



INTELLECTUAL CAPITAL AND INTERNAL AUDIT PERFORMANCE: THE MINISTRY OF FINANCE'S INSPECTORATE GENERAL AUDITOR CASE

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ABSTRACT

This research aims to determine the influence of intellectual capital, which comprises public human capital, public organizational capital, and relational public capital, on internal auditor performance. It follows a quantitative research approach where data was collected from questionnaire surveys to 40 Inspectorate General of the Ministry of Finance auditors. Structural Equation Modeling (SEM) was employed to test the hypothesis. This research concludes that public human capital and relational public capital are positively associated with internal auditor performance. Meanwhile, public organizational capital is not associated with internal auditor performance. This research offers valuable insights into the role of intellectual capital in enhancing performance within public sector organizations.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh modal intelektual yang terdiri dari *public human capital*, *public organizational capital*, dan *public relational capital* terhadap kinerja auditor internal. Penelitian ini menggunakan pendekatan penelitian kuantitatif dimana data dikumpulkan melalui survei kuesioner kepada 40 auditor Inspektorat Jenderal Kementerian Keuangan. *Structural Equation Modeling* (SEM) digunakan untuk menguji hipotesis. Penelitian ini menyimpulkan bahwa modal manusia publik dan modal publik relasional berhubungan positif dengan kinerja auditor internal. Sedangkan modal organisasi publik tidak berhubungan dengan kinerja auditor internal. Penelitian ini menawarkan referensi yang penting mengenai peran modal intelektual dalam meningkatkan kinerja organisasi sektor publik.

1. INTRODUCTION

Internal audit is the entire process of auditing, reviewing, evaluating, supervising, and other supervisory activities on the implementation of organizational duties and functions to provide reasonable assurance that actions have been carried out following established benchmarks effectively and efficiently for the benefit of the leadership in realizing good governance (Government Regulation Number 60 of 2008 concerning Government Internal Control System). At the Ministry of Finance (MoF), the Inspectorate General has to oversee the implementation of the units' duties at the MoF to ensure that they follow statutory provisions (Minister of Finance Regulation Number 118 of 2021). In practice, the elected officials who meet competency requirements as auditors will oversee (Government Regulation Number 60 of 2008 concerning the Government Internal Control System).

Internal audit is an important function in adding value to an organization. Through its missions and experts, internal audits can produce recommendations that can change the direction of policies in government organizations towards improvement (Faiteh & Aasri, 2022). In this case, the performance of the Inspectorate General of the MoF needs to provide added value to the MoF itself through recommendations and suggestions for improvement. However, based on the 2021 Inspectorate General Performance Report, in the range of 2018 to 2021, there was a decline in the Stakeholder Satisfaction Index in 2019 and 2020 and an increase in the index in 2021, as illustrated in Figure 1.

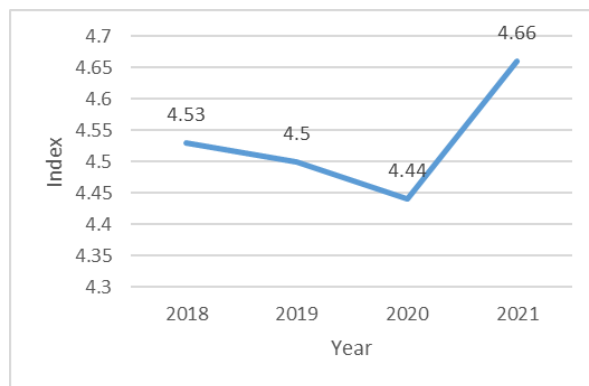


Figure 1. The Stakeholder Satisfaction Index of Inspectorate General

Source: Inspectorate General Performance Report

The Stakeholder Satisfaction Index results from a survey conducted by the Inspectorate General to the top-level management comprising the Minister of Finance, Vice Minister of Finance, Audit Committee, and the Echelon I officials. The survey portrays the performance of the Inspectorate General holistically as an organization in internal audits. The report says that the decrease happened in 2019 because of the low scores for two indicators: the contribution to keeping integrity and using the internal audit for strategic decisions in MoF. For 2020, the low scores happened for indicators of synergy between units and the role of Governance, Risk, and Controls (GRC). Those indicators are related to how qualified the auditors who work under the Inspectorate

General are to keep the organizational integrity synergy between units and use the concept of GRC to provide recommendations for better decision-making of the Minister of Finance. That is because the auditors are the main actors in the oversight. Thus, knowing what factors influence an auditor's performance quality is important.

The Stakeholder Satisfaction Index, which experienced a decline in several periods, affected the Inspectorate General's reputation. In private organizations, auditor reputation does not affect audit quality (Andrian & Nursiam, 2017), which means that good audit quality does not always result from large public accounting firms. However, the reputation of the Inspectorate General, as described by the Stakeholder Satisfaction Index, differs from the audit quality referred to in the study. The inspector general's reputation indicates how the auditee trusts the inspector general to provide recommendations for improvement, which are followed up on as an action plan. This trust needs to be built by improving the performance of Inspectorate General auditors as the actors directly involved in the internal audit process. Improving the auditor's performance will increase the Inspectorate General Stakeholder Satisfaction Index at the level of the organization. Thus, research on factors influencing auditor's performance needs to be conducted.

Leif Edvinsson said that intellectual capital is a combination of human capital, structural capital, and customer capital. These three components are factors that come from the internal organization. According to the Resource-Based-View theory, organizations can gain an internal advantage by maximizing their resources and capabilities (Barney, 1986). Intellectual capital is the intellectual material (knowledge, information, intellectual property, experience) that can be used to create wealth (Stewart, 1997). Wealth in a public context means the satisfaction of the organization's stakeholders.

Intellectual capital is suitable for knowledge companies that benefit from innovation and knowledge-based services (Edvinsson, Leif, and Sullivan Patrick, 1996). Regarding business processes, the MoF's Inspectorate General, who provides services in internal auditing related to assurance and consulting, meets the criteria as a knowledge company (adapted to the context of a public organization). It means that the management of knowledge-based intellect is important in this era of competition (Quinn, 1992) so that the performance of the inspector general's auditor can support the inspector general as an organization in providing added value to its auditee.

The human capital component has been defined as the combination of some factors, such as genetic inheritance, education, experience, and attitude (Hudson, 1993). Meanwhile, Structural Capital is related to the structures and mechanisms of the organization that can support employees in their quest for optimum intellectual performance and, therefore, overall business performance (Bontis, 1998). This structural capital is also mentioned in many articles as organizational capital. And the last, Customer Capital. This capital in the private sector is related to knowledge of marketing channels, and customer relationships are

the main theme of customer capital (Bontis, 1998). In the public context, Campos et al. (2006) bring up the public relational capital, which aligns with Customer Capital. The public customer capital is relationships with providers and partners, institutional image and relations with the press (Campos et al., 2006).

Back to the phenomena in the Inspectorate General of MoF, they can obtain their internal advantage and increase the auditor's performance by maximizing their resources, and those resources are divided into components of intellectual capital, as Leif Edvinsson (1996) explained. Therefore, maximizing the intellectual capital components can improve the auditor of Inspectorate General of MoF's performance.

Previous research related to this topic has been conducted. Ednoer et al. (2022) suggested that public human capital didn't affect organizations, but public organizational capital and relational public capital did. Dewabrata et al. (2022) explained that public human capital, public organizational capital and relational public capital affected the performance of government expenditure. Last, Hermawan & Herlina (2013) concluded that human capital, structural capital, and relational capital positively affected a company's performance.

Of the phenomena that occurred, the conformity of the intellectual capital concept and the increase of auditor's performance, and the previous research, the research to investigate the influence of intellectual capital on Auditor's performance needs to be conducted. This study aims to determine the variables that can affect the auditor of Inspectorate General of MoF's performance. The variables to be tested are the components of intellectual capital for the public sector: public human capital, public organization capital, and relational public capital.

The amount of research related to intellectual capital is still relatively small. The private sector still dominated the related research conducted, especially banking. This research differs from previous research because the independent variable will be the performance of individual auditors who support the Ministry of Finance Inspectorate General, not the organization's performance. In addition, intellectual capital will also become increasingly important and significant in the future public sector considering the Integrated Reporting concept in which public organizations need to report both financial and other non-financial information, including those related to intellectual capital, which will have an impact on expanding the scope of internal auditing (Guthrie and Dumay et al., 2015).

This research can give insight into the components of auditor performance that can still be optimized to improve. In the end, intellectual capital will become a concept considered in preparing policies related to internal audits. For these reasons, research on the influence of intellectual capital components on the performance of the Ministry of Finance's Inspectorate General Auditor must be conducted.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Looking at an organization through the lens of Resource-Based View Theory, an organization is believed to be able to achieve a sustainable competitive advantage by relying on the resources that the organization has (Barney, 1986). This view argues that organizations should look within the organization to find sources of competitive advantage rather than looking at the organization's external environment. With external environmental conditions that tend to change, organizations that base their long-term strategy formulation on the external environment will not have a secure foundation. The resources and capabilities of the organization itself form a much more stable basis (Grant, 1991). Resourced-Based View Theory argues that organizational performance primarily will be determined by internal resources, which can be grouped into three categories: physical, human, and organizational resources. Physical resources include all plant and equipment, location, technology, raw materials, and machinery; human resources include all employees, training, experience, intelligence, knowledge, skills, and abilities; and organizational resources include company structures, planning processes, information systems, patents, trademarks, copyrights, databases, as well as informal relationships between groups within an organization and between the organization and those in its environment (Barney, 1991). Resources can also be grouped into tangible resources, such as labor, capital, land, plant, and equipment, or intangible resources, such as culture, knowledge, brand equity, reputation, and intellectual property. Due to the non-specific or unique nature of tangible resources, they were making it easier for various organizations to obtain and use, and intangible resources have become more important for gaining and maintaining competitive advantage (David, 2017).

Human capital, which includes collective experience, skills, and general knowledge of all company employees, is a resource because it can generate value for the organization (Edvinsson, 1996). Following the Resource-Based View Theory, human capital as a resource can be used by organizations to gain a sustainable competitive advantage. The essence of human capital is the knowledge possessed by members of the organization. Each organization member has tacit knowledge, namely skills that cannot be articulated but are needed to carry out organizational functions (Bontis, 1998). The focus on utilizing human capital as one of the main organizational factors is often not a major concern because organizations focus on other resources such as capital, technology, and money. Many organizations do not realize that the basis for driving organizational values is human capital with all the knowledge, ideas, and innovations it has. Human capital is a strategic resource for developing organizational competitiveness because knowledge is a valuable resource, rare, difficult to imitate by competitors, and cannot be replaced by other types of resources (Ongkorahardjo et al., 2008).

According to Ongkorahardjo et al. (2008), an organization will perform differently through different

human capital management, meaning that other humans managing the same resources will produce different added values. Through this statement, it can be concluded that tangible resources owned by companies cannot provide added value on their own (passive) if they are not combined with human capital that can manage and create value for an organization—in Ongkorahardjo et al. (2008), testing the implementation of human capital management on employee performance by Swastari (2013) at PT. Telkomsel branch Purwokerto found that competency, individual capability, and motivation partially affect employee performance. Human capital positively and significantly impacts employee performance, as indicated by Prasetya et al. (2016) research on PT PLN (Persero) Main Development Unit VIII Surabaya employees. The performance of an auditor whose duty is to provide assurance and consultation to his supervisory client certainly depends on the inherent knowledge and abilities of the employees in the organization.

H₁: Public human capital has a positive effect on auditor performance

Edvinsson (1996) explained that human capital will be of little value if company resources do not support it. To express their ideas, human resources need a medium such as paper to write something on, a telephone to contact potential customers, or production staff and manufacturing facilities. Human capital requires a company-supporting infrastructure called structural/organizational capital. Organizational capital is the infrastructure that companies develop to commercialize their human capital. It includes direct and indirect support, each with a physical and intangible element. Direct support, namely supports that 'touches' the human resources director, has material support such as computers, desks, and telephones, and intangible assets such as information systems, computer software, work procedures, marketing plans, and company knowledge. Indirect support (supporting people touching human resources) includes physical elements such as buildings, lights, electricity, and plumbing and indirect features such as strategic plans, payroll systems, cost structures, and supplier relationships. Organizational capital provides an environment that encourages human capital to create and utilize knowledge.

In the resource-based view theory, resources become valuable when they enable organizations to develop or implement strategies that increase efficiency and effectiveness (Barney, 1991). Organizational capital cannot be separated as an important part of intellectual capital because it has very large support for good infrastructure, systems, and procedures to achieve optimal organizational performance (Dewabrata et al., 2022). Even though someone has high intelligence and innovation for the organization, if it is not supported by systems and procedures that can record their actions, intellectual capital will not reach its maximum potential. Without organizational capital, intellectual capital will only become human (Bontis, 1998). Not only in private companies, public organizations increasingly depend on

robust data and information management. Research conducted by Farah and Abouzeid (2017) found that organizational capital positively influenced public sector organizations' performance and highlighted the importance of further research on the relationship between intellectual capital factors and organizational performance in the public sector.

H₂: Public organizational capital has a positive effect on auditor performance

According to Bontis (1998), relational capital is formed from the relationship or relations of an organization with external parties. However, according to Farah and Abouzeid (2017), relational capital can also be formed from interactions between employees of an organization. Relational capital can be defined as an intellectual asset that includes knowledge, skills, and abilities inherent in the relationships between individuals in an organization. Youndt and Snell (2004) stated that the circulation of knowledge derived from relational capital could encourage creativity, innovation, and problem-solving. It can improve stakeholder relations, develop new products/services, and increase quality. The knowledge stored and exchanged in a network of relationships between individuals can help organizations improve their performance and competitiveness (Subramaniam & Youndt, 2005).

As a public sector organization, the Inspector General of the Ministry of Finance is tasked with providing assurance and consultancy to the Ministry of Finance's internal units. Of course, in providing services to supervisory clients, a good relationship is needed so that findings, recommendations, and consultations can be well received. Good communication skills and adequate understanding within the internal auditor team are also important in completing assignments. As a result, the exchange of knowledge between public sector employees and between public organizations and the public significantly influences the performance of organizations in the public sector (Farah & Abouzeid, 2017). In line with this, research conducted by Dewabrata et al. (2022) and Ednoer et al. (2022) found a significant influence between relational capital and organizational performance.

H₃: Relational public capital has a positive effect on auditor performance

3. RESEARCH METHOD

The research used primary data through questionnaires distributed from January 16 to 17, 2023, with the specified scope of respondents, namely the auditors of the Inspectorate General of the Ministry of Finance. Questionnaires were distributed to 48 people. The total number of respondents who filled out the questionnaire was 40, and the entire sample was used in the study. The questionnaire was distributed via an online link (<https://forms.gle/SxK7N8Ec8no1ELtq9>) to obtain respondent data. The questionnaire was divided into two parts, namely questions related to the respondent's identity (gender, age, last education, and years of service) and questions related to the respondent's perception of the intellectual capital component. The measurement scale for each

questionnaire item uses a linear scale with a range of numbers 1-5. 1 refers to strongly disagree, 2 refers to disagree, 3 refers to agree, 4 refers to agree, and 5 refers to strongly agree. The dependent variable in this study is the performance of the Ministry of Finance Inspectorate General. The indicators developed for organizational performance follow MoF's Inspectorate General Regulation Number 10 of 2016 concerning Guidelines for the Implementation of the Inspectorate General's Stakeholder Perception Survey, which contains the main questions regarding the performance

indicators of the Ministry of Finance's Inspectorate General's auditors.

Meanwhile, the independent variables in this study are public human capital, public organizational capital, and relational public capital. The indicators used for the independent variables follow Dewabrata et al. (2022), as stated in Table 1. Using a structural equation model, the research data was tested with validity tests, reliability tests, descriptive statistics, and hypothesis testing.

Table 1. Operational Research Variables

Variables	Code	Indicators (Questionnaire Items)
Public Human Capital	PHC1	I have a great commitment through my work in internal control.
	PHC2	I can motivate myself to work well in carrying out internal control.
	PHC3	I easily adapt to the changes that occur in my current organization.
	PHC4	I often receive specific training related to the particular job I am currently working on.
	PHC5	I have a lot of experience and expertise in internal control.
	PHC6	I can work in a team.
	PHC7	I can communicate work matters well to my colleagues/subordinates/boss.
	PHC8	I have good leadership skills.
	PHC9	Having a sufficient number of employees can affect my performance as an auditor.
	PHC10	Clear roles and functions can affect my performance as an auditor.
Public Organizational Capital	POC1	My organization has an organizational culture that encourages auditors to work professionally.
	POC2	The organization where I work has an organizational culture that can increase the motivation of auditors to work.
	POC3	The organizational culture where I work supports auditors having high integrity in supervisory assignments.
	POC4	The organizational structure where I work follows the existing job capacity.
	POC5	The organizational structure where I work allows for good coordination of work within a group coordinator.
	POC6	The organizational structure where I work allows good coordination of work between group coordinators.
	POC7	The work environment supports me in carrying out formal and informal continuous learning.
	POC8	My work environment is used for discussions in solving work problems formally and informally.
	POC9	My current work procedures and processes allow me to develop my competence.
	POC10	The Strategic Vision and Mission of the organization I work for are reflected in my work.
	POC11	Standard operating procedures currently in effect have effectively completed work within the group coordinator.
	POC12	Standard operating procedures currently in effect have effectively completed work between group coordinators.
	POC13	Standard operating procedures currently in effect have been effective in completing services to supervisory office/stakeholder/client relations.
	POC14	Leader replacement/mutation affects work processes and programs.
	POC15	There is supervision from the leader on the implementation of internal control.
Relational Public Capital	RPC1	Goods and service providers who work with my office adjust the needs and standard costs of agencies/organizations.
	RPC2	The office where I work can work with other agencies/offices outside the Inspectorate General of the Ministry of Finance.
	RPC3	Supervisory clients widely know the leader of the Inspectorate General of the Ministry of Finance.
	RPC4	Supervisory clients respond well to office leaders where I work.
	RPC5	The office where I work has a good image in the eyes of the press/media.

Variables	Code	Indicators (Questionnaire Items)
	RPC6	The preparation of work programs always involves client supervision.
	RPC7	Ease of supervision of clients in accessing the Ministry of Finance's Inspectorate General Information System.
Internal Auditor Performance	AP1	I explain the assignment's intent, purpose, scope, and timeframe during preliminary talks to supervisory clients communicatively and effectively.
	AP2	I behave professionally as an Inspector General auditor in carrying out supervision.
	AP3	As an auditor for the Inspectorate General, I am objective in supervising.
	AP4	I know business processes in the field/activities of supervisory clients carried out by supervision.
	AP5	I have positive quality relationships with supervisory clients.
	AP6	I maintain good communication in terms of supervision with surveillance clients.
	AP7	I conduct solutive discussions with supervisory clients regarding corrective action plans (action plans).
	AP8	Suggestions/recommendations for improvements that I convey to supervisory clients provide added value.

Source: Dewabrata et al., 2022

4. RESULT & DISCUSSIONS

The respondents of this research are 41 internal auditors of the Inspectorate General of MoF. Table 2 shows the distribution of those respondents.

Table 2. Distribution of Respondents

Items	Distribution	Numbers	Total
Gender	Males	33	40
	Females	7	
Experience	5 to 10 years	40	40
Age	25 to 35	40	40

Education	Diploma	4	40
	Bachelor	36	

Source: processed data

A validity test is carried out by evaluating the value of outer loadings. Outer loadings describe the relationship between latent variables and their indicators. Table 3 shows the validity test results for each variable in this study. The condition for the questionnaire items to be declared valid is that the factor loading value indicates a number greater than 0,7 Hair et al. (2017).

Table 3. Loading Factor Value of Indicators

Items	Internal Auditor Performance	Public Human Capital	Public Organizational Capital	Relational Public Capital
AP 1	0.811			
AP 2	0.842			
AP 3	0.795			
AP 4	0.794			
AP 5	0.843			
AP 6	0.869			
AP 7	0.873			
AP 8	0.876			
PHC 1		0.857		
PHC 2		0.784		
PHC 3		0.742		
PHC 4		0.730		
PHC 5		0.814		
PHC 6		0.831		
PHC 7		0.725		
PHC 8		0.828		
POC 1			0.752	
POC 2			0.732	
POC 3			0.871	
POC 6			0.767	
POC 7			0.797	
POC 8			0.874	
POC 9			0.823	
POC 10			0.819	
POC 11			0.755	

Items	Internal Auditor Performance	Public Human Capital	Public Organizational Capital	Relational Public Capital
POC 13			0.797	
POC 15			0.877	
RPC 2				0.894
RPC 3				0.813
RPC 4				0.936
RPC 5				0.917

Source: processed data

Previously, some indicators were eliminated because the loading factor value was smaller than 0.7, namely PHC 9, PHC 10, POC 4, POC 5, POC 12, POC 14, RPC 1, RPC 6, and RPC 7. For the reliability test in this research, the evaluation was carried out by looking at Cronbach's Alpha and Composite Reliability values ,

which describe the clarity of the variables being measured. Hair et al. (2019) recommend that Cronbach's Alpha value be above 0.70 and Average Variance Expected (AVE) be above 0.50. Furthermore, Table 4 is the result of the reliability test for each variable as follows:

Table 4. Cronbach's Alpha and Average Variance Extracted (EVA) value

Variables	Cronbach's Alpha	Average Variance Extracted (EVA)	Results
Auditor Performance	0.939	0.703	Reliable
Public Human Capital	0.914	0.625	Reliable
Public Organizational Capital	0.946	0.652	Reliable
Relational Public Capital	0.913	0.794	Reliable

Source: processed data

Based on Table 3 above, the variables of public human capital, public organizational capital, and relational public capital have Cronbach's Alpha values above 0.7. All variables also have an Average Variance Expected (AVE) value above 0.5, so it can be stated that

the questionnaire question items on the four variables used in the study are reliable and can be used in further testing. Table 4 is a summary of the descriptive statistics of the research variables.

Table 5. Research Variable Descriptive Statistics

Variables	N	Min.	Max.	Mean	Standard Deviation
Auditor Performance	40	3,25	5,00	4,58	0,5559
Public Human Capital	40	2,63	5,00	4,32	0,6538
Public Organizational Capital	40	2,67	5,00	4,45	0,6259
Relational Public Capital	40	2,14	5,00	4,34	0,7786

Source: processed data

The minimum value in this study is found in the relational public capital variable of 2.14, while the maximum value of 5.00 is found in all variables. The average value (mean) in this study is in the score range of 4, where the lowest average value is 4.32 (public human capital variable), and the highest average value

is 4.58 (auditor performance variable). This study's largest standard deviation value is 0.7786 for the relational public capital variable, which means that the data distribution on this variable is very wide compared to other variables. Furthermore, a summary of hypothesis testing is in Table 5 below:

Table 6. Hypothesis Test Results

Variables	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	R ²	Adj. R ²
PHC -> AP	0.512	0.496	0.158	3.243	0.001	0.792	0.775
POC -> AP	0.207	0.215	0.196	1.057	0.146		
RPC -> AP	0.315	0.321	0.163	1.933	0.027		

Source: processed data

Based on the hypothesis test, the result is that the first variable, Public Human Capital, has a P-value of 0.001, which is smaller than 0.1. It indicates that the Public Human Capital variable affects the independent variable, Auditor Performance, which means that the first hypothesis (H1) is accepted. H1 affects auditor performance as indicated by the Original Sample value, which is positive of 0.512. This result aligns with previous research by Hermawan and Herlina (2013) and Dewabrata et al. (2022). Public human capital affects

the performance of public sector organizations within the scope of the performance of individual employees and an organization. However, these results do not align with Ednoer et al. (2022). The two studies have the same object regarding the public sector, but they are different in terms of business processes. The Inspectorate General provides assurance and consulting activities only to the internal units of the Ministry of Finance. Meanwhile, the Account Representative of the Directorate General of Tax on Ednoer et al. (2022)

provides tax-related services directly to the public. Following the Resource-Based-View theory, the Inspectorate General of the Ministry of Finance gains a competitive advantage reflected in the Auditor Performance variable by optimizing the available resources. In this context, it is public human capital. The result of the survey is shown in Table 6 below.

Table 7. Public Human Capital Scores

Code	Indicators	Average Scores
PHC 1	Commitment	4.71
PHC 2	Motivation	4.54
PHC 3	Adaptation	4.39
PHC 4	Training	4.05
PHC 5	Experience	3.71
PHC 6	Synergy	4.76
PHC 7	Communication	4.46
PHC 8	Leadership	4.05

Source: Processed Data

The average score of overall indicators is 4.48. The indicators that have been over the average are commitment, motivation, and synergy.

The personal commitment and motivation of the auditor in internal audit is the basis for the quality of their performance. This basic capital should be complemented by other indicators, such as training, experience, and leadership, so the auditor can work professionally. The professionalism of the auditor is related to understanding the auditee's business processes. The understanding can provide insight for the auditor to provide high-quality recommendations toward the audit's findings during the oversight process so that the internal audit offers added value for the auditee. But, the data shows that the three indicators have scores under the average.

In addition to cognitive abilities, auditors also need to have adaptive and communication skills. The data shows that these two indicators are also under average. Adaptability is required because auditors face different auditee and business processes in each assignment. Communication skills are necessary because the auditor will work in a team. Communication within the auditor team is crucial because the oversight's output is not personal but the team's. Effective communication is also necessary when dealing with the auditee. The delivery of the aims and objectives at the initial internal audit meeting provides the auditee with an understanding of the purposes and benefits of the oversight to be carried out. The delivery of findings and recommendations at the end of the oversight is to make the auditee understand the points that need improvement so that internal audit improves organizational performance. Adequacy of the number of auditors, as well as an understanding of the role of each auditor in an internal audit, provides a work environment with an adequate workload. Meanwhile, the indicators synergy shows high scores, indicating that the auditors have worked inside the group and are

concerned about other units. All these things are related to public human capital, ultimately supporting the auditor's performance.

Furthermore, based on the hypothesis test, the result is that the second variable, Public Organizational Capital, has a P-value of 0.146, greater than 0.1. It indicates that the Public Human Organizational Capital variable does not affect the independent variable, Auditor Performance, which means the second hypothesis (H2) is rejected. These results are not in line with previous research, Hermawan & Herlina (2013), Ednoer et al. (2022), Dewabrata et al. (2022). The four studies have different objects in scope, business processes, and oversight. The three previous studies yielded results that public organizational capital (although in additional terms) is positively related to organizational performance holistically, except for technological public capital in Ednoer et al., negatively related to AR (Account Representative) performance as a manifestation of the organization of the Directorate General of Taxes (DGT).

Meanwhile, the variable does not affect the MoF's Inspectorate General Auditor Performance. Following the Resource-Based-View theory, the Inspectorate General of the MoF has the potential to increase its competitive advantage, reflected in the Auditor Performance variable by optimizing its resources, in this context, public organizational capital. The result of the survey is shown in Table 7 below.

Table 8. Public Organizational Capital Scores

Code	Indicators	Average Scores
POC 1	Supporting Organisational Culture	4.56
POC 2	Motivating Organisational Culture	4.27
POC 3	Integrity Organisational Culture	4.76
POC 6	Inter workgroups coordination Organisational Culture	4.39
POC 7	Continuous learning environment	4.61
POC 8	Discussion in Problem Solving	4.66
POC 9	Competence Development	4.44
POC 10	Vision and Mission of Organisation	4.37
POC 11	Operating Standard intra-group	4.29
POC 13	Operating Standard toward Stakeholder	4.37
POC 15	Oversight from Top Management	4.66

Source: Processed Data

The indicators over the average scores are supporting organizational culture, integrity organizational culture, continuous learning environment, discussion in problem-solving, and oversight from top management. Meanwhile, the rest of the indicators in public organizational capital are still under average.

Organizational culture motivates employees to work. Based on the statistics from the questionnaire results, more auditors stated "agreed" that the Inspectorate General's corporate culture encourages auditors to work compared to "strongly agree," and a small number answered only "quite agree." The existing

organizational structure is believed not to support work capacity suitability fully. In addition, the auditors perceive that the current operational standards are not fully effective in completing work within a group coordinator (workgroup/unit), between work groups, and towards stakeholders. The issues that arise are internal issues of the Inspectorate General's organization to fix its structures. In addition, the workplace is considered less motivating for the employees because of the lack of chance to develop their skills.

Lastly, based on the hypothesis test, the result shows that the third variable, Relational Public Capital, has a P-value of 0.027, smaller than 0.1. It indicates that the Relational Public Capital variable affects the independent variable, Auditor Performance, which means that the third hypothesis (H3) is accepted. H3 affects auditor performance, as indicated by the Original Sample value, which is positive of 0.315. These results align with previous research by Hermawan and Herlina (2013), Dewabrata et al. (2022), and Ednoer et al. Positive relationships with external parties positively impact the auditor's performance, including relations with goods and service suppliers, auditee, and the media/press. Following the resource-based-view theory, the Inspectorate General of the Ministry of Finance gains a competitive advantage reflected in the Auditor Performance variable by optimizing its capabilities, in this context, relational public capital.

Table 9. Relational Public Capital

Code	Indicators	Average Scores
RPC 2	Synergy	4.66
RPC 3	Leader Figure	4.66
RPC 4	Response toward leader	4.49
RPC 5	Organization Reputation	4.39

Source: Processed Data

All indicators of relational public capital exceed the average scores except for the organization's reputation.

Synergy shows that positive relationships in the context of auditor performance are relationships that maintain objectivity and professionalism. Leader figure is about the good image of the Inspector General, leader of the Inspectorate General, in the auditee's perspective, appears because he has the program of "Inspector General Greets," which is an integrity seminar for certain units in the Ministry of Finance with the Inspector General himself as the speaker. It shows the auditee that the intentions of the top-level management are good for the existing oversight program. All of these things affect the auditor's performance in an internal audit; considering the quality of the internal organization gives confidence to the auditor in carrying out tasks, which, in turn, the implementation of the internal audit provides added value for the auditee. Low scores of organization reputation confirm the decrease in 2019 and 2021 in the Satisfaction Index of Inspectorate General of MoF.

Based on the hypothesis test, an Adjusted R² value of 0.775 was obtained. It means that Public Human Capital and Relational Public Capital variables

affect the auditor's performance variable at the Inspectorate General of the MoF by 77.5%. Meanwhile, 22.5% is influenced by other variables outside the test, *ceteris paribus*.

5. CONCLUSIONS AND SUGGESTIONS

This study concludes that Public Human Capital and Relational Public Capital positively affect the Auditor Performance of the Inspectorate general of the Ministry of Finance. Meanwhile, Public Organizational Capital does not affect the Auditor Performance of the Inspectorate General. The two influencing variables confirm the Resource-Based-View theory, which states that competitive advantage can be obtained by optimizing the resources and capabilities of the organization. Meanwhile, the variable that does not affect the Performance of the Auditor is because Public Organizational Culture is considered not to support the auditor's work. It is related to operational standards that have not facilitated auditors in carrying out work within a group coordinator (work group/unit), between work groups, and towards stakeholders. In addition, the auditors need a more motivating environment that encourages the development of their competence.

This research provides input for the government in general and the Inspectorate General of the Ministry of Finance in particular that intellectual capital is a crucial thing that affects auditor performance. The auditor's performance will be calculated into organizational performance. Maintaining the quality of the intellectual capital component that already supports the auditor's performance is necessary. Moreover, increasing the organizational culture provides comfort for the auditors in working, which can provide added value for the auditee, particularly for the Ministry of Finance at a wide level.

6. IMPLICATIONS AND LIMITATIONS

This study has several limitations: the respondents and the questionnaire. The number of respondents is still relatively small compared to the population of the Ministry of Finance's Inspectorate General auditors. In addition, the respondent's composition is still focused only on low-level auditors. Therefore, there is an area for improvement in future research to expand the number of respondents and the distribution of respondents' composition to obtain more representative data.

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