

Human Capital Management Model: A Perspective of Internal Supervision In Indonesia

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ABSTRACT

This research tries to describe the extent of efforts to "eradicate" criminal acts in the financial sector known as practice of *fraud* by using the by using explanatory survey approach. This research is verification to examine the effect of human capital management on performance in the field of internal control. The sample used is Public Sector Internal Auditors in West Java Province for two categories, namely the Functional Position of the Auditor and the Supervisor for the Implementation of Local Government Affairs, with Structural Equation Model Data Analysis techniques. The results show that Performance in the field of Oversight has not been effective where the Government's Internal Control Standards have not been implemented properly, there is still a lack of awareness of the Public Sector Internal Auditors in implementing the professional code of ethics and weak Auditor competence. Human Capital Management in the field of Supervision is directed to realize an internal auditor that is trusted, has integrity, is objective, is accountable, is transparent and is able to hold on to secrecy so as to realize good governance.

Keywords : Human Capital Management, Public Sector Internal Auditor Performance, Professional Code of Ethics, Government Internal Control System

Introduction

Development of a good governance paradigm and the creation of a stylish administration to open awareness for all people especially government officials to always be responsive to the demands of society by providing public the best service, transparent and accountable. (Hadi, Handajani, & Alamsyah, 2017) The implementation of bureaucratic reform has not been carried out effectively and is still full of various irregularities and practices of fraud in the public sector that can cause state losses and harm the public.

Based on the survey results of the Association of Certified Fraud Examiners, Fraud in Indonesia consists of 3 (three), namely corruption, misappropriation of assets and fraudulent financial statements. Furthermore, based on the Transparency International survey, Indonesia's CPI (Corruption Perception Index) position in 2019 was ranked 85 out of 180 countries with a score of 40, this is better than the previous year which was in position 89 with a score of 38. This condition is inseparable from the role of the Internal Auditor The Public Sector, which acts as a "doctor of fraud", has duties and authorities in accordance with Presidential Regulation Number 192 of 2014, namely conducting internal oversight within the government environment and providing guidance and assistance in the process of planning, drafting and reporting performance. (Gamar & Djamhuri, 2015). Although in its

implementation it is still not effective because there are still findings of financial management presented by the government that deviate with the potential to harm the country, in detail BPK (Supreme Audit Agency) explains the problem occurs because of the Weaknesses of the Internal Control System and the problem of non-compliance with the provisions of laws and regulations. valid invitations that have a financial impact (Gamayuni, 2015; Yurniwati & Rizaldi, 2015). In addition, the problem occurs because the application of Accrual Based Local Government Financial Statements has not been adequate yet in line with accounting principles. (Lumbantobing, Saerang, & Wokas, nd).

Weaknesses in reporting performance are inseparable from the problem of human resources in the field of supervision, namely the internal auditors. There are at least 3 (three) first internal auditor weaknesses related to independence where the supervisory apparatus is chosen by the leadership of the institution to be monitored, secondly is professionalism where many supervisory personnel backgrounds are not appropriate, ignoring continuing education and commitment and integrity and weak competence. Third, the unclear division of tasks between supervisory institutions (Yohanes, Paton, & Alaydrus, 2016). In addition, based on the results of the assessment carried out by BPKP (Financial and Development Supervisory Agency) regarding the Capability of the Supervisory Apparatus using the Internal Audit Capability Model, the Level of Capability of the Supervisory Apparatus as a whole is still at Level 1 (initial) and 2 (infrastructure) of 5 levels It should be that independence and objectivity cannot be fully implemented to produce high performance. (Mulyatini, 2018) (Fernandes, 2013)

The problem of resource supervision is not only a matter of coaching and mentoring abilities but also various aspects including good behavior that is commitment, knowledge and experience. Though knowledge and experience of human resources are part of Intellectual Capital that can create added value for the organization. (Pirozzi & Ferulano, 2016; Secundo, Dumay, Schiuma, & Passiante, 2016) Next in this research will be discussed several concepts and theoretical basis theoretical framework that will produce and support overall research.

Literature Review

Human Capital Management

Humans are the key to success in organizations. All organizations of all types and sizes will depend on the quality of human resources. Human resources are all the potential possessed by humans that can be donated to society (Mercer, Barker, & Bird, nd). The quality of an organization depends on the quality of the people within it, human resources are the most important asset for organizational success, there are 3 (three) reasons why human capital is important: first, human resources become a significant source of competitive advantage to create value for the organization, secondly, human resources are an important part of an organization's strategy, so it must treat it as a partner rather than merely a cost that must be minimized and avoided. Third, the organization treats human resources with a commitment to enhance the knowledge, capabilities and expertise that encourage employees to produce high performance. (Inkinen, 2016)

Human Capital is a determinant for organizations, where high-performing organizations are caused by the role of superior human resources (talented), where the success of knowledge transfer is determined by interactions between people not means or documents. The concept of Human Capital Management has become a concern for all organizations, this concept relates to problem solving and problems related to machine productivity that cannot be followed by human resource capabilities. (Journal, Vol, & Odhong, 2014).

Human Capital Management is a system to improve employee performance, which as a human capital system is designed in order to create sustainable competitive advantage through employee development. (Kuchar, 2018) Where human resource development activities are emphasized on developing intellectual capital to encourage self-development with adequate support and guidance in organizations. The concept of intellectual capital consists of sub-capital namely, human capital and structural capital. Furthermore, human capital consists of the dimensions of competence, attitude, intellectual agility and other intelligence such as creativity. (Gogan & Draghici, 2013; Mariz-Perez,

Teijeiro-Alvarez, & Garcia-Alvarez, 2012; Naslmosavi, Ghasemi, & Mehri, 2011; Tamer, Dereli, & Sağlam, 2014)

Internal Sector Internal Auditor Performance

in the context of embodying governance. good, powerful, clean and responsible, the Government has issued MENPAN Regulation Number 3 of 2008 concerning the elements of oversight of Government Performance conducted by Internal Auditors, namely Government Internal Supervisors, whose performance is based on APIP Audit Standards and the Code of Ethics. Whereas an Auditor is a state civilian parate who has an functional position of auditor or other party who is given the full duties, authority and responsibilities and rights of the beer authorities to carry out oversight of government agencies for and on behalf of APIP. (Kusumastuti, Ghozali, & Fuad, 2016)

Government Internal Oversight Apparatus is an agency that has the main task and function of conducting supervision. Where Internal Control is a process of audit, review, monitoring, evaluation and other supervision activities in the form of assistance, outreach and consultation of the implementation of the tasks and functions of the organization in order to provide adequate confidence that the activities have been carried out in accordance with established benchmarks effectively and efficiently in the interest of the leadership in realizing good governance. (Srimindarti & Widati, 2015)

Performance Audit is the implementation of the tasks and functions of government agencies consisting of economic, efficiency and audit aspects of effectiveness. Specifically the purpose of the audit of financial performance according to the Codification of Auditing Standards and Procedures is in order to provide an honest opinion about the financial position, results of operations and cash flow adjusted to general accounting principles. While the Performance Indicators that meet the criteria of the Accountability System Government performance by Presidential Regulation No. 29 Year 2014 was specific, measurable, achievable (attainable), a certain period (*timebound*), can be monitored and collected (*trackable*). (Herda & Martin, 2016) (Fernandes, 2013)

Code of Professional

Ethics as a moral system in fact plays an important role and becomes the principle of human life in government affairs and public sector accountability, awareness of ethical behavior realizing public sector auditors that are trusted, integrity, objective, accountable, transparent and holding unwavering secrets that will make the motivation of the developer professional development on an ongoing basis (Fatile, 2013)

In the process of creating a product and organizational strategy requires a special composition and scope of the organization including information about ethics, the success of harmonious interaction within the organization must include processes in organizational learning and the application of ethical culture that characterized by increased ethical awareness and a positive ethical climate. Ethical behavior of employees is a key component of long-term success, where critical determinants of ethical behavior are organizational and individual factors. Moral and ethical issues have an impact on how employees are treated and how they do work (Naqvi & Bashir, 2015; Nurhasanah, 2016)

To encourage the ethical behavior of internal auditors can be done by conducting a comprehensive ethics program that has the potential to improve the performance of auditors who refer to professional standards (code of ethics) by promoting independence and independence that allows the conduct of the work of the auditors freely and objectively by giving impartial and without judgment. prejudice. (Yuwono, 2018; Ningtyas & Aris, 2018)

In principle, the Auditor Code of Ethics is a moral system that is enforced in a professional group that is set together with professional considerations based on individual values and beliefs and moral awareness in decision makers. The Code of Ethics is a code of conduct that must be obeyed by all those who carry out professional duties. (Wulandari & Suputra, 2018; Wardhani & Astika, 2018).

Internal Control Standards

To achieve effective, efficient, transparent and accountable management of state finances, ministers / heads of institutions, governors, and regents / mayors are required to exercise control over the administration of government activities that are guided by the Government's Internal Control Standards. Internal Control System is a plan that includes the organizational structure and all methods and tools that are coordinated and used in the process with the aim of maintaining the security of company property, checking the accuracy and security of accounting data, encouraging efficiency and helping to encourage compliance with management policies that have been set (Afiah & Azwari, 2015)

The important role of Internal Control Standards is in order to assist management in controlling and ensuring the success of organizational activities, as well as in creating inherent supervision, covering the weaknesses and limitations of personnel and reducing the possibility of cheating errors, while also helping the auditor in determining the sample size and audit approach to be applied as well as assisting the auditor in ensuring audit effectiveness with limited audit time and costs. (Nurhasanah, 2016; Susilawati & Atmawinata, 2014)

In the Internal Control Standards listed Pat 3 (three) main elements, namely the control environment which are factors that influence the control policies and procedures. Furthermore elements of the accounting system to produce financial statements and produce management control. The third element is the Control Procedure to ensure management control is still achieved. (Barrainkua & Espinosa-Pike, 2017)

Research Methodology

The research approach is quantitative research with descriptive survey methods and explanatory surveys to obtain a picture of the causal link. This research is *verification* with the aim of testing the influence of Human Capital Management () including competency indicators that are sufficient to carry out work, skills that refer to the ability to carry out an activity and leadership oriented towards achieving goals. (Kuchar, 2018) on Internal Auditor Performance of the Public Sector (yang) which includes indicators of Accountability, Independent and Objectives (Nofianti & Suseno, 2014) This research was conducted at the District / City Inspectorate Office spread across West Java Province with a sample of 271 auditors with the category of Functional Position of the Auditor and Supervisor of the Implementation of Regional Government Affairs determined based on the area / geographical (*area probability sampling*) with sampling techniques using *proportional stratified random sampling*. With the level of validity determined if $r_{count} > \text{or} = r_{table}$ then the item is said to be valid. If $r_{count} < r_{table}$ then the item is said to be invalid, with a minimum r requirement of 0.30, to measure the reliability of the instrument used reliability *alpha cronbach*, provided that if the reliability value > 0.70 or close to 1.00, then the level of confidence of the results higher measurement. (Suwartono, Amiseso & Handoyo, 2017; Yusup, 2018). Calculation of reliability of measuring instruments is used by using the SPSS (program tools *Statistical Package for Social Science*). The data analysis uses *Structural Equation Modeling* technique which is a statistical technique for building and testing statistical models using the LISREL (*Linear structural relation*). (Schreiber, Nora, Stage, Barlow, & King 2006; O'Rourke, & Hatcher, 2013)

Results

Based on the research results of Human Capital Management Variables measured by 20 statement items based on 3 (three) indicators that are determined namely adequate competence to carry out work, skills that refer to the ability to carry out an activity and leadership oriented toward achieving goals, show that the data scattered from the largest to the smallest value indicates sufficient criteria. Likewise with the Public Sector Internal Auditor Performance variable with 3 (three) dimensions, namely Accountability, Independence and Objectives which refer to the Republic of Indonesia Government Regulation No. 60/2008 concerning the Government Internal Control System showing

that the level of Internal Auditor Performance is also within sufficient criteria. The complete results of descriptive analysis are presented in the following table:

Table 1
Results of Descriptive Analysis

Variables	N	Mean	Std Deviation	Range	Criteria
Human Human Management	271	3.6525	0.9285	3.5827 3.7173	Sufficient
Performance of Internal Auditors	271	3,4399	0,9229	3 , 3927 3,5114	Sufficient

Source: Research Results, 2020

The results of verification analysis refer to the calculation of research data in the form of numbers with the help of theory and concepts to find the correlation procedure between the two variables that produce the correlation coefficient value, while the value of the correlation coefficient with the help of software *Lisrel 0.442* shows a value of where the Human Capital Management Variable has a relationship with Internal Auditor Performance of 44.2% indicating that the closeness of the relationship is Moderate (*relative relation*).

Next to build and test statistical models. in the form of models of causality were measured using several indicators the author uses *Structural Equation Modeling* create equal structure $\eta = 0613 * \xi + 0448 * \xi$, Errorvar. = 0404, $R^2 = 0.596$, it shows that the value of R^2 for latent variables Human Capital Management (ξ) affects the Internal Auditor Performance Variable (η) by 0.596 (59.6%) and the rest are other factors not examined. From the equation of the structure shows that Internal Auditor Performance is influenced by Intellectual Capital The Direct and Indirect Effects of Human Capital Management Variables on Internal Auditor Performance, namely:

Table 2
Direct and Indirect Effects of Human Capital Management on Internal Auditor Performance

Variable	Direct Indirect	Effects Through		Total Effect of
		HCM	Other Factors	
Human Capital Management	27.46%		32.14%	59.60%

Source: Research Results, 2020

To measure the compatibility of the *Structural Equation Model* (SEM) as a whole based on the Size of the Match *Structural Equation Model* (SEM) with criteria Goodness of fit measure Goodness of Fit Index, Root Mean Square Approximation, Adjusted Goodness Fit Index, Comparative Fit Index, Incremental Fit Index, Relative Fit Index, NonCentrality parameters, and the Akaike Information Center has value good match (*goodfit*), while the value of *chi square* and Parsimony Goodness Fit Index and the opportunity value is almost good (*close fit*), and the value of the Normed Fit Index and Critical N the probability value is *Marginal fit* (Medium). Thus overall it can be said that the value of the fit of the measurement model is good (*Good fit*).

To test the effect of Human Capital Management (ξ) on Internal Auditor Performance (η) by using probability (p value) or α of 0.05 with a confidence level of 95% and *Degree of Freedom* (DF) of 271-2-1 with an F value of $F_{0.05, 2,268} = 3.04$ and Ho Criteria if $F_{arithmetic} > F_{Table}$, Rejection then the path coefficient value and the level of significance, namely:

Table 3

Path coefficient and Variable Level of Variation in Human Capital Management and Against Internal Auditor Performance

Structural	R ²	F _{calculated}	F _{table}	Conclusions
η	0.596	197,683	3.04	H₀ rejected ; There is a significant influence of P Human Capital Management on Internal Auditor Performance

Source: primary data, processed 2019

These results show that the Human Capital Management Variable (ξ) can determine variations of the Internal Auditor Performance Variable (η), with an determination coefficient R^2 of 0.596 or 59.60% while the remainder is 0.404 (40.40 %) influenced by other variables outside the model not examined. Thus, based on these tests, the Human Capital Management Variable influences the performance of the Internal Auditor both directly and indirectly, partially and simultaneously. This indicates that an increase in Human Capital Management towards a better direction can encourage a better Auditor Performance and vice versa if Human Capital Management decreases then the Internal Auditor's Performance can also decrease.

In order to test the feasibility of the model, it can be explained based on the criteria *theoretical flausability* where the test results show conformity with the expectations of the Human Capital Management Theory and Internal Auditor Performance, which are the rationale. Furthermore, the criteria *Accuracy of the Estimates of the Parameters* produce accurate and unbiased biased structure and path charts. Assumptions are met and the statistical error probability of the model is very low (p value = 0.00015), where the value is > 0.05 (alpha 5%). If based on *Explanatory Ability* this research has a fairly good ability in explaining the relationship between variable phenomena and manifests that are examined based on the average value of *Standart Loading Factors* (SLF) with a value standard error. Where is the Standard Error <of the absolute value of the path coefficient, and finally *Forecasting Ability in* which this study has a fairly good predictive ability of the behavior of independent / exogenous (bound) variables as indicated by the coefficient of determination of the model most of which have a value close to or ≥ 50 .

Conclusion

Based on the results of descriptive data processing then of the three indicators of human capital management (competence adequate to carry out the work, skills that refer to the ability to carry out an activity and leadership oriented towards achieving the overall goals are still in the sufficient category and lead to a better direction, it can be seen that the auditors do not all have the ability to improve Audit techniques and methodology as well as the inability to convey the development of supervision periodically, one of which is due to the lack of knowledge and experience in understanding various audit standards and also the educational background of the auditor so that a has not been able to provide solutions and information on governance the organization. In addition, auditors have not been able to become *Quality Assurance* due to the lack of knowledge and experience in understanding various audit standards. Furthermore, by referring to the Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government Internal Control System for Internal Auditor Performance, the objectivity dimension of auditors is still low, causing errors in presenting audit evidence that is not in accordance with Government Internal Control Standards, it shows that performance in general has not effective, although overall it is in the criteria to be headed in a good direction (Friskianti & Handayani, 2014) For this reason, the Government Internal Supervisory Apparatus in implementing performance must refer to the general Standards of Performance Audit and Investigative Audit while still referring to the Government Internal Control System based on the principle of accountability , independent and objective so that good and clean governance is realized. So that efforts are needed to improve capability through the HR Audit planning and Development process and develop competencies, skills and leadership through training and strengthening the Government Internal Control System (SPIP), and making scheduled action plans as a basis for

measuring Government performance. Also in the recruitment process the auditor should pay attention to the characteristics of the respondent's age and educational background to avoid being unable to adjust to technological developments ((April, Dharani, & Peters, 2012; Purnomosidhi, 2006; Shaik & Buitendach, 2015; Wahyuni & Taufik, 2016)

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LEMBAR
HASIL PENILAIAN SEJAWAT SEBIDANG ATAU PEER REVIEW

ATAS NAMA Dr. Nurdiana Mulyatini, S.E., M.M.

KARYA ILMIAH : JURNAL ILMIAH

Judul Karya Ilmiah : *Human Capital Management Model: A Perspective of Internal Supervision In Indonesia*

Jumlah Penulis : 4 orang

Status Pengusul : Penulis Utama

Identitas Jurnal : a. Nama Jurnal : *International Journal Talent Development and Excellence*

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(beri √ pada kategori yang tepat) Jurnal Ilmiah Nasional Terakreditasi
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Hasil Penilaian Peer Review

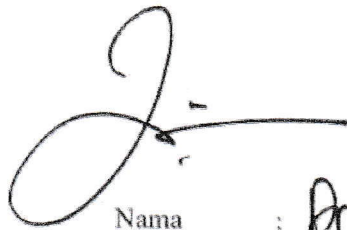
Komponen yang Dinilai	Nilai Maksimal Jurnal Ilmiah			Nilai Akhir Yang Diperoleh
	Internasional/ Internasional Bereputasi	Nasional Terakreditasi	Nasional Tidak Terakreditasi	
	40	<input type="checkbox"/>	<input type="checkbox"/>	
a. Kelengkapan Unsur Isi Artikel (10%)	4			3
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d. Kelengkapan Unsur & Kualitas terbitan/Jurnal (30%)	12			11
Total= (100%)	40			35

CATATAN PENILAIAN :

Artikel sudah memenuhi unsur kelengkapan, tetapi pada Abstrak tidak di jelaskan secara spesifik Metode penelitian yang digunakan

Ciamis, 23 Pebruari 2021

Reviewer I / 1



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Jabatan Fungsional : Lektor Kepala

Unit Kerja : Fakultas Ekonomi Univ. Galuh

Bidang Ilmu : Manajemen

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a. Kelengkapan Unsur Isi Artikel (10%)	4			3
b. Ruang Lingkup & Kedalaman Pembahasan (30%)	12			11,5
c. Kecukupan & Kemutakhiran Data/Informasi & Metodologi (30%)	12			10
d. Kelengkapan Unsur & Kualitas terbitan/Jurnal (30%)	12			11
Total= (100%)	40			35,5

CATATAN PENILAIAN :

Secara umum unsur kelengkapan artikel, cakupan data dan metodologi sudah baik, tapi pada simpulan tidak secara rinci mengupas hasil penelitian.

Ciamis, 23 Pebruari 2021
Reviewer 1/2



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LEMBAR

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 Jurnal Ilmiah Nasional Tidak Terakreditasi

Hasil Penilaian *Peer Review* :

Nilai Jurnal Ilmiah		
Peer Review 1 35	Peer Review 2 35,5	Nilai Rata-Rata 35,25
<u>KESIMPULAN :</u> Nilai Karya Ilmiah Yang Diusulkan Ke Kopertis Wilayah IV Adalah : 35,25		

Human Capital Management Model: A Perspective of Internal Supervision In Indonesia

by Nurdiana Mulyatini

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Human Capital Management Model: A Perspective of Internal Supervision In Indonesia

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ABSTRACT

This research tries to describe the extent of efforts to "eradicate" criminal acts in the financial sector known as practice of *fraud* by using the by using explanatory survey approach. This research is verification to examine the effect of human capital management on performance in the field of internal control. The sample used is Public Sector Internal Auditors in West Java Province for two categories, namely the Functional Position of the Auditor and the Supervisor for the Implementation of Local Government Affairs, with Structural Equation Model Data Analysis techniques. The results show that Performance in the field of Oversight has not been effective where the government's Internal Control Standards have not been implemented properly, there is still a lack of awareness of the Public Sector Internal Auditors in implementing the professional code of ethics and weak Auditor competence. Human Capital Management in the field of Supervision is directed to realize an internal auditor that is trusted, has integrity, is objective, is accountable, is transparent and is able to hold on to secrecy so as to realize good governance.

Keywords : Human Capital Management, Public Sector Internal Auditor Performance, Professional Code of Ethics, Government Internal Control System

Introduction

Development of a good governance paradigm and the creation of a stylish administration to open awareness for all people especially government officials to always be responsive to the demands of society by providing public the best service, transparent and accountable. (Hadi, Handajani, & Alamsyah, 2017) The implementation of bureaucratic reform has not been carried out effectively and is still full of various irregularities and practices of fraud in the public sector that can cause state losses and harm the public.

Based on the survey results of the Association of Certified Fraud Examiners, Fraud in Indonesia consists of 3 (three), namely corruption, misappropriation of assets and fraudulent financial statements. Furthermore, based on the Transparency International survey, Indonesia's CPI (Corruption Perception Index) position in 2019 was ranked 85 out of 180 countries with a score of 40, this is better than the previous year which was in position 89 with a score of 38. This condition is inseparable from the role of the Internal Auditor The Public Sector, which acts as a "doctor of fraud", has duties and authorities in accordance with Presidential Regulation Number 192 of 2014, namely conducting internal oversight within the government environment and providing guidance and assistance in the process of planning, drafting and reporting performance. (Gamar & Djamhuri, 2015). Although in its

implementation it is still not effective because there are still findings of financial management presented by the government that deviate with the potential to harm the country, in detail BPK (Supreme Audit Agency) explains the problem occurs because of the Weaknesses of the Internal Control System and the problem of non-compliance with the provisions of laws and regulations. valid invitations that have a financial impact (Gamayuni, 2015; Yumiwati & Rizaldi, 2015). In addition, the problem occurs because the application of Accrual Based Local Government Financial Statements has not been adequate yet in line with accounting principles. (Lumbantobing, Saerang, & Wokas, nd).

Weaknesses in reporting performance are inseparable from the problem of human resources in the field of supervision, namely the internal auditors. There are at least 3 (three) first internal auditor weaknesses related to independence where the supervisory apparatus is chosen by the leadership of the institution to be monitored, secondly is professionalism where many supervisory personnel backgrounds are not appropriate, ignoring continuing education and commitment and integrity and weak competence. Third, the unclear division of tasks between supervisory institutions (Yohanes, Paton, & Alaydrus, 2016). In addition, based on the results of the assessment carried out by BPKP (Financial and Development Supervisory Agency) regarding the Capability of the Supervisory Apparatus using the Internal Audit Capability Model, the Level of Capability of the Supervisory Apparatus as a whole is still at Level 1 (initial) and 2 (infrastructure) of 5 levels It should be that independence and objectivity cannot be fully implemented to produce high performance. (Mulyatini, 2018) (Fernandes, 2013)

The problem of resource supervision is not only a matter of coaching and mentoring abilities but also various aspects including good behavior that is commitment, knowledge and experience. Though knowledge and experience of human resources are part of Intellectual Capital that can create added value for the organization. (Pirozzi & Ferulano, 2016; Secundo, Dumay, Schiuma, & Passiante, 2016) Next in this research will be discussed several concepts and theoretical basis theoretical framework that will produce and support overall research.

Literature Review

Human Capital Management

Humans are the key to success in organizations. All organizations of all types and sizes will depend on the quality of human resources. Human resources are all the potential possessed by humans that can be donated to society (Mercer, Barker, & Bird, nd). The quality of an organization depends on the quality of the people within it, human resources are the most important asset for organizational success, there are 3 (three) reasons why human capital is important: first, human resources become a significant source of competitive advantage to create value for the organization, secondly, human resources are an important part of an organization's strategy, so it must treat it as a partner rather than merely a cost that must be minimized and avoided. Third, the organization treats human resources with a commitment to enhance the knowledge, capabilities and expertise that encourage employees to produce high performance. (Inkinen, 2016)

Human Capital is a determinant for organizations, where high-performing organizations are caused by the role of superior human resources (talented), where the success of knowledge transfer is determined by interactions between people not means or documents. The concept of Human Capital Management has become a concern for all organizations, this concept relates to problem solving and problems related to machine productivity that cannot be followed by human resource capabilities. (Journal, Vol, & Odhong, 2014).

Human Capital Management is a system to improve employee performance, which as a human capital system is designed in order to create sustainable competitive advantage through employee development. (Kuchar, 2018) Where human resource development activities are emphasized on developing intellectual capital to encourage self-development with adequate support and guidance in organizations. The concept of intellectual capital consists of sub-capital namely, human capital and structural capital. Furthermore, human capital consists of the dimensions of competence, attitude, intellectual agility and other intelligence such as creativity. (Gogan & Draghici, 2013; Mariz-Perez,

Teijeiro-Alvarez, & Garcia-Alvarez, 2012; Naslmosavi, Ghasemi, & Mehri, 2011; Tamer, Dereli, & Sağlam, 2014)

Internal Sector Internal Auditor Performance

in the context of embodying governance. good, powerful, clean and responsible, the Government has issued MENPAN Regulation Number 3 of 2008 concerning the elements of oversight of Government Performance conducted by Internal Auditors, namely Government Internal Supervisors, whose performance is based on APIP Audit Standards and the Code of Ethics. Whereas an Auditor is a state civilian parate who has an functional position of auditor or other party who is given the full duties, authority and responsibilities and rights of the beer authorities to carry out oversight of government agencies for and on behalf of APIP. (Kusumastuti, Ghozali, & Fuad, 2016)

Government Internal Oversight Apparatus is an agency that has the main task and function of conducting supervision. Where Internal Control is a process of audit, review, monitoring, evaluation and other supervision activities in the form of assistance, outreach and consultation of the implementation of the tasks and functions of the organization in order to provide adequate confidence that the activities have been carried out in accordance with established benchmarks effectively and efficiently in the interest of the leadership in realizing good governance. (Srimindarti & Widati, 2015)

Performance Audit is the implementation of the tasks and functions of government agencies consisting of economic, efficiency and audit aspects of effectiveness. Specifically the purpose of the audit of financial performance according to the Codification of Auditing Standards and Procedures is in order to provide an honest opinion about the financial position, results of operations and cash flow adjusted to general accounting principles. While the Performance Indicators that meet the criteria of the Accountability System Government performance by Presidential Regulation No. 29 Year 2014 was specific, measurable, achievable (attainable), a certain period (*timebound*), can be monitored and collected (*trackable*). (Herda & Martin, 2016) (Fernandes, 2013)

Code of Professional

Ethics as a moral system in fact plays an important role and becomes the principle of human life in government affairs and public sector accountability, awareness of ethical behavior realizing public sector auditors that are trusted, integrity, objective, accountable, transparent and holding unwavering secrets that will make the motivation of the developer professional development on an ongoing basis (Fatile, 2013)

In the process of creating a product and organizational strategy requires a special composition and scope of the organization including information about ethics, the success of harmonious interaction within the organization must include processes in organizational learning and the application of ethical culture that characterized by increased ethical awareness and a positive ethical climate. Ethical behavior of employees is a key component of long-term success, where critical determinants of ethical behavior are organizational and individual factors. Moral and ethical issues have an impact on how employees are treated and how they do work (Naqvi & Bashir, 2015; Nurhasanah, 2016)

To encourage the ethical behavior of internal auditors can be done by conducting a comprehensive ethics program that has the potential to improve the performance of auditors who refer to professional standards (code of ethics) by promoting independence and independence that allows the conduct of the work of the auditors freely and objectively by giving impartial and without judgment. prejudice. (Yuwono, 2018; Ningtyas & Aris, 2018)

In principle, the Auditor Code of Ethics is a moral system that is enforced in a professional group that is set together with professional considerations based on individual values and beliefs and moral awareness in decision makers. The Code of Ethics is a code of conduct that must be obeyed by all those who carry out professional duties. (Wulandari & Suputra, 2018; Wardhani & Astika, 2018).

Internal Control Standards

To achieve effective, efficient, transparent and accountable management of state finances, ministers / heads of institutions, governors, and regents / mayors are required to exercise control over the administration of government activities that are guided by the Government's Internal Control Standards. Internal Control System is a plan that includes the organizational structure and all methods and tools that are coordinated and used in the process with the aim of maintaining the security of company property, checking the accuracy and security of accounting data, encouraging efficiency and helping to encourage compliance with management policies that have been set (Afiah & Azwari, 2015)

The important role of Internal Control Standards is in order to assist management in controlling and ensuring the success of organizational activities, as well as in creating inherent supervision, covering the weaknesses and limitations of personnel and reducing the possibility of cheating errors, while also helping the auditor in determining the sample size and audit approach to be applied as well as assisting the auditor in ensuring audit effectiveness with limited audit time and costs. (Nurhasanah, 2016; Susilawati & Atmawinata, 2014)

In the Internal Control Standards listed Pat 3 (three) main elements, namely the control environment which are factors that influence the control policies and procedures. Furthermore elements of the accounting system to produce financial statements and produce management control. The third element is the Control Procedure to ensure management control is still achieved. (Barrainkua & Espinosa-Pike, 2017)

Research Methodology

The research approach is quantitative research with descriptive survey methods and explanatory surveys to obtain a picture of the causal link. This research is *verification* with the aim of testing the influence of Human Capital Management () including competency indicators that are sufficient to carry out work, skills that refer to the ability to carry out an activity and leadership oriented towards achieving goals. (Kuchar, 2018) on Internal Auditor Performance of the Public Sector (yang) which includes indicators of Accountability, Independent and Objectives (Nofianti & Suseno, 2014) This research was conducted at the District / City Inspectorate Office spread across West Java Province with a sample of 271 auditors with the category of Functional Position of the Auditor and Supervisor of the Implementation of Regional Government Affairs determined based on the area / geographical (*area probability sampling*) with sampling techniques using *proportional stratified random sampling*. With the level of validity determined if $r_{count} > r_{table}$ then the item is said to be valid. If $r_{count} < r_{table}$ then the item is said to be invalid, with a minimum r requirement of 0.30, to measure the reliability of the instrument used reliability *alpha cronbach*, provided that if the reliability value > 0.70 or close to 1.00, then the level of confidence of the results higher measurement. (Suwartono, Amiseso & Handoyo, 2017; Yusup, 2018). Calculation of reliability of measuring instruments is used by using the SPSS (program tools *Statistical Package for Social Science*). The data analysis uses *Structural Equation Modeling* technique which is a statistical technique for building and testing statistical models using the LISREL (*Linear structural relation*). (Schreiber, Nora, Stage, Barlow, & King 2006; O'Rourke, & Hatcher, 2013)

Results

Based on the research results of Human Capital Management Variables measured by 20 statement items based on 3 (three) indicators that are determined namely adequate competence to carry out work, skills that refer to the ability to carry out an activity and leadership oriented toward achieving goals, show that the data scattered from the largest to the smallest value indicates sufficient criteria. Likewise with the Public Sector Internal Auditor Performance variable with 3 (three) dimensions, namely Accountability, Independence and Objectives which refer to the Republic of Indonesia Government Regulation No. 60/2008 concerning the Government Internal Control System showing

that the level of Internal Auditor Performance is also within sufficient criteria. The complete results of descriptive analysis are presented in the following table:

Table 1
Results of Descriptive Analysis

Variables	N	Mean	Std Deviation	Range	Criteria
Human Human Management Performance of Internal Auditors	271	3.6525	0.9285	3.5827 3.7173	Sufficient
	271	3.4399	0,9229	3 ,3927 3,5114	Sufficient

Source: Research Results, 2020

The results of verification analysis refer to the calculation of research data in the form of numbers with the help of theory and concepts to find the correlation procedure between the two variables that produce the correlation coefficient value, while the value of the correlation coefficient with the help of software *Lisrel 0.442* shows a value of where the Human Capital Management Variable has a relationship with Internal Auditor Performance of 44.2% indicating that the closeness of the relationship is Moderate (*relative relation*).

Next to build and test statistical models. in the form of models of causality were measured using several indicators the author uses *Structural Equation Modeling* create equal structure $\eta = 0613 * \xi + 0448 * \xi$, Errorvar. = 0404, $R^2 = 0.596$, it shows that the value of R^2 for latent variables Human Capital Management (ξ) affects the Internal Auditor Performance Variable (η) by 0.596 (59.6%) and the rest are other factors not examined. From the equation 5 the structure shows that Internal Auditor Performance is influenced by Intellectual Capital The **Direct and Indirect Effects of Human Capital Management Variables on Internal Auditor Performance**, namely:

Table 2
Direct and Indirect Effects of Human Capital Management on Internal Auditor Performance

Variable	Direct Indirect	Effects Through		Total Effect of
		HCM	Other Factors	
Human Capital Management	27.46%		32.14%	59.60%

Source: Research Results, 2020

To measure the compatibility of the *Structural Equation Model* (SEM) as a whole based on the Size of the Match *Structural Equation Model* (SEM) with criteria Goodness of fit measure Goodness of Fit Index, Root Mean Square Approximation, Adjusted Goodness Fit Index, Comparative Fit Index, Incremental Fit Index, Relative Fit Index, NonCentrally parameters, and the Akaike Information Center has value good match (*goodfit*), while the value of *chi square* and Parsimony Goodness Fit Index and the opportunity value is almost good (*close fit*), and the value of the Normed Fit Index and Critical the probability value is *Marginal fit* (Medium). Thus overall it can be said that the value of the fit of the measurement model is good (*Good fit*).

To test the effect of Human Capital Management (ξ) on Internal Auditor Performance (η) by using probability (p value) or α of 0.05 with a confidence level of 95% and *Degree of Freedom* (DF) of 271-2-1 with an F value of $F_{0.05, 2, 268} = 3.04$ and Ho Criteria if $F_{arithmetic} > F_{Table}$, Rejection then the path coefficient value and the level of significance, namely:

Table 3

Path coefficient and Variable Level of Variation in Human Capital Management and Against Internal Auditor Performance

Structural	R ²	F _{calculated}	F _{table}	Conclusions
η	0.596	197,683	3.04	Ho rejected ; There is a significant influence of P Human Capital Management on Internal Auditor Performance

Source: primary data, processed 2019

These results show that the Human Capital Management Variable (ξ) can determine variations of the Internal Auditor Performance Variable (η₄) with an determination coefficient R² of 0.596 or 59.60% while the remainder is 0.404 (40.40 %) influenced by other variables outside the model not examined. Thus, based on these tests, the Human Capital Management Variable influences the performance of the Internal Auditor both directly and indirectly, partially and simultaneously. This indicates that an increase in Human Capital Management towards a better direction can encourage a better Auditor Performance and vice versa if Human Capital Management decreases then the Internal Auditor's Performance can also decrease.

In order to test the feasibility of the model, it can be explained based on the criteria *theoretical flausability* where the test results show conformity with the expectations of the Human Capital Management Theory and Internal Auditor Performance, which are the rationale. Furthermore, the criteria *Accuracy of the Estimates of the Parameters* produce accurate and unbiased structure and path charts. Assumptions are met and the statistical error probability of the model is very low (*p value = 0.00015*), where the value is > 0.05 (alpha 5%). If based on *Explanatory Ability* this research has a fairly good ability in explaining the relationship between variable phenomena and manifests that are examined based on the average value of *Standart Loading Factors* (SLF) with a value standard error. Where is the Standard Error < of the absolute value of the path coefficient, and finally *Forecasting Ability in* which this study has a fairly good predictive ability of the behavior of independent / exogenous (bound) variables as indicated by the coefficient of determination of the model most of which have a value close to or ≥ 50.

Conclusion

Based on the results of descriptive data processing then of the three indicators of human capital management (competence adequate to carry out the work, skills that refer to the ability to carry out an activity and leadership oriented towards achieving the overall goals are still in the sufficient category and lead to a better direction, it can be seen that the auditors do not all have the ability to improve Audit techniques and methodology as well as the inability to convey the development of supervision periodically, one of which is due to the lack of knowledge and experience in understanding various audit standards and also the educational background of the auditor so that a has not been able to provide solutions and information on governance the organization. In addition, auditors have not been able to become *Quality Assurance* due to the lack of knowledge and experience in understanding various audit standards. Furthermore, by referring to the *Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government Internal Control System for Internal Auditor Performance*, the objectivity dimension of auditors is still low, causing errors in presenting audit evidence that is not in accordance with *Government Internal Control Standards*, it shows that performance in general has not effective, although overall it is in the criteria to be headed in a good direction (Friskianti & Handayani, 2014) For this reason, the *Government Internal Supervisory Apparatus* in implementing performance must refer to the general *Standards of Performance Audit and Investigative Audit* while still referring to the *Government Internal Control System* based on the principle of accountability, independent and objective so that good and clean governance is realized. So that efforts are needed to improve capability through the HR Audit planning and Development process and develop competencies, skills and leadership through training and strengthening the *Government Internal Control System (SPIP)*, and making scheduled action plans as a basis for

measuring Government performance. Also in the recruitment process the auditor should pay attention to the characteristics of the respondent's age and educational background to avoid being unable to adjust to technological developments ((April, Dharani, & Peters, 2012; Purnomosidhi, 2006; Shaik & Buitendach, 2015; Wahyuni & Taufik, 2016)

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