



Analysis Of The Effect Of Competence And Objectiveness On The Quality Of Internal Audit Results In The Inspectorate Of Medan City

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ABSTRACT

The phenomenon that occurs in this study is that the results of internal audit quality have an effect on the opinions issued by external auditors, if the results of the internal audit quality produced by the Medan City Inspectorate are good, the opinions generated by the external auditor (BPK) will be good and vice versa. Based on the report on the results of the BPK examination above, it shows that for four consecutive years the Medan city government has always received a Fair with Exception (WDP) opinion on the Financial Statements. Good audit quality is determined by an auditor's compliance with applicable standards, standards and guidelines on audit ethics greatly assist auditors in establishing principles on how to overcome ethical temptations. The purpose of this study was to determine the effect of competence and objectivity on the quality of audit results. The data analysis technique used is the Partial Least Square (PLS) approach. Where PLS is a model of Structural Equation Modeling (SEM) equations based on variables or components. The results showed that competence and objectivity had a significant effect on the quality of internal audit results at the Medan city inspectorate.

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1. Introduction

The KPK's supervision considers that what has been done by the inspectorate so far is far from being effective. In the KPK study, the Government Internal Supervisory Apparatus (APIP) in the Ministries/Provincial Institutions, and Regency/City were perceived as not contributing to the improvement of governance. APIP does not appear to detect or even prevent corruption. It was further stated that APIP is seen as more of an organizational unit which is an extension of the institutional leadership and local government leaders. Due to the large number of regional heads and/or regional officials who were arrested by the Corruption Eradication Commission (KPK) as the Government's Internal Supervisory Apparatus (APIP), the performance of the Inspectorate was highlighted because they were deemed incapable of carrying out their duties. As in the case that occurred in local government agencies, the inspectorate recently made arrests regarding a hand arrest operation (OTT) carried out by unscrupulous civil servants who served in the Batubara Regency inspectorate, as many as 3 members of the internal audit were suspected of receiving bribes from the durian village head. the settlement of the Village Fund Allocation (ADD) and Village Fund (DD) cases currently being experienced by the durian village head (Indah Suara News 2018).

The researcher took the research framework developed by (Layli, 2018) which examined the Effect of Competence, Independence, and Professional Proficiency on Audit Quality at BPK Representatives of Central Java Province. Here the researcher uses the variables of Competence and Objectivity, and research will be conducted at the Medan City Inspectorate. The reason the researcher took the framework developed by (Layli, 2018) is the difference between the moderating variables, the sample and the object studied, the difference in the sample will allow differences in the research results obtained, In addition to this reason, the reason why the researcher chose this study was because of the many phenomena of auditors committing fraud such as accepting bribes to give an assessment and the results of an opinion on the financial statements by the BPK which stated that they were Fair with Exceptions (WDP) which allowed for deviations. Researchers



took samples to the internal auditors at the Medan City Inspectorate because according to the researchers independence, professionalism and competence were very likely to affect the quality results of the audit results at the Medan City Inspectorate. Based on the description above, there are differences from each previous researcher, so that it raises the interest of researchers to conduct further research with the title "Analysis of Competence and Objectivity to the Quality of Internal Audit Results at the Medan City Inspectorate".

2. Literature Review

2.1 Contingency Theory

Cognitive theory states that all components of an organization must be compatible with one another. In management accounting systems, contingency theory is based on the general premise that there is no universally appropriate control system that can be applied to all organizations in every situation. Through this contingency approach, there is a possibility that internal control, management accounting systems and human resource capacity in each organization will cause differences in the characteristics needed for managerial performance. According to (Otley 1980 in Andika Rante 2014) organizations face conditions (contingencies) in order to form an appropriate configuration so that it is expected to result in organizational effectiveness and increased managerial performance.

2.2 Quality of Internal Audit Results

The quality of the results of the internal audit is reporting on weaknesses in internal control and compliance with regulations, responses from responsible officials, keeping the disclosure of prohibited information confidential, distributing audit reports and following up on the auditor's recommendations in accordance with the laws and regulations (MA Siagian: 2017).

2.3 Competence

Competence is knowledge, skills, and abilities related to work, as well as abilities needed for non-routine jobs (Mayangsari 2003). The definition of competence in the field of auditing is often measured by experience.

Good competence has several factors that are quite important such as knowledge, experience, certificates owned by an auditor and activities that are able to add value to the competencies possessed. In research conducted by (Bouhawai et al. 2015) stated that competence affects the quality of auditor results and is in line with research conducted by (Zahmatkesh and Rezazadeh 2017) which states that competence affects the quality of audit results.

2.4 Objectivity

Objectivity is a rare thing and should not be compromised. An auditor should never place himself or herself in a position where their objectivity could be questioned. Objectivity is the attitude of the auditor to be able to act fairly, not to be affected by a cooperative relationship and not to take sides with anyone's interests, so that the auditor can be relied on and trusted. Auditors must be able to express conditions according to facts, namely by expressing opinions, not looking for faults, maintaining criteria, and using logical thinking (Nungky Nurmalita Sari: 2011)

2.5 The Effect of Competence on the Quality of Internal Audit Results at the Medan City Inspectorate

The importance of competence that must be possessed by an auditor, where if an auditor is not competent then he will not be able to assist the organization in solving problems that contain risks, even though the task of auditors in this era is more focused on supervision and control of the current era. contain risks, not only compliance audits.

An auditor who has sufficient knowledge and experience and can clearly carry out audits objectively, carefully and thoroughly is called auditor competence (Agusti, 2013). Competence is something that is needed by the auditor in order to carry out an audit properly. According to the IIA code of ethics in Sawyer (2012) states that the competence of an internal auditor must:

1. Only engage in services that require their knowledge, skills, and experience.
2. Performing internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing
3. Improve their capabilities and the effectiveness and quality of their services.

From the results of Fitriana's research (2019) shows that Competence has a significant effect on the Quality of Internal Audit Results. With a positive trending regression coefficient which indicates that the better the Competence, the higher the Quality of Internal Audit Results and vice versa, the worse the Competence, the lower the Quality of Internal Audit Results.

2.6 The Effect of Objectivity on the Quality of Internal Audit Results at the Medan City Inspectorate

Sari (2011) states that auditors who have objectivity are auditors who can make a balanced assessment of existing conditions without being influenced by their own interests or the interests of others in making decisions, where the higher the level of objectivity of the auditor, the better the audit quality. resulting from. Auditing standards state that by adhering to the principle of objectivity, the auditor is expected to be honest and not be influenced by any party while carrying out audit activities.

Mabruri and Winarna (2010) stated that the higher the auditor's objectivity, the better the audit quality. Relationships with clients can affect objectivity and may lead third parties to conclude that the auditor's objectivity cannot be maintained. From the results of Indah's research (2013), auditor objectivity has a significant effect on audit quality at the Regional Inspectorate of Bandung City, Cimahi City, Bandung Regency, and West Bandung Regency. High auditor objectivity will improve audit quality at the Bandung City Regional Inspectorate, Cimahi City, Bandung Regency, and West Bandung Regency.

2.7 Research Data Analysis Techniques

The path diagram is described at the PLS-SEM stage which is a visualization of the conceptual framework of the research so that it is easier for researchers to understand and study it. Other than that, this path diagram is then tested using goodness of fit to see the suitability of the model with the existing reality (Sinulingga, 2013). The effect of independent (exogenous) analysis on the dependent variable can be seen in the Path Coefficient.

Then the following equation will be obtained:

$$\text{Internal Auditor Quality} = a + b_1 X_1 + b_2 X_2 + e$$

Where :

- b₁, b₂ = path coefficient
- X₁ = Competence
- X₂ = Objectivity
- e = Error

3.Results And Discussion

3.1 Research results

TABLE 1.
VALIDITY TEST RESULTS
Y (Quality of Internal Auditor)

Statement	rcount	rtable	Validity
Grain 1	0.746	0.254	Valid
Grain 2	0.812	0.254	Valid
Grain 3	0.820	0.254	Valid
X1 (Competence)			
Grain 1	0.897	0.254	Valid
Grain 2	0.909	0.254	Valid
Grain 3	0.879	0.254	Valid
X2 (Objectivity)			
Grain 1	0.746	0.254	Valid
Grain 2	0.791	0.254	Valid
Grain 3	0.845	0.254	Valid

Based on the table above, it can be seen that all Loading Factor values in the variables have been greater than 0.254, which means the indicator is declared valid so that it is feasible to use in this study.

TABLE 2
COMPOSITE RELIABILITY VALUE



Variable	Composite Reliability	Information
Competence (X1)	0.957	Reliable
Objectivity (X2)	0.921	Reliable
Quality of Audit Results (Y)	0.954	Reliable

Based on the table above, it can be seen that the composite reliability value of each construct is above 0.70, so it can be stated that the indicators used in this study have met good reliability (reliable).

TABLE 3
VALUE VARIANCE EXTRACTED (AVE)

Variable	AVE . value	Information
Competence (X1)	0.632	Valid
Objectivity (X2)	0.594	Valid
Quality of Audit Results (Y)	0.599	Valid

Provisions regarding the measurement parameters (rule of thumb) of the measurement model (outer model) that the AVE is considered to have met convergent validity if the AVE value is greater than 0.50 (Ghozali and Hengky, 2015). So based on the table of AVE values above, it can be seen that the AVE value of each construct is valid. So that the construct has met convergent validity.

TABLE 4
VALUES R-SQUARE

Variable	R-Square
Quality of Audit Results (Y)	0.886

The R-Square in the model is 0.886, meaning that competence and objectivity are able to explain the Quality of Audit Results by 88.6%, this is because the R-square value is greater than 50%, if the R-square is below 50% then the independent variable is said to be able to explain dependent variable. The remaining 11.4% is influenced by other variables not included in the research model such as Self Efficacy, Independence and others. The calculation of R-Square without a moderating effect is also used to determine the effect size value in the following discussion.

TABLE 5.
VALUES T-STATISTICS

Exogenous	-->	Endogenous	Path Analysis	T Statistics	P Values	Conclusion
Competence (X1)	-->	Quality of Audit Results (Y)	0.159	2,309	0.021	Ho: Rejected Ha: Accepted
Objectivity (X2)	-->	Quality of Audit Results (Y)	0.319	5.011	0.000	Ho: Rejected Ha: Accepted

Based on the test results in the table above, the influence of each variable is described as follows:

1. Competence variable has a significant effect on the Quality of Audit Results. This can be seen from the statistical t value of 0.620 and a p-value of 0.536. Because the value of t-statistics is smaller than t-table, namely 2.00 and p-value > 0.05, the hypothesis is rejected, meaning that competence has no significant effect on the quality of audit results.

2. The objectivity variable has a significant effect on the quality of audit results. This can be seen from the statistical t value of 5.011 and a p-value of 0.000. Because the t-statistic value is greater than 2.00 and the p-value < 0.05, the hypothesis is accepted, meaning that objectivity has a significant effect on the quality of audit results.

3.2 Discussion

Based on the results of hypothesis testing, it shows that competence has no effect on the quality of internal audit results at the Medan City Inspectorate. This means that in this study the influence of competence which can be interpreted as competence does not have an important role in improving the quality of audit results at the Medan City Inspectorate. This is due to the lack of knowledge of the auditor in understanding the audited entity, then the lack of the auditor's ability to analyze problems. This is also reinforced by the Audit Results Report (LHP) conducted by the Supreme Audit Agency (BPK) from 2016 to 2020. The same research was also conducted at the Medan city inspectorate by (Tarigan 2010) which examined the quality of audit results with the variable accountability, competence,

Competence means that each auditor must have expertise in the field of auditing and have knowledge and knowledge that is quite broad about the field being audited. The competence of auditors in the field of auditing is indicated by their educational background and must have sufficient experience in the field of auditing. In terms of education, an auditor should ideally have an educational background in auditing. The auditor's competence regarding the field being audited is indicated by educational background, when auditing financial statements, he must have an educational background and understand very well the process of preparing financial reports and applicable accounting standards. Similarly, auditors who conduct operational and compliance audits, The auditor must have sufficient knowledge about the operational activities being audited, both in carrying out and the criteria used to conduct the assessment. If the auditor is less capable or does not have the ability, the auditor is obliged to use the appropriate experts.

This is very different from research conducted by (Alim, Hapsari, and Purwanti 2007) which states that competence affects the quality of audit results and audit quality can be achieved if an auditor has good competence and the results of his research find that competence affects the quality of audit results. while this study is in line with research conducted by (Harsanti and Whetyningtyas 2014) (Safitri et al. 2014) (Turangan et al. 2017) in their research that competence has no effect on the quality of audit results. Research conducted by (Irawati 2011) states that competence does not affect the quality of audit results and has a negative direction, meaning that the competence of an auditor does not significantly affect the decline in audit quality.

The results of this study support the third hypothesis, namely that there is a positive effect of the objectivity of the Medan City Inspectorate auditor on the quality of audit results. Quality of Audit Results (Case Study on Auditor Inspectorate of Medan City)". The results of this study conclude that objectivity has a positive effect on the quality of audit results. According to Simamora (2007:47) every auditor is required to be objective towards clients, not easily collided with conflicts of interest, by being objective means that an auditor has fulfilled the responsibilities of his profession, on the other hand the desired audit results will also be difficult to achieve as long as the auditor is still collided. with a particular interest in the client or not being objective in conducting the examination.

Objectivity is a belief, quality that gives value to the services or services of the auditor. Objectivity is one of the characteristics that distinguish the accounting profession from other professions. The principle of objectivity establishes an obligation for auditors to be impartial, intellectually honest, and free from conflicts of interest. The auditor performs a balanced assessment of all relevant conditions and is not influenced by his own interests or the interests of others in making his decisions (Harvita Yulian Ayuningtyas, 2012). Each auditor must maintain objectivity and be free from conflicts of interest in fulfilling their obligations (Principles of Professional Ethics for the Indonesian Institute of Accountants, 1998 in Mulyadi, 2002). In this principle it is stated that objectivity is a quality that provides value for the services provided. The results of this study indicate that there is a positive effect of the objectivity of the Medan City Inspectorate Auditor on the Quality of Audit Results. So that if someone has high objectivity, the better the quality of audit results will be.

5. Conclusion



Based on the description above, it can be concluded that the results of this study indicate that competence partially has a significant effect on audit quality and objectivity partially has a significant effect on audit quality.

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