

Influence of Auditor Competence, Independence And Professional Attitude On Audit Quality By Inspectorate Apparatus In Southeast Sulawesi

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Abstract—This study aims to determine the effect of competency, independence and professional attitude towards the audit quality of the Inspectorate Officers in Southeast Sulawesi. The study population was all Provincial Inspectorate auditors in Southeast Sulawesi spread across 17 cities / regions and 1 Province totaling 576 respondents. While the sample number of samples is all employees of the Inspectorate in Southeast Sulawesi who meet the criteria: (1). Profession as an auditor, (2). Ever conducted an audit as a Chairman of the TEAM or member of the auditor at least 2 times, and (3). Have a minimum of 2 years working period as an auditor. Based on data and criteria collected, the number of respondents who met the criteria were 167 auditors. The analytical equipment used is Partial Least Square (PLS) with the Smartpls program version 3. The results of the study show that competence does not have a significant effect on audit quality, while independence and professional attitude have a significant effect on audit quality.

Index Term: Competence, Independence and Auditor Professional Attitudes, Audit Quality

1 INTRODUCTION

Role and function of the Inspectorates in the level of Province, Regency/City in general are regulated in article 4 Regulation of Domestic Affairs Number 64 of 2007. In the article, it is stated that in running task of government affair monitoring, the Inspectorates in the level of Province, Regency/City have the following functions: (a) Planning on monitoring program; (b) formulating of monitoring policies and facilities, and (c) examination, investigation, testing and assessment of monitoring task.

The internal work unit that supervises regional government is the Regional Inspectorate, with the duty and authority to conduct general supervision on regional government and other tasks assigned by the regional head, so that by its duties, the Regional Inspectorate acts as the Government Internal Supervisory Apparatus (APIP) having direct responsibility to the Governor / Regent / Mayor.

One of the units conducting an audit / examination on the regional government is the regional inspectorate with the task to conduct general supervision activities on the regional government and other tasks assigned by the regional head, so that by their duties, the regional inspectorate acts as an internal auditor. Internal audit is an audit conducted by a unit of inspection as part of a supervised organization (Mardiasmo, 2006).

Audit Quality Measurement has been determined through Regulation of the State Minister of for Administrative Reform number PER / 05 / M.PAN / 03/2008 concerning Audit Standards of the Government Internal Supervisory Apparatus, stating that measurement of audit quality of financial statements, especially those conducted by APIP, must use State Financial Inspection Standards (SPKN) as stipulated in Regulation of Supreme Audit Agency (BPK) of the Republic of Indonesia Number 01 of 2007. The first statement on the SPKN's general standard is:

“Collective auditors must have sufficient capacity to conduct audit tasks”.

In addition, audits must be conducted by someone or more having sufficient technical skills and expertise as an auditor. The auditor must have and improve knowledge of audit methods and techniques as well as all issues relating to government such as organizations, functions, programs and government activities. Auditors' skills according to Tampubolon (2005) can be achieved through ongoing education and training as well as adequate experience in conducting audits.

In addition to audit capabilities, an auditor must also have independence in conducting audits so that there will be an ability to provide opinions or conclusions without any influences from any interested parties (BPKP, 2014). The second statement of SPKN's general standard is: “In all issues relating to audit work, the examining organization and examiner must be free from any mental attitude and appearance from personal, external, and organizational disturbances that can influence on its independence”.

Furthermore, auditor professional attitude through Permenpan Number PER / 04 / M.PAN / 03/2008, supplements the principle of professional attitude in order to conduct inspection tasks. An internal auditor is required to have a professional attitude. Professional attitude is reflected in the quality of implementation as a characteristic or sign of a profession or a professional. In a general sense, a person is said to be a professional if he meets three criteria, namely having skills to conduct tasks in accordance with his field, conducting a task or profession by applying standards in relevant professional field and conducting his professional duties by complying any established professional ethics.

The importance of implementing audit quality was also stat-

ed by Pramono, (2003) stating that a quality audit product can only be produced by an audit process that has been set its standard. Furthermore, it was explained that the audit process can be said to have met the quality assurance requirements if the process undertaken was in accordance with the standards, including standards for professional practice, internal audit charter, internal audit code of ethics, policies, audit objectives and procedures, and work plans audit.

Other phenomena related to audit findings and reports between APIP and BPK are seen as interesting facts; based on the findings of the Inspectorates in Southeast Sulawesi over the past 3 years based on the Government Financial Report (LKP).

The phenomenon found out in various APIP findings at the Inspectorate in Southeast Sulawesi is the finding of the Republic of Indonesia BPK from follow-up monitoring of audit results from the Southeast Sulawesi Government Financial Report (LKP). The processes of BPK evaluation on the Government Financial Reports (LPK) include; (1) Internal Control System, (2) Conformity to Financial Statements and (3) Compliance with legislation. The number of BPK findings over the last 3 years since 2015, as of 2017 can be seen in table 1.1:

Table 1.1. Number of Findings in Southeast Sulawesi in 2015-2017.

No.	Groups of Findings	Years / Findings		
		2015	2016	2017
01.	Compliance on Legislations	46	91	36
02.	Internal Control System	79	172	38
03.	Conformity on Financial Reports	22	89	24
Total		147	352	98

Source: BPK Financial Report in (2017)

It can be seen to be quite high number of findings, in which, there were 147 findings in 2015; there were 352 findings in 2016 and there were 98 findings in 2017. This indicates that numbers of BKP findings in the last 3 years are higher than APIP findings. This can also imply that there should be greater APIP limitations to find out or reveal any violations. Such quite high different shows yet optimal auditor quality by Inspectorates in Southeast Sulawesi Province as internal auditors. Moreover, both institutions use the same audit standard, ethical codes and accounting standard to run their tasks and functions as auditors.

Based on the background, then, this research aims to determine and analyze (1). Influence of competence on auditor quality by Inspectorate in Southeast Sulawesi, (2) Influence of independence on auditor quality by Inspectorate in Southeast Sulawesi, and (3) Influence of professional attitude on auditor quality by Inspectorate in Southeast Sulawesi.

2 LITERATURE STUDY

2.1 Audit Quality

According to Watkins (2004), audit quality means as possibility in which an auditor will find out and report any material misstatement in client financial reports. Based on Public Accountant Profession Standard, an audit will be said to have good quality if it can meet audit requirements or standards. Mean-

while, according to Simanjuntak (2008), audit quality is a systematic and independent examination to determine activity quality and results based on the planned arrangement and whether the arrangement is implemented effectively and based on the objectives.

Akmal (2006) argued that audit quality is a result that has been achieved by a subject /object to achieve level of satisfaction, so it can create a willingness to assess the activity.

According to Liu and Wang (1999), audit quality is a probability that an auditor will not report any audit reports with fair opinions without exception for any financial report presenting material misstatement. Then, Alim et.al, 2007 described that probability to find out any violations depends on auditor technical ability and probability to report the violations based on auditor independence.

2.2 Competence

Lee and Stone (1995), defined competence as enough ability explicitly used to make an objective audit. Sri lastanti (2005) defined skills or competence as one broad procedural knowledge and skills that can be seen from audit experience.

Based on the description above, it can be concluded that auditor competence is any necessary knowledge, skills, and experience by auditors to make an objective, careful and exact audit. (Mayangsari, 2003) defined skill as knowledge on specific environment; understanding on any arising problems from the environment, and skills for problem solving.

2.3 Independence

Arens, et.al.(2000) defined independence in auditing as "The use of unbiased perspective in implementation of audit testing, evaluation of testing results and reporting of audit findings". Mulyadi (2002) defined independence as "free conditions from any influences, uncontrollable by any other parties, non depending by various strengths from outside the accountant in making any considerations about the facts found out in the examination.

Messier et al (2005), independence is a term that is terms often used by auditors. Independence avoids relationships that may disrupt auditor's objectivity. BPKP (2014) defines objectivity as one freedom from any influence of subjective perspective by other interested parties, so they can express their opinions as they are.

2.4 Professional attitude

There are several definitions of attitude according to several sources including: C.G. Jung (2004) is an expert who discusses attitudes. He defined attitude as "readiness of soul / psyche to act or react in a specific way". Attitudes often can be seen in the form of a partner, one can be realized while another is not. Attitude is one feeling about specific object, activities, events and other people. This feeling is seen a concept representing one likes or dislikes (positive, negative, or neutral) on something.

Robbins (2008) defined attitudes as evaluative statements or considerations, whether beneficial or unfavorable regarding objects, people or events. Attitudes are born from complex processes such as observation, motivation, and emotion. It is necessary for internal auditors to have a wise and professional atti-

tude so that they can conduct their functions, because internal auditor attitude will reflect his readiness to deal with various objects and pressure related to his work as an independent activity.

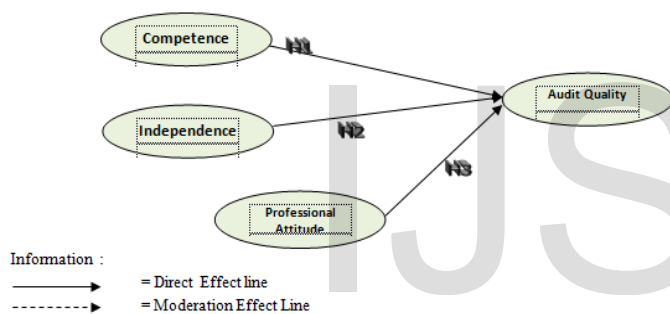
The measurement of professional attitude variable in this study refers to the indicators used by Christian (2012) consisting of; (1) Professionalism of professional service (2) Professionalism of relations with colleagues, (3) Professionalism of social obligations (4) Professionalism of independence and (5) Professionalism of beliefs in professional regulations.

3 CONCEPTUAL FRAMEWORK

3.1 Conceptual Framework

This research conceptual framework is based on empirical and phenomena study found out in the environment of Inspectorates in Southeast Sulawesi Province. The following is the research conceptual framework.

Figure 3.1. Conceptual Framework of Influence of Auditor Competence, Independence and Professional Attitude on Audit Quality



3.2 Hypotheses

Based on theoretical study, earlier research findings, and theoretical thinking framework on any factors giving influences on the audit quality conducted by internal auditors, then it can develop hypotheses based on theory and empirical study as follow:

- H1: Competence influences significantly on audit quality of Inspectorate apparatus in Southeast Sulawesi.
- H2: Independence influences significantly on audit quality of Inspectorate apparatus in Southeast Sulawesi.
- H3: Professional attitude influences significantly on audit quality of Inspectorate apparatus in Southeast Sulawesi.

4 RESEARCH METHOD

4.1 Location and Object

The research location will be conducted in 17 Regencies, Cities and Regional + 1 Provincial Inspectorate in Southeast Sulawesi. While the research objects are competence, independence, professional attitude and individual auditor characteristics and their influence on audit quality.

4.2 Type and Source of Data

The type of data used in this study is qualitative data namely data not in the form of numbers. Qualitative data is collected by means of interviews, document analysis and observations which are then presented in the form of instruments. In addition, it is also used quantitative data in the form of numbers, for example competency data, independence, professional attitude and audit quality. While the data sources used in this study are primary data including data related to statement by respondents to these research variables, namely competence, independence, professional attitude, individual characteristics and audit quality. This primary data is obtained or sourced from respondents (auditor inspectorates) by directly distributing questionnaires and conducting interviews as needed to explore more information regarding this research variables.

4.3 Population and Samples

The population in this study is all Provincial Inspectorate auditors in Southeast Sulawesi across 17 regencies, cities / regional and 1 Province totaling 576 populations. Whereas, the samples in this study are all Inspectorate employees in Southeast Sulawesi who meet the criteria: (1). Profession as an auditor, (2). Once conducted an audit as a Chairman of the TEAM or member of the auditor for at least 2 times, and (3). Having minimum 2 years working period as auditors. Based on data and criteria, the number of respondents who meet the criteria is 167 auditors.

5 RESULTS AND DISCUSSION

5.1 Structural Model Evaluation (Inner model).

Testing on the structural model is evaluated by considering the percentage of described variance, namely looking at the value of R2. To assess the model with PLS, it is started by looking at R-Square for each latent variable. Changes in the value of R-Square are used to assess the influences of independent variables on the dependent variable whether it has substantive influence.

The coefficient of determination (R2) of endogenous variables is presented in Table 5.22.

Table 5.1. R-Square Testing Results

Model Structural	Reliability Compositer	Results
1	Audit Quality (KUA)	0,661

Source: Output Partial Least Square (PLS), in 2019

Based on the coefficient value of R2 determination presented in Table 5.1 it can be seen that R-square value is 0,661 meaning that accuracy of this research model can describe variation of competence, independence, professional attitude, individual characteristics and audit quality variables on the audit quality by 66,1%. The remaining of 33,9% is described by other variables beyond this research model. This research can form a model with good accuracy since it obtains the value above 60%.

5.2 Testing Results of Structural Model and Research Hypotheses

Structural model (inner model) is evaluated by looking at coefficient value of variable direct paths. Testing on structural model (inner model) is conducted after correlation model is built in this research, based on data of overall observational results and model conformity.

Testing on structural correlation model is to determine inter-variable relationship in this research. From PLS output, testing on structural model and hypotheses is conducted by looking at significant estimation value of path coefficient in p -value < 0,05.

5.3 Testing of Path Coefficient and Hypotheses in Diagram

Testing results of path coefficient influence and hypotheses of inter-variable influence can be seen from value of path coefficient in which values < more than $\alpha = 0,05$ presented in Table 5.2

Table 5.2. Path Coefficient of Direct Influence and Hypotheses Testing

Hypotheses	Direct Influence	Path Coefficient	p-value	Evidences	Hypotheses
H1	Competence --> Audit Quality	0,111	0,069	Positive insignificant	Rejected
H2	Independence --> Audit Quality	-0,303	0,009	Negative significant	Accepted
H3	professional attitude --> Audit quality	0,948	0,000	Positive significant	Accepted

Source: Output Partial Least Square

5.4. Discussion of Research Results

5.4.1. Influence of Competence on Audit Quality of Regional Inspectorate in Southeast Sulawesi

Testing results of first hypothesis (H1) shows that competence influences significantly on audit quality (H1 is rejected). Thus, this research result cannot prove that auditor competence influences significantly on audit quality. Positive path coefficient value implies that competence and audit quality are in the same direction. This research finding confirms that improved or decreased auditor competence that is reflected by experience and knowledge cannot cause improved or decreased audit quality.

Results of empirical identification on Inspectorate auditors in Southeast Sulawesi are found that reasons of competence to have insignificant influences on audit quality are caused by some aspects:

- The average Inspectorate Auditors in Southeast Sulawesi have knowledge that is characterized by education levels namely undergraduate and master, but the knowledge owned by the auditors is not relevant to the required technical knowledge by someone as an auditor. This condition is also strengthened by many requests by employees at the BKD to be transferred to the Inspectorate because of another motivational factor such as income. Employees consider that working at the Inspectorate will conduct a lot of checks on SKPD and have a lot of SPPD so that it can increase their additional income. High number of recommended requests leads to neglected Standard Operating

Procedure (SOP) as an auditor. For example, placement which should require relevant education in the field of accounting and law however is filled by other irrelevant scholars. Someone who is placed as an internal auditor but lacks understanding of accounting will face limitations in uncovering findings.

- In addition, low quality of auditors is also caused by recruitment process which the selection process still maintains a culture of nepotism such as placement of employees based on emotional relationships between employees with officials having authority to place employees. In addition, procurement of staff conducted by the Regional Personnel Agency (BKD) is not based on technical knowledge based on requirement of the Regional Inspectorate.
- The average Inspectorate auditors in Southeast Sulawesi have sufficient experience but do not have influences on their audit quality because auditors tend to be assigned to conduct different audits to their fields and seems discriminatory so that the process seems not to pay attention to auditor's ability to any audited issues.
- The auditors do not update any laws regarding their activities to be audited so that sometimes the fact in the field of auditing is better understood than the auditor.
- There are many new auditors placed in the expansion area so that the auditors do not have proper competence Stefaniak et. Al (2012) argued that actual existence of internal auditors in an organization is expected to improve value to the business process of an organization to achieve the determined goals, both in assurance and consulting. In addition, auditors seem as if it is the center of cost as burdensome to the organization with various things. All expenses spent by the organization to conduct internal audit activities fail to be capitalized into a valuable benefit for achieving organizational goals. This leads to a very basic question about the existence of an internal audit organization when its existence is not based on stakeholders.

This study proves a research of R. Budi Hendaris (2015), who revealed the results of his research that competence has positive but insignificant influence on audit quality. This means that an auditor despite having high competence does not necessarily produce good audit results, not even giving influences on audit quality at all.

Based on the auditor's competency identification, the researcher confirms that it relates to these findings that previous researches conducted by Asri Usman, et al. (2014), Arifuddin (2016), Evi Octavia, (2015), Rina Y. A (2016), Abdul Halim et al. (2015), Alim, (2007), Maresellia, (2015) who used indicators of knowledge and experience to measure one's competence to uncover findings and report findings empirically are not proven.

5.4.2. Influence of Independence on Audit Quality of Regional Inspectorate in Southeast Sulawesi

This research second hypothesis (H2) stats that auditor independence has significant influence on audit quality of the Regional Inspectorate in Southeast Sulawesi. The result of testing on the second hypothesis (H2) is (accepted). The study result finds out that independence has significant influences

on audit quality. It can be interpreted that higher auditor's independence will lead to decreased audit quality of the Regional Inspectorates in Southeast Sulawesi.

The results of empirical identification of Inspectorate auditors in Southeast Sulawesi find that the underlying logic of independence has negative and significant influences on audit quality that an understanding on the concept of internal auditor independence differs from an external audit. Internal audits are not only to supervise, they also apply the provisions of Regulation of Government No. 12 of 2017 concerning consulting to achieve objectives of government administration in this case the regional inspectorate. Such influences cause any problems found by the auditors are not be directly used as findings. But then they recommend for necessity of improvements to these findings. If it is associated with auditor independence, then integrity and objectivity are not important from the results of a finding. Such condition is different from external audits such as BPK that when problems are found in the audit, these problems are directly considered as findings so that objectivity and integrity are determinants of audit quality. Based on these findings, it can be explained that actually, there are different conception and understanding of internal and external auditor independence, as well as it is necessary to understand the conception clearly on the assignment of the internal auditors of Regional Inspectorate in Southeast Sulawesi. According to Stefaniak et. Al (2012) there will be wider role of auditor than the external auditor since its function provides added value to the organization due to its function and assurance as well as consulting.

Paying attention to the explanation above, it can be concluded that the independence reflected in the auditor integrity and objectivity is only a formality of supervision and examination and all of which lays on intervention of the authorities in this case the regional government.

This research proves a research by Marsellia (2015), that independence is proven to have negative influences on audit quality. Marseille emphasizes that too high level of independence can have opposite effect, namely low audit quality. This is caused by auditor's freedom from anyone's influence makes auditor free to decide what to do, so that the auditor often acts inadvertently, does not pay attention to management direction or audit supervisor, or does not even conduct any audit procedures in assigned short time by audit client.

However, several other studies such as Dali. N (2013), Evi Octavia, (2015), Abdul Halim et al (2015), Alim, (2007) and Sholawatun et al. (2015) confirm that person's identity reflected through integrity and objectivity will have influence on improved audit quality. Higher auditor independence leads to higher audit quality.

5.4.3. Influence of Professional Attitude on Audit Quality of Regional Inspectorate in Southeast Sulawesi.

This research third hypothesis (H3) states that professional attitudes have significant influences on audit quality. The testing results of the third hypothesis (H3) find that professional attitudes have significant influences on audit quality. Higher auditor professional attitude leads to better audit quality by Inspectorate auditors in Southeast Sulawesi.

Results of the measurement on professional attitude variables in this study find that auditor professional attitude is considered good by the respondents if it is reflected in professionalism aspect of relation with professional colleagues, professionalism in fulfilling social obligations, professionalism of independence and confidence in professional regulations so that there will be improved audit quality.

Results of the analysis on overall respondents' description based on the mean percentage of respondents' answers to the auditor professional attitude variable states very good, good and very high, however there are still 11.81 people who assess that the auditor independence is not in line with expectations. And out of the 5 indicators used to measure the professional attitudes, there are 2 indicators with the weakest value, namely (1). professionalism of social obligations which is reflected in existence of some auditors not yet being fair in conducting audits, not obeying work contracts, not being sincere in conducting their obligations. Also, the indicator with the lowest value given by the respondents is independence of professionalism which is reflected by auditor's hesitant attitude in making their own decisions, as well as inability to work independently.

Results of the PLS analysis show that auditor professionalism has significant influences on audit quality. Since through high level of professionalism, there will be ability to encourage the auditors to uncover findings and report findings.

This research is in line with a research by Asri Usman, (2014) relating to the role of Auditor's Professionalism Attitudes in improving audit quality that is proven to improve audit quality, but it is not in line with a research by Susilawaty, (2014) which described that professional attitudes have direct but insignificant influences audit results. The findings of his research explain that reflections of auditor professional attitudes are respecting his colleague, and honoring his colleague. However, existence of this honor and respect, especially towards young auditors to old auditors lead to previous auditor's audit results to be used as findings but then, the final decision changes.

6 CONCLUSION AND RECOMMENDATION

6.1 Conclusion

Based on the research results, then it can formulate the following conclusion:

1. Competence has insignificant influences on audit quality of the Regional Inspectorate in Southeast Sulawesi. This can mean that higher auditor competence is not followed by increased audit quality significantly. Some underlying reasons are; (a) auditor knowledge is irrelevant to professional technical knowledge as an auditor because the procurement and placement process of employees conducted by Regional Personnel Agency (BKD) are not based on technical knowledge of accounting and auditing. (b) there is auditor's tendency to be assigned to different audits so that the auditor does not understand context of the audited problem, (c) there is still low level of ability of employees to update laws and regional regulations, and (d) there are still many new auditors placed in expansion area so that

there is still limited auditor ability to disclose the findings and reports.

2. Independence has significant and negative influences on audit quality. It can be interpreted that higher auditor independence leads to lower level of audit quality. The underlying reasons are (a) there is different understanding between the concept of the independence by internal auditors and external audit, which when internal auditors find out any problems, then they are not directly made into findings but there will be given any guidance and improvement on the findings, while external auditors directly regard it as findings. If this is related to auditor independence, then there will be weak inspectorate auditors' integrity and objectivity since their decision is dominated by government intervention in this case the governor / regent. (b) existence of mistrust by the DPRD as a trustee to the local government has led to an internal conflict of interest. Such conflict of interest is caused by the auditor is considered unable to maintain its independence because it is structurally under the regional government.
3. Professional Attitudes have significant influences on audit quality. Since through high level of professionalism, there will be ability to encourage the auditors to uncover findings and report findings.

6.2 Recommendations

Based on the results and conclusion of this research, it can present the following recommendations for this research:

1. The importance of the Regional Inspectorate to implement several strategies related to auditor competencies, namely: (a). Establishment of Auditor TEAM should pay attention to any cases to be examined and prioritize suitability of cases handled with auditor experience. (b). Auditor recruitment and placement processes are adjusted to professional competence so that there will be relevance to the requirement of the Regional Inspectorate. In addition, implementation of the recruitment and placement processes is given entirely to the Regional Inspectorate of Southeast Sulawesi. (c). Periodically, there should be an evaluation on auditor understanding and knowledge related to the profession and professional ethics.
2. The leader does not intervene in any results of examination in terms of determining, eliminating or modifying certain parts to be examined. In addition, there must be any supports and encourages on auditor objective behavior and integrity so that there will be better audit quality.
3. Professional attitude is most dominant variable in improving audit quality, thus indicators of social professionalism and independence professionalism which have still low level in its implementation can be better improved.
4. Auditor independence which is reflected in weak level of auditor's integrity and objectivity attitude because the decision is more dominated by government intervention in this case the governor / regent. Based on these conditions, this study recommends the requirement for the Regional Inspectorate to be an independent institution which can directly located by the president through the Ministry of Domestic Affairs.

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