

REVIEW ARTICLE



## Determining the Quality of Audit Result with Risk-Based Audit Planning As a Moderating Variables in Regional Inspectorate of Klungkung

Komang Wiyasa<sup>1\*</sup> | I Wayan Widnyana<sup>2</sup> | Putu Kepramareni<sup>3</sup>

<sup>1</sup>Student of Management Master of Universitas Mahasaraswati Denpasar

<sup>2</sup>Universitas Mahasaraswati Denpasar

<sup>3</sup>Universitas Mahasaraswati Denpasar

### Abstract

The risk-based audit plan undertaken by APIP is carried out to ensure the audit of high-risk activities that can affect the achievement of organizational goals. In addition, risk-based audit planning will greatly assist APIP in allocating limited resources most effectively. This study aims to determine the test and analyze the effect of independence, objectivity, and competence on the quality of audit results at the Inspectorate of the Klungkung Regency. As well as testing the role of Risk-Based Audit Planning in moderating the influence of independence, objectivity, and competence with the quality of the results of audits in the Klungkung Regency Regional Inspectorate. Data collection using a questionnaire. The number of respondents was 41 people using total sampling. Data analysis techniques using SEM-PLS. The results showed that Independence had a significant effect on the quality of audit results at the Klungkung Regency Inspectorate. Competence affects the quality of audit results at the Klungkung Regency Inspectorate. Objectivity affects the quality of inspection results at the Klungkung Regency Inspectorate. Risk-based audit planning can moderate the influence of independence on the quality of inspection results at the Klungkung Regency Inspectorate, Risk-Based Audit Planning can moderate the influence of competence on the quality of inspection results at the Klungkung Regency Inspectorate. Risk-Based Monitoring Planning can moderate the effect of objectivity on the quality of inspection results at the Klungkung Regency Inspectorate.

**Keywords:** Independence, Objectivity, Competence, Quality Of Audit Results



### 1 | INTRODUCTION

Government Regulation which regulates the Government Internal Control System (SPIP) number 60 of 2008 clearly states that

the District / City Inspectorate is the Government Internal Supervisory Apparatus (APIP) whose task is to carry out internal control, namely the entire process of auditing, reviewing, evaluating, monitoring, and other supervisory activities on

the implementation of organizational duties and functions in order to provide sufficient assurance that activities have been carried out in accordance with predetermined benchmarks effectively and efficiently for the interests of the leadership in realizing good governance. The Regency Inspectorate as APIP in carrying out its main duties and functions is directly responsible to the Regent. The regulatory demands above are an opportunity as well as a challenge for the Inspectorate as APIP to be able to carry out the best supervisory duties so that they can contribute to creating efficient, effective, transparent governance free from the practice of Corruption, Collusion and Nepotism.

Regarding the Government Internal Control System (SPIP), the Klungkung Regency Government has issued a Klungkung Regent Regulation number 39 of 2018 concerning the Government Internal Control System which in this Regulation is mandated to form a Regional Government Internal Control System Task Force, hereinafter abbreviated as the SPIP Task Force, the SPIP Task Force. Regional apparatus is the apparatus for administering SPIP of Klungkung Regency at the regional apparatus level. The Inspectorate of Klungkung Regency supervises all activities in the context of carrying out the duties and functions of the Regional Apparatus which are funded by the Klungkung Regency Regional Budget. The function of the internal auditor is to carry out the internal audit function, which is an independent audit function within an organization to test and evaluate the organization's activities. Internal auditors are expected to contribute more to improving efficiency and effectiveness in order to improve organizational performance. Thus, the Internal Auditor of the Regional Government plays a very important role in the process of creating accountability and transparency of financial management in the regions. In the Regulation of the Minister of Home Affairs

**Supplementary information** The online version of this article (<https://doi.org/xx.xxx/xxx.xx>) contains supplementary material, which is available to authorized users.

**Corresponding Author:** *Komang Wiyasa*  
Student of Management Master of Universitas Mahasaraswati Denpasar

Number 64 of 2007 regulates the Roles and functions of the Provincial, Regency / City Inspectorates in general which are described in article 4. In this article it is stated that carrying out the supervisory duties of government affairs, the Provincial, Regency / City Inspectorates have the following functions : 1. planning the monitoring program; 2. formulating policies and facilitating audit; and 3. inspection, commissioning, testing, and evaluation of supervisory duties.

The purpose of risk-based audit planning is to ensure that APIP carries out audit of activities that have a high risk of affecting the achievement of organizational goals. In addition, risk-based surveillance planning will greatly assist APIP in allocating limited resources in the most effective manner.

The Klungkung Regency Regional Inspectorate as the spearhead of the audit carried out in the Klungkung Regency Regional Government carries out Audit based on the Risk-Based Annual Audit Work Program (PKPT) which is implemented starting in 2018, where in planning Risk-Based Audit in accordance with the mandate

in the Practice Pocket Book Preparation of the 2018 BPKP Risk Based Audit Planning, several risk factors used to give priority order of Regional Government or SKPD affairs are: Audit Policy (Jakarta) Implementation of Local Government, Budget amount (financial materiality) managed by Regional Government/ SKPD affairs, Public / community interests, The significance of Regional Government / SKPD affairs towards the achievement of Regional Government objectives, the ability of APIP to supervise Regional Government affairs, Audit strategies for Regional Government / SKPD affairs which are rarely audited / supervised.

Mulyadi (2002) explains that independence is a condition of being free from all influences, control by other parties, independent of others, and independent public accountants must be public accountants who have no influence and are not influenced by various forces outside of themselves.

Objectivity is a person who is independent from the influence of subjective views by other related parties, to state their opinion according to what is available (BPKP, 2005 in Sunriah et al, 2009). In the Public Accountants' Code of Professional Ethics

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Section 120 (IAPI, 2011), the principle of objectivity requires auditors not to allow subjectivity, conflict of interest, or undue influence from other parties to influence professional judgment or business judgment. Sunriah (2009) shows that someone is said to be objective when in the audit process, auditors can act free from any conflicts of interest and can express the state according to the facts.

Lee and Stone (1995) state that competence is sufficient expertise to carry out an audit objectively that can be explicitly used, while Lastanti (2005) defines competence or expertise as someone who has broad procedural knowledge and skills that can be seen in the audit experience. Competence is a must for auditors to have formal education in auditing and accounting, adequate practical experience for the work being carried out, and to follow continuing professional education. According to Arens, Randal. Elder, and Beasley (2008: 42) translated by Herman Wibowo (2008).

To maintain independence and objectivity, what an auditor needs is broad competence and insight so that the auditor can perform the audit properly. Auditor competence is the expertise of an auditor to apply the knowledge and experience that has been obtained so that the auditor can carry out the audit process carefully, thoroughly and objectively. The importance of an auditor having independence, objectivity, competence will greatly affect the quality of the audit results, but besides that there is also a Risk-Based Audit Planning factor that greatly affects the quality of the results of the audit, because in Risk-Based Audit Planning, an Annual Audit Work Program (PKPT) is based on Risk as the basis for the implementation of audit which will be able to determine the Object of the Audit that has the greatest risk, which will be carried out prior to the inspection.

## 2 | LITERATURE REVIEW

Agency theory according to Jensen and Meckling (1976) defines a contract under one or more agents that involve an agent to perform several services to them by delegating decision-making authority to

agents. Both the agent and the economic person are assumed to be rational and motivated solely by self-interest. Delegate decision making about the company to the manager or agent. The main purpose of agency theory is to explain how the parties in a contractual relationship can design a contract that aims to minimize or save costs as a result of asymmetric information and uncertainty conditions.

Based on Agency Theory, local government management must be supervised to ensure that management is carried out in full compliance with various applicable regulations and regulations. With the increase in the accountability of the local government, the information received by the public becomes more balanced with the regional government, which means that the information asymmetry that occurs can be reduced. With the reduction in information asymmetry, the possibility of corruption is also smaller.

Audit is a process of identifying problems, analyzing and evaluating them independently, objectively and professionally based on audit standards, to assess the truth, accuracy, credibility, and reliability of information regarding the management and accountability of state finances according to Law of the Republic of Indonesia No. 15 of 2004, according to (Bastian, 2003) the definition of audit is a systematic process to obtain and evaluate evidence objectively regarding statements about economic activities and events, with the aim of determining the level of conformity between these statements and predetermined criteria, as well as the delivery of the results to interested users. Meanwhile, Kohler (1976) states that auditing is the process of collecting and evaluating evidence regarding information to determine and report the level of conformity between that information and its criteria. Auditing should be carried out by someone who is competent and independent.

According to Sawyer in his book entitled *Sawyer's Internal Auditing*, internal audit is an activity to provide assurance of confidence and independent and objective consultation designed to provide added value and improve organizational operations. According to (Adhariani, 2005: 9) Internal audit helps the organization achieve its goals by providing a systematic disciplinary approach and increasing the effectiveness of risk management, control and management processes. Meanwhile, according to Mulyadi

(2002: 29), internal audit is an auditor who works in a company (state company or private company) whose main task is to determine whether the policies and procedures set by top management have been obeyed, determine whether or not to protect the assets of the organization, determine the efficiency and effectiveness of organizational activities procedures, and determine the reliability of information generated by various parts of the organization.

According to Arens and Loebbecke (1992) an audit is defined as a process of collecting and evaluating data or evidence about measurable information about an entity, in order to perform and report the conformity of that information with predetermined criteria carried out by a competent and independent person.

An independent auditor is an auditor who is impartial or cannot be suspected of being impartial so that he does not harm any party (Pusdiklatwas BPKP 2008). The Government Internal Supervisory Apparatus Audit Standard (APIP) emphasizes that the APIP must be able to position itself appropriately so that it is free from intervention, and obtain adequate support from the highest leadership of the organization so that it can cooperate with the auditee and carry out work freely. However, APIP must foster a good working relationship with the auditee, especially in understanding each other between their respective roles so that APIP may not be involved in the substance of the work carried out by the auditee. Independent means that auditors are not easily influenced.

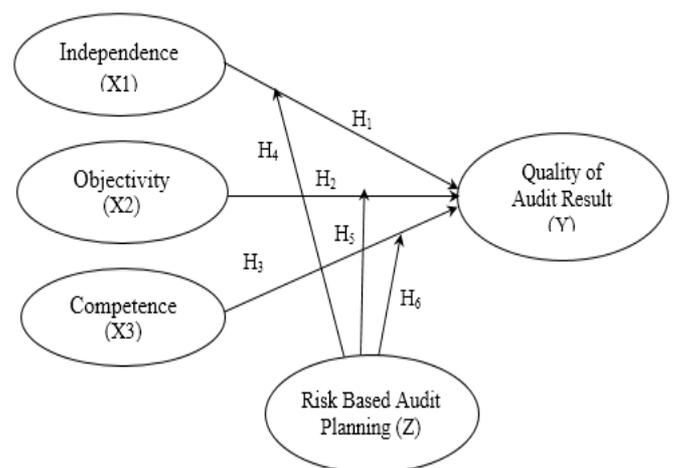
Objectivity is a belief, a quality that provides value for the auditor's services or services. Objectivity is one of the characteristics that distinguishes the accounting profession from other professions. The principle of objectivity establishes an obligation for the auditor to be impartial, intellectually honest, and free from conflicts of interest. The auditor makes a balanced audit of all relevant conditions and is not affected by his own interests or the interests of others in making decisions.

To carry out a correct audit, an auditor must have competence, the competence referred to includes good personal quality, adequate knowledge and special expertise in the field (Rai 2008). Competence relates to the professional expertise possessed by

auditors as a result of formal education, professional audits and participation in education and training.

The purpose of risk-based audit planning is to ensure that APIP carries out audit of activities that have a high risk of affecting the achievement of organizational goals. In addition, risk-based surveillance planning will greatly assist APIP in allocating limited resources in the most effective manner.

### 3 | CONCEPTUAL FRAMEWORK AND HYPOTHESIS



**FIGURE 1:** Conceptual Framework

Independencies essentially the attitude of mind of someone who is characterized by integrity and objectivity of the approach of his professional duties. According to the America Institute of Certified Public Accountants (AICPA) states that independence is an ability to act based on integrity and objectivity. Although integrity and objectivity cannot be measured with certainty, both are fundamental to the public accounting profession. Research Sardjono (2013) which proves partially that independence has a positive but insignificant effect on the quality of audit results, as well as the opinion of Pohan (2014) that the results of his research show that independence has a significant effect simultaneously on audit quality. Furthermore, Rahmina's research results (2019) obtained different empirical evidence that auditor independence has a positive and significant effect on audit quality. This is also stated in research conducted by Stephen (2019) that the independence

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of the audit committee has a positive impact on the relevance and reliability of financial reports, the same cannot be said when there is CEO intervention.

H<sub>1</sub> : Independence has a positive and significant effect on quality of audit results at the Inspectorate of Klungkung Regency

Objectivity is an unusual mental attitude that allows internal auditors to carry out assignments in such a way that they believe in the results of their work and believe in no compromises. Sardjono (2013) states that partially objectivity and GCG have a significant and significant effect on quality of results of internal audit unit inspection. This opinion is supported by Sari and Sirajuddin (2019), Novranggi and Sunardi, (2019), that objectivity significantly affects the effectiveness of internal audit and moral courage which significantly affects the effectiveness of internal audit. Laksita (2019) also supports the previous opinion that objectivity has a positive effect on audit quality.

H<sub>2</sub> : Objectivity has a positive and significant effect on quality of audit results at the Inspectorate of the Klungkung Regency.

Auditor competence is a qualification needed by an auditor to carry out the inspection task properly and correctly. An auditor must also have good personal qualities, special expertise in his field and adequate knowledge in carrying out an audit. Research conducted by Usman (2014) states that competence has a positive and significant effect on the work performance of the Sulawesi inspectorate. The opinions of Harjanto (2014) and Kertajasa (2019) support previous research that competence has a positive and significant effect on audit quality.

H<sub>3</sub> : Competence has a positive and significant effect on quality of audit results at the Inspectorate of Klungkung Regency.

Audit planning is a series of activities concerning the determination, definition, scope and methodology used to achieve the audit objectives. Risk-based surveillance planning is the basis for any efficient and effective audit. The audit team that can arrange the time to make an effective audit risk audit and plan the audit accordingly, the more effective the audit will be. Risk-based surveillance planning is

a series of activities related to the purpose of the inspection. Research conducted by Silaen (2016) proves that audit planning as a moderating variable can moderate the relationship between independence and the quality of audit results at the Inspectorate of Simalungun Regency. Meanwhile, research conducted by Setiawan (2018) provides evidence that the application of risk-based auditing has an effect on the relationship between auditor independence and audit quality, and also affects the relationship between auditor independence and audit quality.

H<sub>4</sub> : Risk-based audit planning is able to moderate the effect of independence on quality of audit results.

According to Sawyer et al. which is translated by Anhariani (2006: 103) is: "Objectivity is a rare thing and should not be compromised". An audience should never position themselves or be placed in a position where their objectivity can be questioned. In addition, the definition of objectivity according to Rahayu and Suhayati (2009: 52) is: must be free from conflicts of interest and must not allow factors material misstatement to be discovered or divert their considerations to other parties. Research conducted by Silaen (2016) proves that audit planning as a moderating variable can moderate the relationship between objectivity and the quality of audit results at the Inspectorate of Simalungun Regency.

H<sub>5</sub> : Risk-based audit planning is able to moderate the effect of objectivity on the quality of the audit results.

In the risk-based audit planning guidelines (AAIPI 2018), internal auditors must be able to identify the management they serve and their interests because users of the results of their assignments are internal organizational management. Research conducted by Silaen (2016) proves that audit planning as a moderating variable can moderate the relationship between competence and quality of audit results at the Inspectorate of Simalungun Regency. Research conducted by Setiawan (2018) provides evidence that the application of risk-based auditing has an effect on the relationship between auditor competence and quality. audit, and it affects the relationship between auditor competence and audit quality. Based on the explanation above, the hypothesis that is built is:

$H_6$  : Risk-based audit planning is able to moderate the influence of competence on the quality of audit results.

#### 4 | RESEARCH METHODS

The research will be carried out at the Klungkung Regency Government, especially at the Klungkung Regency Regional Inspectorate. Population in this study were all examiners who participated in the audit task, namely as many as 41 people. Tables 1, 2, 3, 4, 5, 6 and 7

Table 5 informs that all variables meet the composite reliability because the value is above the recommended number, which is above 0.7 which has met the criteria of being reliable. Based on the overall evaluation results, both convergent, discriminant validity, composite reliability, which have been described above, it can be concluded that indicators as measures of latent variables are valid and reliable measures.

#### 5 | RESULT AND DISCUSSION

Table 6 shows the R-square value of the quality variable of the audit result of 0.683. The higher the R-square value, the greater the ability of the exogenous variables to be explained by the endogenous variables so that the better the structural equation.

Based on test results Table 7, known to the coefficient value of 0.465 with t-statistics value is above the value of 1.96 and the sig value (0.001) <0.05. Based on this, hypothesis 1 is accepted. The results of the study prove that the higher the independence, the higher the quality of the results of the inspections conducted by the Regional Inspectorate of Klungkung Regency.

It can be seen in the coefficient value of 0.109 with a sig value (0.037) <0.05. Based on this, hypothesis 2 is accepted. This means that the higher the objectivity, the higher the quality of the audit results at the Regional Inspectorate of Klungkung Regency. It is known that the coefficient value is 0.368 with a sig value (0.012) <0.05. Based on this,

hypothesis 3 is accepted. The results of the study mean that the higher the competence, the higher the quality of audit results of the inspection at the Regional Inspectorate of Klungkung Regency. It can be seen that the coefficient value is 0.195 with a sig value (0.024) <0.05. Based on this, hypothesis 4 is accepted. The results provide meaning that the higher the independence and risk-based audit is also high, the quality of the audit results will improve.

Based on test results can be seen in the value of coefficient of 0.109 with a sig value (0.037) <0.05. Based on this, hypothesis 5 is accepted. The results of the study mean that high objectivity supported by high risk-based monitoring planning will have an impact on the high quality of the results of the inspection by the staff of the Inspectorate Office of Klungkung Regency. It can be seen in the coefficient value of 0.515 with a sig value (0.003) <0.05. Based on this, hypothesis 6 is accepted. The results of the study mean that high competence supported by high risk-based audit planning will have an impact on the high quality of the results of the inspection by the staff of the Regional Inspectorate of Klungkung Regency.

#### 6 | CONCLUSIONS AND RECOMMENDATION

Conclusion in this study is that independence, objectivity and competence have a positive and significant effect on the quality of the inspection results at the Inspectorate of Klungkung Regency. And Risk Based Audit Planning can moderate the influence of the independence of Objectivity and Competence on the quality of audit results at the Regional Inspectorate of Klungkung Regency.

Officials of the Inspectorate of Klungkung Regency should attend JFA education and training periodically in order to increase their competence. In addition, it is necessary to carry out regular assignment rolling as well as training in emotional and spiritual intelligence so that the independence and objectivity of the examiners can be maintained and improved. For the next researcher, they can add independent

variables that affect the quality of the audit results, so that the research results can be more generalized.

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**TABLE 1:** Correlation Coefficient Product Moment Independence Variable

Code	Value of Product Moment Correlation Coefficient	Description
X1.1	0.926	Valid
X1.2	0.876	Valid
X1.3	0.869	Valid
X1.4	0.896	Valid
x1.5	0.865	Valid
X1.6	0.911	Valid
X1.7	0.898	Valid
X1.8	0.804	Valid
X1.9	0.809	Valid
X1.10	0.884	Valid

**TABLE 2:** Correlation Coefficient Product Moment Objectivity Variable

Code	Value of Product Moment Correlation Coefficient	Description
X2.1	0.867	Valid
X2.2	0.863	Valid
X2.3	0.882	Valid
X2.4	0.908	Valid
X2.5	0.837	Valid

**TABLE 3:** Correlation Coefficient Product Moment Competency Variable

Code	Value of Product Moment Correlation Coefficient	Description
X3.1	0.808	Valid
X3.2	0.858	Valid
X3.3	0.551	Valid
X3.4	0.700	Valid
X3.5	0.757	Valid

DETERMINING THE QUALITY OF AUDIT RESULT WITH RISK-BASED AUDIT PLANNING AS A MODERATING VARIABLES IN REGIONAL INSPECTORATE OF KLUNGKUNG

**TABLE 4:** Results Outer Loading (Measurement Model)

Variables	Outer Loading
<b>Independence (X1)</b>	
Independence in the audit program	0.655
Independence in verification	0.815
Independence in reporting	0.798
<b>Objectivity (X2)</b>	
Reliable and trustworthy.	0.883
Does not concurrent positions as tender committee, other committees and / or other works which are operational duties of the object being examined.	0.810
Do not go to work with the intention of finding fault with others.	0.853
Can maintain official criteria and policies.	0.866
In acting and making decisions based on logical thinking.	0.790
<b>Competence (X3)</b>	
Knowledge component	0.958
Having other competencies such as communication skills, creativity, cooperation with others.	0.918
Skills related to the object of audit	0.889
Skills related to techniques or how to perform audits.	0.882
Expertise in submitting audit results All findings	0.957
<b>Risk-based audit planning (Z)</b>	
Determining APIP activities that must be included in annual surveillance planning without considering risk levels	0.816
Identifying OPD programs / activities that are not included in annual surveillance planning	0.823
Determining programs / activities that will be carried out audit with a risk-based approach.	0.826
<b>Quality of audit results (Y)</b>	
Quality of process (accuracy of audit findings, skepticism)	0.921
Quality of results (value of recommendations, clarity of reports and audit benefits).	0.862
Quality of follow-up audit	0.950

**TABLE 5:** Composite Reliability Variables

Variable	Composite Reliability
Independence	0.802
Independence * Risk based audit planning	1.000
Competence	0.966
Competence * Risk based audit Planning	1.000
Quality of audit results	0.936
Objectivity	0.924
Objectivity * Risk	1.000
Risk based audit planning	0.862

**TABLE 6:** Value R-Square

Variable	R Square
Quality of the Inspection Results is	0.683

**TABLE 7:** Hypothesis Testing Results

Path Analysis	Original Sample (O)	P value	Conclusion
Independence-> Quality of audit results	0.465	0.001	H1 Accepted
Objectivity -> Quality of audit results	0.109	0.037	H2 Accepted
Competence -> Quality of audit results	0.368	0.012	H3 Accepted
Independence * Risk based audit planning -> Quality of audit results	0.195	0.024	H4 Accepted
Objectivity * Risk based audit planning -> Quality of Audit Results	0.109	0.037	H5 Accepted
Competence * Risk based audit planning -> Quality of audit results	0.515	0.003	H6 Accepted

**How to cite this article:** Wiyasa K., Widnyana I.W., Kepramareni P. **Determining the Quality of Audit Result with Risk-Based Audit Planning As a Moderating Variables in Regional Inspectorate of Klungkung.** International Journal of Contemporary Research and Review. 2020;21856–21867. <https://doi.org/10.15520/ijcrr.v11i09.841>