communication, maintain emotions politely and openly. The results of the second respondent, ethical dilemmas are understood as inner conflicts, the incidence of denial of findings, the nature of being adamant about being fitting and emotional ties with the auditee are very well understood. To overcome this problem, he works professionally according to existing regulations and with a professional attitude.

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### 1. Introduction

World in a competitive era moment, and every company must have good governance for operating activities. *Good Corporate Governance* (GCG) is a system and control company. To use create score added (*value-added*) good for *stakeholders* nor *shareholders*. GCG is a system and structure for managing a company with destination raise score holder share and accommodating various interested parties with companies (*stakeholders*) such as Creditors, Suppliers, Associates Business, Consumers, Employees, Government, and the General Public[1]. By general Referring to SE BI No. 15/15/DPN/2013, there are five principles based on the established GCG from (a) *Transparency* (openness information), (b) *Accountability* (accountability), (c) *Responsibility* (responsibility), (d) *Independence* (independence), (e) *Fairness*.(SE BI No. 15/15/DPN, 2013)

Industry banking in operating activity effort faces various risks, ok risk credit, market risk, operational risk reputation. Amount stipulations governing sector banking in skeleton protect interest community, including stipulations governing obligation to meet the appropriate minimum capital with each Bank, making sector banking a highly *regulated* sector. Every Bank must ensure that GCG principles are applied to every aspect of business and throughout bank ranks. Must- have GCG principles confirmed implementation covers transparency, accountability, responsibility, independence, fairness, and equality.

The implementation of GCG is a guideline for Commissioners and Directors to make decisions and run actions based on high morals, one of which is obedience code ethics. Obedience against the Code of Ethics is the need to conduct a compliance audit (*compliance audit*) by an *independent* party, namely the Internal Auditor, to control and monitor existing violations that will be worn to employees and leaders company that violates code ethics. The role of an independent internal auditor will be crucial in the implementation of GCG in the company. Internal auditors do not have a connection with directors, management, and employees, so internal auditors can play a role with maximum and suitable for realizing GCG in the company. Anthony dan Govindarajan, (2011) stated that: "*Internal auditing is a staff activity intended to ensure that information is*



reported accurately following prescribed rules, that fraud and misappropriation off assert are kept to a minimum and in some cases, to suggest ways to improve the organization's efficiency and effectiveness." The Institute of Internal Auditors (2017:29), available in *Standard for Professional Practice of Internal Auditing*, states that: "Internal auditing is an independent appraisal function established within an organization to examine and evaluate as a service to the organization." Means guarantee quality this contained in element *Quality assurance*.

Bani (2015) *Quality Assurance* guarantees quality before, medium, and after. Usman (2008) stated that *Quality Assurance* is a manufacturing process that ensures that a product or service will fulfill requirements by designing a loading quality statement that manufacturers (institutions) guarantee products or services that have been issued or given. Process mechanism guarantee quality consists of seven-element systematic principle, namely 1) Commitment, 2) Internal demands, 3) Responsibilities answer attached, 4) Compliance, 5) Evaluation self, 6) Internal audit, and 7) Improvement by Keep going continuously. Guarantee quality this many adopted by companies, including one by Bank BTPN Internal Auditor at Bank BTPN, is known with designation *Quality Assurance* or QA. QA as an internal auditor is expected to make it easy for To supervise and control ongoing activities at Bank BTPN so that desired goal is achieved for the company could realize. Implementation Duty, Team internal quality, nor individual QA in the assignment is no miss from conflict. QA position is very dependent on the organization's place of Work because *Corporate* income earned originated from the organization. On the other hand, QA is the responsible answer for permanent independence in their profession. Internal audit more carry on is a function evaluation independent run within an organization to test and evaluate system organization's internal control. Harahap (2017), audit quality is essential because it could be made as a base for user information.

In the audit process, QA is responsible for reporting and disclosing every violation, including code ethics. Hedwig & Gerardus Polla (2006) code of ethics arranged to ensure that internal auditors apply standard high behavior in his services. Code of Conduct is a must-have rule behavior used by and attached to the self/institution, internal auditors. Principle ethics is essential for internal auditors because two reasons; first internal auditors are often faced with dilemmas that can challenge them from standards(Larkin, 2000; Goodwin & T.Y. Yeo, 2001; Thompson, 2003). Second, with emphasis moment it's on the governance of the company, the thing that Becomes the more recognized is that internal auditors can play a crucial role in strengthening the ethics of business and the integrity of companies[11]; [12]; [13]

Code of Conduct profession set together to reach uniformity behavior, whether something action ethical or not ethical [14]. Wicaksono & Moningka (2018) Code of Ethics limits professionals about Act ethical behavior. With code ethics, society will evaluate the extent to which an auditor has Worked following standards and ethics that have been determined by his profession [16]; [17]. Code ethics profession is one \_ effort from something association profession for guard integrity profession it to be able to face pressure that can appear from herself alone or party outside. Appearance dilemma ethics is also related to how connection Among *auditee* and QA in understand philosophy *Quality assurance* that alone.

Some reviews about study ethics Ford & Richardson, (1994); Louwers et al., (1997); Loe et al., (2000); Vitell & Paolillo, (2003) reveal several studies empirical about making decisions ethical. They state that one \_ determinant necessary behavior making decision honest is the factors that uniquely relate to individual maker decisions and the variables constituting results of the socialization process and development of each individual. Those individual factors cover the variables of nature since birth (gender, age, nationality, and so on). At the same time, factors other are an organization, environment, work, profession, and so on. Studies about ethics have many conducted with various approaches starting from psychology, social, and economics. Louwers et al., (1997) stated the importance of taking ethics from thinking and moral development for the profession:

- a. Research with topics could be used to understand the level of awareness and moral development of auditors and will add understanding about how auditor behavior in facing conflict ethics.
- b. Research in this area will explain process problems in meeting various decision-making different ethical auditors in situation dilemma ethics.
- c. The results study could be instruction in theme ethics and its impact on the professional accountant.

A capture model ethical no is at to understanding how somebody should make a decision righteous; however more to define how is the process of taking a decision honest that alone. The reason is a decision will allow producing ethical choices, and unethical decisions moral, and labeled or defined as something the righteous or no ethical will may be very misleading [22]. Bampton & Cowton (2009) stated that the retrieval model decision ethical consist of 4 (four-stage), that is, first understanding the existence of moral issues in dilemma ethics (recognizing that a moral problem exists). In stages, this describes how response somebody to

moral issues in dilemma ethics. The second is making a decision ethical (make a moral judgment), namely how somebody makes a decision righteous. The third is an honest intention that is how somebody aims or means to behave ethically or not ethically. In a structured corporate governance organization, the function of internal auditors plays an important role [24]; [25] Kurniawan & Hermawan (2017). Daniri & Simatupang (2008). Internal auditors are responsible for producing an Appropriate Inspection Report (LHP) with facts and reality. However, on the other hand, internal auditors face demands in leadership, career, relationships, change situation conditions, or interest economy to take conflicting decisions with the state. Audit conflict appears when internal auditors run auditing activity. When management or audit subject offers a reward or pressure to the auditors for producing audit report desired by management, so becomes dilemma ethics. For that, the auditor is confronted with options-related decisions with things decision ethical and not ethical. Based on issues and problems that have been described above, research this focus for study by deep how dilemma ethics and inequality results experienced internal audit work Quality Assurance in operating examination (audit) at Bank BTPN Jember area.

## 2. Methods

Studies use phenomenology to study self-appearing behavior researchers [27]. Phenomenology is something the talking stream phenomenon or all something that looks or the one that shows self. Husserl stated that state that 1) in this world, no there is an absolute subject subjective, and not there is a final object objective, 2) object observed nature that not free but depends on ideology the observer and each other connection one object with object others [28]

As for data analysis in research, this refers to the method analysis phenomenology transcendental Husserl with stages *Noema*, *Noesis*, *Epoche*, *Intentional analysis*, and *Eidetic Reduction* [29]

1. *Noema*: Stages first are open layer awareness outermost sources, namely, GCG awareness, Audit, and Ethics.
2. *Epoche*: Peeling process knowledge and experience subject, researcher more formerly To do by "confining" the knowledge possessed so that the information obtained purely from experience informant. Furthermore, researchers summarize the outlines from the results of an interview conducted by systematic. Researcher in adapt results with the question, researcher sorts the data that is considered essential and also groups the data that is regarded as the same so that easier to do the analysis later
3. *Noesis*: That is, combine description texture with the data obtained from intuition phenomenon through reduction *transcendental*. The reduction works to explain how an object is known and experienced by the subject with limited problems based on context and text. This was conducted to guide the researcher to transcendental awareness, where precise data from phenomena that fit with problem research must appear. Destination from *noesis* is uncovering deepest awareness from awareness narrator source about *Good Corporate Governance*, *Audit*, and *Ethics*.
4. *Intentional Analysis*: Process of analyzing earned value from results emphasis meaning to be attention topics research.
5. *Eidetic Reduction* The process of reflection, reducing and revealing value findings from results interview, Make data synthesis and answer all problem research, namely reconstruct meaning and essence *Quality Assurance* and dilemma ethical that represents all problem research.

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## 3. Results and Discussion

### 3.1 Awareness of transcendental audit gap

Analysis Respondent 1 of Mr. Ahmad's audit gap (all the name respondents are initial)

Analysis gap audit results data obtained with problem moment assignment he explains work done must be the following regulation company.

"I carry out *QA* tasks (according to with a job desk) that has been determined, that is controlling branch to work under the *SOP* that the company has made. More carry on he says because already to be (responsible) answer me work as *QA*".

From the statement, he obtained layer awareness outermost father Ahmad for avoiding the audit gap of a QA must have a sense of responsibility answer and run his job following job desk one with QA position. Leave from the job desk, and responsibilities answer then he explains he as QA must be "professional." Several times the word professional is spoken by Mr. Ahmad. This researcher then caught an epoche for open layer awareness about gap audit results. QA at the time in the field was equipped professional attitude. He understood his job as a supporter company for reach his destination as expressed: ... "a QA on duty for controlling branch (reach destination company), work under existing rules / SOPs set by the company."

Mr. Ahmad committed to reporting results inspection following conditions, which then recommend repair in the future. The critical thing in face gap audit results between findings and opinions from the auditee is to control emotion, guard courtesy in speaking, and always be welcome to the auditee. In the following process from the above noesis, the researcher scores commitment, patience, control emotion, polite attitude, and openness. Mr. Ahmad, aware of attitude this aim, following the meaning of QA, revealed that if the QA process exists for controlling branch reach destination company following the rules already set, QA can as a partner to share provisions and help solve the problems faced by branch. Second awareness for guard auditor commitment in an assignment.

Analysis of eidetic reduction from earned value from Mr. Ahmad personally aware for face gap QA audit results must understand job descriptions and company standard operating procedures in an assignment as well as put forward attitude:

1. Be professional, objective, and independent in assignment
2. braid good communication with auditee for equalize perception as well as give recommendation repair branch
3. put forward nature preventive with guard emotion Act polite and open

### 3.2 Awareness of transcendental audit Ethics Dilemma

Awareness about the ethical dilemma that is explored with the use of method awareness transcendental based on Husserl from several source person served as following. Analysis of respondent one audit gap:

#### a. Ethical Dilemma

Awareness transcendental Mr. Ahmad in understand dilemma ethics and complexity he discloses "Ethics is a rules/norms/guidelines that are held in do (deed) every day, always try to behave objectively without seeing the auditee is friend alone, brother or ex-top boss. As well as must be held firm by every worker.

From the expression, he awareness outermost about ethics is something attitude a day day and act objective in look at all thing, as well as must-have principle. From principle, he discloses there are consequences of "responsibility" answer "which can "interpreted he in Act must think and be a responsible answer, understand the effect on his actions. Digging more into the meaning of ethics with epoche not quite enough answer based on the expression:

"because "destination Duty I is a reminder branch for work by professionalism in an inspection. Next moment assignment, he is not free from the dilemma. When the auditee attempts / denies findings, moment face an emotional auditee in confirmation findings. And when the auditee maintains the wrong opinion. \_ Attitude and culture no delicious (feel free) Becomes problem he moment assignment "

Analysis earned value from awareness Mr. Ahmad regarding the ethical dilemma, and they are experiencing source person, first, he must walk with hold firm not quite enough answer as an examiner, and second he aware work must professionally for control and minimize ethical dilemmas. As for essence score findings from Mr. Ahmad by familiar in inspection will experience conflict mind, incident denial results findings, properties insistent feel Correct and bond emotional with auditee is very understandable, however father Ahmad for resolve problem this he as much as possible for work by professional

#### b. Awareness Professionalism

The ethical dilemma experienced by Mr. Ahmad, along with his solution attitude and professionalism, is an exciting assignment. Awareness understood professionalism like his expression:

"Behave (professional, objective, and independent) in to do check, give recommendation repair branch under SOP."

Attitude professional this be the word epoche for open layer more in awareness from Mr. Ahmad. His data mention that:

"Report inspection following field and recommend repair branch to walk according to company SOPs. act professionally in report results inspection following field and evidence Finding and Working under a job desk job, give recommendation repair as well as complete Duty inspection and correct time"

Important points obtained is on awareness father Ahmad about professionalism this have a score that is guard destination company with not quite enough answer refers to the rules already set, other than that's also QA can as a partner to share provisions and help solve the problems faced branch.

c. Awareness Audit Quality

After understanding awareness conflict ethics and professionalism, researchers dig awareness sources on audit quality. He says

*"because "already Becomes not quite enough answer I work as my QA must behave professional and objective."*

Awareness is not quite enough to answer this; It Becomes more concrete when evaluating performance. He is one of them seen from valid whether or not results in findings. The correct word used as a reference for exploring more awareness Mr. Ahmad about awareness audit quality. He says :

*... it (commitment) is part not quite enough answer I moment accept a duty At work, I always try professional control emotion moment face to face with the auditee and speak well so as not to misunderstand. At the Moment of confirmation friend speak politely and caring not emotionally, Always open in terms of sharing provisions and helping look for solution to problem branch as far as not contrary with SOPs*

From the view, the score audit quality is not far from QA professionalism with qualification workers, needed commitment, ability controller self from nature emotional, friendly and polite. Reflection value that can be obtained is that Mr. Ahmad is aware that on duty must be capable give quality results. Work with base ability and certification competence is needed. Besides that, The nature and behavior of QA are very concerned with expediting conducting audits and generating the quality report.

Good Corporate Governance can be understood as activity management business companies that involve principles of fairness, efficiency, transparency, and accountability through internal system control management risk, and ethics poured business in guidelines behavior company. *Quality Assurance* as GCG implementation is crucial for every company, such as IIA and AICPA organizations that have to recommend in the job. Internal Audit at SAP has to respond to challenges and develop a detailed, documented *Quality Assurance* program. *Quality Assurance* determines that not enough responsibilities and activities are required in connection with feedback, review, and approval for different process steps. The Internal Audit *Quality Assurance* program includes several departments special for quality embedded actions in process and structure organization. The benefit of the *Quality Assurance program* is consistency in the application of process models in global, regional, and local audits. This program ensures quality designed with good could increase effectiveness function monitoring and improve the reliability of internal audit reporting.

*Quality Assurance* will help party businesses evaluate and improve business process effectiveness via mitigation risk, control, and governance processes. Become partner party business in developing business by sustainable, helpful party business for more ready to be audited every when by external audit, act as co-reviewer of new business processes. Inside the big banks working part for this quality maintenance called *Quality Assurance (QA Department)*. Because it is under the Consumer Banking division, this unit is called *Consumer Banking Quality Assurance (CBQA)*. CBQA is responsible for ensuring all activity is held with good, correct, effective, and supportive party business.

Internal audit is established internal organization management which is part of organization company as tool help for management in function control company. The Institute of Internal Auditors (2017) defines an internal audit which states destination subject, nature, and space internal audit scope as activity-independent, objective, guarantees belief, and well-designed consultation to give score add and improve activity operation organization. QA in context *theory planned behavior* explicit realized by the third sources, and they must know the possibility that many behaviors no everything under control complete, so that draft from *perceived behavioral control* added for handle behavior sort of this through control emotions, attitudes, behavior with a permanent guard in accordance applicable rules. Internal audit helps the organization reach a goal with a method that gives something systematic knowledge for evaluating and improving management risk, control, and governance processes. Internal audit is divided into three roles, namely:

a. As Supervisor

Initially, internal audit was an approach based on deep system development. Next switch to process-based internal auditing. at the time, it was an internal auditor more many plays a role as the eyes and ears of management because management needed certainty that all established policies will carry out by employees. Many internal auditor orientations checked implementers' compliance with existing provisions (obedience). [31]

Focus from this audit is found necessary deviation corrected, delay, error, procedure or internal control and things that only impact character period short. Activities that cover inspection, observation,

calculation, and checking have a destination in ensuring compliance and adherence to the provisions, policies, and regulations that have been set. The role of internal auditors as supervisors usually generates suggestions or recommendations that provide a short impact period.

From the description above, the role of internal auditors as supervisors is the same case with Duty police. Have we seen that police have a duty to secure and guard the order life Public. So that researcher could provide an exciting conclusion about the role of internal auditors as a supervisor could interpret the same with the police. i.e., internal auditors have to guard safety, smoothness, suitability activity with company regulations specific, wherewith his actions help the company in achievement destination period short. This thing by narration source person Mr. Ahmad as follows:

*"As a QA, I on duty for To inspect results work matched branch with the company's SOP so as not to fraud occurred ."* A QA will hold a vital code of ethics, although compensation was given minor. *"Yes. Because already Becomes not quite enough answer I doing Duty position this ."* The role of the auditor/QA as supervisor is the primary duty to evaluate by periodic, will obedience something employee or department to the existing SOPs in the company. As possible, find things that deviate from SOPs. The more, the more seen, the more good performance a QA. Findings found must be under accurate facts and data. So as not to become any shady, look for goat black. Because every party no want to be blamed, But, they will take suggestions for change, Becomes better.

b. As a Consultant

The role of consultants carried out by internal auditors is expected to help the unit work operational in managing risk by identifying problems and providing suggestions for action repair that gives a score of plus for strengthening the organization. Operational audits are carried out, namely operational audits, with the belief that the organization has utilized the source power existing organization effective, efficient, and economical. Recommendations given by internal auditors are usually character period medium. Role as a consultant requires and brings internal auditors to continuously increase the knowledge he has related to the auditor profession and aspect business, so could help management anticipate a problem [32]

The Institute of Internal (2017) *Auditors* Did a redefinition of internal audit. They have explained that internal audit is something activity independent in set purpose and design activity valuable consultation add and improve operation company. From the redefinition made, *The Institute of Internal Auditors* looks like an internal audit helps something organization or company in achievement destination with a directed and systematic approach for assessing and evaluating effectiveness management risk through good governance and control processes. From the description above, the researcher could provide an exciting conclusion about the role of internal auditors as consultants. Besides the duty to supervise, the function also works as a partner in managing risk. Giving input, recommendations, and expected advice could help employees solve current problems. They primarily related problems with activity operating company so that destination company could achieve.

*"QA on duty" for To do inspection results work branch and as a partner, sharing the provisions (SOP) for reach destination company."*

QA job no just looks for errors from something employee or department. Instead, it also gives input or suggestions for can adapt existing developments, especially development technology. There will be change procedures for undergoing profession every day following culture company.

c. As Catalyst

Future internal auditors possibly play a role as a catalyst that will follow share in determining the destination company. Change complete to direction *Risk Based Internal Auditing* (RBIA) will occur, where the internal auditor will follow play a role starting from determining desired goal achieved until with determining actions what to do conducted to reach goals that have been set. The part of the internal auditor as a catalyst is directing the implementation of *quality* management by what has planned the role of internal auditors as triggers Act as facilitators and *agents of change*. Simbolon, (2010) Internal auditor as catalyst involved active in To evaluate the risks involved in business process company. Because of that, required attitude proactive from internal auditors in recognizing the risks faced or possible faced by management in achievement destination company. The catalytic role played by internal auditors is not just limited to action repair and providing advice but also includes in system design and development, review to competence resource man in something function organization, engagement in composing *corporate planning*, evaluation performance, *budgeting*, *strategy formulation* and proposals strategy change [34]

*"When To do inspection permanent behave professional and objective. Moment confirmation findings, speak politely and guard \_ emotions. Always open in terms of sharing provisions and helping look for solution problem branch as far as not contrary with SOPs."*

Condition dilemma ethical will always happen to every auditor/QA because They are also humans, not robots. Sensible thing if they find comrade error enough work close and the Becomes exam is they prioritize professionalism or personalism. Because of that, the auditor/QA is demanded can make an ethical decision (*ethical decision*), which is good legally and morally and can be accepted society-wide.

#### 4. Conclusion

After conducting research and obtaining results from resource persons related to quality assurance, the following conclusions can be drawn:

First, Quality Assurance acts as a supervisor. The role of the auditor/QA as a supervisor is the main task. Conduct periodic evaluations of the compliance of an employee or department with existing SOPs in the company. The findings found must be by facts and valid data. So as not to be just any shade looking for a scapegoat. Because neither party wants to be blamed, they will accept suggestions to change for the better.

Second, Quality Assurance acts as a consultant. The role of consultants who carry out quality assurance is expected to assist operational work units in managing risk by identifying problems and providing suggestions for corrective actions that add value to strengthen the organization.

Third, Quality Assurance acts as a catalyst. QA, as a catalyst, is actively involved in conducting risk assessments in the company's business processes. Therefore, it is necessary to have a proactive attitude on the part of the internal auditors in recognizing the risks faced or may be faced by management in achieving company goals.

Fourth, Ethical dilemma conditions occur when management or the audit subject negotiates or pressures the auditor to produce an audit report desired by management.

Fifth, For this reason, the auditor is faced with decision choices related to ethical and unethical decisions. Bank BTPN's QA faced ethical dilemmas when the auditee attempted/denied the findings when faced with an emotional auditee confirming the results when the auditee defended his wrong opinion.

From the conclusions above, the researchers provide suggestions, both academically and practically, as follows the independence and professionalism of Bank BTPN's QA are pretty good. Suggestions that can be taken into consideration is that the company's management gives understanding to every employee not to show dislike to the QA. Because it is the job of quality assurance to make the company run as it should. To maintain audit quality, it is also necessary to emphasize to every employee that it is not wrong if they make mistakes, only improvements must be made to become better for mutual progress. This also needs to be done to reduce the sense of ethical dilemma in each QA

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