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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 study investigates the effectiveness of internal audits across the ministries of Timor-Leste. Currently, the quality of these audits is perceived to be inadequate, largely due to the political behaviors of leadership and various warning signs. Key factors affecting audit quality include auditor integrity, competence, independence, and the pressures associated with their workload. A significant issue is the lack of a unified framework or system for auditors in Timor-Leste, which adversely affects the overall quality of internal audits. The research employs an explanatory methodology and utilizes simple random sampling, comprising 88 auditors from the Ministry of Timor-Leste. Findings indicate that auditor integrity, competence, and independence positively influence internal audit quality, while work pressure correlates negatively, suggesting that increased pressure can diminish audit effectiveness. Additionally, both red flags and leadership political behavior significantly impact the quality of internal audits, although auditor integrity and competence do not influence audit quality indirectly via red flags. In contrast, auditor independence and work pressure do impact internal audit quality through these warning signs.



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INTRODUCTION

The auditing profession in Timor-Leste significantly depends on the confidence that users of audit services have in the quality of those services. As one of the youngest and economically disadvantaged nations in Asia, Timor-Leste is in a precarious situation, with approximately 41% of its population living below the basic poverty line. Its fragile regulatory and institutional framework renders the country susceptible to being exploited by complex global money laundering operations and is also at risk of losing public funds through corruption, embezzlement, and tax evasion, particularly in relation to oil extraction activities in Indonesia. According to World Bank estimates, nations lose

between 1.5% to 2% of their GDP annually due to corruption, which translates to around 60 million USD lost each year for Timor-Leste (UNODC, 2019).

As noted by Tilman (2022), there is an absence of uniform accounting and auditing standards within the Timor-Leste government, with the inspectorate typically guided by decisions made by respective ministries. Jaime (2022) further indicates that each ministry or institution employs its own standards for conducting audits, resulting in a lack of overarching guidelines established by the Timor-Leste government. Lista (2022) emphasizes that the standards for accounting and auditing are contingent on the specific work environment, and currently, there

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are no established standards to regulate the supervision and operations of government internal auditors. Temporary auditors, the Inspectorate General of State (IGE), and other auditors operate with a network connecting the ministries, each adhering to their legal mandates and statutory regulations, such as the legal basis provided for IGE under statutory regulation n.022/20 concerning the Inspeção Geral do Estado. They also rely on various legal frameworks, including regulations related to public service and the Timor-Leste Civil Code, to ensure the quality of their audit work. The auditors at IGE also adopt good international practices from the International Organization of Supreme Audit Institutions (INTOSAI).

The lack of a standardized approach applicable across all ministries in Timor-Leste leads to varied audit outcomes. As Tilman (2022) points out, there are discrepancies in reporting systems between institutions due to the absence of a common accounting system, and reports are generated based solely on financial allocations. Consequently, there is a critical need for adequate training and resources in these areas. Lista (2022) highlights the differences in auditor report outcomes between IGE and ministry networks, which is considered normal due to varying work environments, competencies, and operational mechanisms. However, these discrepancies can undermine the quality of internal auditors and raise concerns regarding public trust, ultimately diminishing the legitimacy of the findings from both parties. Thus, it is evident that the audit results from Timor-Leste ministries are inconsistent, lacking a universal standard for application, which casts doubt on the credibility of their collaborative efforts.

Additional challenges to enhancing audit quality at the IGE in Timor-Leste include the influence of strong kinship and ethnic ties, which can affect audit planning and execution due to internal political pressures. This situation raises concerns about whether political officials and employees fully recognize their responsibilities or whether auditors are sufficiently empowered to address corruption issues, especially concerning the dissemination of information to the public and high-ranking officials.

Thomasson (2018) suggests that in politically influenced organizations, audit reports can equip voters with the information needed to hold politicians accountable, yet they may also jeopardize the re-election prospects of the majority government. Consequently, there exists an incentive for both government and opposition politicians to manipulate audit reports for political gain, potentially politicizing the content and process of audits. Political intervention significantly impacts internal auditors in Timor-Leste ministries, as noted by Jaime (2022), with internal auditors being recruited by the leaders of their respective ministries. If audit results fail to benefit these leaders, they may seek political intervention, as highlighted by Miller et al. (2008), which can lead to diminished performance and commitment within the organization.

This research aims to propose and evaluate a conceptual model addressing the research gap concerning the effects of auditor integrity, competence, independence, and work pressure on internal

audit quality, mediated by red flags and leadership behavior focused 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; Saladrignes & Grañó, 2014).

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) .

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) .

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 (ReichbornKjennerud & 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. Peffer (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 Inspeção 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 Silvosso (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.

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 Inspeccão 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 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.

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.

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		
	X41	0.985	535,918	0,000		
Work Pressure	X42	0.924	129,191	0,000	0.969	0.838
	X43	0.916	120,392	0,000		
	Y11	0.944	150,627	0,000		
Red Flags	Y12	0.880	89,975	0,000	0.925	0.712
	Y13	0.853	66,652	0,000		
	Y21	0.980	517,894	0,000		
Leadership Political Behavior	Y22	0.974	411,832	0,000	0.978	0.752
	Z1	0.957	319,852	0,000		
Internal Audit Quality	Z2	0.988	888,563	0,000	0.970	0.801
	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 finding shown 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.

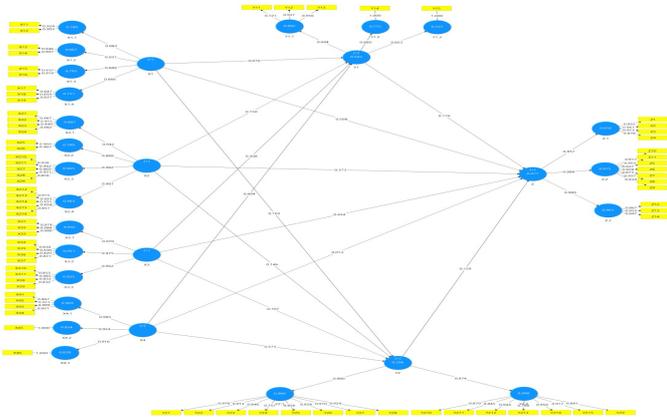


Figure 1: Research Model Testing.

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.

4.2 Discussion

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

The findings from the path coefficient estimation and associated statistical analyses indicate that the path coefficient linking auditor integrity to red flags is 1.712, reflecting a positive correlation. Red flags act as indicators of potential irregularities warranting further inquiry, emphasizing the necessity for auditors to possess high integrity. Integrity entails the ability to act in alignment with one's values regardless of circumstances, facilitating the identification of red flags. A lack of proficiency in detecting fraud during financial statement audits can jeopardize the integrity of the auditing process. This study aligns with findings by Peecher (1996), which suggest that auditors' integrity assessments under skepticism are not significantly lower than those in scenarios combining trust and objectivity; a possible interpretation is that strong indicators of low integrity are perceived as red flags.

Similarly, the path coefficient between auditor competence and red flags is determined to be 2.814, also in a positive direction. Red flags prompt auditors to investigate more thoroughly, thereby minimizing the risk of undetected fraud. Auditor competence encompasses personal attributes that enable effective task performance. Both internal and external auditors share a vested interest in utilizing red flags for fraud detection. Fatmawati Ar'reza et al. (2020) note that auditors pinpoint potential fraud areas within organizations and take appropriate measures. Internal auditors must secure legitimacy to sustain stakeholder support for their objectives.

The analysis also reveals that the path coefficient between auditor independence and red flags is 4.927, indicating a strong positive correlation. Red flags signify discrepancies in financial statements that necessitate further scrutiny, underlining the importance of independent auditors in fraud detection. According to Prasetyo et al. (2015), auditors must be aware of red flag indicators and maintain skepticism, competence, independence, and professionalism in their roles.

Finally, the coefficient between work pressure and red flags is 10.275, suggesting a significant positive relationship. The auditor's skill in recognizing warning signs is essential for effective auditing. Mohd-Sanusi et al. (2015) highlight the need for auditors to comprehend individual pressures, which can threaten organizations if employees feel unfairly treated.

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

The findings from the path coefficient estimation and statistical analysis indicate a positive path coefficient of 2.841 between auditor integrity and leadership behavior. Political behavior within organizations reflects actions driven by personal interests, often neglecting fairness and the overall welfare of individuals or the organization. To enhance their performance, auditors must uphold integrity while navigating the political dynamics introduced by leaders. This requires consistent action that embodies ethical values and accountability to established regulations, fostering a community that supports informed decision-making. As noted by Head (2012), some governments may superficially appear to have the necessary frameworks to ensure integrity and combat corruption, yet they often lack the genuine political commitment or institutional capability to implement these measures effectively.

Additionally, the analysis reveals a positive path coefficient of 2.970 between auditor competence and leadership behavior. The political viewpoint on strategic decision-making suggests that choices arise from a process influenced by varied objectives among decision-makers, leading to alliances where dominant preferences prevail. Auditors are therefore required to possess adequate knowledge, skills, and the right attitudes to perform their roles effectively. Johnsen et al. (2001) assert that the primary cause of ineffective audits is a deficiency in auditor competence.

Moreover, the path coefficient estimation indicates a positive coefficient of 2.611 between auditor independence and leadership behavior. Leadership behavior in planning encompasses elements such as the application of objectivity, the basis for planning decisions, and the interests shaping these processes. A highly independent auditor is essential for maintaining impartiality throughout the audit process, which aligns with Bryer's (2010) observation that political dynamics can constrain worker independence through imposition of neoliberal regulations.

Lastly, the analysis shows a significant positive path coefficient of 18.527 between work pressure and leadership behavior. Political actions in organizations can be influenced by personal interests, often at the expense of collective welfare. Productive political behavior can enhance organizational objectives, such as collaboration among colleagues to influence strategy. However, excessive work pressure can disrupt individuals' equilibrium, leading to deviations in behavior that adversely impact performance. Miller et al. (2008) further contend that political behavior can result in diminished performance, manifesting as dissatisfaction and reduced commitment, ultimately jeopardizing organizational effectiveness.

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

The path coefficient estimation test and statistical evaluations reveal a positive path coefficient of 8.843 between auditor integrity and internal audit quality. The quality of services provided by any profession, including auditing, is crucial for accountability to clients, the public, and regulatory bodies. Audit quality encompasses standards and criteria for effective implementation, aligning with the goals of related procedures. An auditor's integrity, characterized by honesty, courage, wisdom, and responsibility, is essential for upholding these standards. According to Rifai &

Mardijuwono (2020), integrity enables auditors to perform their duties sincerely and decisively, thereby enhancing the quality of audit outcomes.

Similarly, the path coefficient estimation test indicates a positive path coefficient of 5.317 between auditor competence and internal audit quality. Audit quality is linked to the auditor's capacity to detect material misstatements in financial statements and their commitment to issuing unbiased audit reports. Competence denotes the skills and abilities required to perform a profession effectively. As noted by Halim et al. (2014), high audit quality is significantly influenced by the auditor's ability to identify material discrepancies.

Furthermore, the path coefficient estimation test shows a positive path coefficient of 6.748 between auditor independence and internal audit quality. Auditor independence is fundamental for maintaining public trust in audit reports, which are critical for stakeholders making informed decisions. Mohamed & Habib (2013) emphasize that a lack of independence, often due to long-term entanglements, can severely compromise audit quality.

Lastly, the path coefficient estimation revealed a coefficient of 0.222 between work pressure and internal audit quality. High work pressure, coupled with inadequate task control, can severely impact auditor performance. According to Aditya & Kusuma (2019), alleviating pressure on auditors can lead to enhanced performance and improved audit quality.

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 audiences, 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 study aims to develop and evaluate a conceptual model addressing the research gap related to how auditor integrity, competence, independence, and work pressure affect the quality of internal audits, with red flags and leadership behavior serving as mediating variables. Findings indicate that the integrity, competence, independence, and work pressure of auditors significantly influence red flags and leadership behavior, which in turn enhance the internal audit quality for the Ministry of Timor-Leste. Without these factors, the effectiveness of internal audit quality is likely to diminish, adversely affecting the global competitiveness of internal auditors.

The research aspires to offer both theoretical and practical contributions by identifying and updating key aspects in developing red flags and leadership behaviors, while also enhancing auditor integrity, competence, independence, and work pressure. This approach aims to establish strategic actions across these seven variables to improve internal audit quality across all ministries in Timor-Leste.

The empirical evidence from this study serves as a reference for internal auditors within the Ministry of Timor-Leste, particularly emphasizing the need for financial reporting transparency to mitigate negative public perceptions. Furthermore, it highlights the necessity of enhancing auditor integrity, competence, and independence to achieve better audit outcomes. Notably, the roles of red flags and leadership behavior have been undervalued in managing internal audit quality.

Despite being a general study applicable to developing countries, it represents the latest research specifically concerning Timor-Leste. Future studies are encouraged to expand the research demographic beyond the Ministry of Timor-Leste to bolster the findings. Recommendations include the Ministry of Finance establishing a standard for audits across all ministries and ensuring transparency in financial reporting.

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