What Determines Audit Quality of the Inspectorate Officials in Regional Financial Supervision?

Darwanis*, Bella Azzahra Suhendra Putri

Department of Accounting, Faculty of Economics and Business, Universitas Syiah Kuala, Banda Aceh, Indonesia

*Corresponding Author: darwanis.fe@unsyiah.ac.id

Abstract

Objective – This study aims to examine the effect of competence, independence, accountability, and work experience on the audit quality of the Inspectorate Apparatus in regional financial supervision with auditor ethics and reward as moderating variables.

Design/methodology – This study used a sample of all inspectorate auditors in Aceh, Indonesia. The sampling technique used was simple random sampling, which resulted in a sample of 80 auditors from a population of 407 auditors. Hypotheses were tested using Moderated Regression Analysis (MRA).

Results – The findings prove that competence, independence, accountability, and work experience affect audit quality. Auditor ethics can moderate competence, independence, and accountability for audit quality, but auditor ethics cannot moderate work experience on audit quality. Meanwhile, the reward can moderate competence, independence, accountability, and work experience on audit quality.

Keywords: Competence, Independence, Accountability, Work Experience, Auditor Ethics, Rewards, and Audit Quality.

1. Introduction

Government internal control is an important management function in government administration. Through internal control, it can be seen whether a government agency has carried out activities in accordance with its duties and functions effectively and efficiently, and in accordance with the plans, policies that have been set, and provisions (Nur’aini, 2013). Based on Government Regulation Article 24 No. 79 of 2005 states that the supervision of government affairs in the regions is carried out by the Government Internal Supervisory Apparatus (APIP) in accordance with their functions and authorities.

One of the units that conduct audits/checks on local governments is the Regional Inspectorate. According to Falah (2005) the regional inspectorate has the task of carrying out general supervision activities of the regional government and other duties assigned by the regional head, so that the inspectorate’s duties are the same as the internal auditors. An internal audit is an audit carried out by an inspection unit that is part of the organization under supervision (Mardiasmo, 2005).

In Indonesia, there are several weaknesses in government audits, namely the unavailability of adequate performance indicators as a basis for measuring the performance of both central and regional governments. This is commonly experienced by public organizations because the output produced in public services is not easily measured. In other words, audit quality measures are still being debated (Agustin, 2013).

According to the Regulation of the State Minister for State Apparatus Empowerment number PER/05/M.PAN/03/2008 the measurement of the quality of audits of financial reports, especially those carried out by the Government Internal Supervisory Apparatus (APIP), must use the State Financial Audit Standards (SPKN) contained in the Regulation of The Supreme Audit Agency of the Republic of Indonesia No. 01/2007. The first general standard statement of SPKN is: "Collective auditors must
have adequate professional skills to carry out audit tasks.” Thus, it can be concluded that each examination is carried out by examiners who collectively have the knowledge, expertise, and experience required to carry out the task.

The current phenomenon is that many Inspectorates are not effective yet in carrying out their supervisory functions. This can be seen from the news published by Bakri (2019) regarding the results of the BPK (Financial Audit Agency) audit of Aceh’s 2018 financial statements, where the BPK asked the Aceh Government to be able to re-discipline regional assets that have not been recorded properly. Then the results of BPK's examination of the implementation of APBD management in Aceh Tamiang, where the BPK found an overpayment of goods and services spending of Rp48.7 million. Some of BPK's findings identified that the inspectorate had not been able to carry out its role and function properly and showed the inability of APIP to assess and detect potential fraud (results of the 2013 Indonesian Government Internal Auditor Association conference). In other words, the audit carried out by the inspectorate APIP has not resulted in the audit quality as expected.

The quality of the examination results is an indicator of the assessment of the supervision that has been carried out by the examining apparatus. It is hoped that the results of the examination that have good quality will be able to guarantee transparency and accountable governance. The supervisory function is manifested in the form of the quality of the results of the examinations carried out by the examining apparatus to provide recommendations as material for improving accountability to be followed up. The inspectorate as an internal auditor for local government has a very important role as a supervisory function in creating good government governance, free of corruption, collusion, and nepotism (Saputra, Putri, & Dwirandra, 2016).

According to Prihartini, Sulindawati, & Darmawan (2015) audit quality is influenced by several factors; the first factor that may affect audit quality is competence. In Wirasuasti, Sulindawati, & Herawati (2014), Fahdi (2018), Syah, Rotinsulu, & Rotinsulu (2018) state that the competence of an auditor affects the results of the audit quality. In addition, an auditor must also have independence in conducting audits in order to be able to provide opinions or conclusions as they are without any influence from interested parties (Financial and Development Supervisory Agency [BPKP], 1998). In addition to competence and independence in producing good audit quality, an auditor must have a responsible attitude towards actions and decisions taken, namely accountability. Accountability is the obligation of the trustee (agent) to provide accountability, present, report, and disclose all activities.

Another factor that affects audit quality, according to several studies by Nadi & Suputra (2017) and Henriansyah, Taufik, & Ratnawati (2016) that adequate experience is essential for auditors because it will affect their work results. An auditor who has high experience in auditing will have better audit results than an inexperienced one. This means that auditors who have much experience will provide flexibility in conducting audits quickly and well.

Implementing the ethics of the public accounting profession is an important guideline for good behavior in a profession. In general, ethics is a moral principle and actions that become the basis for one's actions, so that what the community does is seen as a commendable act and increases one's dignity and honor, including in improving audit quality (Munawir, 2007). One of the factors that can support creating a better audit quality is the provision of rewards for auditors. Henriansyah et al., (2016) stated that giving motivation in the form of rewards is one of the factors that can affect audit quality. Giving rewards acts as a motivation boost for auditors to be able to carry out their duties and functions optimally can result in better audit quality.

This study examines the effect of competence, independence, accountability, and work experience on audit quality. It also investigates the effect of auditor ethics and reward on the relationship between competence, independence, accountability, and experience on audit quality.
2. Literature Review, Theoretical Frameworks, and Hypothesis Development

Audit Quality
Audit quality is defined as the probability that the auditor will properly and correctly find material errors, misrepresentations, or omissions in the client’s financial statements (DeAngelo, 1981). The Government Accountability Office (GAO) defines audit quality as adherence to professional standards and contractual obligations during the audit. The Indonesian Institute of Accountants (IAI) also expressed the same opinion: an audit conducted by an auditor is said to be of quality if it meets standards and quality control standards.

Tjun Tjun, Marpaung, & Setiawan (2012:43) states that audit quality is a probability of implementing an audit. The auditor reports violations that occur in the client's accounting system in the client's financial statements. Auditors are required to produce high-quality work because auditors have an enormous responsibility towards the parties with interest in a company’s financial statements, including the public (Ermayanti, 2010). The quality of auditors according to the Regulation of the State Minister for State Apparatus Empowerment number PER / 05 / M.PAN / 03/ 2008 2008 as a measure of the quality of audits of financial reports. Especially, those carried out by the inspectorate as an internal government auditor must use the State Financial Audit Standards (SPKN) as stated in Regulation of the Audit Board of the Republic of Indonesia Number 01 of 2007. The Code of Ethics for the Government Internal Supervisory Apparatus (APIP) and the APIP Audit Standards (Jaafar & Sumiyati, 2008).

Auditor Ethics
Auditor Ethics are attitudes or values that reflect an auditor’s right or wrong behavior in accordance with the applicable code of ethics. The principles related to values' characteristics are mostly associated with ethical behavior, integrity, obeying promises, loyalty, justice, caring for others, respecting others, and being responsible citizens (Kharismatuti & Hadiprajitno, 2012). Nasriana, Basri, & Abdullah (2015) stated that accountants should maintain their highest ethical standards for the organizations they protect, their profession, society, and themselves, where accountants have a responsibility to be components and maintain their integrity and objectivity.

Ethics is a value that comes from society to regulate human behavior that is spiritual in nature and unethical behavior in the form of oral and written arrangements (Agoes, 2012:30). Ethics can also be defined as moral principles or ideal values. These values are in the form of laws and regulations, religious doctrine, and code of business ethics for professional groups. This device will distinguish whether human behavior is ethical or not (Arens, Elder, & Beasley, 2012:60). The ethical principles according to Arens et al., (2012) are as follows: (1) trustworthiness, (2) respect, (3) responsibility, (4) fairness, (5) caring, (6) citizenship.

Rewards
Reward is a gift, reward and reward for a and beneficial for the company. A reward designed by an organization must be able to spur employee performance motivation so that achievement is at a high level. Therefore, the rewards that are formed must have value in the eyes of employees (Hari, Rasuli, & Darlis, 2015).

Competence
According to (McClelland, 1973) in Nasriana et al., (2015) competence is a fundamental characteristic of a person who has a direct influence on one’s success at work or can predict excellent performance. The first general Standard Audit Standards section 210 in the Professional Standards for Public Accountants (2011) states that the audit must be carried out by a person or who has sufficient technical expertise and training as an auditor. Arens et al., (2012:42) define competence as an obligation for auditors to
have formal education in accounting and auditing, adequate practical experience for the work being carried out, and to attend continuing professional education.

**Independence**

The Code of Ethics for Public Accountants states that independence is the attitude expected of a public accountant not to have a personal interest in carrying out his duties, which is contrary to the principles of integrity and objectivity.

Mariyanto & Praptoyo (2017) state that independence is a neutral perspective when testing, evaluating examination results, and preparing audit reports. Independent means that auditors are not easily influenced. Auditors are not allowed to side with the interests of anyone.

**Accountability**

According to Prihartini et al., (2015), accountability is the auditor's responsibility for the actions and decisions taken in carrying out the audit. If the auditors have high accountability, the results of the assessment will be of high quality. Performance measurement is very important to assess organizations and managers' accountability in producing better public services (Mardiasmo, 2002;121).

**Work Experience**

According to Bolang, Sondakh, & Morasa (2013) the experience is a learning process. Additional development of potential behavior both from formal and non-formal education, or it can also be interpreted as a process that leads a person to a higher pattern of behavior. Audit demands high expertise and professionalism. This expertise is influenced by formal education and many other factors that influence, among others, experience. Herliansyah & Ilyas (2006) state that work experience is the period that has been used for a job or a task performed. A person's work experience shows the types of work that someone has done and provides opportunities for that person to do a better job (Puspaningsih, 2004).

**Audit Competence and Quality**

According to the LOMA Competency Dictionary (1998) in Alim, Hapsari, & Purwanti (2007) competence is defined as the personal aspects of a worker that enable the person to achieve superior performance. These personal aspects include traits, motives, value systems, knowledge, and skills where competence will direct behavior, while behavior will produce performance. Arens, Elder, & Beasley (2014) state that auditors are required to have appropriate competencies and capabilities to carry out audits. This general standard is usually interpreted as a requirement for auditors to have formal education in auditing and accounting, adequate practical experience and follow continuing professional education. Hence, competence really supports auditors in conducting supervision to get good results. Thus, audit quality will be better. This is in line with several studies by (asriana et al., (2015), Bolang et al., (2013) and Karnia & Haryanto (2015) which state that competence has a positive effect on audit quality, meaning that the higher the competence of an auditor, the higher the quality. The resulting audit.

H1: Competence has an effect on Audit Quality.

**Independence and Audit Quality**

Independence is an auditor's impartial attitude, has no personal interest, and is not easily influenced by interested parties in providing opinions or conclusions so that the opinions or conclusions given are based on high integrity and objectivity. According to Supriyono (1988) independence is an attitude-free from persuasion, influence, or control of the party being examined.

Therefore, it can be concluded that auditor independence is an important factor in producing a quality audit. The auditor must have the ability to collect all the information...
needed to make audit decisions that must be supported by an independent attitude. If an auditor has a high independent attitude, the resulting audit quality will be better. Research by Henriansyah et al., (2016), Syah et al., (2018) and Nadi & Suputra (2017) have proven that the independence of auditors will affect the results of audit quality. On the other hand, Karnisa & Chariri’s (2015) research states that independence does not affect audit quality.

H2: Independence affects Audit Quality.

Accountability and Audit Quality

Tetclock (1984) in Salsabila & Prayudiawan (2011) defines accountability as a form of psychological encouragement that makes someone try to be accountable for all actions and decisions are taken to their environment. The quality of the auditors’ work can be affected by the sense of responsibility (accountability) the auditor has in completing the audit work. If the auditors have high accountability, the results of the assessment will be of high quality. Performance measurement is very important to assess organizations and managers’ accountability in producing better public services (Mardiasmo, 2002:121).

There are several previous studies conducted to prove the effect of accountability on audit quality. Research conducted by Salsabila & Prayudiawan (2011) proves that accountability has a significant effect on audit quality. The same research conducted by Sembiring & Rustiana (2014) and Arianti, Sujana, & Putra, (2014) proves that accountability positively affects audit quality.

H3: Accountability affects Audit Quality.

Work Experience and Audit Quality

According to the Institut Akuntan Publik Indonesia (2013) in Audit Standards 200, the experience is essential in increasing auditors’ professional skepticism. Auditors are expected not to ignore past experiences of honesty and integrity of management and those responsible for the entity’s governance. The experience of public accountants will continue to increase along with the increasing number of audits being carried out and the complexity of the company’s financial transactions being audited to increase and expand their knowledge in the fields of accounting and auditing (Christiawan, 2002). This indicates that the longer the auditor’s working period and experience, the better. Also, the resulting audit quality will also increase (Alim et al., 2007).

To examine the effect of audit experience on audit quality, the researcher suspects that the higher the audit experience an auditor has, the higher the audit quality will be and vice versa. If an auditor’s audit experience is low, the resulting audit quality will be low too. Trihapsari & Anisykurlillah (2016) and Nasriana et al., (2015) in their research, stated that work experience affects audit quality.

H4: Work Experience affects Audit Quality.

Auditor Ethics and the Relationship between Audit Competence and Quality

A competent person is a person who has the skills to do work easily, is quick, intuitive, and rarely makes mistakes. Behn, Carcello, Hermanson, & Hermanson (1997) developed audit quality attributes, one of which is high ethical standards, while other attributes are related to auditor competence. Widagdo, Lesmana, & Irwandi (2002) in Wardhani & Astika (2018) defines a quality audit to ensure that the accounting profession fulfills its responsibilities to investors, the general public, government, and other parties who rely on the credibility of audited financial reports by upholding high ethics.

Research by Kurnia & Khomsiyah (2014) states that auditor competence is the ability of auditors to apply the knowledge and experience they have in conducting audits so that auditors can carry out audits carefully, carefully and objectively. An auditor who has high competence in carrying out an audit will always obey the principles of auditing and auditing standards, namely general standards, field work standards, reporting
standards and obeying the professional code of ethics that regulates auditor behavior in carrying out professional practices both with fellow members and with the general public which applies to be able to produce high audit quality. One of the attributes of audit quality is high ethical standards, while other attributes are related to auditor competence (Alim et al., 2007).

It can be concluded that in producing reports that have high audit quality, an auditor must comply with the established auditor ethics. The higher the auditor adheres to auditor ethics, the higher the quality of the resulting audit will be. However, the lower the auditor adheres to auditor ethics, the lower the resulting quality so that auditors' competence and ethics can affect the resulting audit quality depending on the situation experienced by an auditor in conducting an audit. As in the research of Saputra et al., (2016), Nasrullah, Puspa, & Herawati (2016), which states that auditor ethics affects the relationship of competence to audit quality.

H5: Auditor ethics affects the relationship between competence and Audit Quality.

Auditor Ethics and the Relationship between Independence and Audit Quality

The compliance of an auditor with the applicable Public Accountant code of ethics may lead to the view that the auditor has strong independence. The strong independence of an auditor will also strengthen the resulting audit quality. Research by Deis & Giroux (1992) states that in a power conflict, clients can pressure auditors to go against professional standards, and in large measure, the client's healthy financial condition can be used as a tool to pressure auditors by changing auditors. This can make auditors unable to withstand the client's pressure, causing their independence to weaken. The auditors' position is also a very dilemma where they are required to fulfill the client's wishes. However, on the one hand, the auditors' actions can violate professional standards as a reference for their work.

An auditor must always maintain his independence in carrying out audit work because the auditor profession is a public trust profession. Therefore, if an auditor cannot maintain his independence, the audited financial statements will have low audit quality. On the other hand, if an auditor can maintain independence, the audited financial statements will have high audit quality.

H6: Auditor ethics affects the relationship between Independence and Audit Quality.

Auditor Ethics and the Relationship between Accountability and Audit Quality

Research conducted by Cloyd (1997) proves that accountability can improve the auditor's work quality if the auditor's knowledge is high. In conducting an audit, an auditor must have high accountability in order to support their professional profession as a public accountant. In addition to having high accountability, in conducting an audit, an auditor needs to pay attention to the Audit Standards and Code of Ethics, which are the reference in conducting the audit and have been established and generally accepted which cannot be separated from the Audit Standards (Lubis, 2009).

To produce reports that have high audit quality, an auditor must comply with the established auditor ethics. The higher the auditor adheres to auditor ethics, the higher the quality of the resulting audit will be. However, the lower the auditor adheres to auditor ethics, the lower the resulting quality so that the auditor's accountability and the auditor's ethics can influence the resulting audit quality depending on the situation experienced by an auditor in conducting an audit.

H7: Auditor ethics affects the relationship between Accountability and Audit Quality.

Auditor Ethics and the Relationship between Work Experience and Audit Quality

Direct or indirect work experience will increase the auditor's expertise in carrying out their duties. Expertise is able to make the auditor indicate risks in an entity. Concerning ethics, auditors cannot be separated from ethical standards and principles inherent in auditors. Ethical principles are said to be the basic framework for ethical rules....
that govern the implementation of professional service provision by members (Halim, 2008).

Experience also has an impact on every decision taken in conducting an audit, so that it is hoped that every decision made is the right decision. This indicates that the longer the auditor's tenure, the better the audit quality produced by the auditor (Alim et al., 2007). Research conducted by Dewi, Pratomo, & Dilla (2016) found that the interaction between work experience and auditors' ethical compliance on audit quality has a positive effect at a significant level.

**H8: Auditor ethics affects the relationship between Work Experience and Audit Quality**

**Rewards and the Relationship between Competence and Audit Quality**

The optimal evaluation system has at least two aspects, namely, competence and performance results. The combined evaluation results for the two aspects above are then used as the basis for determining the amount of compensation increase. In this way, the percentage of salary increases can vary depending on the comprehensive evaluation of the competency and performance aspects concerned (Hans, 2013).

According to Lawler (1971) the research results show that organizational rewards have a direct influence on employee membership decisions to determine whether or not to join an organization. At the organizational level, reward systems can be used to reinforce existing or desired task structures and can be used to increase the effectiveness of job execution.

**H9: Reward affects the relationship between Competence and Audit Quality.**

**Rewards and the Relationship between Independence and Audit Quality**

The results of research conducted by Harhinto (2004) state that the amount of pressure from the client and the length of the relationship with the client (audit tenure) is negatively related to audit quality. Independence is the attitude of auditors who act honestly. They are not easily influenced by various parties and are impartial to interested parties because audit work is also carried out for public or third-party interests.

The reward factor in the form of gifts or sanctions received by an auditor in conducting an examination can affect the auditor's independence in providing an opinion on the results of the audit. The higher the reward of an auditor, the capability level in taking considerations will also be higher. Likewise, with workload or work stress such as pressure from clients, personal, emotional, or financial pressure can result in reduced auditor independence and can affect audit quality (Henriansyah et al., 2016).

**H10: Reward affects the relationship between Independence and Audit Quality.**

**Rewards and Relationship between Accountability and Audit Quality**

Vidyantari & Suputra's research (2018) states that auditors are required to maintain public trust by maintaining accountability. In being responsible for his actions to the environment, both in a vertical and horizontal relationship, the auditor conducts a high audit effort. A high audit effort requires high thinking and motivation so that in the end it results in an appropriate audit judgment. A reward can motivate auditors to be able to conduct higher audit efforts to produce good audit quality.

Auditors are required to maintain public trust by maintaining and maintaining accountability. Being accountable for their actions to the environment, both in vertical and horizontal relationships requires auditors to conduct high audit efforts. A high audit effort requires a high level of thinking and motivation to work, which in turn will result in an appropriate audit judgment. The broader scope of job responsibilities that the auditor has tends to require a high audit effort level. A reward that can stimulate and motivate auditors to be able to conduct higher audit efforts to produce good audit quality. In research, Vidyantari & Suputra's research (2018) have proven that accountability can improve audit quality and provide rewards.

**H11: Reward affects the relationship between Accountability and Audit Quality.**
Reward and Relationship between Work Experience and Audit Quality

Work experience is an essential attribute of an auditor. This is evidenced by auditors' level of errors who are not experienced more than experienced auditors (Meidawati, 2001). Bouwman & Bradley (1997) found evidence that experience attributes in relation to quality are based on the assumption that the task provides useful feedback on how something is done better, which is needed by decision-makers to improve their performance.

Employees who are more experienced and educated are more likely to receive more compensation than employees who have less experience or have lower education levels. The consideration of this factor is a form of appreciation for one's professional organization. These considerations can also spur employees to increase their knowledge.

H12: Rewards affect the relationship between Work Experience and Audit Quality.

Based on the literature review, the framework of this research is as follows:

![Conceptual Framework](image)

3. Research Method

Population and Sample

The population in this study were 407 auditors who already have certain functional positions in all District/City Inspectorates of Aceh Province. The samples in this study are 80 respondents from the total auditors who have certain functional positions throughout the Inspectorate of the District/City of Aceh Province using the Slovin formula. Then, the sample is taken using a probability sampling technique, namely, simple random sampling. Where the researcher provides equal opportunities for top managers and middle-level managers to be selected as samples.

Data Source

The data used in this study is primary data, which is data collected by researchers and obtained directly from the original source (Indriantoro & Bambang, 2011:146). Respondents who are the object of this research are all auditors of the Inspectorate of the Government of Aceh. This primary data collection technique is by distributing questionnaires containing statements with alternative answers that have been available as many as two copies to each respondent. So, the collected answers to the questionnaires distributed will be obtained from the respondents. In this study, secondary data is also used to complement the primary data obtained from literature studies in books, previous research, journals, archives, and other references relevant to the research.

Operational Definition and Variable Measurement
This study uses one dependent variable (Y), namely audit quality, four independent variables, (X) namely competence, independence, accountability and work experience, and two moderating variables (Z), namely auditor ethics and reward. Operationally the variables in this study can be described as follows:

Audit Quality (Y)
Audit quality is a measure of good and bad opinions and conclusions on the audit results conducted by the auditor. The indicators are the accuracy of audit findings, skepticism, the value of recommendations, clarity of reports, audit benefits, and follow-up on audit results. The scale used is a Likert scale of 1 to 5 points.

Competence (X1)
Competence is the basic characteristics and abilities of auditors that affect their performance. The indicators measurement are mastery of accounting and auditing standards, insight into governance, and increased expertise. The scale used is a Likert scale of 1 to 5 points.

Independence (X2)
Independence is the attitude of the auditor in providing impartial opinions and conclusions on the audit results. Measurement indicators include the independence of programming, independence of verification, and independence of reporting. The scale used is a Likert scale of 1 to 5 points.

Accountability (X3)
Accountability is a form of psychological encouragement that makes a person try to be accountable for all actions and decisions are taken to their environment. The indicators used to assess accountability are motivation, professional service, and social obligations. The scale used is a Likert scale of 1 to 5 points.

Work Experience (X4)
The indicators used to measure work experience are the length of time working as an auditor and the number of audit tasks. The scale used is a Likert scale of 1 to 5 points.

Auditor Ethics (Z1)
Auditor ethics are elements that shape behavior and values that have been mutually agreed upon to work in accordance with the applicable norms or code of ethics. The indicators used to measure auditor ethics are the auditor's professional responsibility, integrity, and objectivity. The scale used is a Likert scale of 1 to 5 points.

Reward (Z2)
The reward is a gift that can be in the form of awards and recognition obtained by an auditor when the auditor provides a good and correct performance. The indicators measurement includes job satisfaction, self-esteem, creativity development, rewards from colleagues, and direct superiors' rewards. The scale used is a Likert scale of 1 to 5 points.

Data Analysis Method
The analysis model used in this study is multiple linear regression to determine whether or not the independent variable has an effect on the dependent variable with the moderating variable. The regression equation model to be tested is as follows:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \]  

(1)
Moderated Regression Analysis

The purpose of this analysis is to determine whether the moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable. There are three regression testing models with moderating variables: the interaction test (MRA), the absolute difference value test and the residual test. In this study, the MRA test will be used, and the moderating hypothesis is accepted if the Auditor Ethics Moderation variable and the Reward Moderation variable have a significant effect on Audit Quality. The regression equation model to be tested is as follows:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_1 X_5 + \beta_7 X_2 X_5 + \beta_8 X_3 X_5 + \beta_9 X_4 X_5 + e \]  
(2)

Where:
- \( Y \) = Audit Quality
- \( \alpha \) = Constant
- \( \beta \) = Regression coefficient
- \( X_1 \) = Competence
- \( X_2 \) = Independence
- \( X_3 \) = Accountability
- \( X_4 \) = Work Experience
- \( X_5 \) = Auditor Ethics
- \( X_6 \) = Reward
- \( e \) = Error

4. Result and Discussion

The validity testing results of each question item for 80 respondents in this study can be seen in table 1 below.

<table>
<thead>
<tr>
<th>No</th>
<th>Item</th>
<th>Variable</th>
<th>Correlation Coefficient (( R_{\text{count}} ))</th>
<th>Critical Value 5% (( R_{\text{Table}} ))</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>X1.1</td>
<td>Competence ((X_1))</td>
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<tr>
<td>2</td>
<td>X1.2</td>
<td>Competence ((X_1))</td>
<td>0.751</td>
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<td>3</td>
<td>X1.3</td>
<td>Competence ((X_1))</td>
<td>0.805</td>
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<tr>
<td>4</td>
<td>X1.4</td>
<td>Competence ((X_1))</td>
<td>0.706</td>
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<td></td>
</tr>
<tr>
<td>5</td>
<td>X1.5</td>
<td>Competence ((X_1))</td>
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<td>12</td>
<td>X2.3</td>
<td>Independence ((X_2))</td>
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<tr>
<td>13</td>
<td>X2.4</td>
<td>Independence ((X_2))</td>
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</tbody>
</table>
Based on the data provided in table 1, it can be concluded that every item of the question in the research questionnaire is said to be valid. This can be proven by seeing the correlation value is greater than the critical value (N = 80), which shows the number 0.219 (as shown in the table of the critical value of r product-moment correlation) or has a significant value for all question items by 5%. Thus, the data obtained is valid and can be used to conduct research.

**Table 2. Reliability Test Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of Statement Items</th>
<th>Cronbach Alpha</th>
<th>Critical Value Cronbach's Alpha</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence (X1)</td>
<td>9</td>
<td>0.842</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
<tr>
<td>Independence (X2)</td>
<td>9</td>
<td>0.843</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
<tr>
<td>Accountability (X3)</td>
<td>6</td>
<td>0.822</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
</tbody>
</table>
Based on table 2, the reliability test shows that the Cronbach alpha value for each variable is greater than 0.60, it can be concluded that all instruments for each variable are reliable.

**Normality Test Results**

<table>
<thead>
<tr>
<th>Normality Test - Kolgomorov-Smirnov Test</th>
<th>Unstandardized Residual</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Processed data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>0.745</td>
<td>0.514</td>
</tr>
</tbody>
</table>

Based on table 3, it can be seen that the significance value (Asymp. Sig. 2-tailed) is greater than 0.05. So, it can be concluded that the data residuals are normally distributed, and the regression model also fulfills the normality assumption.

**Multicollinearity Test Results**

<table>
<thead>
<tr>
<th>Model</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence (X1)</td>
<td>0.680</td>
<td>1.471</td>
</tr>
<tr>
<td>Independence (X2)</td>
<td>0.693</td>
<td>1.444</td>
</tr>
<tr>
<td>Accountability (X3)</td>
<td>0.402</td>
<td>2.487</td>
</tr>
<tr>
<td>Work Experience (X4)</td>
<td>0.616</td>
<td>1.623</td>
</tr>
<tr>
<td>Auditor Ethics (Z1)</td>
<td>0.385</td>
<td>2.595</td>
</tr>
<tr>
<td>X1Z1</td>
<td>0.886</td>
<td>1.129</td>
</tr>
<tr>
<td>X2Z1</td>
<td>0.803</td>
<td>1.245</td>
</tr>
<tr>
<td>X3Z1</td>
<td>0.753</td>
<td>1.328</td>
</tr>
<tr>
<td>X4Z1</td>
<td>0.782</td>
<td>1.280</td>
</tr>
<tr>
<td>Regression 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence (X1)</td>
<td>0.804</td>
<td>1.244</td>
</tr>
<tr>
<td>Independence (X2)</td>
<td>0.787</td>
<td>1.271</td>
</tr>
<tr>
<td>Accountability (X3)</td>
<td>0.442</td>
<td>2.263</td>
</tr>
<tr>
<td>Work Experience (X4)</td>
<td>0.702</td>
<td>1.424</td>
</tr>
<tr>
<td>Reward (Z2)</td>
<td>0.408</td>
<td>2.452</td>
</tr>
<tr>
<td>X1Z2</td>
<td>0.942</td>
<td>1.061</td>
</tr>
<tr>
<td>X2Z2</td>
<td>0.931</td>
<td>1.074</td>
</tr>
<tr>
<td>X3Z2</td>
<td>0.895</td>
<td>1.118</td>
</tr>
<tr>
<td>X4Z2</td>
<td>0.884</td>
<td>1.131</td>
</tr>
</tbody>
</table>

Source: Processed data

As can be seen in table 4, the tolerance and VIF values of each variable, which consists of the independent and moderating variables. Tolerance value for all variables >0.10 and VIF value <10. Based on the test results, it can be concluded that the regression model used in this study did not occur multicollinearity between independent and moderation variables.

**Heteroscedasticity Test Results**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression 1</td>
<td></td>
</tr>
<tr>
<td>Competence (X1)</td>
<td>0.291</td>
</tr>
<tr>
<td>Independence (X2)</td>
<td>0.097</td>
</tr>
<tr>
<td>Accountability (X3)</td>
<td>0.347</td>
</tr>
<tr>
<td>Work Experience (X4)</td>
<td>0.769</td>
</tr>
<tr>
<td>Auditor Ethics (Z1)</td>
<td>0.051</td>
</tr>
</tbody>
</table>

Source: Processed data
Based on the data provided in table 5, each model has a Sig > 0.05, so the regression model in this study does not occur heteroscedasticity.

**Table 6. Results of Multiple Linear Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>4.244</td>
<td>0.031</td>
</tr>
<tr>
<td>Competence</td>
<td>0.135</td>
<td>0.034</td>
</tr>
<tr>
<td>Independence</td>
<td>0.108</td>
<td>0.033</td>
</tr>
<tr>
<td>Accountability</td>
<td>0.179</td>
<td>0.038</td>
</tr>
<tr>
<td>Work Experience</td>
<td>0.085</td>
<td>0.037</td>
</tr>
</tbody>
</table>

Source: Processed data

Based on the results of statistical calculations as shown in table 6, the multiple linear regression equation is obtained as follows:

\[ Y = 4.244 + 0.135X_1 + 0.108X_2 + 0.179X_3 + 0.0085X_4 + e \]

**Table 7. Results of Moderation Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.933</td>
<td>0.068</td>
</tr>
<tr>
<td>Competence</td>
<td>0.112</td>
<td>0.032</td>
</tr>
<tr>
<td>Independence</td>
<td>0.066</td>
<td>0.032</td>
</tr>
<tr>
<td>Accountability</td>
<td>0.084</td>
<td>0.042</td>
</tr>
<tr>
<td>Work Experience</td>
<td>0.090</td>
<td>0.034</td>
</tr>
<tr>
<td>Auditor Ethics</td>
<td>0.126</td>
<td>0.043</td>
</tr>
<tr>
<td>X1Z1</td>
<td>0.124</td>
<td>0.048</td>
</tr>
<tr>
<td>X2Z1</td>
<td>0.088</td>
<td>0.041</td>
</tr>
<tr>
<td>X3Z1</td>
<td>0.215</td>
<td>0.054</td>
</tr>
<tr>
<td>X4Z1</td>
<td>0.006</td>
<td>0.048</td>
</tr>
</tbody>
</table>

Source: Processed data

Based on the results of statistical calculations as shown in table 7, the moderation regression equation is obtained as follows:

\[ Y = 3.933 + 0.112X_1 + 0.066X_2 + 0.084X_3 + 0.090X_4 + 0.126Z_1 + 0.124X_1.Z_1 + 0.088X_2.Z_1 + 0.215X_3.Z_1 + 0.006X_4.Z_1 + e \]

**Table 8. Results of Moderation Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.914</td>
<td>0.073</td>
</tr>
<tr>
<td>Competence</td>
<td>0.118</td>
<td>0.030</td>
</tr>
<tr>
<td>Independence</td>
<td>0.090</td>
<td>0.030</td>
</tr>
</tbody>
</table>
Based on the results of statistical calculations as shown in table 8, the moderation regression equation is obtained as follows:

\[ Y = 3.914 + 0.118X_1 + 0.090X_2 + 0.107X_3 + 0.080X_4 + 0.128Z_2 + 0.094X_1.Z_2 + 0.078X_2.Z_2 + 0.180X_3.Z_2 + 0.095X_4.Z_2 + e \]

The results showed that competence positively affected the audit quality of the inspectorate officers and accepted the first hypothesis (H1). To improve audit quality, an auditor is very dependent on the level of competence. This means that the higher the auditor's level of competence, the better the quality of the resulting audit, and vice versa. If the competency level of the auditors is low, the resulting audit quality will be low. Audit quality is due to each auditor's ability, knowledge, and skills in understanding and interpreting tasks in accordance with applicable procedures. This ability is obtained from activities through formal and non-formal education.

Independence has a positive effect on the inspectorate apparatus's audit quality, so that the second hypothesis (H2) is accepted. An auditor who has an independent attitude and does not take sides with anyone during the audit must provide objective consideration of facts as a quality audit result. Quality audits synergize with auditor independence. This means that the higher the auditor's level of independence, the better the quality of the resulting audit and vice versa; if the level of independence is low, the resulting audit quality will also be low. As for the research of Karnia & Haryanto (2015) and St Ramlah, Syah, & Dara (2018) state that independence has a significant effect on audit quality.

Accountability affects the inspectorate apparatus's audit quality, so that the third hypothesis (H3) is accepted. Accountability is an obligation of the auditor to complete his audit work and account for the results of the audit. This means that the higher the auditor's accountability, the quality of the resulting audit will increase and vice versa. If the accountability of an auditor is low, the resulting audit quality will be low. In line with Salsabila & Prayudiawan (2011) research, which proves that accountability has a significant effect on audit quality. The same research was conducted by Karnia & Haryanto (2015), Vidyantari & Suputra (2018), and Wardhani & Astika (2018), which stated that accountability has a significant positive effect on audit quality.

Work experience affects the inspectorate apparatus's audit quality, so that the fourth hypothesis (H4) is accepted. Work experience is a learning process and potential development of behavior both from formal and non-formal education. The experience of auditors will continue to increase along with the increasing number of audits being conducted and the complexity of the company's financial transactions being audited so that it will add and expand their knowledge in the fields of accounting and auditing (Christiawan, 2002). This study's results are in line with research conducted by Trihapsari & Anisakyurilillah (2016) and Bolang et al., (2013), which states that work experience has a significant effect on audit quality.

This study uses auditor ethics as moderating. The result is that auditor ethics can moderate the relationship between the inspectorate apparatus's competence and audit quality. Thus, the fifth hypothesis (H5) is accepted. Auditor ethics acts as a quasi moderator because auditor ethics has a significance value of 0.033 less than 0.05 and a significance value of interaction between competence and auditor ethics of 0.011, which is
smaller than 0.05. Wardhani & Astika (2018) and Dewi (2016) state that auditor ethics strengthens the influence of competence on audit quality.

Auditor ethics can moderate the relationship between independence and audit quality of the inspectorate apparatus. Thus the sixth hypothesis (H6) is accepted. Auditor ethics acts as a quasi moderator because auditor ethics has a significance value of 0.033, which is smaller than 0.05. The significance value of the interaction between independence and auditor ethics is 0.036, which is also smaller than 0.05. An auditor's compliance with the applicable code of ethics may reflect that the auditor has strong independence. According to research conducted by Dewi (2016), auditor ethics strengthens the influence of independence with audit quality.

Auditor ethics can moderate the relationship between the inspectorate apparatus's accountability and audit quality; thus, the seventh hypothesis (H7) is accepted. Auditor ethics acts as a quasi moderator because auditor ethics has a significance value of 0.033 less than 0.05 and a significance value of the interaction between accountability and auditor ethics of 0.000, which is smaller than 0.05. In conducting an audit, an auditor must have high accountability to support their professional profession. High accountability must be accompanied by high ethics, an auditor needs to pay attention to the audit standards and code of ethics that are the reference in conducting the audit and have been generally accepted. Auditor ethics that are upheld by an auditor in doing his job will increase the auditor's accountability in completing the audit report, so that it will produce a good quality audit report. In accordance with research conducted by Wardhani & Astika (2018) which states that auditor ethics strengthens the effect of accountability on audit quality.

The relationship between work experience and audit quality cannot be moderated by auditor ethics, therefore the eighth hypothesis (H8) is rejected. Auditor ethics act as pure moderation because auditor ethics has a significance value of 0.033, which is smaller than 0.05, while the significance value of the interaction between work experience and auditor ethics is 0.895, which is greater than 0.05. In this study, auditor ethics does not affect the relationship between work experience and audit quality; this means that the length of an auditor’s work experience does not determine the high or low ethics of an auditor. Experience indicates that the longer the auditor's tenure, the better the resulting audit quality. However, the longer the tenure of the auditor, the higher the auditor’s ethics. In line with the research conducted by Dewi (2016), Direct or indirect work experience will increase the auditor’s expertise in carrying out their duties. Meanwhile, auditor ethics cannot be separated from the ethical standards and principles inherent in auditors.

This study uses reward as a moderator. The results obtained are that reward can moderate the relationship between competence and audit quality; therefore, the ninth hypothesis (H9) is accepted. Reward acts as a quasi moderator because the reward has a significance value of 0.042 less than 0.05 and a significance value of competency-reward interaction of 0.044, which is smaller than 0.05 as well. Good competence when given high rewards will result in good audit quality, and vice versa. With the reward, at the organizational level, it can motivate employees to increase their effectiveness in the organization, which has an impact on performance motivation. Therefore, the design of a reward system in the organization must be effective in order to retain competent employees, which is in accordance with research conducted by Hari et al., (2015) that states that reward strengthens the effect of competence on audit quality.

The results show that rewards can moderate the relationship between independence and audit quality. Thus the tenth hypothesis (H10) is accepted. Reward acts as a quasi moderator because the reward has a significance value of 0.042, which is smaller than 0.05 and the significance value of the interaction between independence and reward is 0.05. The greater the reward obtained by the auditor, the more it will not be affected by other factors in his work, because the reward in the form of a gift received by the auditor in conducting an examination may affect the independence of the auditor
in providing an audit opinion. This shows that the relationship between reward and independence is that the higher the auditor’s reward, the higher the level of maturity in making reports on the results of examination and decision making. In accordance with research conducted by Hari et al., (2015) which states that reward strengthens the effect of independence on audit quality.

The results show that reward can moderate the relationship between accountability and audit quality; therefore, the eleventh hypothesis (H11) is accepted. Reward acts as a quasi moderator because the reward has a significance value of 0.042 smaller than 0.05 and a significance value of the accountability interaction with a reward of 0.003, which is smaller than 0.05. In being accountable for their actions to interested parties, it requires auditors to conduct high audit efforts. A reward can stimulate and motivate auditors to conduct higher audit efforts to produce good audit quality. This study's results are in line with research conducted by Vidyantari & Suputra (2018) which states that reward strengthens the effect of accountability on audit quality.

The results show that reward can moderate the relationship between work experience and audit quality. Thus, the twelfth hypothesis (H12) is accepted. Reward acts as a quasi moderator because the reward has a significance value of 0.042 less than 0.05 and a significance value of work experience interaction with rewards of 0.042, which is smaller than 0.05 as well. The higher the auditor's work experience, if given an award in the form of a high reward, it will result in a good audit quality and vice versa. This research proves that a person with more experience, the higher his abilities and skills in acting, should be rewarded for the job. Auditors who are more experienced and highly educated will get a greater reward than auditors with less experience. This factor is a form of organizational appreciation for one's professionalism, which this factor can spur employees to increase their knowledge. In line with Hari et al. (2015), research conducted states that reward strengthens the effect of work experience on audit quality.

5. Conclusions
The results showed that competence, independence, accountability, and work experience have an influence on audit quality. Auditor ethics as moderating variable acts as quasi moderating between competence, independence, accountability and audit quality. For work experience, auditor ethics does not play a quasi-moderating role on audit quality. Meanwhile, the next moderating variable, reward, acts as a quasi moderation between competence, independence, accountability, and work experience with audit quality.

This study has limitations that can be considered for subsequent research. Data collection in this study uses a questionnaire instrument, so it does not rule out different perceptions of the actual conditions.

There are several suggestions that can be given in further research, namely, (1) it is hoped that in addition to using a data collection tool in the form of a questionnaire, it can also use adequate measurement tools. So that fraud can be detected properly and accurately. (2) can add other independent variables that can affect audit quality that is not included in this study.

References


Henriansyah, M. I., Taufik, T., & Ratnawati, V. (2016). Pengaruh reward sebagai...


