

THE EFFECT OF COMPETENCE, INTEGRITY, AND SCEPTICISM OF AUDIT PROFESSIONALS ON AUDIT QUALITY (CASE STUDY AT THE REGIONAL INSPECTORATE OF WEST BANDUNG REGENCY)

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Abstract

This research purpose to analyze and provide empirical evidence of the effect of competence, integrity, and partial professional scepticism on audit quality. The research was conducted at the regional inspectorate of West Bandung Regency with 45 internal auditors as respondents. Data in analysis using multiple regression analysis. That t-test indicates that the competence variable has a significant positive effect on audit quality, thus if the auditor's competence is good, the resulting audit quality will also be better. The variable of integrity has a positive effect on audit quality, thus if the auditor's integrity is good, the resulting audit quality will also be better. The variable of professional scepticism has a positive effect on audit quality, thus if the auditor's professional scepticism is good, the resulting audit quality will also be better.

Keywords: Competence, Integrity, Professional Scepticism of Auditors, Audit Quality

Preliminary

Quality audit (internal audit) is the conformity of the results of supervision / audit with standards. Audit quality is the probability that an auditor finds and reports a violation in his client's accounting system [1].

Measurement of audit quality is carried out using several indicators by the applicable code of ethics in the Indonesian Government Internal Audit Standards (SAIPI), namely: timely, complete, accurate, objective, convincing, clear, and concise. Of course, in producing a quality internal audit, the auditor must have competence in carrying out the supervision charged to him.

The Financial Statements of the West Bandung Regency Regional Government in 2020 received a Fair Opinion with Exceptions, where the financial statements present reasonably in all material matters, financial position, business results, and cash flows of the entity following with generally accepted accounting principles in Indonesia, except for the impact of matters related to the excluded.

Financial Audit Board (BPK-RI) found that there was fragility on internal control and non-compliance with applicable laws and regulations in the examination on the Local Government Financial Statements of West Bandung Regency, namely the existence of excess payments in Capital Expenditures due to non-compliance with the procurement of goods and services, Unexpected Expenditures in the Social Handling Sector that did not comply with the provisions, inventory administration is not following the provisions and the Accumulated Depreciation of Fixed Assets and Other Assets cannot be believed to be reasonable. [2, 3].

This shows that in the financial management of the West Bandung Regency Regional Government there are still weaknesses. The findings of the BPK-RI were not detected by Government Internal Supervisory Apparatus (APIP) as an internal auditor but BPK as an external auditor was able to find these weaknesses, his reflects that the results of the Inspectorate's internal audit are relatively unfavorable quality. [4].

Since its establishment in 2007, the West Bandung Regency Government has only received an Unqualified Opinion, namely on the 2019 Regional Government Financial Report. According to [5] the above is currently happening because there is still an old perspective where APIP only acts as a watchdog synonymous with fault finder. Therefore, there needs to be a paradigm shift in supervision where APIP is required to be able to carry out quality assurance, where he plays an active role and becomes part of problem-solving.

In addition to carrying out assurance and consulting functions, APIP is expected to act as a strategic partner that helps leaders and management in solving various governance issues. Even the latest internal audit best practice, encourages the internal audit unit to become a trusted advisor for the organization in dealing with various problems and anticipating various risks that may occur. [5, 6].

The picture of the professional ethics of an auditor is reflected in the ethical principles formulated by Indonesian Government Internal Auditor Association (AAIPI) and considered to be the code of conduct of the Internal Auditor of the Government of Indonesia, namely Integrity, Objectivity, Confidentiality, Competence, Accountability and Professional Conduct. High professional ethics, the quality of audit output will be increasingly affected.

Based on this background, because there are still differences from one study to another, the author wants to research with the title "The Effect of Competence, Integrity

and Professional Skepticism of Auditors on Audit Quality (Case Study at the Regional Inspectorate of West Bandung Regency)". The objective of this research was to determine the effect of the competence, integrity, and scepticism of professional auditors on audit quality.

Literature Review and Hypothesis Development

Auditing Theory

The general definition of auditing according to [7] is a systematic process for obtaining and evaluating objective evidence of statements about economic activities and events with the aim to establish a degree of conformity between these statements and established criteria, and communicating the results to interested users.

Agency Theory

In the agency context, an independent third party is needed as a mediator between the principal and the agent. This third-party functions to monitor the behavior of the manager as an agent and ensure that the agent acts following the interests of the principal. The auditor is the part that is considered capable of connecting the interests of the principal (shareholders) with the manager in managing the firm's finances. Auditors perform a supervisory function to oversee the work of managers through financial reports made by managers as a form of accountability to shareholders.

Attribution Theory

Attribution is a person's attempt to make inferences about the causes of events or events around him including the behavior of others [8, 9]. When facing an event or seeing the behavior of other people around him, someone will try to understand why the event or behavior of other people can happen. A person is interested in drawing conclusions, thinking further that something happened for a reason, and using these conclusions to predict the behavior of others and anticipate future events.

[10] refer to another notion of attribution as a "just world hypothesis". This means that when someone makes attribution to something, then at that time is trying to make a hypothesis about the phenomena that occur around it.

Auditor Competence, Auditor Integrity, Professional Scepticism of Audit and Audit Quality

[11] defines competence as follows: "Competence as a necessity for auditors to have formal education in the field of auditing and accounting, adequate practical experience for the work being performed, and following continuing professional education."

According to [12], integrity means that a person acts according to his heart, in any situation. Integrity is a quality that is the basis for gaining public trust and is a benchmark for auditors in testing all decisions made. Auditors must have integrity in every audit assignment by being honest and transparent, brave, wise, and responsible.

According to the Indonesian Government's Internal Audit Standards of 2013, professional scepticism is an attitude of mind that always questions and critically

examines the audit evidence obtained. The SPAP [13] expressed professional scepticism of auditors as an attitude that includes the mind that always questions and evaluates critically of audit evidence.

According to BPKP [14, 15], audit quality is a measure of the quality of audit work that must be achieved by auditors in conducting examinations by complying with established audit standards and obeying the code of ethics that regulates behavior in accordance with the demands of the organization's profession and supervision. Permenpan No. Per/04/M.Pan/03/2008 states that the Auditor must have the knowledge, expertise, experience, and skills in carrying out his work.

Conceptual Framework

Influence of Auditor Competence on Audit Quality

[16, 17] states that the quality standard of internal audits based on SAS 65 consists of competence, objectivity, quality work implementation. IIA states that the quality standards of internal audits are consistent with independence, objectivity, competence, and prudence in the implementation of audits.

Regulation of the Minister of State Apparatus Empowerment number Per/04/M.Pan/03/2008 mentioned that the Auditor must have the knowledge, expertise, experience, and skills necessary to carry out the task. In this research, the internal factors (competencies) that will be tested include personal quality, general knowledge, and special skills. The achievement of these competencies can be obtained from formal education, education and technical training, and the length of an auditor (APIP) in carrying out examination tasks. Therefore, competence is very supportive in the assignment of audits to produce quality examination results. Thus, the following hypothesis can be proposed:

H1: Auditor Competence positively affects Audit Quality

Influence of Auditor Integrity on Audit Quality

To maintain and enhance public trust, every auditor must fulfill his or her professional responsibilities with the highest possible integrity. With high integrity, the auditor can increase the quality of the examination results [18]

[19] states that: "The factor that influences the quality of the audit is the auditor's adherence to the code of ethics reflected by the attitude of independence, objectivity, and integrity". Thus, the following hypothesis can be proposed:

H2: Auditor Integrity has a positive effect on audit quality

Influence of Auditors' Professional Scepticism on Audit Quality

Auditors who have low skepticism will result in a decline in audit quality, [20]. And according to [21], the auditor's professional scepticism will affect his scepticism behavior and will ultimately improve audit quality. Thus, the following hypothesis can be proposed:

H3: Professional Auditor Scepticism has a positive effect on audit quality

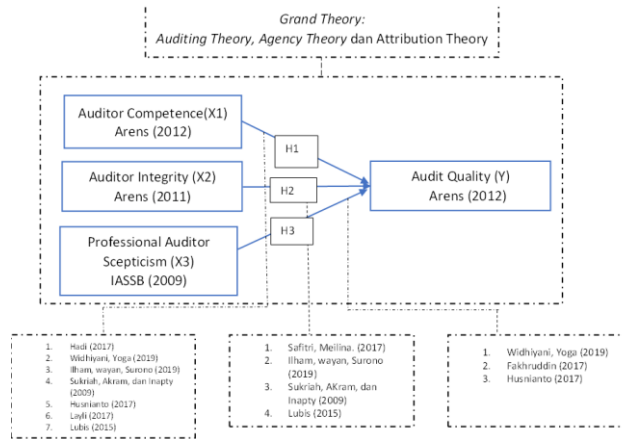


Figure 1 Conceptual Framework of Research

Research Methods

The type of research used is associative research, the aim is to determine the relationship or influence between several variables. For data analysis used multiple regression analysis.

Results and Discussion

Results

The results of the research data were obtained by sending 45 questionnaires to respondents selected based on sampling techniques, namely all internal auditors in the West Bandung Regency Inspectorate. Questionnaires returned as many as 45 questionnaires (100%) and 0 questionnaires (0%) that did not return.

Classic Assumption Test Results showed: Normality Test showed a regression model has normally distributed. So this model can be used predict audit quality based on input variables of competence, integrity and scepticism of audit professionals. Multicollinearity Test: multicollinearity is independent because the tolerance value is close to 1, with VIF value of 1,834, 1,619, and 2,471 respectively. The heteroscedasticity test showed there is no clear pattern, and the points spread above and below the number 0 on the Y axis. Thus, it is said that there is no heteroscedasticity. Multiple Regression Analysis showed the calculation results of SPSS version 25.0, obtained two regression equations as follows:

$$Y = -1,570 + 0.307X1 + 0.306X2 + 0.149X3$$

Discussion

Hypothesis Testing Results

That results showed a positive influence between competence on audit quality. This means that audit quality can be achieved if an auditor has good competence. That is, auditors who have high competence will produce quality audits, so that the audit results can be used by many people for decision making. Auditor competence will be useful for solving problems that may occur in the audit process, the higher the auditor's competence, the higher the audit results. This is in line with research conducted by [22]. Competence affects audit quality.

There is a positive influence between integrity and audit quality which indicates that the level of auditor ability will have a strong influence on the quality of the resulting audit. If the auditor has good integrity then the auditor will easily perform the task of his audit task and conversely, if it is low then in carrying out his duties, the auditor will get difficulty so the quality of the audit produced will below as well, this causes the report submitted by the auditor to policymakers cannot be used to make decisions appropriately. This is in line with [23] research that auditor integrity influences audit quality.

There is a positive influence between audit professional skepticism on audit quality. The theory of stewardship states that a steward must work with the common interests first. In this regard, auditors who have a high scepticism will produce a quality audit, so that the audit results can be used by the crowd for decision making. If the auditor has a high scepticism, then the quality of the audit will be good. This scepticism encourages auditors to continue to question the truth of the audit evidence, so the resulting audit will be qualified because it is based on reliable evidence and audit results can be used.

Conclusions and Suggestions

Conclusion

Based on the results of data analysis and testing described in the previous section, the authors conclude the effect of the competence, integrity, and professional scepticism of auditors on audit quality as follows:

The research proves empirical evidence that competence has a significant positive effect on the quality of audits. These conditions indicate that with the increasing competence of the auditors, the audit quality will be even better. With high competence, the auditor will use his knowledge and expertise to detect negligence, weakness, or fraud committed by the auditee, and provide appropriate recommendations in prevention and improvement efforts. The competence of internal auditors at the regional inspectorate of West Bandung Regency is in a fairly good category.

The research proves empirical that integrity has a significant positive effect on the quality of audits. Auditor integrity with audit quality has a strong relationship. This condition means that if the integrity of the auditor increases, the audit quality will also increase. The integrity of the internal auditors at the Regional Inspectorate of West Bandung Regency is in a fairly good category.

The research proves empirical that auditors' professional scepticism has a significant positive effect on audit quality. Audit professional scepticism and audit quality have a strong relationship. This condition means that if the scepticism of audit professionals increases, the audit quality will also increase. Professional scepticism of

auditors at the Regional Inspectorate of West Bandung Regency is in the fairly good category.

Advice

Based on the above conclusions, the advice given is:

For other researchers who are going to research a similar topic, the researcher suggests adding other independent variables such as leadership policies, audit complexity, audit time allocation, due professional care, or other variables.

For other researchers who are going to research a similar topic and research variables, the researchers suggest using different dimensions and indicators.

To obtain more complete data, further research should use other methods such as interviews or observation. So that the answers of the respondents more reflect the actual answer.

Other researchers should expand the object of research, namely the Regency/City Regional Inspectorate in West Java Province.

The quality of the audit at the Regional Inspectorate of West Bandung Regency is in the fairly good category. The reason is that several auditors do not have the competence, integrity, and high professional scepticism of auditors, thus affecting the quality of the resulting audit. To avoid fraud and errors during the audit process that causes a decrease in audit quality, auditors need to increase their critical, thorough, honest, impartial, objective, and courageous attitude in acting.

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