JOURNAL OF ACCOUNTING
p- ISSN: 0000 - 0000 | e-ISSN: 0000 - 0000
Volume 1 Number 1| January 2021

Factors Affecting the Quality of Audit in Makassar City Inspectorate

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Article Info

Independence, Competence, Work Experience and Audit Quality

Abstract

This study aims to determine the factors that influence audit quality at the Makassar City Inspectorate Office. This study uses quantitative research methods. The data obtained from primary data is through the distribution of questionnaires. Respondents in this study were auditors who worked at the Makassar City Inspectorate Office. The questionnaire was processed using the SPSS ver 26 application. This research is expected to be an input for the Makassar City Inspectorate Apparatus and so that the government can improve as a supervisor and examiner of local governments to create good government. The results of this study indicate that independence and competence have a significant effect on audit quality in the city of Makassar, work experience has no significant effect on audit quality. This shows that the higher the level of independence and competence of the auditor, the better the quality of the audit produced.

1. INTRODUCTION

The Government Internal Supervisory Apparatus (APIP) is an audit agency under the government or part of the government. Good governance is characterized by using three pillars which are basic interrelated elements. The basic elements are participation, transparency and accountability. One of the functions that must exist in the public accountability process is the function of auditing or auditing (Susanti, 2019).

The provincial inspectorate is an institution that carries out activities, supervision and examination of regional governments, so that in their duties the inspectorate is the same as the internal auditor. In order to realize good governance in regional government, the government is obliged to make changes to all aspects of regional financial management. Changes in both internal and external audits in the administration of government are steps that must be taken. This is because, with this change in auditing, audit activities in government agencies can run optimally, so as a result it can reduce the occurrence of mechanism errors that are not uncommon by auditors that can harm the state. There is a change in the field of supervision, the quality of supervision carried out by the inspectorate will be better, and will enhance the quality of the inspection output in its supervision (Laksita and Sukirno 2019).

Regional Inspectorate currently experiencing implementation challenges supervision and checking on the administration of regional government which continues to be complex. Checking the management of activities and financial administration accountability in SKPD so far has used a comprehensive checking model and technique every month, the Makassar City Regional Inspectorate requires a new, more efficient approach, because of the complexity of the problems experienced *(www.inspektorat.makassarkota.go.id).*

Based on APBD data for the 2018 fiscal year in Makassar City, all plans and activities managed by SKPD within the Makassar City Government totaled 581 plans and 4,097 activities. By looking at these data, compared to the limited human resources of the Makassar City Inspectorate which only has 23 registered auditors, a new method is needed in the supervision

and inspection model in the SKPD entity. Through sufficient solutions to deal with the complexities of supervision faced, information technology is used in the process of supervision and inspection. In 2018 the mayor of Makassar launched an electronic audit application (smart audit). Overall, the human resources of the SKPD will determine the success of the implementation. Because the electronic audit system is just a tool to do monitoring and inspection activities *(www.inspektorat.makassarkota.go.id).*

Audit quality is very important in conducting audit activities because with good audit quality will produce reports on results that can be trusted and as they are without any influence from related parties. And if the quality of public sector audits is low, it will make it easier for government agencies to deviate from the use of the budget , and the risk of litigation against government officials who do it (Raharjo and Mahyuni, 2019).

Such as the case of alleged corruption in the youth and sports offices where seminars and training workshops were held. The activities within the Makassar Dispora use funds sourced from the Makassar City APBD in 2018. The Investigation Unit (Kasat Reskrim) of the Makassar Tabes Police confirmed an investigation related to the case. Previously, the case of alleged corruption in the Makassar City Dispora just stopped because the state loss money had been returned. But the amount returned is still a mystery, and the inspectorate chose to remain silent. Even though this case has been happening since 2018 (Teliski.Id.2020).

The case shows that the Inspectorate as an internal supervisory agency of the Makassar city government which is required to be open and transparent, should announce the results of the audit of state losses and be more open so as to be able to answer public doubts regarding the performance of the inspectorate in carrying out supervision. In this case, the government needs to improve audit quality so that it can be trusted by interested parties by taking into account the competence and independence of the auditors.

Audit experience is also one of the factors that can affect audit quality. Audit experience is the auditor's experience in auditing financial statements, both in terms of the length of time and the number of assignments that have been handled. An auditor who has sufficient experience will better understand and know various problems in greater depth and it is easier to follow increasingly complex developments in his client's audit environment (Sari YE & Helmayunita N, 2018).

So that in this study independence, competence, and work experience are factors that can affect the implementation and inspection functions that work on considerations in preparing audit reports, and can achieve quality audit performance.

Public sector audit standards refer to the Professional Standards of Public Accountants (SPAP) applicable in Indonesia . The second General Standard (SA section 220 in SPAP , 2011) states that “in all matters relating to the engagement, independence in mental attitude must be maintained by the auditor. This standard requires auditors to be independent, meaning they are not easily influenced, because an auditor carries out his work in the public interest.

In the research of Nur Afifah et., all . (2019) proves that independence has an effect on audit quality. Septhony B. Siahaan and Arthur Simanjuntak (2018) in their research state that objectivity, integrity, and competence affect the quality of audit results . The difference between the two researchers and this study lies in that the

study used 5 independent variables and the sampling technique used the purposive sampling method. Meanwhile, in this study, 3 independent variables were used and the sampling technique was the census method or saturated sampling.

Research on audit quality is important for auditors inspectorate , which is an internal supervisory agency for the Makassar City government, which is required to be open and transparent. So that it can be known the factors that affect the quality of the audit and can improve the quality of the resulting audit. For auditees, this research is important to assess the extent to which the Makassar City Regional Inspectorate Auditor can consistently maintain the quality of the audit services it provides.

Based on the description of the background above, the researchers are interested in researching the research entitled : "Factors Affecting Audit Quality at the Makassar City Inspectorate"

2. LITERATURE REVIEW

2.1 Attribution Theory

According to Fritz Heider, the originator of attribution theory, attribution theory is a theory that explains a person's behavior. This theory refers to how someone explains the causes of the behavior of others or themselves which are determined from internal or external which will have an influence on individual behavior. Attribution theory is used to determine the factors that influence the auditor on the quality of the audit results, especially the personal characteristics of the auditors themselves, Widya and Efrizal (2020).

In this study, attribution theory will be able to influence auditors to manage their personal factors, so that they can act more openly , do not hold certain positions of interest, and think rationally, even in a low mood. We must always pay attention to professional norms and general ethics, these popular ethics will influence the auditor to accept the right opinion in the future.

Researchers use attribution theory because this theory explains the attitude of independence and competence of auditors, where independence and competence as well as work experience are independent variables used .

2.2 Audit

Auditing can be regarded as the collection, examination and evaluation to obtain evidence related to information regarding statements of economic activities and events objectively to determine the level of conformity between statements and established criteria and communicate the results to interested parties.

Basically, audits can be divided into two types, namely internal audits (inside party audits). auditor and external audit (outside party audit) auditor. (Daily and Strawser , 1974; Agus, 2004; Ferguson, Rafuse, 2004; Boynton and Johnson, 2005; Engle et all., 2007; Arens, Elder, And Beasley, 2008). Internal audit is an independent assessment activity formed within an organization to provide services to management in the form of reviewing organizational activities. Internal audit is a managerial control that functions to measure and evaluate the activity of other control systems. The purpose of Internal Audit is that in effective management it can help managerial members, their accountability by providing analysis, assessment, recommendations and comments related to the activities under study. While External Audit is a systematic and objective audit process of the financial statements of a company or other organizational unit with the aim of providing an opinion regarding the fairness of the financial condition and business

results of the company or organizational unit. According to Whittington, O.Ray and Kurt Panny, (2012:4)

"In an audit of financial statements, the auditor seeks to gather evidence and provide a high degree of assurance that the financial statements follow generally accepted accounting principles, or other appropriate accounting bases. An audit involves examining and verifying accounting records and examining other evidence supporting financial statements. By gathering information about the company and the environment, including internal controls; inspection documents; observing assets; make inquiries inside and outside the company; and performing other audit procedures, the auditor will collect the evidence necessary to issue and audit the report. The audit report states that the auditor believes that the financial statements follow generally accepted accounting principles. According to Hayyes (2014:4)

"An audit is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria and communicating the results to interested users."

Alvin A. Arens, Mark S. Beasley, and Randal J. Elder (2017 ,28)

"Auditing is the accumulation and evaluation of evidence about information to determine and report the degree of conformity of information with established criteria. The audit must be carried out by a competent and independent person."

Of the three notions of audit according to Whittington, O.Ray and Kurt Panny, (2012:4) , Hayyes (2014:4) , A.Arens, Mark S. Beasley, and Randal J. Elder (2017,28) . Audit is collecting, assessing, and evaluating information, evidence, and statements about financial statements that are in accordance with applicable accounting criteria and principles and are determined to audit reports. The auditor will be of the opinion that the accounting report has followed the applicable accounting principles.

The audit is carried out systematically, before the audit must begin with formulating an audit plan. In the audit plan, include when to conduct inspections, estimate how long the audit will take, when the report should be completed, how many auditors are assigned, and what problem locations are expected to be encountered during the audit. The purpose of the audit is to comment on the fairness of the audited financial statements. Basic testing is a step carried out by almost all auditors. Auditors only examine samples, transactions and events that occurred during the audit period (Agoes, 2019)

3. RESEARCH METHODS

3.1 Data Analysis Techniques

Data analysis is a process of simplifying data into information that is easy to understand and interpret. The quantitative method used is expected to be able to obtain accurate results obtained directly from the respondents, where the data obtained are in the form of numbers that can be processed by statistical methods.

a. Descriptive Statistics

The data processing method in this study uses primary data processing which is a descriptive research sourced from respondents' opinions which include independence, competence and work experience. Descriptive statistics aim to describe a summary of observations on each research variable which generally describes the description of each research variable as it is without making broad results.

b. Data Quality Test

The data quality test in research is used to measure and determine research variables using a questionnaire instrument that must be carried out to test the quality of the data obtained because the truth of the processed data will determine the quality of research results. The two concepts used to measure data quality are:

1) Validity Test

Validity test is a test carried out to obtain a valid measurement. Validity is a certainty that occurs between the data that has been reported by the researcher and the object of research. In other words, valid can be interpreted by the similarity of the data obtained. Testing the validity of each item uses item analysis, which is to correlate the score of each item with the total score which is the sum of the total scores of each item. To test the validity level information using the program using *Bivariate correlation Pearson* . This validity test uses Pearson 's correlation , namely: with the technique of calculating the correlation between the values obtained from questions. If the *Pearson correlation* obtained has a value below 0.05 means that the information obtained is *valid* (Sugiyono , 2016).

2) Reliability Test

Reliability testing is carried out to test the consistency of a data which, if the data is used several times to measure the same object, will produce the same data. The reliability test can be seen used using the SPSS program with *Cronbach's Alpha formula* > 0.60 then the data is said to be reliable (Sugiyono, 2016).

c. Classical Assumption Test

The classical assumption test in this study includes normality test, multicollinearity test and heteroscedasticity test. In this study, the autocorrelation test was not used because this study used primary data, while the autocorrelation test was only used for secondary data types (time-series).

1) Normality test

Normality test in research is useful to find out whether the research is normally distributed or not. In this study, the normality test was carried out using *the Normal (PP Plot) Probability Plot technique.* Where the basis for decision making through this analysis, if the information spreads around the diagonal line as a representation of a fair distribution pattern, it means that the regression model is full of normality assumptions. A good regression model is a distribution that has fair or close to reasonable information (Ghozali, 2011).

2) Multicollinearity Test

According to Ghozali 2011, the multicollinearity test was conducted with the intention of providing a test whether the regression model determines the correlation between the independent variables. Detection is done by using a tolerance value of 0.10 or with a VIF (*variance inflation factor*) value of 10, so there is multicollinearity. And vice versa if tolerance > 10 and VIF value < 10 then there is no multicollinearity.

3) Heteroscedasticity Test

Heteroscedasticity test is a test that aims to assess whether in the regression model there is an inequality of variance from the residuals of one observation to another observation (Ghozali, 2011). In this study, the results of the heteroscedasticity test can be known by using the scatterplots graphic pattern. If the point distribution does not form a certain pattern or plot because the points spread irregularly, it can be concluded that there is no heteroscedasticity or in other words, homoscedasticity occurs.

d. Hypothesis Test

Temporary answer to speculative statements, because it still needs to be proven true. In this study, hypothesis testing was carried out using the multiple linear analysis method which intends to predict how much influence the independent variables, namely independence, competence, and work experience, have on the dependent variable, namely audit quality. To test the hypothesis, the formula used is:

β1.X1+β2.X2+β3.X3

Information :
= Audit Quality
= Constant
= Regression Coefficient
X1= Independence
X2= Competence
X3= Work Experience
= Error

1) T Uji test

The test used aims to determine the independent variables individually have a dominant influence with a significance level of 5% (Ghozali, 2009). If the significance level is less than 0.05, the hypothesis is accepted, which means that the independent variable has a positive effect on the dependent variable.

2) Coefficient of Determination Test R ^{2}

According to Ghozali (2013) the coefficient of determination aims to measure how far the model's ability to explain the dependent variable. The value of determination is a value between 0 and 1. The small value of the coefficient of determination is the independent variables in running a very limited dependent variation. A value close to one means that the independent variables can provide all the information needed to estimate the dependent variable.

4. RESULTS AND DISCUSSION

4.1 Influence of Independence on Audit Quality

Independence is the attitude of a person who acts fairly and impartially to anyone, and is required to be more ethical in carrying out his work in the public interest. Independence in this study is measured in the confidence of an auditor, in carrying out work, in preparing programs and in reporting. The independence variable obtained a significant value of 0.007 which is smaller than 0.05 or 5%, so that the influence of independence on audit quality is significant. Thus an auditor who has a great attitude of independence is able to support the quality of the audit it produces. This shows that the higher the independence attitude of an auditor, the higher the level of audit quality produced.

From the results of this study, it is supported by other studies such as Nur Afifah, Neny Tri Indrianasari, Mimin Yatminiwati (2019). Weni Susanti (2019), Septony B. Siahaan and Arthur Simanjuntak (2018). The three previous researchers explained that independence is the most influential factor on audit quality.

4.2 The Effect of Competence on Audit Quality.

Competence that exists in an audit is a trait, attitude, value, knowledge and skills that will result in a better performance. The nature of the competence of an auditor in this study can be assessed from the personal quality, general knowledge, and special expertise of an auditor. The competence variable obtained a significant value of 0.016, which is smaller than 0.05 or 5%. So the influence of competence.

The audit quality is significant. Thus, competence shows that the capabilities and expertise possessed are able to produce good audit quality. This also shows that the higher the level of competence possessed by

an auditor, the higher the level of audit quality produced. The results of this study are supported by previous researchers, namely Sri Yunawati (2018), Ahadiati Rohmatiah, Dwi Nor Amadi(2020). Explain that the ability and expertise in producing quality audits is most closely related to providing an audit opinion.

4.3 Effect of Work Experience on Audit Quality.

The variable of work experience in this study was measured by the length of work as an auditor and the number of examination tasks. The hypothesis states that work experience has a significant effect on audit quality. The results of the t-test showed that the regression coefficient value was 0.132 and the significance value was 0.505 > 0.05, so this research hypothesis was rejected. This means that work experience has no effect on audit quality.

This is due to the lack of accuracy in completing the examination task. It can be seen from the statement on the questionnaire which states that the number of tasks received can spur the auditor to complete the work quickly without the accumulation of tasks, there is a perception of the auditor who answers TS (2) and N (3), from the statement it can be explained that completing the task quickly without the occurrence of accumulation can produce good audit quality even though the results of the examination are less thorough. The longer being an auditor does not always guarantee that the better the auditor is in dealing with the object of examination in obtaining the information and data needed. The results of this study are in line with the research of Precilia Prima Queena and Abdul Rohman (2012), Yohana Ariska Sihombing and Dedik Nur Triyanto (2018). The study explains that the experience of the auditor has no effect on audit quality

5. CLOSING

5.1 Conclusion

Based on the results of this study can be concluded:

1. Independence has a significant positive effect on audit quality at the Makassar City Inspectorate Office. This is supported by research hypotheses that have been tested with a significance value of 0.007 <0.05. With this independence in audit quality at the Makassar City Inspectorate is able to maintain good and positive values in the quality of the audit it produces, so that there is responsibility and honesty in an auditor who is able to be impartial and can express his opinion as it is.
2. Competence has a significant positive effect on audit quality at the Makassar City Inspectorate Office. This is supported by research hypotheses that have been tested with a significance value of 0.016 <0.05. With this competence in audit quality at the Makassar City Inspectorate has a competent attitude based on adequate knowledge and skills in improving professional quality when carrying out their duties.
3. Work experience does not have a positive effect on audit quality at the Makassar City Inspectorate Office. This is supported by research hypotheses that have been tested with a significance value of 0.505 > 0.05. With this work experience in audit quality is not only based on how long an auditor has worked or how often the auditor carries out his duties, but an auditor is able to continuously learn, work, understand and master his work and duties well.

5.2 Suggestion

Based on the conclusions above, there are several inputs and for this research in the future to present higher quality

research, here are some suggestions suggested by researchers:

1. For the Inspectorate Auditor, it is hoped that it will be able to increase its independence and competence, and be able to add work experience so that the quality of the audit it produces increases. And also increase enthusiasm for work so that it affects the performance of Makassar City Inspectorate Auditors.
2. For researchers, to be able to pay attention and understand other important factors in producing quality audits.
3. For further researchers, it is expected to observe the factors that affect audit quality in different populations, as well as increase the number of independent variables. Researchers also suggest increasing the number of samples in their research, and not only conducting research with questionnaires but being able to conduct research by interviewing in order to get more accurate data.

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