

Research Article

Competence, Objectivity, Auditor Ethics, and Quality of Audit in the Inspectorate Agency of Pidie and Pidie Jaya Districts, Province of Aceh, Indonesia

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Abstract: This aims of the research is to examine the influence of competence, objectivity, and auditor ethics on audit quality produced by Pidie and Pidie Jaya District inspectorates. The study population were 73 auditors working in Pidie and Pidie Jaya districts' inspectorate offices in 2017. The data analysis technique used was multiple linear regression. The results showed that competency, objectivity, and ethics have a significantly positive effect on audit quality, either using simultaneous or partial statistical testing.

Keywords: Competence, Objectivity, Ethics, Audit Quality, Government Auditors.

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INTRODUCTION

Audit of government institutions is one of the main components in ensuring the quality of financial reports and also the administration of government. The process and stages of the audit must be guaranteed quality so that the assessments and suggestions provided can improve the government's performance and the monitoring process of other interested parties. Basuki and Krisna (2006) stated that audit quality is a complex problem, because so many factors can influence audit quality, which depends on the perspective of each party. De Angelo (2008) defines audit quality as the probability that the auditor will find and report violations of the client's accounting system. Furthermore Deis and Giroux (2007) explained that the probability of finding a violation depends on the auditor's technical ability (competence) and the probability of reporting a violation depends on the auditor's independence.

De Angelo (2011) in Kusharyanti (2003) defines audit quality as a joint probability where an auditor will find and report violations in his client's accounting system. The possibility that the auditor will find misstatements depend on the quality of the auditor understands (competence) while the act of reporting misstatements depends on the auditor's independence.

Meanwhile the American Accounting Association (AAA) Financial Accounting Committee (2000) in Christiawan (2002: 83) states that "Audit quality is determined by two things, namely competence and independence. Both of these things directly affect audit quality.

Judging from the current conditions, many problems occur related to the presentation of financial statements in government agencies in Indonesia (Christiawan, 2012). From various writings such as newspapers, the internet, and audio visual media (television), we can receive information in the government financial reports, there are still many data that are not suitable. This condition also occurred in the local government, many audit findings were not detected by the inspectorate apparatus as internal auditors, but found by the Supreme Audit Agency (BPK) as an external auditor, this shows that the audit quality of the inspectorate apparatus is still relatively poor.

Thus, the quality of internal audits is important for the company to increase the confidence of external auditors as independent parties outside the company and those with an interest in the company. Gramling and Vandervelde (2006) revealed that there is a difference

in the level of objectivity between internal auditors and external auditors.

Research conducted by Dimas (2015) examines the influence of competence, objectivity, experience, and auditor ethics on audit quality. The results of the study show that auditor competence, objectivity, experience and ethics have a positive and significant effect on audit quality. Competence, objectivity, experience, and auditor ethics of an auditor indicate the effect on audit quality produced.

The first factor that will be tested for its effect on audit quality in this study is auditor competence. An auditor in carrying out audit work properly requires adequate competence. Competence can be interpreted as a qualification needed by professionals to carry out their work properly and accordingly. Competence is the way every individual utilizes knowledge, skills and behavior in work (Sawyer, 2003: 17).

Furthermore, factors that influence audit quality are objectivity. Objectivity in an auditor's person will encourage the individual's desire to be able to carry out certain activities to achieve a goal and requires an auditor to be honest, transparent, fair, impartial, brave, wise, responsible, and free from conflicts of interest during the audit. The next factor that has been examined its effect on audit quality is auditor ethics. Nugrahaningsih (2005) revealed that in carrying out his profession, an accountant is constantly faced with ethical dilemmas involving choices between conflicting values. The dilemma problem for an auditor often arises when there is disagreement between the auditor and the client regarding the function and purpose of the audit. Conditions like this should be responded to professionally by the auditor by considering the beliefs and values of good morality by the auditor by maintaining the code of conduct in carrying out its duties and decision making.

In addition, there are still many irregularities such as regarding the elements of the Internal Control System (SPI) and compliance with the LKPD in 2013, but are still within reasonable limits and do not change the determined opinion, including ADG assistance in Pidie and Pidie Jaya not supported by evidence. accountability of Rp. 1,909,553,064.00 (BPK, 2014) which occurs in presenting financial reports that were successfully found by the BPK in conducting audits of government financial statements, such as there are still many errors in recording the treatment of government assets, there are still errors in spending / using budget line in carrying out operational activities, not yet orderly recording of inventory items, findings on maintenance expenditures that have exceeded the capitalization value, misstatement of the treatment of waqf assets and grants and many other findings, Roesyanto (2007: 2).

The low financial reporting also occurred in the Pidie District Government which was examined by the Pidie District Inspectorate and Pidie Jaya not yet fully fulfilling the quality of government financial reports as stated in qualitative characteristics in Government Regulation Number 24 of 2005 concerning Government Accounting Standards. This is because the LKPD of the Pidie Regency Government still gets a fair opinion with the exception of the BPK, that is, for the past 4 years, especially from 2010 to 2014. The phenomenon that occurred in Pidie District and Pidie Jaya Regency has been three years from 2007, 2008 and 2009 still getting Unqualified opinion (WDP). It is hoped that in the future the WDP opinion will be improved, especially in collaboration with the Pidie and Pidie Jaya DPRK circles, so that the WTP (Unqualified Opinion) opinion of the BPK can be achieved with good financial management in the future. (Serambi Indonesia, October 19, 2009).

The low quality of the audit can be seen from the problems of weaknesses of the internal control system, namely: generally occurs because officials / employees are responsible negligent and not careful in obeying and understanding the applicable provisions, not optimal in carrying out their duties and responsibilities, weak in supervision and control, lack of coordination between relevant officials, not making policies / procedures for an operational activity, and not following up on recommendations from the previous year's BPK audit.

In the APIP audit standard it is stated that the audit must be carried out by people who have sufficient technical expertise and training as auditors. Thus, the auditor has not fulfilled the requirements if he does not have adequate education and experience in the audit field. In a government audit, auditors are required to possess and improve their capabilities or expertise not only in audit methods and techniques, but all matters relating to government such as organizations, functions, programs and government activities.

This study aims to analyze the influence of competence, objectivity, and auditor ethics on the quality of audits in the Inspectorate of Pidie District and Pidie Jaya Regency. This article begins with a literature review, then describes the research method used as a basis for data analysis, then continues with a discussion of the results of the study, and ends with conclusions and suggestions.

LITERATURE REVIEW

Audit Quality

Quality can be interpreted as good or not an audit conducted by the auditor. Based on the Public Accountants Professional Standards (SPAP: 89) audits carried out by auditors are said to be quality, if they meet the requirements or standards of auditing. Auditing standards include professional quality, independent auditors, judgments used in conducting audits and preparing audit reports.

The quality of this audit also relates to how well a job is completed compared to the established criteria, for the auditor, the quality of work seen from the quality of the audit produced is judged by how many auditors give the correct response from each audit job completed (Tan and Alison in Mardisari, 2007). In the public sector, especially government agencies, audit quality is defined as the probability of an auditor or examiner can find and report a fraud that occurred in a government agency (both central and regional). The probability of findings and fraud depends on the technical ability of the examiner and the probability of error reporting depends on the independence of the examiner and the examiner's competence to disclose fraud, in improving the quality of the examination results there is a need for training training for the examining apparatus itself (Djamil, 2013).

According to De Angelo in Mulyadi (2012) Audit quality is the probability that an auditor finds and reports violations of an accounting system that is guided by a set of audit standards. Wooten (2013) has developed an audit quality model by building on existing empirical theories and research. The model presented as an indicator material for audit quality, namely (1) reporting entity errors, (2) entity accounting system (3) strong commitment, (4) field work does not easily trust client statements and (5) decision making.

Auditor Competence

Competence is a characteristic of someone who has the skills(*skills*), knowledge(*knowledge*), and the ability(*ability*) to carry out a job (Hevesi 2011 in Indriasari and Nahartyo, 2013). According to Riandi (2012) the skills, knowledge and abilities possessed by government auditors are very important because these are the main things that must be possessed. The quality of the financial statements compiled, managed and reported depends on these three things. Competence is a characteristic that underlies a person achieving high performance in his work. Government auditors who do not have sufficient knowledge in work will encounter many obstacles that result in waste of material, time and energy (Zuliarti, 2012).

Human resources are the most valuable assets in the organization to achieve their goals. Because humans are the ones who manage the organization, outside humans are passive assets that cannot do anything without other human policy intervention. As stated Sincere (1995: 2) "human resource is an element of input *the(input)* the most important along with other elements such as capital, machinery and technology transformed through management processes into outputs (*output*) in the form of goods or services in order to achieve organizational goals.

Competency indicators according to Indriasari and Nahartyo, (2013) consist of: (1) understanding the main functions, (2) knowing and understanding

financial regulations, (3) knowing rotation or rotation of positions (4) having attended training, (5) having knowledge, (6) understanding accounting, (7) completing job descriptions, (8) the ability to prepare financial statements, (9) accounting skills and skills, (10) having staff who could help, (11) being responsible, (12) completing responsibilities and (13) Responsibility for preparing financial statements.

Auditor Objectivity

Objectivity is the heart of the value of an auditor towards a social group to provide an opinion or opinion that is not biased towards justice from a financial report issued by the client (Johnston *et al.*, 2011). If an auditor shows a significant level of client identification, it is necessary to question the auditor's objectivity. Objectivity requires an auditor to conduct audit assessments that are not biased rather than approving client wishes (ISB, 2000).

BPKP (2011) defines, objectivity as the freedom of a person from the influence of subjective views of other interested parties, so that they can express opinions according to what they are. An auditor who maintains objectivity, will act fairly without being influenced by the pressure and requests of certain parties or his personal interests.

Elements of behavior that can support objectivity include (1) can be relied on and trusted, (2) not concurrently as tender committee, other committees and or other jobs which are the operational duties of the object being examined, (3) Do not leave the task with the intention to find fault with others, (4) can maintain criteria and official policies, and (5) in acting or making decisions based on logical thinking (Sukriah, *et al.*, 2012).

Auditor Ethics

According to Keraf (1997) in Maryani and Ludigdo (2011), ethics literally comes from the Greek word "*ethos*", which means exactly the same as morality, which is good customs. These good habits become a value system that serves as a guideline and benchmark for good and bad behavior. From the above definitions, it can be concluded that ethics is a set of rules or norms or guidelines that govern human behavior, both those that must be done and those that must be abandoned, which are held by a group / group of people / society / profession.

Furthermore, in addition to the rules of community ethics, there are also what are called professional ethical rules that apply specifically to the professional group concerned. According to Mulyadi (2012: 50), the basic premise that underlies the preparation of professional ethics in every profession is the need for the profession about the public's trust in the quality of services delivered by the profession, regardless of the members of the profession who submit

these services. Public trust in the quality of professional services will increase if the profession embodies high standards of work and behavior in the execution of the work of the members of the profession, because thus the community will be guaranteed to obtain reliable services from the profession in question.

Professional ethics for the practice of accountants in Indonesia is regulated by a professional code of ethics known as the Code of Ethics of the Indonesian Institute of Accountants. In the IAI code of ethics, eight principles of professional ethics are established which form the basis of professional ethics, provide a basic framework for ethical rules, and regulate the implementation of professional services by members, which include: Professional Responsibility, Public Interest, Integrity, Objectivity, Competence and Honesty Professional Attention, Confidentiality, Professional Behavior, and Technical Standards (Mulyadi, 2012: 54).

Maryani and Ludigdo (2011) revealed that professional ethics is also related to moral behavior. According to him, etikamerupakan response or acceptance of a person to an event certain moral through the process of determining which complexes (by balancing the inner side (inner) and outer side(outer)which disifati by a unique combination of experience and learning from each individual), so that he can decide what to do in certain situations.

RESEARCH METHOD

This study uses a quantitative perspective with an empirical study approach. Quantitative perspective is focused on objectivity of data results that can influence a social phenomenon and relate it to other phenomena so that in a quantitative approach it examines the magnitude, amount, intensity, frequency, influence, and relationship of a phenomenon with other phenomena.

This is done because the researcher wants to get the data accurately in order to analyze the data optimally, in addition to getting an easier picture between deviations and what should be (Sudjana, 2012: 7).

Population refers to the overall object of research. The population in this study amounted to 73 auditors at the Pidie District Government Inspectorate Office and Pidie Jaya District. Sampling in this study using census techniques because the population in this study only reached 73 people. Data collection techniques in this study using questionnaires and interviews. The distribution of questionnaires was carried out directly to the respondents addressed to the auditor at the Pidie District and District Inspectorate Offices Pidie Jaya, respondents were asked to provide an assessment of each statement by choosing one of the five alternative answer choices that have been provided.

Data analysis techniques in testing hypotheses using multiple linear regression analysis testing is a statistical technique used to test the influence between two variables, and to see the effect partially and simultaneously. According to Gujarati (2003: 226) the empirical model equation used to examine the effect of X_1 , X_2 and X_3 on Y , using multiple linear regression analysis is:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Description:

Y	=	Audit Quality
X_1	=	Auditor
Competence		
X_2	=	Auditor Objectivity
X_3	=	Auditor Ethics
α	=	Constant
b_1, b_2, \dots, b_n	=	Coefficient of determination
e	=	Error Term

The operational variable of the research can be formulated on Table 1 as follows:

Table 1. Operational Variable

Variable	Definition	Indicator	Reference
Quality(Y)	Auditing as a probability that an auditor finds and reports about a violation in his client's accounting system.	<ul style="list-style-type: none"> ▪ Suitability checks with the standard of audit ▪ quality is the result of an inspection report 	De Angelo (2011)
Competence Auditor (X1)	the knowledge, skills and abilities associated with the job,	<ul style="list-style-type: none"> ▪ Skills ▪ auditor'sexpertise ▪ Auditors findings 	(Barry, 2003)

		<ul style="list-style-type: none"> ▪ The ability of the auditor's ▪ special skills 	
Objectivity Auditors (X ₂)	According to the State Financial Examiner Standards (2007: 92) The presentation of all reports must be balanced from content and reality.	<ul style="list-style-type: none"> ▪ Auditor independence ▪ Disclosure according to facts ▪ Free of conflict of interest 	State Financial Examination Standards (2007: 92)
Auditor Ethics (X ₃)	As a set of rules or norms or guidelines that govern human behavior, both must be done and must be abandoned by a group or group human or community or profession.	<ul style="list-style-type: none"> ▪ Emotional quotient (EQ) ▪ Benefits received by organization ▪ the family environmental 	Maryani and Ludigdo (2011)

Test equipment used in testing hypotheses in this study was formulated using the F-test and t-test. Significance test can be done by using the t-test or it can also be done using the SPSS program which results can be seen in the output coefficient of the column "sig". Ha is accepted if t_{count} is greater than t_{table} or if the significance value is less than 0.05, if otherwise Ho is accepted. Simultaneous effect test can be done using the F test or by looking at the column sig on the *Annova output* of the SPSS program. If F count is greater than F table or the sig value is smaller than 0.05.

Test of significance was not carried out in this study because the method chosen was a census by using the help of SPSS *Statistical Product and Service Solution* in processing data. Significant testing is carried out to determine the accuracy of hypotheses based on facts collected from sample data, not census data (Cooper and Pamela, 2006: 492). In testing the research hypothesis that does not use a sample, there is no significance term, because the significance means that the hypothesis that has been proven in the sample can be applied to the population (Sugiyono, 2012).

The design of testing hypotheses together (simultaneous):

H₀: b₁ = b₂ = b₃ = 0;
 Competence, objectivity and ethics of auditors together do not affect audit quality.
 H_a: there is at least one from bi 0 (i = 1,2,3)

RESULTS

The result of testing regarding the influence of competency, objectivity, and auditor ethics on audit quality in Pidie and Pidie Jayaa District Inspectorates can be seen on the table 2 as follows:

Table 2. Effect of Each Independent Variable on Depended Variables

No.	Name Variable	B	Standard Error
1.	Constant (a)	1,909	0,209
2.	Competence (X ₁)	0,145	0,031
3.	Objectivity (X ₂)	0,227	0,048
4.	Auditor Ethics (X ₃)	0,144	0,035

Source: Primary Data, 2017 (processed)

Based on Table 2 above, the equation model of this study can be written as follows:

$$Y = 1,909 + 0,145X_1 + 0,227X_2 + 0,144X_3 + e$$

Hence, from the regression equation above, it can be explained the following results:

Correlation Coefficient and Determination

To see the relationship and influence from competency variables, objectivity and auditor ethics on audit quality based on correlation and determination as described in Table 3 as follows

Table 3. Data Analysis Results

Correlation	Coefficient Determination	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	Description
0.764	0.584	0.566	0.145	1,721	Strong Relationship

Source: Primary Data, 2017 (processed)

Correlation coefficient (R) = 0.764 which indicates that the degree of relationship (correlation) between the independent variable and the dependent variable is 76.4. This means that audit quality has a very close relationship with competence (X₁), objectivity (X₂) and auditor ethics (X₃) so that it has a strong relationship to audit quality of the Pidie District and Pidie Jaya Inspectorate Offices.

Determination Coefficient (R²) = 0.584. This means that 58.4% of changes in the dependent variable (audit quality) can be explained by changes in competency factors (X₁), objectivity (X₂) and auditor ethics (X₃). While the rest is equal to 41.6% explained by other factors outside of the two variables that are used as indicators of research means that there are other variables that can affect audit quality in the Pidie and Pidie Jaya District Inspectorate Offices.

DISCUSSIONS

The Effect of Competence on Audit Quality

Based on Table 2 the competency regression coefficient is 0.145. The requirement to state that competence (X₁) has an effect on audit quality (Y) if $b_{X_1} \neq 0$. Referring to these conditions the results of this study reject Ho or accept Ha. Thus it can be said that competency has a positive effect on audit quality at the Pidie and Pidie Jaya District Inspectorate Offices.

This research is in accordance with and in line with the results of research conducted by Indriasari (2008), where the capacity of human resources has a positive effect on audit quality, and this research is also consistent with the research conducted by Wansyah et al., (2012) which states that the competencies possessed by Respondents were able to positively influence the audit quality produced.

Effect of Audit Quality Officer Objectivity

Based on Table 2 the objectivity coefficient regression value is 0.227. The requirement to state that the financial administration objectivity (X₂) affects audit quality (Y) if $b_{X_2} \neq 0$. Referring to these conditions the results of this study reject Ho or accept Ha. Thus it can be said that objectivity affects audit quality at the Pidie District and Pidie Jaya Inspectorate Offices.

The results of the research on auditor objectivity variables in this study are in line with research conducted by Sukriah, (2009), where objectivity has an influence on audit quality.

Effect of Auditor Ethics on Audit Quality

Based on Table 2 the auditors' ethical regression coefficient is 0.144. Requirements for stating that auditor ethics (X₃) affect audit quality (Y) if $b_{X_3} \neq 0$. Referring to these requirements the results of this study reject Ho or accept Ha. Thus it can be said that auditor ethics influences audit quality at Pidie District and Pidie Jaya Inspectorate Offices.

The results of the auditor objectivity variable in this study are in line with the research conducted by Nugrahaningsih, (2005), where objectivity has an influence on audit quality and is consistent with the research conducted by Budi, (2007) which states that auditors are generally considered ethically motivated profession and inspection standards. Meeting client demands means violating standards. But by not fulfilling the demands of the client, can get sanctions by the client in the form of the possibility of termination of assignment.

Hypothesis of the influence of competence (x₁), objectivity (x₂), auditor ethics (x₃), jointly on audit quality in the Pidie and Pidie Jaya District Inspectorate Offices (Y) formulated as follows:

Ho4: $b_1 = b_2 = b_3 = 0$: competency (x₁), objectivity (x₂), auditor ethics (x₃), did not have a simultaneous effect on audit quality at the Pidie District and Pidie Jaya Inspectorate Offices.

Ha4: there is at least one $b_i \neq 0$: competency (x₁), objectivity (x₂), auditor ethics (x₃), jointly influencing audit quality at the Pidie District and Pidie Jaya Inspectorate Offices. This is based on Table 2, it is found that all regression coefficients (b) each independent variable is not equal to zero ($b_1 = 0.145$); ($b_2 = 0.227$); and ($b_3 = 0.144$). The provisions are if there is at least satubi ($i = 1,2,3$) $\neq 0$, then Competency (X₁), objectivity (X₂), auditor ethics (X₃) together influence the quality of the audit at the Pidie and Pidie District Inspectorate Offices Jaya. So the results of this study reject Ho or accept Ha. Thus it can be said that the independent variables (competence, objectivity, auditor ethics) jointly influence the dependent variable (audit quality).

Based on the attachment out SPSS obtained coefficient of determination (R²) of 0.584, or 58.4%, which means that together samakompetensi (X₁), objectivity of auditor (X₂), the ethics of auditors (X₃) jointly affect the quality of the audit on the Office of District Inspectorate Pidie and Pidie Jaya.

Based on the previous table the competency regression coefficient is 0.145. The condition for stating that competence (X_1) has an effect on audit quality (Y) if b_{X_1} pada 0. Referring to these conditions the results of this study reject H_0 or accept H_a . Thus it can be said that competencies have a positive effect on audit quality at the Pidie District and Pidie Jaya Inspectorate Offices. This study is in accordance with and in line with the results of research conducted by Indriasari (2008), where human resource capacity has a positive influence on audit quality, and this research is also consistent with research conducted by Wansyah *et al.*, (2012) which states that the competencies possessed by respondents able to have a positive effect on the quality of audits produced by the Pidie District and Pidie Jaya Inspectorate Offices.

Regression test results show that the objectivity regression value is 0.227. Conditions for stating that the objectivity of financial administration officials (X_2) affects audit quality (Y) if $b_{X_2} \neq 0$. Referring to these conditions the results of this study reject H_0 or accept H_a . Thus it can be said that objectivity affects audit quality at the Pidie District and Pidie Jaya Inspectorate Offices. The results of the research on auditor objectivity variables in this study are in line with research conducted by Sukriah, (2009), where objectivity has an influence on audit quality.

Furthermore, it also shows that the auditor ethics regression coefficient is 0.144. Requirements for stating that auditor ethics (X_3) affect audit quality (Y) if b_{X_3} acu 0. Referring to these requirements the results of this study reject H_0 or accept H_a . Thus it can be said that auditor ethics influences audit quality at Pidie District and Pidie Jaya Inspectorate Offices.

The results of the auditor objectivity variable in this study are in line with the research conducted by Nugrahaningsih, (2005), where objectivity has an influence on audit quality and is consistent with the research conducted by Budi, (2007) which states that auditors are generally considered ethically motivated profession and inspection standards. Meeting client demands means violating standards. But by not fulfilling the demands of the client, can get sanctions by the client in the form of the possibility of termination of assignment.

Simultaneous research results are also consistent with research conducted by Indriasari (2008), Wansyah *et al.*, (2012) and Sukriah, (2009), that competence, objectivity and auditor ethics affect the auditee quality produced by the Pidie and Pidie Jaya District Inspectorate Offices.

CONCLUSSIONS:

Competence, objectivity and ethics of auditors together positively influence the quality of audit auditors at Pidie and Pidie Jaya District Inspectorate

Offices. Competency variables partially have a positive effect on audit auditor quality at the Pidie District and Pidie Jaya Inspectorate Offices. Objectivity variables partially have a positive effect on audit auditor quality at the Pidie and Pidie Jaya Inspectorate Offices. Auditor ethics variables partially have a positive effect on audit auditor quality at the Pidie District and Pidie Jaya Inspectorate Offices.

This research has several weaknesses that limit its perfection. Therefore, this limitation needs to be considered in future research. The limitations of the data analyzed in this study using instruments, questionnaires so that the conclusions taken are only based on data collected through questionnaires. Questionnaire design was not good, so respondents still had difficulty in responding when filling out the questionnaire. The scope of the study was very limited to auditors in Pidie and Pidie Jaya districts and with a small number of respondents.

Based on the limitations of the research above, the researcher gives some suggestions for further research. To strengthen and support the results of this study, it is necessary to re-examine it to see the consistency of this research with previous research and subsequent research. Regarding the variables and respondents, so that the next research is more representative in determining and choosing the object of research or adding or multiplying respondents from several local governments.

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