The Effect of Individual and Organizational Factors on Internal Auditors' Moral Courage to Report Fraud

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Abstract: *This research examines the effect of individual and organizational factors on internal auditors' moral courage to report fraud. The variables of individual factors – namely self-efficacy and resilience – and organizational factors – namely independence of the internal auditor's function and perceived audit committee support – are estimated to have positive effects on internal auditors' moral courage. With a multiple regression model based on questionnaire data from 59 respondents of internal auditors, this study found a positive effect of resilience, the independence of the internal auditor's function, and perceived audit committee support variables on the auditors' moral courage. However, the self-efficacy variable has a marginal negative effect on auditors' moral courage. This negative effect is thought to occur because of the nature of the self-efficacy variable as an individual variable. In contrast, the nature and type of internal audit assignments are a group task, so group solidarity can weaken self-efficacy due to a decrease in confidence to control situations and conditions independently. This study fills a gap in the internal auditor behavior literature by examining the causal effects of individual and organizational factors on the auditors' moral courage. The use of a parsimony multiple regression model involving relevant independent variables developed on a theoretical basis to test the causal effects is the methodological contribution of the study. Finally, this is the first study that measured the independence of the internal auditor's function by combining three critical aspects of an internal audit's authority, namely reporting, recruitment, and budgeting for the Indonesian context.*

Keywords: *self-efficacy, resilience, independence of functions, audit committee support, moral courage, internal auditors*

Abstrak – *Penelitian ini menguji pengaruh faktor-faktor individual dan organisasional pada keberanian moral auditor internal untuk melaporkan kecurangan. Variabel-variabel faktor individual – yaitu efikasi-diri dan ketahanan – dan faktor organisasional – yaitu independensi fungsi auditor internal dan dukungan komite audit persepsian diestimasikan berpengaruh positif pada keberanian moral auditor internal. Dengan model regresi berganda berdasar data kuesioner dari 59 responden auditor internal, penelitian ini menemukan pengaruh positif signifikan variabel-variabel ketahanan, independensi fungsi auditor internal, dan dukungan komite audit persepsian terhadap keberanian moral auditor internal. Namun demikian variabel efikasi-diri secara marginal berpengaruh negatif terhadap keberanian moral auditor. Pengaruh negatif ini diindikasikan terjadi karena sifat variabel efikasi-diri sebagai variabel individual,*

sementara sifat dan jenis penugasan audit internal adalah tugas kelompok, sehingga solidaritas kelompok dapat melemahkan efikasi-diri karena menurunnya keyakinan untuk mengendalikan situasi dan kondisi secara mandiri. Penelitian ini mengisi kesenjangan dalam literatur perilaku auditor internal dengan menguji efek kausal dari faktor individual dan organisasional pada keberanian moral auditor. Lebih lanjut, penggunaan model regresi berganda parsimoni yang melibatkan variabel independen relevan yang dikembangkan berdasarkan teori untuk menguji efek kausal adalah kontribusi metodologis penelitian ini. Akhirnya, ini adalah studi pertama yang mengukur independensi fungsi auditor internal dengan menggabungkan tiga aspek penting dari otoritas audit internal, yaitu pelaporan, rekrutmen, dan penganggaran untuk konteks Indonesia.

Kata Kunci: *efikasi-diri, ketahanan, independensi fungsi, dukungan komite audit, keberanian moral, auditor internal*

1. Introduction

The Institute of Internal Auditors (IIA, 2015) states that an internal auditor is responsible for providing assurances to management on the effectiveness of governance, risk management, and control processes to help the organization achieve its strategic, operational, financial, and compliance objectives. Jayalakshmy et al. (2006) and Halbouni (2015) indicated that evidence exists, which shows that internal auditors can detect fraud and corruption in companies to a greater extent than external auditors do. However, in many cases, internal auditors do not attempt to report finding fraud and corruption. Chambers & Odar (2015) illustrated the condition of the internal auditor's attitude as a goalkeeper who is unable to prevent the occurrence of corporate financial scandals.

In addition, the internal audit function can be described as part of the solution to overcome weaknesses in the internal control system, the reporting of business activities, and the ethical behavior of business people (IIA, 2015). Asiedu & Deffor (2017) stated that an effective internal audit function could reduce and prevent corruption and administrative errors. Because of the increasing importance of internal audits in ensuring corporate governance's efficiency, legislation as a formal corporate

governance guideline has reinforced the importance of the professional level and ethical responsibilities of internal audits in public and private organizations. Therefore, the study of the factors that motivate internal auditors to fulfill these responsibilities becomes very important (Sekerka, 2011; Khelil et al., 2016; Khelil et al., 2018).

Several studies have revealed that fear of retaliation is the main cause of the silence of internal auditors who do not report the fraud and corruption they find (Cassemetis & Wortley, 2013; James, 2003; Khelil et al. et al. 2016). Retaliation often takes place in physical and psychological forms such as job loss, intimidation, death threats, defamation, and negative impacts on the internal auditor's career, all of which can reduce the auditors' moral courage to act as whistle-blowers (Comer & Schwartz, 2017; Keil et al. 2010; Miceli et al. 1991). Sekerka et al. (2009) indicated that moral courage is an attribute that motivates and enables individuals to take appropriate actions based on the ethics of their profession. Morales-Sánchez & Cabello-Medina (2013) further support this opinion and report that prosocial behavior, such as speaking, requires moral courage. This moral courage is a moral competence that can overcome the fear of doing the right thing following a belief in moral values.

Although several studies have identified that internal auditors remain silent for fear of reprisals, and some empirical research into the factors that can enhance the moral courage of individuals to speak when they face mistakes have been undertaken (Khelil et al. 2016), evaluations of the internal auditors' functions are still focused on the responsibility of an internal auditor to reveal management fraud. However, they have not considered what causes them to carry out this responsibility. Specifically, Khelil et al. (2016) stated that internal auditors not only need to know what the right course of action to take is, but they must also have the courage to do so. Khelil et al. (2018) evaluated the relationship between variables of self-efficacy, resilience, state hope, perception of supervisor support, and independence of the internal audit function, called positive attitude variables, with the moral courage of internal auditors. Based on statistical analysis using structural equation modeling (SEM), they reported significant

positive relationships between these variables with the internal auditors' moral courage, except the insignificant state hope variable.

Two things can be noted from Khelil et al. (2018), namely the SEM model and insignificant variable of state hope. First, the SEM model is a flexible multivariate statistical modeling technique to confirm a model's form. However, it does not test the causal relationship between variables in the model (Golob, 2003). If the causal relationship can be developed based on a strong theory(ies), then the multiple regression model is more appropriate to test the relationship between variables. Secondly, the state hope variable is sensitive to the business environment's condition, such as a democratic or strong legal system. The stronger the business environmental systems, the more courageous of the society. This condition may affect the insignificant of the state hope variable since the study has been done in the country with a less motivational business environment (Khelil et al. 2018).

This study fills the gap by employing a multiple regression model and excluding the state hope variable from the model. The multiple regression model is used to examine the causal relationship between individual and organizational factors to the internal auditors' moral courage to report acts of fraud or corruption that they find. The individual variables tested in this study were self-efficacy and resilience, while the organizational variables were independent of the functions of the internal auditor and perceived audit committee support. The state hope variable is excluded from the model because factors within the business environment, such as the culture, bureaucracy, and legal systems, may affect the reliability of variable measurement.

Based on the theory of social cognition and organizational support, this study predicts that the internal auditor's individual factors and organizational factors could increase the moral courage of the internal auditors. The study documents the significant positive effect of resilience, the independence of the internal auditor's function, and the perceived audit committee support variables on the internal auditors' moral courage. However, the self-efficacy variable has a marginal negative effect on auditors' moral courage. It is indicated that this occurs because the nature of the self-efficacy variable,

as an individual variable, critically influences individual courage (Amos & Klimoski, 2014), while the nature and type of internal audit assignments is a group task. As a result, group solidarity can weaken self-efficacy due to decreased confidence in independently controlling situations and conditions (Sekerka & Bagozzi, 2007).

The results of this study contribute to three things. First, this study fills a gap in the research literature in the internal auditor behavior field by examining the causal effects of individual and organizational factors on the auditors' moral courage. Second is a methodological contribution using a parsimony multiple regression model involving relevant independent variables developed on a theoretical basis to test the causal effects. Lastly, as used by Khelil et al. (2018), this is the first study to measure the independence of the internal auditor's function by combining three critical aspects of an internal audit's authority: reporting, recruitment, and budgeting for Indonesian context.

A limitation of this study that needs to be considered when interpreting the results is the possibility of variable measurement bias due to differences in the respondents' understanding of the meaning of some of the statements, or their desire to satisfy social desires. Further research is needed to examine the impact of individual and other organizational factors such as social identity, ethical values, or group norms. In terms of the research methods, experimental methods can also be an alternative for any subsequent research.

This paper is organized as follows. The following sections sequentially discuss the theoretical framework, hypotheses development, research methods, and research results. Discussion and conclusions form the last part of this paper.

2. Theoretical Framework and Hypothesis Development

2.1. Theoretical Framework

2.1.1. The role of internal auditors in reporting fraud

Big company scandals such as the Enron and WorldCom cases have caused huge losses and community disappointment. This condition has made the institute of internal auditors (IIA) and other setters of internal audit standards look for ways to strengthen

the role of internal auditors in preventing company irregularities. In addition, internal auditors are also expected to play a role in campaigning for the truth through increased responsibility for reporting fraud in a company, internally or externally. The IIA (IIA, 2015) stipulates in the standard #2060 that:

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

The above statement is in accordance with the advocacy of academics and researchers who argue that internal auditors occupy potential positions as whistle-blowers who can report illegal activities in the organizations to the audit committees, boards of directors, or government agencies (Miceli et al., 1991 and Xu & Ziegenfuss, 2008). In addition, the Code of Ethics for Internal Auditors (IIA, 2015) regulates and establishes norms of behavior that emphasize a set of principles that must be followed by internal auditors. Under the concept of internal auditor integrity, it stresses that internal auditors must carry out their work with honesty, responsibility, and diligence. Thus the internal auditor must be able to make disclosures as expected by the law and the profession.

2.1.2. The internal auditors' moral courage in reporting fraud

Despite having professional and ethical responsibilities for reporting fraud, internal auditors still face ethical conflicts when disclosing audit findings that could harm their careers (Khelil et al., 2016). In fact, in many cases, internal auditors do not act as management enablers, but as individuals who became involved in cases of conflict or fraud. Usually, internal auditors and company management conflicts involve two sources of power: the temptation of money from the management team to persuade the internal auditors to ignore their professionalism versus the auditors' level of integrity to resist the temptation (Bayou et al. et al., 2011).

In this context, Abbot et al. (2016) argued that behaving ethically in the presence of an imbalance of power requires moral courage. Such moral courage is defined as "the expression of personal views and values in the face of dissension and rejection" and in a position where "a person stands opposite someone who has power over himself (for example, the boss) for reasons of greater good." Armstrong et al. (2003) and Khelil et al. (2016) found that moral courage can improve auditors' moral character. Based on Thorne's ethical decision-making model (Khelil et al., 2018), the results of their study indicated that moral courage could determine an auditor's ability to behave following his/her ethical intentions. Academics and professionals theoretically and empirically have documented the importance of moral courage in auditors, which lets them uphold their responsibilities. In a qualitative study, Libby & Thorne (2007) revealed that moral courage is an instrumental virtue that plays an important role in enhancing the auditor's ethical judgment.

Khelil et al. (2018) provided support for this view by reporting that audit committee members in public sector organizations believe that moral courage is an important value that must be possessed by internal auditors to allow them to discuss sensitive issues. Audit committee members hope that internal auditors behave courageously to describe things as they are and thus enable them to trust the work and results of the audit. Consistent with these findings, Everett & Tremblay (2014) identified important virtues that motivated Cynthia Cooper (one of WorldCom's internal auditors) to behave ethically and report the fraud committed by top management. Based on Cooper's autobiographical examination, they concluded that her ethical behavior was based on her courage and resistance to threats.

2.2. *Hypotheses Development*

In general, the results of the study document that moral courage is not an innate behavior but is strongly related to motivation, and can be developed through the influence of individual internal and external resources (Comer & Schwartz, 2017; Hannah et al., 2013; Khelil et al., 2016). Fredrickson et al. (2003) revealed that positive circumstances build personal resources to overcome the narrowing of the repertoire of

thoughts produced by pressure. More than that, Hannah et al. (2013) proposed that positive circumstances such as self-efficacy and resilience, when related to social roles, play an important role in increasing the courage of individuals when facing risks associated with their responsibilities.

The following sections describe various arguments to show the variables of self-efficacy, resilience, independence of the internal auditors' function, and perceived audit committee support for internal auditors' moral courage to disclose the fraud and errors they find.

2.2.1. Self-efficacy hypothesis

Self-efficacy is a basic concept of the social cognitive theory developed by Bandura (1982, 1989). Bandura (1989) described self-efficacy as "an important variable determining how much effort an individual will make and how long they will last in facing significant challenges." With self-efficacy, the perception of success can foster motivation and performance in different ways. MacNab & Worthley (2008) and Goud (2005) associated self-efficacy with self-confidence. Self-efficacy is operationalized in challenging self-determined goals, sincere efforts, and the self-selection of difficult tasks, mobilization for task mastery and the achievement of goals, and perseverance when facing obstacles.

The role of self-efficacy in increasing moral courage and overcoming fear has been widely proven in several previous studies (Amos & Klimoski, 2014; Goud, 2005; Hannah & Avolio, 2010; Sekerka & Bagozzi, 2007). Bandura (1989) indicated that a high level of self-efficacy could foster an individual's belief that they can influence the situation toward the results that are needed or expected when the situation is at risk. MacNab & Worthley, 2008 and Amos & Klimoski (2014) identified that self-efficacy is an inherent characteristic of individual behavior that critically influences individual courageous behavior. On the other hand, individuals who do not have positive feelings about themselves (self-efficacy) will be constrained when facing risky responsibilities because they do not have courageous behavior.

Goud (2005) described that individuals with high levels of self-efficacy would feel pressure and threats when facing a frightening situation, but they will try to survive, even if threatened. Specifically, Goud (2005) states that self-efficacy is the main force for fighting fear or risk while encouraging safety. More than that, Sekerka & Bagozzi (2007) indicated that a person's desire to act depends on his/her belief that he/she can control the situation and conditions. Furthermore, Chemers et al. (2000) supported the opinion that self-efficacy can increase individuals' desire to behave with moral courage. They believe that self-efficacy is a significant factor in increasing moral courage. Self-efficacy can make a person confident in the knowledge he/she has and is sure that his/her knowledge can solve the problem at hand. Based on the social cognitive theory (Bandura, 1982) and the findings of previous studies, this study formulates the following first hypothesis.

H1: Internal auditor's self-efficacy is positively related to the internal auditor's moral courage.

2.2.2. Resilience hypothesis

Some psychology research describes resilience as a process of coping and adapting positive behavior in the face of significant risks or difficulties (Lee et al., 2012; Luthans et al., 2007; Luthans, 2002). Also, the American Psychological Association explains that resilience is a process of how someone adjusts when faced with difficulty, trauma, tragedy, threats, or other sources of pressure. Whereas Luthans (2002) stated resilience in the context of the work environment is the state of a person's positive psychological ability to recover from the difficulties, uncertainties, conflicts, and failures that are faced.

Bandura (1989) described resilience as a person's belief in his/her ability to overcome negative cognition and ruminative thinking in order to succeed in solving challenges that require courage when facing them. Other research indicates that a person's resilience can increase their effectiveness in living life experiences with dynamics that include adaptation and development to various threatening situations (Bergheim et al., 2015; Lee et al., 2012; Luthans et al., 2007).

The results of this study indicate that resilience is an important factor in activating moral courage. The results of Everett & Tremblay's (2014) evaluation of the autobiography of Cynthia Cooper (internal auditor at WorldCom) showed that she adapted her positive cognition when dealing with difficulties, threats, and risks with various consequences, to increase her resilience and motivation to blow the whistle. The findings of Everett and Tremblay (2014) support the results of several previous studies stating that a person's resilience will resist the pressures, risks, threats, and dangers so that they can activate their moral courage. Following the results of this study, the second hypothesis of this study is as follows.

H2: Internal auditor's resilience is positively related to the internal auditor's moral courage.

2.2.3. Perceived audit committee support hypothesis

The organizational support theory developed by Eisenberger et al. (1986) stated that the organizational support perceived by employees would have a positive impact on increasing the tendency of the employees to treat organizations with various characteristics of humanity. Employees show a great deal of concern about the organization because organizational support is considered to be a guarantee that assistance will be provided by the organization when they need to overcome stressful situations in doing their work effectively (Rhoades & Eisenberger, 2002). In addition, organizational support will strengthen employee identification and support to achieve organizational goals with commitments that exceed their normal duties (Alleyne et al., 2013).

Hannah et al. (2013) asserted that organizational support increases the activation of self-regulation expectations and plans to behave boldly by increasing perceptions about supporting contexts such as protecting whistle-blowers from punishment. In addition, Rhoades & Eisenberger (2002) confirmed that the attention of supervisors, who act as organizational agents, to employees could significantly contribute to the increased organizational support felt by employees. The strength of this relationship is closely related to the extent to which employees identify and justify the supervisor's

actions as an act that is specifically targeted. In addition, employees expect to receive support from supervisors when facing situations with high uncertainty about their involvement in risky behavior (Mayer et al., 2013).

Alleyne et al. (2013) stated that the concept of organizational support is consistent with Blau's social exchange theory in 1964 and the norm of reciprocity theory developed by Gouldner in 1960. The relationship between supervisors and employees is based on the concept of social exchange, namely giving and receiving on a comparable basis through the mechanism of offering something that other parties consider valuable, and these exchanges are carried out fairly (Graen & Scandura, 1987). Under these conditions, Alleyne et al. (2013) indicated that internal auditors were more likely to feel committed to the organization when they feel great support from the organization so that they would feel comfortable reporting unethical deeds.

For public companies' governance, the audit committee can function as an organizational agent that provides support for the internal auditors (Khelil et al., 2016; Sarens et al., 2009; Turley & Zaman, 2007; Alleyne et al., 2018). In the context of the governance of public companies in Indonesia, the audit committee functions as an agent who, on the one hand, supervises the internal auditors and, on the other hand, can be a place for auditors to disclose wrongdoings. One member usually leads the audit committee from an independent commission who understands the field of accounting, with the rest of the members being independent professionals. Khelil et al. (2016) and Zain, et al. (2006) stated that the internal audit function, supervised by the audit committee, would be more objective and stronger in the implementation of corporate control. In accordance with the role of the audit committee as an important agent to improve the quality of the position and the status of the internal audit unit (Scarborough et al., 1998), the audit committee is morally responsible for strengthening the position of the internal audit function, by offering a supportive working environment for internal auditors, such as a place to report internal auditors' complaints about things that affect them (Alzeban, 2015; Zaman & Sarens, 2013; Khelil et al., 2016).

In line with this, the Organization of Economic Cooperation and Development (OECD, 2018) supports this opinion. It reveals that the audit committee can provide additional support to ensure the effectiveness and independence of internal audit activities. Alzeban (2015) and Khelil et al. (2016) stated that the audit committee could act as an agent of the company and is responsible for guiding and evaluating internal auditors' performance. Thus they believe that internal auditors can see the audit committee's focus being favorable or unfavorable toward internal auditors as a signal of organizational support. In accordance with the theory of organizational support and the social exchange theory and empirical evidence from previous research, the third hypothesis of this study is as follows.

H3: Perceived audit committee support is positively related to the internal auditor's moral courage.

2.2.4. Independence of the internal audit function hypothesis

The International Auditing and Assurance Standards Board (IAASB, 2013) describes independence as the independence of internal auditors from conditions that threaten internal audit activities' sustainability when carrying out impartial internal audit responsibilities. Furthermore, according to Standard 1100 (IIA, 2015), internal audit activities must be independent, and internal auditors must be objective in carrying out their work. Internal auditors' independence is framed as a means of protecting internal auditors from conflicts of interest, bias, or the influence of other parties that will interfere with their professional judgment (Abbot et al., 2016). Internal auditors' independence is a crucial part of the audit profession (Arya & Glover, 2014).

In the context of independence, the reporting relationship between the audit committee and the audit function can enhance the internal auditor's independent position when carrying out the internal audit function. In addition, this condition can facilitate the support of the relationship between greater audit committee oversight and greater internal auditor independence in the exercise of its functions (Abbott et al., 2016; Alzeban, 2015; Goodwin & Yeo, 2001). James (2003) documented empirical evidence that an internal auditor whose reporting function is related to the audit committee will

be more likely to report fraud than an internal auditor related to top management. In addition, Goodwin and Yeo (2001) proved that the direct reporting relationship between internal auditors and audit committees could strengthen internal auditor functions and increase their independence.

Furthermore, Alzeban (2015) indicated that the authority to decide on the recruitment and dismissal of internal auditors conducted without managerial influence could increase internal auditors' independence. Thus they can feel freer to report violations of managerial ethics without fear of retaliation. Khelil et al. (2016) added that the audit committee's participation in the hiring decision and dismissal of the leadership of the internal auditors could increase the moral courage of the internal auditors' leader. Khelil et al. (2016) conducted a supplementary interview with several internal auditor leaders to explain this finding. In addition to the authority of the reporting function and the right to terminate employment, Abbott et al. (2016) added that the existence of the authority to control financial planning and budgeting in the audit committee could be the third critical thing increase the independence of the function of internal audit activities. Therefore, the fourth hypothesis of this study is as follows.

H4: Internal Auditor Function Independence is positively related to the internal auditor's moral courage

Figure 1
Research Model

Figure 1 depicts the research model for the expected effects of self-efficacy, resilience, perceived audit committee support, and the independence of the internal audit function on the auditor's moral courage.

3. Research Method

This study uses a questionnaire to collect data from its respondents who are internal auditors in public companies in Indonesia. The questionnaire was used to measure one dependent variable, namely the Internal Auditor's Moral Courage (IAMC) and four independent variables, namely Self-efficacy (SE), Resilience (RE), Perceived Audit Committee Support (PACS), and Internal Auditor Function Independence (IAFI).

3.1. Respondent

The respondents in this study were 59 internal auditors working at 19 public companies listed on the Indonesia Stock Exchange, with an average of 3.11 internal auditors from each company. The data collection was carried out with a questionnaire, using a convenient sampling model. The questionnaire was submitted to the head of the internal auditors to ask the internal auditors to fill out the questionnaire.

Table 1 presents the demographics of the 59 respondents. The respondents' average age was 34.7 years, with 9.4 years' work experience as an internal auditor (on average). A total of 41 (69.49%) of the respondents were men, and 18 (30.51%) were women. There were 48 (81.36%) respondents with undergraduate education, and the remaining 11 (18.64%) with a master's degree, 25 (40.68%) respondents had internal auditor certificates, and 34 (59.32%) respondents were not certified. Finally, 37 (62.71%) respondents came from companies engaged in the financial sector, and the remaining 22 (37.29%) respondents were from the non-financial sector.

Table 1
The demographic data

No	Item	Measures
1	Age (years):	
	• Mean	34.7
	• Minimum	26
	• Maximum	45
2	Work experience (years):	
	• Mean	9.4
	• Minimum	4
	• Maximum	16
3	Gender:	
	• Male	41 (69.49%)
	• Female	18 (30.51%)
4	Education:	
	• Bachelor's degree	48 (81.36%)
	• Master's degree	11 (18.64%)
5	Internal Audit Certification:	
	• Yes	25 (40.68%)
	• No	34 (59.32%)
6	Company Type:	
	• Financial Sector	37 (62.71%)
	• Non-financial Sector	22 37.29%)

3.2. Variable Measurement

3.2.1 Internal Auditor's Moral Courage (IAMC)

Moral courage's operational definition is the audacious behavior of internal auditors, accompanied by offended and anger, intending to uphold social and ethical norms without considering their own social costs (Greitemeyer et al., 2006). The IAMC variable was measured using a four-item moral courage scale developed by Hannah & Avolio (2010). This instrument had been used in several previous studies, and the test results showed it has high validity and reliability (Hannah et al., 2011; Hannah et al., 2013; Schaubroeck et al., 2012). The respondents were asked to rate their level of moral courage using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) on a four-item statement. To contextualize the situation, each respondent was directed by the statement, "Please think of the actions you will take when you detect fraud

committed by your manager, by rating the following statement in accordance with your attitude."

Table 2 below presents the validity and reliability test of the IAMC measurement instrument in this study. The four statements were declared valid; all were within a range of r values of 0.841 to 0.927, and reliable with Cronbach's alpha values of 0.904.

Table 2
Validity and Reliability Tests for IAMC

IAMC	Statement	r	Results
1	I will confront my peers if they commit an unethical act.	0.904	Valid
2	I will confront my manager if he/she commits an unethical act.	0.841	Valid
3	I will always state my views about ethical issues to my supervisors.	0.866	Valid
4	I will go against the group's decision whenever it violates my ethical standards.	0.927	Valid
Cronbach's Alpha for the Reliability test was 0.904			

3.2.2. Self-efficacy (SE)

Following Bandura (1982), this study operationally defines SE as an internal auditor’s trust in his ability to succeed in doing something. SE reflects one's belief about the extent to which he/she can do the task, achieve goals, and plan actions to achieve a goal. The SE variable was measured by instruments developed by Parker (1998) based on Bandura’s (1982) social cognitive concept. The instruments consist of 10-item statements and are widely used in organizational research. This instrument has been proven to have high validity and reliability from the results of testing in previous studies (Bergheim et al., 2015; May et al., 2014; Luthans et al., 2008). In this study, the respondents were asked to rate their beliefs if asked to perform each of the ten tasks using a five-point Likert scale from 1 (not at all confident) to 5 (very confident).

Table 3 presents the results of the validity and reliability test of the SE measurement instruments in this study. Of the ten statements, nine were declared valid with a range of r values between 0.570 and 0.703, and one statement (SE-2) was declared invalid with an R-value of 0.177. Overall, it was declared reliable, with a

Cronbach's alpha value of 0.776. Therefore, only the nine valid statements were used in the next analysis.

Table 3
Validity and Reliability Tests for SE

SE	Statement	r	Results
1	Analyzing a long-term problem to find a solution.	0.485	Valid
2	Representing your work area in meetings with senior management.	0.177	Not Valid
3	Designing new procedures for your work area.	0.370	Valid
4	Making suggestions to management about ways to improve the working of your section.	0.343	Valid
5	Contributing to discussions about the company's strategy.	0.423	Valid
6	Writing a proposal to spend money in your work area.	0.637	Valid
7	Helping to set targets/goals in your work area.	0.523	Valid
8	Contacting people outside the company (e.g., suppliers, customers) to discuss problems.	0.615	Valid
9	Presenting information to a group of colleagues.	0.706	Valid
10	Visiting people from other departments to suggest doing things differently.	0.485	Valid
Cronbach's Alpha for the Reliability test was 0.776			

3.2.3. Resilience (RE)

The operational definition of RE is the internal auditors' capacity to prevent, minimize, or even overcome damaging effects (Grotberg, 2001). The RE reflects the individual ability to overcome, though, and return to their original condition after experiencing difficulties. The RE variable was measured using an instrument developed by (Block & Kremen, 1996), which is widely recognized. The instrument consists of 14-item statements related to the state of the respondent's self. Letzring et al. (2005) used this instrument, and the test results showed good validity and reliability scores for the instrument. In this study, the respondents were asked to rate their circumstances and attitudes according to statements using a five-point Likert scale from 1 (strongly disagree) to 5 (fully agree).

Table 4 explains the results of the validity and reliability test of the RE measurement instrument in this study. There were 11 out of the 14 statements that were declared valid, with a range of r values of 0.370 to 0.725, and three statements (RE-6, 10, and 11) were declared not valid, with a range of r values of -0.109 to -0.206. Overall,

it was declared reliable, with a Cronbach's alpha value of 0.673. Therefore, only 11 valid statements were used in the next analysis.

Table 4
Validity and Reliability Tests for RE

RE	Statement	r	Results
1	I am generous with my friends.	0.683	Valid
2	I quickly get over and recover from being startled.	0.705	Valid
3	I enjoy dealing with new and unusual situations.	0.683	Valid
4	I usually succeed in making a favorable impression on people.	0.725	Valid
5	I enjoy trying food I have never tasted before.	0.411	Valid
6	I am regarded as a very energetic person.	-0.109	Not Valid
7	I like to take different paths to familiar places.	0.376	Valid
8	I am more curious than most people.	0.479	Valid
9	Most of the people I meet are likable.	0.370	Valid
10	I usually think carefully about something before acting.	-0.206	Not Valid
11	I like to do new and difficult things.	-0.187	Not Valid
12	My daily life is full of things that keep me interested.	0.683	Valid
13	I would be willing to describe myself as a pretty 'strong' personality.	0.705	Valid
14	I get over my anger with someone reasonably quickly.	0.725	Valid
Cronbach's Alpha for the Reliability test was 0.673			

3.2.4. *Perceived Audit Committee Support (PACS)*

In this study, the operational definition of PACS is the extent to which the audit committee can appreciate internal auditors' contributions and care for their well-being (Powell, 2011). The PACS shows the condition of an individual who feels heard, valued, and cared for by his/her supervisors. The PACS variable was measured by modifying the instrument developed and used in the Perceived Organizational Support (SPOS) survey by Eisenberger et al. (2002). Following Khelil, et al. (2018) modifications are made by selecting eight-item statements from the 36-item statements that had previously been tested for reliability and validity. In addition, the word “organization” in the instrument was replaced by “audit committee/commissioners.” In this study, the respondents were asked to choose their level of agreement for each statement on a Likert scale of five points from 1 (strongly disagree) to 5 (fully agree).

Table 5 below shows the results of the validity and reliability test of the PACS measurement instrument in this study. Seven out of the eight statements were declared valid with a range of r values of 0.308 to 0.780, and one statement (PACS-7) was declared invalid with an R -value of 0.191. Overall, it was stated to be reliable, with a Cronbach's alpha value of 0.655. Therefore, only seven valid statements were used in the next analysis.

Table 5
Validity and Reliability Tests for PACS

PACS	Statement	r	Results
1	My Audit Committee/Commissioners strongly consider my goals and values.	0.776	Valid
2	Help is available from my Audit Committee/Commissioners when I have a problem.	0.641	Valid
3	My Audit Committee/Commissioners really care about my well-being.	0.706	Valid
4	My Audit Committee/Commissioners would forgive an honest mistake on my part.	0.780	Valid
5	If given the opportunity, my Audit Committee/Commissioners would take advantage of me. (R)	0.308	Valid
6	My Audit Committee/Commissioners are willing to help me if I need a special favor.	0.399	Valid
7	My Audit Committee/Commissioners show very little concern for me. (R)	0.191	Not Valid
8	My Audit Committee/Commissioners care about my opinions.	0.417	Valid
Cronbach's Alpha for the Reliability test was 0.655			

3.2.5. Internal Auditor Function Independence (IAFI)

The operational definition of IAFI is the free and objective conditions felt by internal auditors from the threat of organizational environment when carrying out impartial internal audit activities and responsibilities (IAASB, 2013). IAFI was measured by the instruments used by Abbot et al. (2016). The instrument used a nine-item statement that compares the roles of the audit committee, financial director, and managing director of the company in three ways, namely the reporting path, the right to terminate the leadership of the internal auditor, and the right to control the budget, as recommended and used by Khelil et al. (2018). The respondents in this study were asked

to state their level of agreement regarding the magnitude of influence indicated by the audit committee, finance director, and managing director on these three aspects of authority on a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Table 6 below explains the results of the validity and reliability test of the IAFI measurement instrument in this study. From the nine statements, eight were declared valid with a range of *r* values from 0.378 to 0.821, and one statement (IAFI-2) was declared invalid with an *R*-value of 0.060. Overall, it was stated to be reliable, with a Cronbach's alpha value of 0.654. Therefore, only eight valid statements were used in the next analysis.

Table 6
Validity and Reliability Tests for IAFI

IAFI	Statement	r	Results
1	Internal audit reports to the Audit Committee.	0.378	Valid
2	Internal audit reports to the Chief Financial Officer (CFO).	0.060	Not Valid
3	Internal audit reports to the Chief Executive Officer (CEO).	0.749	Valid
4	The Audit Committee has authorization to terminate the Chief Audit Executive.	0.727	Valid
5	The CFO has authorization to terminate the Chief Audit Executive.	0.752	Valid
6	The CEO has authorization to terminate the Chief Audit Executive.	0.821	Valid
7	The Audit Committee determines the internal audit's annual budget.	0.489	Valid
8	The CFO determines the internal audit's annual budget.	0.577	Valid
9	The CEO determines the internal audit's annual budget.	0.391	Valid
Cronbach's Alpha for the Reliability test was 0.654			

4. Results

4.1 Descriptive Statistics

Table 7 reports the results of the descriptive statistics. The mean value of all the variables is above the median value of 2.50. Consequently, the mean (standard deviation) of the SE variables are 3.33 (0.41), RE 3.29 (0.45), PACS 3.27 (0.45), IAFI 4.30 (0.39), and IAMC 4.19 (0.81). This indicates that the respondents tend to have a

relatively high level of self-efficacy, resilience, perceived support from the audit committee, and a high level of independence of the internal audit function. Likewise, the internal auditors' moral courage variables also indicate the relatively strong desire for internal auditors to disclose fraud.

Table 7
Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
SE	59	2.50	4.40	3.33	0.41
RE	59	2.43	4.21	3.29	0.45
PACS	59	2.38	4.13	3.27	0.45
IAFI	59	2.56	4.22	4.30	0.39
IAMC	59	2.00	5.00	4.19	0.81

4.2 Results of Hypotheses Tests

The following multiple regression model was used to test the four research hypotheses.

$$IAMC = \beta_0 + \beta_1 SE + \beta_2 RE + \beta_3 PACS + \beta_4 IAFI + \varepsilon$$

Table 8
The Results of the Multiple Regression Model
 $IAMC = \beta_0 + \beta_1 SE + \beta_2 RE + \beta_3 PACS + \beta_4 IAFI + \varepsilon$

Variable	Coefficient	Std. Error	t-value	p-value
Dependent Variable = IAMC				
(Constant)	-3.702	0.582	-6.358	0.000
SE	-0.390	0.220	-1.773	0.082*
RE	0.535	0.210	2.543	0.014**
PACS	0.758	0.206	3.672	0.001***
IAFI	1.186	0.208	5.688	0.000*
R-square = 0.517 Adjusted R-square = 0.504 F-value = 39.45 (p-value = 0.000)				

*** significant at $\alpha = 1\%$; ** significant at $\alpha = 5\%$; * significant at $\alpha = 10\%$

Table 8 presents the results of the multiple regression model. The research model was feasible to test the hypotheses with the result of the goodness of fit R-square

(Adjusted R-square) = 0.517 (0.504) with an F-value of 39.45 and significance at the level of $\alpha = 1\%$ (p-value = 0.000).

The hypotheses test results showed that SE is marginally significant ($\alpha = 10\%$), influencing the IAMC with a coefficient of -0.390, a standard error of 0.220, a t-value of -1.773, and a p-value of 0.082. However, the SE coefficient is negative and goes against the first hypothesis. Meanwhile, the RE variable had a coefficient of 0.535, a standard error of 0.210, a t-value of -2.543, and a p-value of 0.014. Therefore, SE is positively significant ($\alpha = 5\%$), and influences the IAMC and supports the second hypothesis. Furthermore, the third and fourth hypotheses are also significantly supported at the $\alpha = 1\%$ level. The PACS coefficient value is 0.758 with a standard error of 0.206, a t-value of 3.672, and a p-value of 0.001, while the IAFI's coefficient value is 1.186 with a standard error of 0.208, a t-value of 5.688, and a p-value of 0.000.

5. Conclusion and Discussion

Following the hypotheses testing, variable resilience, perceived audit committee support, and the independence of internal audit functions, each has a positive effect on the internal auditors' moral courage. Meanwhile, self-efficacy has a marginal negative effect on internal auditors' moral courage.

The results of the two hypotheses tests are in accordance with the positive psychological theory, which states that resilience is an important factor for activating moral courage. It indicates that when the internal auditor is in a position of distress, because of knowing about or finding fraud committed by the top management or the boss of the company, the internal auditor can carry out the process of adapting positive cognition to increase his/her resilience and motivation to blow the whistle. The findings of this study also consistently support the results of several previous studies; that a person's resilience can activate moral courage (Everett & Tremblay, 2014; Lee et al. 2012; Luthans et al. 2007; among others).

The positive effect of perceived audit committee support on the auditors' moral courage, as expected by Hypothesis 3, is consistent with the theory of organizational support and social exchange. The audit committee, which is in a relatively independent

position in the governance of public companies in Indonesia, can play its role in supporting the internal auditors with the moral courage to reveal the fraud they encounter. The existence of the support of the audit committee will increase the awareness of internal auditors with a commitment beyond that expected of them in their normal duties. Finally, this support can also lead to internal auditors' reciprocal efforts by increasing their responsibility in supporting the achievement of organizational goals (Mayer et al. 2013).

In line with the second and third hypotheses, the results of the test of the fourth hypothesis indicate that the independence of the internal audit function can also increase the auditors' moral courage to reveal any fraud that occurs. The independence of the internal audit function depends on three aspects, namely the function of reporting the results of the audit to the audit committee, the audit committee's authority to participate in the recruitment process of the internal auditor leader, and the audit committee's participation in the company's financial planning. The results of this study are consistent with the studies of Arya & Glover (2014), Alzeban (2015), and Abbott et al. (2016).

The result of the first hypothesis test is in the opposite direction of the hypothesis. Self-efficacy is expected to increase the moral courage of internal auditors, but the results of this study indicate that self-efficacy marginally decreases the internal auditors' moral courage. This result is not in accordance with the social cognitive theory. The probable cause of this is that self-efficacy is an inherent characteristic that relates to an individual's belief that critically influences an individual's courage (Amos & Klimoski, 2014), while the nature and type of an internal audit assignment is a group task. Thus, group solidarity can weaken self-efficacy due to decreased confidence in the internal auditors' ability to control situations and conditions independently (Sekerka & Bagozzi, 2007). On the other hand, the nature and type of an internal audit assignment seem to have less impact on resilience since it relates to an individual's ability.

The results of this study contribute to three things. First, this study fills a gap in the research literature in the field of internal auditor behavior by examining the causal effects of individual and organizational factors on the auditors' moral courage. Second

is a methodological contribution by using a parsimony multiple regression model involving relevant independent variables developed on a theoretical basis to test the causal effects. Lastly, as used by Khelil et al. (2018), this is the first study measured the independence of the internal auditor's function by combining three critical aspects of an internal audit's authority, namely reporting, recruitment, and budgeting for Indonesian context.

A limitation of this research that needs to be carefully considered in interpreting the results is the possibility of variable measurement bias. This can occur because there is a possibility that the research's respondents have a different understanding of the meaning of certain questions or because of the desire of the respondents to satisfy social desires. Therefore, further research is needed to overcome this weakness by examining the impact of other individual and organizational factors such as social identity, ethical values, or group norms. In terms of future research methods, the use of experimental methods can also be an alternative for any subsequent research.

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