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Factors Influencing Red Flags and Leadership Behavior that Impact Internal Audit Quality at Inspeção Do Estado (IGE) Timor Leste

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Abstract

This research aims to look at the quality of internal audits in all Timor-Leste ministries, where in fact the quality of internal audits in Timor-Leste ministries is still of low quality, because the quality of internal audits is greatly influenced by the political behavior of leaders and red flags, so that auditor integrity, auditor competence, auditor independence and auditor work pressure are factors that greatly influence the quality of internal audits. Then, the absence of a single rule and system that can be used by all Timor-Leste auditors in carrying out audits is a major factor that can influence the quality of internal audits. Method used is the explanatory research method. This research used simple random sampling with a total of 88 auditors in the Ministry of Timor-Leste. The research results show that auditor integrity, auditor competence, auditor independence and work pressure have a significant influence in a positive direction on red flags, leadership political behavior and internal audit quality through leadership political behavior. Then auditor integrity, auditor competence and auditor independence have a significant influence in a positive direction on internal audit quality. Meanwhile, work pressure does not have a direct effect on internal audit quality, this is because the more work pressure an auditor experiences, the more internal audit quality will decrease. Furthermore, red flags and leadership political behavior have a significant influence in a positive direction on internal audit quality. Auditor integrity and auditor competence do not indirectly influence internal audit quality through red flags. Then auditor independence and work pressure have a significant influence on internal audit quality through red flags.

Keywords: Auditor Integrity, Auditor Competence, Auditor Independence, Auditor Work Pressure, Red Flags, Leadership Political Behavior, Internal Audit Quality.

Introduction

The auditor profession in Timor Leste also relies heavily on the trust of users of auditor services in the quality of the services produced. Timor-Leste, one of the world's youngest and poorest Asian countries, remains in a fragile state. About 41% of the population lives below the basic needs poverty line. Given its weak regulatory and institutional framework, Timor-Leste is vulnerable to being targeted as a multi-layered country in global money laundering schemes, as well as losing public money through corruption, embezzlement and tax evasion, especially related to oil extraction in Indonesia. Based on World Bank estimates that countries lose 1.5% to 2% of GDP every year due to corruption, in other terms, Timor-Leste loses around 60 million USD every year due to corruption (Unodc, 2019).

According to (Filman, 2022) there is no single standard based on accounting and auditing

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standards in the Timor Leste government, and also the inspectorate which is usually based on a decision letter from the respective ministry. In line with (Jaime, 2022) states that each ministry or institution uses its own standards/measures to carry out audits, until now there are no general standards set by the Timor Leste government. According to (Lista, 2022) states that accounting and audit standards depend on the work environment, in Timor Leste until now there are no standards to standardize the supervision system and work of government internal auditors. Temporary auditors, IGE and auditors have a network between the ministries, respectively -each carries out its activities/work based on legal attribution or statutory regulations that support the institution concerned, such as legal attribution from IGE based on statutory regulation n.022/20 status Inspeção Geral do Estado, in addition to using the legal basis that other things to guarantee the quality of the auditor's work, such as regulations regarding the status of the *Funcão Publico*, the Timor Leste Civil Code, and others. When it comes to standards of uniformity norms, because at IGE the auditors between ministries also adopt good international practices from the International Organization of Supreme Audit Institutions-INTOSAI.

Apart from the lack of one standard that can be applied in all Timor-Leste ministries, all audit results from Timor-Leste ministries are diverse. According to (Tilman, 2022) there are differences in reporting systems between one institution and another, the reason is that there is no standard accounting system and the time to make reports only refers to financial use according to the items. Therefore, adequate provision or training in related fields is needed. Then according to (Lista, 2022) stated the difference in the results of the auditor's report between IGE and the Ministry's network. And this is something normal, because it is influenced by different work environments and also attributions of competence and different work mechanisms, but it still affects the quality of the government's internal auditors, therefore it still raises doubts about public trust, and reduces the validity of the work results of *ambas partes*. So it can be concluded that all audit results from Timor-Leste ministries are different, and there are no universal standards that can be applied to Timor-Leste ministries, because there is no universally accepted accounting method, there are differences in the way each institution reports its financial data. This undermines the credibility of the combined efforts of both organizations and casts doubt on the reliability of their respective findings, giving rise to red flags.

Other problems encountered in improving audit quality at *Inspeção Geral do Estado (IGE)* Timor Leste is at the time of the inspection carried out by auditors at *Inspeção Geral do Estado (IGE)* In Timor Leste there is a strong sense of kinship and ethnicity, togetherness as friends, one party and humanity that stands out, there is also pressure in audit planning which is not according to plan and not on time due to internal political intervention. Based on this, it raises uncertainty and questions for researchers, whether the awareness of political officials and employees who have responsibilities is still lacking or whether the role of auditors in fixing corruption cases is still lacking, especially regarding the implementation of information dissemination to the public or high-ranking state officials, even employees who have administrative roles. and financial.

According to (Thomasson, 2018)states that in politically governed organizations, audit reports can provide voters with the information necessary to hold responsible politicians accountable. However, it also has the potential to affect the majority government's ability to be re-elected. As a result, there is an incentive among government and opposition politicians to use audit reports for political purposes. Therefore, it is likely that the contents of the audit report and the process will be politicized. Political intervention has greatly influenced internal auditors in

Timor-Leste ministries, this is in line with (Jaime, 2022) saying that internal auditors are employees of the ministry or institution where they work and are recruited by the leaders of the ministry or institution concerned, because automatically when the results of the audit do not provide benefits for the leader concerned, then the leader will intervene with the minister or political leader who is leading the ministry. Then, obey (Miller et al., 2008) Political behavior can lead to low performance, such as dissatisfaction and low commitment. Also, the frequency of political behavior can threaten an organization's ability to remain effective.

This research aims to propose and test a conceptual model to solve the research gap regarding the influence of auditor integrity, auditor competence, auditor independence, work pressure on internal audit quality through the mediating variable red flags and leadership behavior centered on internal auditors.

Theoretical Framework & Hypothesis Development

Integrity is the attitude of an auditor who carries out an audit with honesty, courage, intelligence and responsibility. Integrity is a trait that underpins public trust and serves as a standard by which members evaluate all their decisions. Integrity tolerates genuine disagreement and unintentional bad behavior, but it cannot tolerate deception or loss of ideals ((Ahmad et al., 2021; Arens et al., 2014; IIA, 2012; Wardayati, 2016)).

Auditor competency is characterized as a person's personal qualities in carrying out their duties or as a person's capacity for high-quality task completion. Competent people are able to carry out tasks effectively. In order for auditors to comply with professional technical requirements and ethical norms, their competence must be maintained (Agoes, 2004; AICPA, 1999; Arens et al., 2014; Halim et al., 2014; Houghton & Jubb, 1998; Sarwoko & Agoes, 2014).

Auditor independence is a mental attitude of objectivity that allows internal auditors to undertake engagements with genuine confidence in their work product and without making substantial quality concessions. The objective of the independent auditor is to obtain the adequacy of and provide an opinion on the financial statements. Their goal is to ensure the accuracy of financial data, which can only be achieved if experienced auditors maintain a position of complete independence from the business ((Arens et al., 2014; IIA, 2012; ISA, 2009; McGrath et al., 2001; Olagunju, 2011; Saladríguez & Grañó, 2014)).

pressure is the awareness or perception of personal dysfunction as a result of conditions or events in the workplace, as well as the employee's psychological and physiological responses. A company leader must manage employee work stress to prevent potential losses for the organization (Gallie, 2005); (Luthans, 1981; Montgomery et al., 1996; Robbins, 1994).

Red flags It is very important for auditors to recognize red flags to identify suspected fraud. Red flags are a collection of conditions that are unusual or deviate from the norm. Once red flags are raised, an investigation must be carried out to determine whether fraud has been committed ((Indrasti & Karlina, 2020); (Amrizal, 2004); (Romney, Albrecht & Cherrington, 1980)).

behavior is behavior that pursues personal interests without considering justice or the welfare of other people or organizations. Beneficial politics are, for example, political actions that advance the organization's goals and do not harm the organization. In organizations, the political side of leadership is always present and becomes an unavoidable challenge (Elbanna & Child, 2007; George & Jones, 2012; Greenberg & Baron, 2003; Kacmar & Baron, 1999;

Kondalkar, 2007; Willauer, 2005).

quality is audit quality related to standards on criteria or implementation quality measures and also related to what is to be achieved by carrying out related procedures. Audit quality is the likelihood that the auditor will identify and report accounting system problems based on his or her knowledge and skills. The success of this effort will depend on the auditor's objectivity (Atkins & Maroun, 2014; Bauer et al., 2019; Boynton et al., 2003; Choi et al., 2010; IIA, 2012; Quick et al., 2008; Vanasco, 1996)).

Auditor Integrity, Auditor Competency, Auditor Independence and Auditor Work Pressure Against Red Flags

According to (Peecher, 1996) the lower integrity ratings by auditors in the skepticism condition were not lower than those of auditors in the combined trust and objectivity conditions. (Gullkvist & Jokipii, 2015) shows that auditors appreciate and correlate red flags of fraud and management integrity with their own confidence in assessing fraud risk showing how auditor evaluations are based on the auditor's impression of management's honesty. Red flag issues indicate situations that raise questions about management efficiency and/or the integrity of operating processes and financial reporting (Hossain et al., 2014). Then according to (Albrecht, 2009) the Fraud Triangle, red flags are categorized into three parts that encourage someone to commit fraud, namely, pressure, rationalization and opportunity. The fraud triangle represents the psychology of fraudsters.

According to (Fatmawati Ar'reza et al., 2020) the auditors detected and raised red flags in 'places' in the company, where fraud might occur, and took some action. (Harahap, 2021) explains that auditor competency is the auditor's experience and knowledge needed to carry out audit activities on a financial report. (Said & Munandar, 2018) The auditor's knowledge includes knowledge of the client's business industry, how to carry out audit planning, developing an effective audit program and analyzing conditions for potential fraud (Red Flags).

(Tepalagul & Lin, 2015) explains that it is in line with the idea that very large audit fees are considered red flags, indicating that threats to client interests to auditor independence are in line with this thinking. (Stanisic et al., 2013) explains that our research highlights red flags that can undermine government operations and emphasizes the importance of maintaining a high level of auditor independence with the intention of providing confidence to stakeholders whose decisions are formed based on the auditor's report.

(Mohd-Sanusi et al., 2015) Auditors also need to understand the elements of pressure that focus more on individuals. Early research highlighted red flags of fraudulent behavior as ego financial deficiencies, personal difficulties (such as job stress, work stress, family stress, and legal problems), and dominant Chief Executive Officer (CEO) behavior (Sandhu, 2020). According to (Shaw et al., 2009) Employment history, including a pattern of frequent job changes, experiencing stress at work, job dissatisfaction, poor relationships with coworkers or superiors, lack of vocational direction will all be red flags.

H₁, H₂, H₃, H₄: Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure have a positive influence on Red Flags and are significant on Timor Leste's Inspeção Geral do Estado (IGE).

Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work

Pressure on Leadership Political Behavior

According to (Head, 2012) states that when it comes to pursuing integrity and controlling corruption, some governments may give the impression that they have the necessary institutions and processes, but in reality, they may lack the political will or institutional competence to actually do so. (Milionis et al., 2021)The primary responsibility for protecting and maintaining public integrity lies with all the stakeholders that make up the public sector, especially political leaders, policy makers and public administrators.

(Johnsen et al., 2001) argue that ineffective audit implementation is the main cause of this, which is mainly due to a lack of competence among auditors. According to (Reichborn-Kjennerud & Johnsen, 2011)the auditor, he must carry out his control function in such a way that his independence, competence and objectivity are beyond doubt.

(Bryer, 2010)recognizing the broader politics that underpin value creation reveals how government creation of institutional “space” has limited worker independence by imposing neoliberal types of regulation and entrenching established political structures through clientelistic and paternalistic strategies of contention. It went on (Hamilton, 2010)to explain that they should carefully assess their political environment and capacity to embrace major civil service system reforms before moving to deregulate their systems to provide fewer civil service protections and increased responsiveness.

According to(Miller et al., 2008) Political behavior can lead to low performance, such as dissatisfaction and low commitment. (Pfeffer, 1993)emphasizes that political behavior in an organization creates an unfair competitive climate. (Ferris & Judge, 1991)revealed that political behavior influences not only promotions but also personal decisions and actions such as performance appraisals.

H₅, H₆, H₇, H₈: Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure have a positive influence on the Political Behavior of Leaders and are significant in Timor Leste's Inspeccão Geral do Estado (IGE).

Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure on Internal Audit Quality

According to (Rifai & Mardijuwono, 2020) Integrity is needed so that auditors can act honestly and firmly in carrying out audits to improve the quality of audit results. According to (Massod & Afzal, 2016) If the auditor maintains integrity and transparency in disclosing audit findings, the audit objectives will be met. (Pathak, 2004)any information originating from a system that is less than guaranteed or partially guaranteed cannot be called guaranteed information in terms of its accuracy and integrity, while internal auditors make efforts to ensure the quality of the information to identify whether the information is at risk of corruption or has the potential for corruption which will impact the quality of the audit.

(Halim et al., 2014)High audit quality is influenced by the auditor's ability to detect material misstatements in the financial statements. Then, according to (Watkins et al., 2004)the auditor's competency, finding and eliminating material misstatements and improving financial reports has a positive influence on audit quality. According to (Irianto & Baridwan, 2015)the auditor's competence and independence, it positively influences audit quality, which means that the higher the auditor's competence and independence, the higher the resulting audit quality.

(Dickins & O'Reilly, 2009)found a positive relationship between the frequency of material

weaknesses in internal controls and the percentage of internal audit work outsourced. (Suseno, 2013) states that auditor independence has a significant effect on audit quality. According to (Silvoso, 1972) the independent attitude in the operation of the assessment of the investigation and reporting process is very necessary.

(O. U. E. Usang & Salim, 2016) identifies resources, management, regulations, markets, and organizations as factors that influence public sector performance. (Aditya & Kusuma, 2019) reducing the pressure faced by auditors will have implications for improving auditor performance so that auditors are able to achieve a better level of performance and are able to produce high quality audits. (Arena et al., 2006) states that institutional pressure on companies causes internal audit to take a particular audit focus.

H₉, H₁₀, H₁₁, H₁₂: Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure have a positive influence on Internal Audit Quality and are significant in Timor Leste's Inspeção Geral do Estado (IGE).

Red Flags and Leadership Political Behavior on Internal Audit Quality

(Majid et al., 2001) analyze auditors' perceptions about the dangers of fraud and material abnormalities related to the existence of six red flag items and assess the validity of auditor quality. auditors believe that the most important criterion in determining potential serious errors and irregularities is whether or not they have previously been discovered in other audits. According to (Mawutor et al., 2019) companies experiencing financial difficulties, on average, they have a high level of leverage. This shows that the audit quality is questionable and is also a clear indication of poor audit quality as these companies have been continuously audited and the issue of high debt has not been raised as a red flag by the auditors.

According to (Robison et al., 2018) an internal audit of politically charged work. (Thomasson, 2018) states that in politically governed organizations, audit reports can provide voters with the information necessary to hold responsible politicians accountable. According to (O. Usang & Salim, 2016) political interference it thrives where there is evidence of poor performance and there is a need to restore policy direction to safeguard societal development.

H₁₃, H₁₄: Red Flags and political behavior of leaders have a positive and significant effect on internal audit quality at Inspeção Geral do Estado (IGE) Timor Leste

Auditor Integrity, Auditor Competency, Auditor Independence and Auditor Work Pressure on Internal Audit Quality Through Red Flags

Red flag issues indicate situations that raise questions about management efficiency and/or the integrity of operating processes and financial reporting (Hossain et al., 2014). Then according to (Albrecht, 2009) the Fraud Triangle, red flags are categorized into three parts that encourage someone to commit fraud, namely, pressure, rationalization and opportunity. The fraud triangle represents the psychology of fraudsters. Albrecht et al. (2012) presented a fraud scale by considering two elements of the fraud triangle, namely opportunity and pressure and by replacing the third element of rationalization with personal integrity.

(Moyes et al., 2010) states that internal auditors assist external auditors in conducting financial report audits. Statement of Auditing Standards No. 65 (AICPA, 2003) states the competency and objectivity requirements of internal auditors to assist external auditors in conducting financial report audits. In addition, internal auditors also conduct their own financial audits in various areas of the accounting system. Internal auditors have as much professional interest in

using red flags to detect fraud as external auditors do.

According to him (Prasetyo et al., 2015), in carrying out his duties as an independent auditor, especially in detecting fraud in financial reporting, auditors need to know red flag signals, have an attitude of skepticism, competence, independence and professionalism. Therefore, auditors must have and maintain this attitude and expertise. This is very necessary for auditors so that they can detect fraud in financial reports that has occurred and carry out their work as professional auditors.

According to (Mohd-Sanusi et al., 2015) Auditors also need to understand the elements of pressure that focus more on individuals. Extraordinary work pressure is one of the characteristics of fraud which can raise a red flag for the organization. Early research highlighted red flags of fraudulent behavior as ego financial deficiencies, personal difficulties (such as job stress, job stress, family stress, and legal problems), and dominant Chief Executive Officer (CEO) behavior (Sandhu, 2020).

H₁₅, H₁₆, H₁₇, H₁₈: Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure have a positive influence on Internal Audit Quality through Red Flags and are significant at Inspection Geral do Estado (IGE) Timor Leste

Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure on Internal Audit Quality Through Leadership Political Behavior

According to (Head, 2012) states that when it comes to pursuing integrity and controlling corruption, some governments may give the impression that they have the necessary institutions and processes, but in reality, they may lack the political will or institutional competence to actually do so. (Robison et al., 2018) internal audits of politically charged work. In highly political organizations, political forces and competition within the organization can make working there very stressful for internal auditors. (Thomasson, 2018) states that in politically governed organizations, audit reports can provide voters with the information necessary to hold responsible politicians accountable.

Johnsen et al., 2001) argue that ineffective audit implementation is the main cause of this, which is mainly due to a lack of competence among auditors. (Bryer, 2010) recognizing the broader politics that underpin value creation reveals how government creation of institutional “space” has limited worker independence by imposing neoliberal types of regulation and entrenching established political structures through clientelistic and paternalistic strategies of contention.

According to (O. Usang & Salim, 2016) political interference it thrives where there is evidence of poor performance and there is a need to restore policy direction to safeguard societal development. (Arena et al., 2006) states that institutional pressure on companies causes internal audit to take a particular audit focus.

H₁₉, H₂₀, H₂₁, H₂₂: Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure have a positive influence on Internal Audit Quality through the Political Behavior of Leaders and are significant at Inspeccão Geral do Estado (IGE) Timor Leste

Research Methods

The research approach in this study uses a quantitative approach. The research method used is the explanatory research method. The population in this study is Auditor Team in all ministries in Timor Leste, totaling 88 ministries in Timor Leste. The unit of analysis in this research is the inspectorate auditor staff for each ministry with a total of 88 internal auditors). The data

collection method in this research uses a questionnaire method and looks at the company's financial reports. Analysis through structural equation modeling (Structural Equation Model - SEM based on Partial Least Square - PLS) in order to answer the problem formulation and answer the hypothesis.

Results

4.1 Research Results

In this study there are 7 latent variables and model testing was carried out using a partial least squares (PLS) approach by looking at the results of the measurement model (outer model) and the results of the structural model (inner model) of the model studied.

The outer model (measurement model) is to test the validity and reliability of dimensions and indicators in measuring construct research variables. This analysis can be carried out by assessing discriminant validity, loading factor, construct validity and composite reliability.

Table 1 Measurement Model.

Variable	Dimensions	Loading Factor	T Statistics (O/STDEV)	Prob	Composite Reliability	Average Variance Extracted (AVE)
Audit Integrity	X11	0.883	77,535	0,000	0.940	0.637
	X12	0.931	124,658	0,000		
	X13	0.886	91,230	0,000		
	X14	0.866	38,299	0,000		
Auditor Competency	X21	0.942	157,699	0,000	0.983	0.786
	X22	0.888	60,274	0,000		
	X23	0.982	602,628	0,000		
	X24	0.981	635,145	0,000		
Auditor Independence	X31	0.970	390,391	0,000	0.969	0.742
	X32	0.975	465,293	0,000		
	X33	0.962	286,945	0,000		
Work Pressure	X41	0.985	535,918	0,000	0.969	0.838
	X42	0.924	129,191	0,000		
	X43	0.916	120,392	0,000		
Red Flags	Y11	0.944	150,627	0,000	0.925	0.712
	Y12	0.880	89,975	0,000		
	Y13	0.853	66,652	0,000		
Leadership Political Behavior	Y21	0.980	517,894	0,000	0.978	0.752
	Y22	0.974	411,832	0,000		
Internal Audit Quality	Z1	0.957	319,852	0,000	0.970	0.801
	Z2	0.988	888,563	0,000		
	Z3	0.980	706,439	0,000		

Source: Results of Research Data Processing (2023).

The table above explains the measurement model analysis of the variables by their indicators. These results show that the indicator is valid in measuring the variables, where the loading factor value is greater than 0.50.

The inner model is evaluated using the Goodness of Fit Model (GoF), which is used to validate the measurement model (outer model) and structural model (inner model) where a GOF value < 0.25 is small, 0.25-0.36 is moderate and >0.36 is large. The following are the GoF and Q - Square values in the construct:

Table 2 Structural Model Testing (Inner Model).

Variable	R Square	Average AVE	√RSquare	Qsquare	GoF (√AVE×RSquare)
Red Flags	0.593	0.523	0.339	0.714	0.421
Leadership Political Behavior	0.396				
Internal Audit Quality	0.477				

Source: Results of Research Data Processing (2023).

The table above gives the R^2 value for each construct on average at high criteria (> 0.6) with GoF values > 0.36 and Q - Square is in the strong category, so it can be concluded that the research model is supported by empirical conditions or model fit. The following image displays the results of model testing using Smart PLS 3.0 as follows.

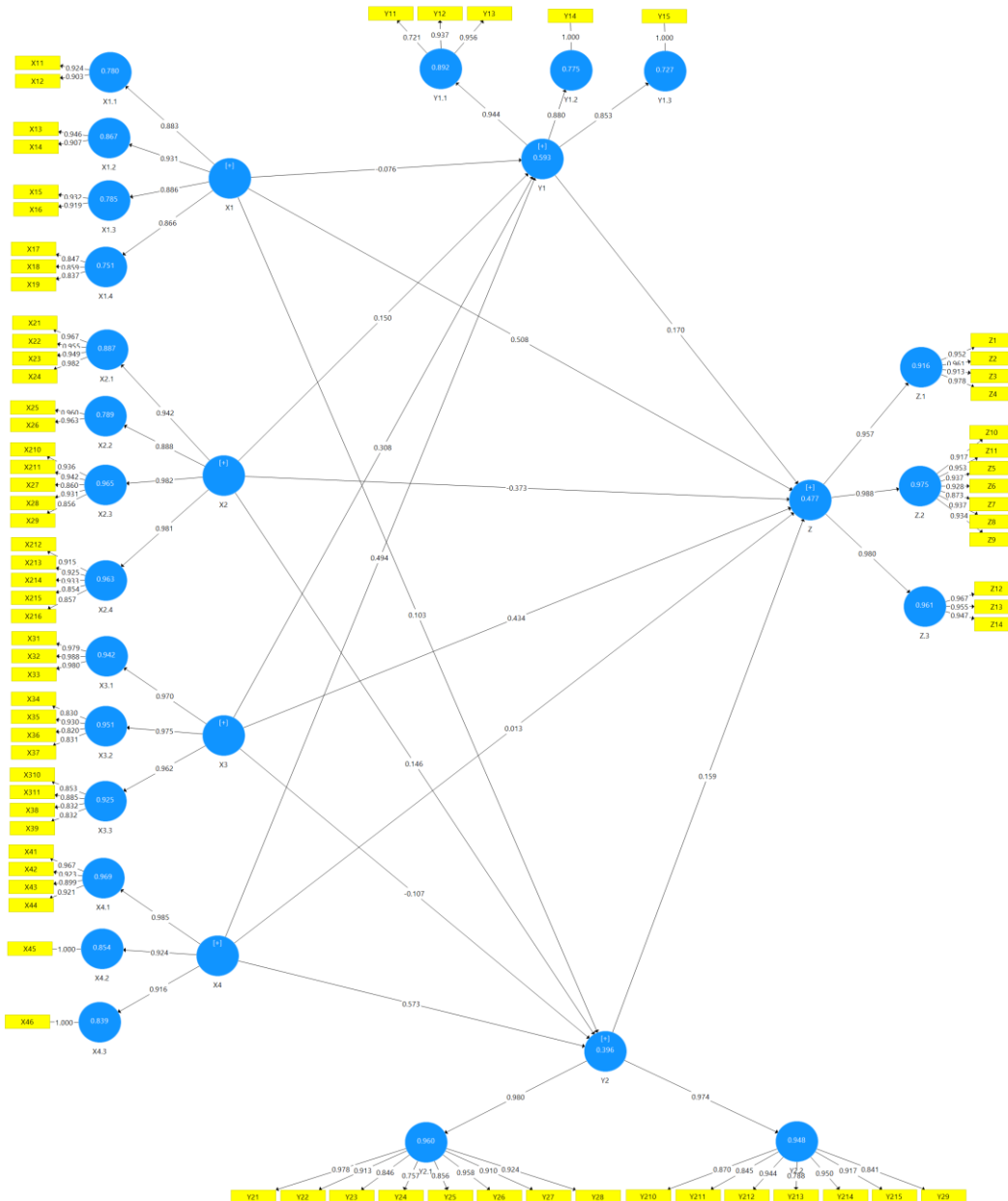


Figure 1: Research Model Testing.

After evaluating the overall suitability of the structural model and the model being declared fit, the next process is to test the hypothesis and the relationship between research variables. The results of the research hypothesis test are in the following table:

Table 3 Hypothesis Testing.

No	Hypothesis	Coefficient	T Statistics (O/STDEV)	Prob	Information
1	Auditor Integrity -> Red Flags	-0.076	1,712	0.044	Hypothesis Accepted
2	Auditor Competency -> Red Flags	0.150	2,814	0.003	Hypothesis Accepted
3	Auditor Independence -> Red Flags	0.308	4,927	0,000	Hypothesis Accepted
4	Work Pressure -> Red Flags	0.494	10,275	0,000	Hypothesis Accepted
5	Auditor Integrity -> Leadership Political Behavior	0.103	2,841	0.002	Hypothesis Accepted
6	Auditor Competency -> Leadership Political Behavior	0.146	2,970	0.002	Hypothesis Accepted
7	Auditor Independence -> Leadership Political Behavior	-0.107	2,611	0.005	Hypothesis Accepted
8	Work Pressure -> Leadership Political Behavior	0.573	18,527	0,000	Hypothesis Accepted
9	Auditor Integrity -> Internal Audit Quality	0.508	8,843	0,000	Hypothesis Accepted
10	Auditor Competency -> Internal Audit Quality	-0.373	5,317	0,000	Hypothesis Accepted
11	Auditor Independence -> Internal Audit Quality	0.434	6,748	0,000	Hypothesis Accepted
12	Work Pressure -> Internal Audit Quality	0.013	0.222	0.412	Hypothesis Rejected
13	Red Flags -> Internal Audit Quality	0.170	2,341	0.010	Hypothesis Accepted
14	Leadership Political Behavior -> Internal Audit Quality	0.159	3,940	0,000	Hypothesis Accepted
15	Auditor Integrity -> Red Flags -> Internal Audit Quality	-0.013	1,212	0.113	Hypothesis Rejected
16	Auditor Competency -> Red Flags -> Internal Audit Quality	0.025	1,629	0.052	Hypothesis Rejected
17	Auditor Independence -> Red Flags -> Internal Audit Quality	0.052	2,045	0.021	Hypothesis Accepted
18	Work Pressure -> Red Flags -> Internal Audit Quality	0.084	2,296	0.011	Hypothesis Accepted
19	Auditor Integrity -> Leadership Political Behavior -> Internal Audit Quality	0.016	2,201	0.014	Hypothesis Accepted
20	Auditor Competency -> Leadership Political Behavior -> Internal Audit Quality	0.023	2,291	0.011	Hypothesis Accepted
21	Auditor Independence -> Leadership Political Behavior -> Internal Audit Quality	-0.017	2,038	0.021	Hypothesis Accepted
22	Work Pressure -> Leadership Political Behavior -> Internal Audit Quality	0.091	3,750	0,000	Hypothesis Accepted

Source: Results of Research Data Processing (2023).

4.2 Discussion

A. Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure on Red Flags

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor integrity and red flags is 1.712 in a positive direction. Where Red flags are a signal that something is unusual and may need to be investigated further, an auditor who has high integrity is needed, because integrity is a condition where a person can act according to one's heart's desires under any circumstances so that it can be easier to find red

flags. If an internal auditor does not have the inability to detect fraud in auditing financial statements, which is a common cause of audit company failure, this will endanger the integrity of the audit. The results of this study are in line with (Peecher, 1996) those explaining that the lower integrity assessment by auditors in the skepticism condition is not lower than that of auditors in the combined trust and objectivity conditions. A possible explanation is that auditors interpret strong indicators of low integrity as “red flags.”

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor competence and red flags is 2.814 in a positive direction. Red flags serve as a warning to auditors, encouraging them to dig deeper to obtain more thorough audit results and reduce the possibility of fraud going undetected. So auditors who have high competence are needed. Auditor competency is defined as the personal attributes of a person in carrying out their duties or a person's ability to carry out tasks with good performance. Internal auditors have as much professional interest in using red flags to detect fraud as external auditors do. In the same vein, (Fatmawati Ar'reza et al., 2020) auditors detect and raise red flags in 'places' in the company, where fraud may be occurring, and take some action. Internal auditors need legitimacy to maintain their work (continuity goals) with stakeholder support (active support goals) in an organization.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor independence and red flags is 4.927 in a positive direction. Red flags are a sign that something is wrong with the financial statements and requires further investigation. For auditors, the presence of red flags is a significant finding and is useful for detecting fraud. So it requires an independent auditor to support red flags. The aim of the independent auditor is to obtain adequate assurance and express an opinion on the financial statements. In line with (Prasetyo et al., 2015) carrying out their duties as independent auditors, especially in detecting fraud in financial reporting, auditors need to know red flag signals, have an attitude of skepticism, competence, independence and professionalism.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between work pressure and red flags is 10.275 in a positive direction. Red flags are significant findings and are useful for detecting fraud. The auditor's ability to identify warning signs is critical to conducting high-quality audits. According to (Mohd-Sanusi et al., 2015) auditors, they also need to understand the elements of pressure that focus more on individuals. Individuals can pose a major threat to an organization if they perceive the organization is treating them unfairly.

B. Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure on Leadership Political Behavior

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor integrity and leadership behavior is 2.841 in a positive direction. Political behavior in an organization is an action that involves personal interests without considering justice or the welfare of other people or the organization. With the political behavior of leaders, auditors in carrying out their duties and improving their performance must uphold the principle of integrity. It is necessary to act consistently by instilling ethical values and responsibility for following applicable regulations so that it can build a community to provide a reliable basis for decision making. Likewise, according to (Head, 2012) stated that when it comes to pursuing integrity and controlling corruption, some governments may give the impression that they have the necessary institutions and processes, but in reality, they may not have the political will or institutional competence to actually do so.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor competence and leadership behavior is 2.970 in a positive direction. The political perspective on strategic decision making assumes that decisions emerge from a process in which decision makers have different goals, forming alliances to achieve their goals where the strongest preferences prevail. Therefore, auditors must have competence including mastery of science/knowledge and skills which include, as well as having appropriate attitudes and behavior to carry out their work or profession. In line with (Johnsen et al., 2001) the opinion that ineffective audit implementation is the cause. The main reason for this is mainly due to a lack of competence among auditors.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor independence and leadership behavior is 2.611 in a positive direction. Aspects of leadership behavior occur when planning or preparing programs. Leadership behavior in planning, which consists of: the effectiveness of implementing the principle of objectivity in planning, the basis for making plans, the interests that dominate the planning process, and the results of the planning process. With indications of leadership behavior in planning the audit process, an auditor is needed who has high independence. Independence is an impartial perspective in carrying out the testing and audit process, evaluating audit results and preparing audit reports. In line with (Bryer, 2010) recognizing the broader politics that underpin value creation reveals how the government's creation of institutional "space" has limited workers' independence by imposing neoliberal types of regulation and reinforcing established political structures through clientelistic and paternalistic strategies of contention.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between work pressure and leadership behavior is 18.527 in a positive direction. Political behavior in organizations is action that involves personal interests without considering justice or the welfare of other people or the organization. Profitable politics is political behavior that increases the achievement of organizational goals and does not harm the organization, for example; coalition among colleagues who have a common interest in setting organizational strategy. Then, when work pressure disrupts a person's balance, the individual's behavior often deviates from their normal behavior patterns, which ultimately affects their performance outcomes. So it can be said that work pressure has a significant influence on the political behavior of leaders.

In the same vein, (Miller et al., 2008) political behavior can lead to low performance, such as dissatisfaction and low commitment. Also, the frequency of political behavior can threaten an organization's ability to remain effective.

C. Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure on Internal Audit Quality

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor integrity and internal audit quality is 8.843 in a positive direction. Every profession is consistently related to the quality of the services it provides, including auditors where the quality of services is very important to ensure that this profession is accountable to clients, people and regulations. Audit quality refers to standards regarding standards with criteria or measures of implementation quality and is also related to the objectives to be achieved by implementing related procedures so that the integrity of an auditor must be upheld because integrity is the attitude of an auditor who is honest, brave, wise and

responsible in conducting audits. In line with (Rifai & Mardijuwono, 2020) Integrity is needed so that auditors can act honestly and firmly in carrying out audits to improve the quality of audit results.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor competence and internal audit quality is 5.317 in a positive direction. Audit quality is usually related to the auditor's ability to identify material misstatements in financial statements and their willingness to issue appropriate and unbiased audit reports based on the audit results. Competence is a skill and ability in carrying out a job or profession. Competent people mean people who can carry out their work with good quality results. In line with (Halim et al., 2014) High audit quality is influenced by the auditor's ability to detect material misstatements in the financial statements.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor independence and internal audit quality is 6.748 in a positive direction. Improving the quality of auditors plays an important role in providing recommendations based on the findings obtained as well as carrying out monitoring and evaluation so that auditees can carry out full follow-up on the findings obtained to ensure that this does not happen again. Then auditor independence means that an audit is one of the basic requirements for maintaining public trust in the reliability of the audit report. Independence adds credibility to audit reports on which investors, creditors, employees, governments, and other stakeholders depend to make decisions about the organization. In line with (Mohamed & Habib, 2013) the auditor's lack of independence in fact (due to long-term entanglements, whether financial or psychological) will be the main reason behind the decline in audit quality because it will prevent the auditor from carrying out his basic responsibility of being able to detect and report errors. material misstatements in the client's financial records. This will be the main reason why audit quality will deteriorate.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between work pressure and internal audit quality is 0.222. Audit quality as an audit standard in audit quality control is explicitly defined as leadership responsibility for quality, human resource performance and quality control monitoring/acceptance and continuation of client relationships. So the performance of human resources that combines high levels of work pressure with poor levels of control over work tasks has a very severe impact. When work stress disrupts a person's balance, the individual's behavior often deviates from their normal behavior patterns, which ultimately affects their performance outcomes. In practice, auditors always work under high pressure and often work within tight and tight time frames. Such work pressure invites many individual reactions and varies from general *stress* as well as organizational and work related stress. According to him (Aditya & Kusuma, 2019), reducing the pressure faced by auditors will have implications for improving auditor performance so that auditors are able to achieve a better level of performance and are able to produce high quality audits.

D. Red Flags and Leadership Political Behavior on internal Audit Quality

The results of the path coefficient estimation test and statistical tests show that the path coefficient between red flags and internal audit quality is 2.341 in a positive direction. Audit quality is defined as the likelihood that the auditor will uncover and report problems in the accounting system using the auditor's knowledge and expertise. So the ability to recognize red flags is important so that auditors are able to identify potential fraud so that fraud prevention and identification can be effective, efficient and economical, which will then improve audit

quality. This is in line with (Mawutor et al., 2019) companies experiencing financial difficulties that on average have a high level of leverage. This shows that the audit quality is questionable and is also a clear indication of poor audit quality as these companies have been continuously audited and the issue of high debt has not been raised as a red flag by the auditors. Additionally, it shows that the quality of the audit is questionable and is also a clear indication of poor audit quality.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between leadership behavior and internal audit quality is 3.940 in a positive direction. Audit quality as an audit standard in audit quality control is explicitly defined as leadership responsibility for quality, human resource performance and quality control monitoring/acceptance and continuation of client relationships. Then the political perspective in strategic decision making assumes that decisions emerge from a process in which decision makers have different goals, forming alliances to achieve their goals where the strongest preferences prevail. So it can be said that the political behavior of the leadership will affect the quality of the audit. In line with (Robison et al., 2018) internal audits of politically charged work. In highly political organizations, political forces and competition within the organization can make working there very stressful for internal auditors.

E. Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure on Internal Audit Quality Through Red Flags

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor integrity and internal audit quality through red flags is 1.212. The inability of internal auditors to detect fraud in auditing financial statements is a common cause of audit firm failure, causing losses to investors, creditors, and other parties who rely on the auditor's report on the company's financial condition, therefore jeopardizing the integrity of the audit. If a company has a weak internal control system, this will reflect poor corporate governance, making it easier for fraud and manipulation to occur. Therefore, it appears that these warning signs are more successful in preventing the reporting of fraud than the auditor's skill in detecting fraud. These red flags serve as a warning to auditors, encouraging them to dig deeper to obtain more thorough audit results and reduce the possibility of fraud going undetected. However, for auditors, the presence of red flags is a significant finding and is useful for detecting fraud. The auditor's ability to identify warning signs is critical to conducting high-quality audits.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor competence and internal audit quality through red flags is 1.629. (Tilman, 2022) states that challenges in communication, provision of materials and especially intellectual abilities are closely related to audit tasks, namely in the audit system and also standards for audits. (Jaime, 2022) states that the challenges faced in maintaining and improving audit quality are the technical knowledge of audit itself, which the auditors themselves are still minimal or insufficient, and leaders do not really prioritize internal audit work.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor independence and internal audit quality through red flags is 2.045 in a positive direction. According to (Tepalagul & Lin, 2015) explained that it is in accordance with the idea that very large audit fees are considered red flags, which shows that threats to client interests to auditor independence are in line with this thinking. Even (Kenyon & Tilton, 2011) insignificant fraud can embarrass the company and the auditor, which in turn reduces

investor confidence in the quality of the audit as well as the credibility of management's assertions.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between work pressure and internal audit quality through red flags is 2.296 in a positive direction. This shows that the better the work pressure of an auditor, the quality of internal audit through red flags will show an increase. Extraordinary work pressure is one of the characteristics of fraud which can raise a red flag for the organization. Early research highlighted red flags of fraudulent behavior as ego financial deficiencies, personal difficulties (such as job stress, job stress, family stress, and legal problems), and dominant Chief Executive Officer (CEO) behavior (Sandhu, 2020).

F. Auditor Integrity, Auditor Competence, Auditor Independence and Auditor Work Pressure on Internal Audit Quality Through Leadership Political Behavior

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor integrity and internal audit quality through leadership behavior is 2.201 in a positive direction. According to (Milionis et al., 2021) the primary responsibility for protecting and maintaining public integrity lies with all the stakeholders that make up the public sector, especially political leaders, policy makers and public administrators. According to (Robison et al., 2018) an internal audit of politically charged work. (Thomasson, 2018) states that in politically governed organizations, audit reports can provide voters with the information necessary to hold responsible politicians accountable.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor competence and internal audit quality through leadership behavior is 2.291 in a positive direction. (Thomasson, 2018) explained that internal auditors who have previous experience working in political governance are said to have competencies that have the potential to increase the credibility of the process and have done so in practice, according to supporters of the system. This line of reasoning is comparable to what is presented in published works and studies conducted throughout the world on internal audit issues. The fact that internal auditors are selected from among members of political parties means that political interests are present from the start. This also means that these auditors have knowledge of the political governance system that outsiders would never have and can therefore be said to be more appropriate to audit the same processes (Thomasson, 2018).

The results of the path coefficient estimation test and statistical tests show that the path coefficient between auditor independence and internal audit quality through leadership behavior is 2.038 in a positive direction. According to (O. Usang & Salim, 2016) political interference it thrives where there is evidence of poor performance and there is a need to restore policy direction to safeguard societal development. However, in returning policy direction, the value-added role of internal audit has been overlooked. The quality of internal audit is important in providing first-level assurance of the state of local government. Although all local governments in Nigeria are legally required to have internal audit units, little is known about the role of internal audit in the political interference-performance nexus. Setting up an internal audit function alone cannot translate to better processes where key characteristics that strengthen the function are missing. Thus, functional quality can provide assurance to local government activities and thereby limit disruption while improving performance.

The results of the path coefficient estimation test and statistical tests show that the path coefficient between work pressure and internal audit quality through leadership behavior is

3.750 in a positive direction. (Arena et al., 2006) states that institutional pressure on companies causes internal audit to take a particular audit focus. According to (Robison et al., 2018) internal auditors, the work is politically charged. In highly political organizations, political forces and competition within the organization can make working there very stressful for internal auditors. (Thomasson, 2018) states that in politically governed organizations, audit reports can provide voters with the information necessary to hold responsible politicians accountable.

Conclusions

This research aims to propose and test a conceptual model to solve the research gap regarding the influence of auditor integrity, auditor competence, auditor independence, work pressure on internal audit quality through the mediating variable red flags and leadership behavior centered on internal auditors. The results of this research show that auditor integrity, auditor competence, auditor independence and auditor work pressure are driving factors for red flags and leadership behavior in improving the quality of internal audits for internal auditors in the Ministry of Timor-Leste. Without this, the formation of the internal audit quality of the Ministry of Timor-Leste will be less effective and this will have an impact on the competitiveness of internal auditors in the international (global era). This research is expected to be able to contribute theoretically and practically through the process of finding and updating priority aspects in the development of red flags and political behavior of leaders supported by the development of auditor integrity, auditor competence, auditor independence and auditor work pressure in such a way as to obtain strategic steps. from the development of these seven variables in encouraging improvements in the quality of internal audits in all Timor-Leste ministries.

The results of the findings of this research provide empirical evidence, especially to internal auditors in the Ministry of Timor-Leste, that there is an internal auditor quality model that can be used as a reference in improving the quality of internal auditors. Especially for the audit unit (GIA) of the Ministry of Timor-Leste, it is better to carry out financial reporting transparency to the public to avoid negative public attention towards the Ministry of Timor-Leste, then for internal auditors of the GIA, the Ministry of Timor-Leste should improve auditor integrity, auditor competence and auditor independence to improve internal audit results.

Apart from that, the mediating role of red flags and the political behavior of leadership is something that cannot be ignored in improving the quality of internal audits in Timor-Leste ministries. So far, red flags and political behavior of leaders have never been used as important elements in managing internal audit quality. Looking at the results of this research, internal audit should provide input to the Ministry of Finance of Timor-Leste to create a main audit standard that can be used as a reference for other ministries to produce a report on the same audit results as other ministries.

Thus, it is hoped that the results and findings of this study can make a practical contribution to improving the quality of internal audits in Timor-Leste ministries. So that in the future it can increase global competitiveness.

The limitation of this research is that this research is general research in Indonesia or in developing countries, but this research is the most recent research in Timor-Leste. Then the next limitation is that this research only focuses on internal auditors at the Timor-Leste ministry and did not conduct research at other institutes and did not conduct research on companies and banks.

This research suggestion is aimed at the Ministry of Timor-Leste, especially the Ministry of Finance, which should issue a standard that can be used as the main reference for carrying out audits of all Timor-Leste ministries. Then, for the audit unit (GIA), the Ministry of Timor-Leste should have made financial reports transparent to the public to avoid negative public attention on the Ministry of Timor-Leste. And for GIA internal auditors, the Ministry of Timor-Leste should improve auditor integrity, auditor competence and auditor independence to improve internal audit results. Then, for future researchers, it is hoped that the research population will exceed this research, to support results that are more appropriate to the field

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