

Abstract

Previous studies have separately investigated the relationship between the internal auditors' characteristics and the level of external auditors' reliance, and the relationship between the level of external auditors' reliance and the audit efficiency so it has not fully described how the external auditors make decisions to rely on internal audit work, that has an impact on audit efficiency. Therefore, the current study aims to fill the research gap by analyzing the relationship among the internal auditors' characteristics, the level of external auditors' reliance and the audit efficiency in one comprehensive research model with the institutional environment as a moderating variable in the relationship between the level of external auditors' reliance and the audit efficiency. This study is conducted in government organizations with the consideration that the reliance of external auditors on internal audit work is one of the strategies for dealing with the limited resources faced by the government external auditors in Indonesia. Surveys are conducted to collect research data. The research subjects are 164 external auditors (BPK) from 34 representative offices in Indonesia. The data are analysed using Partial least Square-Structural Equation Modeling (PLS-SEM) with a help of the software of WarpPLS version 8.0. The results of this study show that the level of external auditors' reliance on internal audit work has a significant effect on the audit efficiency. An increase in the level of external auditors' reliance on internal audit work (APIP) can increase the level of audit efficiency. Furthermore, the results also show that there is a moderating effect of the institutional environment on the relationship between the level of external auditors' reliance and the audit efficiency. This study contributes to the application and development of relational coordination theory and institutional theory in accounting and auditing fields, especially in government sector audits.

Keywords: *External auditors, Internal auditors, Level of reliance, Audit efficiency, Institutional environment*