



Effect of Competence and Independence on Quality of Audit Result Moderated by Auditor Ethics at the Regional Inspectorate of Klungkung

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Abstract

The quality of audit result carried out by the auditor wants a government apparatus who is clean, dignified, orderly, organized in carrying out their duties and functions in accordance with the prevailing rules and norms. It is not uncommon for case scandals to occur including several cases in the Klungkung Regency Government which were allegedly caused by the lack of maximum supervision and quality of the results of internal audits carried out by the inspection apparatus of the Klungkung District Inspectorate. To support the success in carrying out its duties and functions properly, it is necessary to have a good and quality performance of auditors. Achieving good performance cannot be separated from the quality of good human resources. Human resources are an important factor for the creation of a quality inspection report. The quality of the auditor's human resources can be determined from the competence and independence of the auditor. In addition, there are also contingent factors, namely the auditor's ethics which affect the quality of the audit results which can have an impact on the achievement of the quality level of the results of the audit that has been carried out. This study aims to determine the effect of competence, independence on the quality of the results of the inspection at the Inspectorate of Klungkung Regency which is moderated by the audit ethics variable. The number of samples used was 41 people using the saturated sample method. The data analysis technique used SEM-PLS. The results showed that competence had a significant effect on the quality of the audit results. Independence affects the quality of audit results. Auditor ethics can moderate the influence of competence on the quality of the audit results. Auditor ethics can moderate the influence of independence on the quality of the results of the inspection at the Inspectorate of Klungkung Regency.

Keywords: Competence, independence, auditor ethics, quality of audit result

1 | INTRODUCTION

Nowadays the public mindset is increasingly critical in assessing government performance. This is due to the higher the average level of public education. And it is also supported by the increasingly advanced communication and transportation technology, so that people can easily access the information needed in the current era of openness. This phenomenon encourages higher public demands for accountability / accountability of state administrators. This is because the public pays great attention to the implementation of policies, programs, projects and routine activities carried out by public sector organizations, in this case the government. This form of attention is a natural consequence of taxes and levies that have been paid by the public.

In a democratic country like Indonesia, public organizations are required to be accountable for all their actions (Wicaksono, 2015). All officials of public organizations must have a shared commitment to uphold good governance and clean government. In line with this, the central and regional governments have set targets to improve bureaucratic services to the public with a policy direction of creating clean and authoritative governance (good governance). With the government's commitment to realizing good governance, the performance of government organization is the government's attention to be improved, one of which is through an effective monitoring system, namely by increasing the role and function of the Aparat Pengawas Intern Pemerintah (APIP). Internal control is the entire process of auditing, reviewing, evaluating, monitoring, and other supervisory activities on the implementation of organizational tasks and functions in order to provide adequate assurance that activities have been carried out in accordance with established benchmarks effectively and efficiently for the benefit of the leadership in realizing good governance. In addition, supervision also acts as an early detection tool for the occurrence of irregularities in implementation, abuse of authority, waste and budget leakage. The indicator for the assessment of supervision carried out by the examining apparatus is the quality of the results of the inspection report. Quality inspection report when it meets the criteria of relevance and reliability.

The criteria for relevance are met if the financial statements have predictive value and/ or feedback value and are presented on time. Criteria reliability rests on verifiability, neutrality and representation faith fullness.

One of the local governments in Bali that is currently the public's attention is Klungkung Regency. Even though in the last four years, the Klungkung Regency Regional Government Financial Report (LKPD) has received the title of Unqualified Opinion (WTP) from the results of the BPK RI audit, it does not guarantee that the condition of government officials is free from the entanglement of criminal acts of corruption which is in the public spotlight. One of the cases that caught the attention of the public was the implementation of a fictitious project involving government officials who were still active and became suspects as a result of the investigation by the Klungkung District Prosecutor's Office. Another case reported by IDN Times Bali, November 15, 2019, During the period 2017 to 2018 there were 6 (six) State Civil Servants (ASN) who were dishonorably discharged/ dismissed because of their corruption cases. In addition, during the period 2014 - 2018 the average findings of the APIP were smaller than the average findings of the BPK. This is allegedly due to the lack of maximum supervision and quality of the results of internal inspections conducted by the Klungkung Regency Regional Inspectorate.

Muliani et al. (2015) stated that as a support for the success in carrying out their duties and functions properly, good and quality auditor performance is needed. Achieving good performance cannot be separated from the quality of good human resources (HR). Human resources are an important factor for the creation of a quality inspection report. The quality of the auditor's human resources can be determined from the competence and independence of the auditor. In addition, there are also contingent factors,

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namely the auditor's ethics which affect the quality of the audit results which can have an impact on the achievement of the quality level of the results of the audit that has been carried out. Syahmina (2016) also states that good audit quality can be achieved if the auditor applies audit standards and audit principles, is free and impartial, has a professional attitude, complies with the law and complies with the accountant professional code of ethics. Indications of the low quality of the results of the inspections conducted by the Inspectorate of Klungkung Regency are strongly influenced by these factors in supporting the regional supervision function.

2 | LITERATURE REVIEW

The Law of the Republic of Indonesia No. 15 of 2004 concerning the State Financial Management and Accountability Audit, states that an audit is a process of problem identification, analysis and evaluation carried out independently, objectively and professionally based on audit standards, to assess the correctness, accuracy, credibility and reliability of information regarding management. and state financial responsibility.

Watkins et al (2004) define audit quality as the possibility that the auditor will find and report material misstatements in the client's financial statements. Based on the Public Accountant Professional Standards (SPAP) audits carried out by auditors are said to be of good quality, if they meet the auditing requirements or standards. Meanwhile, the AAA Financial Accounting Committee (2000) in Christawati (2002) states that audit quality is determined by 2 things, namely the competence and independence of the auditor. BPKP's Pusdiklatwas defines that the quality of the results of an audit is the probability that an auditor or auditor can find and report a fraud that has occurred in an agency or government (both central and regional).

The first general standard (SA section 210 in SPAP, 2011) states that audits must be carried out by a person or who has sufficient technical expertise and training as an auditor. According to Wibowo (2007:

110) states that competence is the ability to carry out or perform a job or task that is based on skills and knowledge and is supported by the work attitude demanded by the job. Thus, competence shows skills or knowledge that are characterized by professionalism in a certain field as the most important thing, as superior in certain fields. Research conducted by Gea and Widhiyani (2018), Sukesu (2019), Darayasa and Wisadha (2016), Dewi (2016) about competence found that there was a positive influence on audit quality. Different things are obtained from the research results of Liana (2014) which found that the competency variable did not significantly affect audit quality. This opinion is supported by Samsi (2013) and Kisnawati (2013) who obtained empirical evidence that competence has no effect on the quality of audit results.

Independence is a mental attitude that is free from influence, not controlled by other parties, and is not dependent on other parties (Mulyadi, 2002). The auditor is not allowed to side with the interests of anyone. In order to fulfill their professional responsibilities, government auditors must act independently because they carry out their work for the public interest. Independence also means there is honesty within the auditor in considering the facts and the existence of objective, impartial considerations within the auditor in formulating and expressing his opinion. Independence avoids relationships that can damage the objectivity of an auditor, both internal relations within the auditor's office and external relations with the object of audit. Previous research that supports that independence has a significant effect on the quality of audit results, namely Wicaksono (2015), Anggrainy (2017), Setiawan (2016), Sarca and Rasmini (2019). In contrast to the results of research conducted by (Sitorus et al, 2017), (Kertarajasa et al., 2019), Sukesu (2019) found that independence has no effect on the quality of audit results.

Ethics are defined as behavior values or rules of behavior that are accepted and used by a certain group or individual (Sukanto, 1991: 1). Ethics, which is often referred to as a code of ethics, is in principle a system of moral principles that are enforced in a group of professions that are determined collectively (BPKP, 2009). Satava, et al. (2009) stated that the problem faced in improving audit quality is how to

improve the attitude or behavior of the supervisory apparatus in carrying out the inspection, so that the supervision carried out can run naturally, effectively and efficiently. Thus, ethics also contributes to improving audit quality. It is assumed that the ethics of the auditors can moderate the influence between competence and independence on the quality of the audit results. This is supported by the research results of Wicaksono (2015), Dewi (2016) Darayasa and Wisadha (2016), Wardhani and Astika (2018) who examine auditor ethics as moderating affecting the quality of audit results.

3 | CONCEPTUAL FRAMEWORK AND HIPOTHESES FIGURE

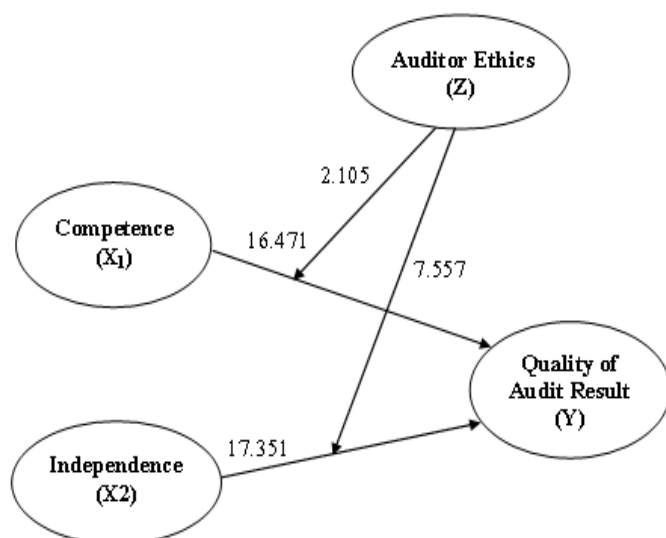


FIGURE 1: CONCEPTUAL FRAMEWORK

Based on theory and empirical reviews, in order to be able to give presumptive answers while the problem formulation of this study will be formed several hypotheses, namely:

H₁ : Competence has a positive and significant effect on quality of audit result.

H₂ : Independence has a positive and significant effect on quality of audit result.

H₃ : Auditor ethics is able to moderate the influence of competence on quality of audit result.

H₄ : Auditor ethics are able to moderate the influence of independence on quality of audit result.

4 | RESEARCH METHODS

The research design is a research structure plan that directs the research process and results to be valid, objective, efficient, and effective (Jogiyanto, 2007). In this study, the research design that will be used to analyze is the type of explanatory research (explanatory / confirmatory research), because the purpose of this study is to explain the causal relationship between the variables by testing the previously formulated hypotheses.

The variables used in this study are the dependent variable, the independent variable, and the moderating variable. The dependent variable used in this study is the quality of the audit results measured using three indicators, namely the quality of the process, the quality of the results and the quality of the follow-up (Efendy, 2010). The independent variables used are the competencies that uses three indicators of knowledge, skills and attitude Wibowo (2007: 110). The next independent variable is independence, according to Atta (2014: 27) there are four indicators of independence, namely the length of the relationship with the client (audit tenure), pressure from clients (peer review) and the provision of non-audit services. Meanwhile, the moderating variable used is auditor ethics. Siregar (2017) states that there are six ethical indicators of an auditor consisting of six, namely the sense of responsibility, public interest, integrity, objectivity and independence, due care and the scope and nature of services.

This research was conducted at the Inspectorate of Klungkung Regency, using census techniques or saturated sampling of 41 respondents. To obtain the data needed in this study, it can be conveyed that the data collection techniques used are by using a questionnaire. Methods of data collection by collecting questionnaires with respondents' answers.

The data analysis technique used is descriptive statistics and analysis inferential PLS. Descriptive analysis is used to describe and describe the characteristics of respondents and research variables. While the analysis technique is inferential PLS used to test the empirical model and hypotheses proposed in this study. The analysis technique used is a structural equation modeling (Structural Equation Modeling -

SEM) based on variance or component based SEM, known as Partial Least Square (PLS).

Instrument testing was performed by analyzing the validity and reliability. The criterion for testing the validity is done by comparing the correlation coefficient (r count) if it is greater than 0.3, then it can be stated that the question item is valid. Based on the results of SPSS version 22.0 processing which involved 41 respondents ($n = 41$), the calculated r coefficient for statement items on the competency, independence, auditor ethics and quality of the audit results was greater than 0.3, so all statement items were valid and suitable for use as a research instrument.

Meanwhile, to test the reliability of a list of questions from a research variable used the coefficient cronbach's alpha. A variable construct is said to be reliable if it has a cronbach's value $>$ than 0.60. From the processing of SPSS version 22.0, the coefficient cronbach's alpha of competency, independence, auditor ethics and the quality of the audit results is greater than 0.06, so the questionnaire is said to be reliable and suitable for use as a research instrument.

5 | DISCUSSION AND RESULT

To find out the respondent's response to each of the indicators of the latent variables, descriptive statistics were used to describe the data through the frequency distribution table of the respondents' answers to the statements submitted. The research description includes the variables of competence, independence, auditor ethics and the quality of the audit results. The description of the competency variable shows that the mean value of the competency variable is 4.30, this means that the respondent's perception of competence is very high. The description of the independence variable informs that the respondent's perception of independence is high, this can be seen from the mean value of 4.18. This illustrates that the independence of the Klungkung District Inspectorate staff is high. The description of the auditor ethics variable shows that the respondent's perception of auditor ethics is high, this can be seen from the mean value of 3.92. This illustrates that Klungkung

Regency Regional Inspectorate employees have high auditor ethics. And the description of the variable of the quality of the audit results informs that the respondent's perception of the quality of the audit results is high, this can be seen from the mean value of 3.85. This illustrates that the Klungkung Regency Regional Inspectorate employees have high quality inspection results. There are three criteria in the use of data analysis techniques with Smart PLS to assess the outer model, namely convergent validity, discriminant validity, and composite reliability. The results of processing using PLS in determining the value of the outer model or the correlation between variables and variables have met the convergent validity because they have a value loading factor above 0.50. Discriminant validity, is done to ensure that each concept of each latent variable is different from other variables. The model is said to have good discriminant validity if each indicator loading value of a latent variable has a loading value that is greater than the loading value if it is correlated with other latent variables. The results of the test discriminant validity explained that from the results of the six variables had an AVE value above 0.50 and all variables had an AVE root value higher than the correlation coefficient between one variable and another so it could be said that the data had good discriminant validity. The criteria validity and reliability can also be seen from the reliability value of a variable and the Average Variance Extracted (AVE) value of each variable. The variable is said to have high reliability if the value is composite reliability above 0.70 and AVE is above 0.50. The test results inform that all variables meet composite reliability because the value is above the recommended number, which is above 0.7 which has met the criteria for. Based on the results of the overall evaluation, 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.

The test inner model or structural model is carried out to see the relationship between variables, the significance value and the R-square of the research model. The structural model was evaluated using the R-square for the dependent variable t test as well as the significance of the structural path parameter

coefficients. Changes in the R-square value can be used to assess the effect of certain exogenous latent variables on endogenous latent variables that have a substantive effect. Model assessment with PLS begins by looking at the R-square for each dependent latent variable. Changes in the R-square value can be used to assess the effect of certain exogenous latent variables on endogenous latent variables that have a substantive effect. The structural model is evaluated by paying attention to the Q2 predictive relevance model which measures how well the observation value is generated by the model. Q2 is based on the coefficient of determination of all dependent variables. The quantity of Q2 has a value with a range of $0 < Q2 < 1$, the closer to the value of 1, the better the model.

The test results showed that the R-square value of the quality variable of the audit results was 0.802. 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. Apart from using the R-square, the goodness of fit of the model is also measured using the Q-Square predictive relevance for the structural model, measuring how well the observed value is generated by the model and also its parameter estimation. Value $> Q\text{-square } 0$ indicates the model has predictive relevance; conversely, if the value of $Q\text{-Square} \leq 0$ indicates that the model lacks predictive relevance. The results of the calculation of Q Square Predictive Relevance (Q2) shows a value of 0.802, which means that the model shows good observations, where 80.2% of the relationship between variables can be explained by the model, while the rest (15.3%) is an error factor or other factors not included in the research model. Evaluation of Inner model measured based on Q Square Predictive Relevance (Q2) and Goodness of Fit (GoF) The above shows that the model formed by the constructs has a very good model category.

Hypothesis testing is done using t-statistics. The significance of the parameters estimated provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output result for inner weight. Table 1

TABLE 1: Results of Hypothesis Testing

Variables	Original Sample	T Statistics	Description
of Competency -> The quality of audit results	0,478	16.471	H1 accepted
Independence -> Quality of test results	0.484	17.357	H2 accepted
Interaction X1 * Z -> Quality of test results	1,079	2,105	H3 accepted
Interaction X2 * Z -> Quality of audit results	2,920	7,557	H4 accepted

Source: Analysis results

6 | CONCLUSIONS AND RECOMMENDATION

Based on the result and discussion of the study, it can be concluded that the competence and independence of the auditors have a significant effect on the quality of the audit results. Auditor ethics are able to moderate the influence of competence and independence on the quality of the audit results.

Based on these conclusions, it can be suggested that the attitude indicators on the competency variable need to be improved in the form of increased teamwork, the ability to understand the main tasks and functions and the ability to analyze quickly. In the independence variable, the indicators of pressure from clients need to be improved in the form of maintaining the independence of the institution against external pressure, maintaining relationships with the work environment and being objective. For the auditor ethics variable, it needs to be improved, namely integrity by not being intimidated by other parties, no pressure from other parties, and increasing self-confidence. And the next researcher can add independent variables that affect the quality of the inspection. (1–50)

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