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Impact of internal audit competence and objectivity on quality audit results

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ABSTRACT

Experience in conducting audits carefully, accurately, and objectively is the main competency that must be possessed by auditors. In fact, what is happening in the field shows that there are still irregularities and errors related to the audit process. This is the basis of research in revealing the effect of competence and objectivity on audit quality. The research was conducted using a survey method conducted at PT. Pindad Bandung. The data obtained were analyzed quantitatively with multiple linear regression analysis techniques, hypothesis testing t, and F test to test simultaneously. The results show that there is an influence of competence and objectivity of internal audit on audit quality at PT Pindad Bandung which is indicated by the calculation results of 75%. With the results of this study, it is hoped that it can be used as a reference for every company to always improve the competence of each auditor.



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Introduction

Financial reports are important for companies, with this, in the process of preparing financial statements, it is necessary to make someone who is competent in their field. However, a phenomenon that is often found in various companies today is fraud. The Association of Certified Fraud Examiners (ACFE, 2019) conducted a survey and the results showed that the most common fraud found in Indonesia was Corruption at 64.4%, then misuse of company assets or assets was 28.9%. Therefore, corruption becomes crucial because it is the biggest contributor to losses. Anticipating this, it is necessary to have an audit as a process to minimize the misalignment of information between managers and shareholders. When carrying out his audit duties an auditor must be guided by the audit standards set by the Indonesian Institute of Certified Public Accountants (IAPI) which include general standards, fieldwork standards, and reporting standards. In addition, auditors also need to understand the professional code of ethics as a guide in carrying out professional responsibilities, competence, confidentiality, professional behavior, and technical standards for an auditor in carrying out his profession.

A public accountant should always pay attention to the quality of the audit results because high audit quality can affect the confidence of users of financial statements which will later be used as the basis for decision making. Rosnidah, (2019) revealed that audit quality is measured based on technical quality, service quality, the relationship between auditor and client, and independence. This audit quality becomes a systematic process in obtaining audit evidence and evaluation to determine the extent to which the audit

criteria are met ((Mansouri, et al, 2009; Agusti, et al, 2013). In line with what was stated by Baah and Fogarty, (2016) that in its implementation, auditing is a process to examine various pieces of evidence based on professional judgment. In an effort to achieve this, in the implementation of audits, the competence of auditors is one of the main steps that must be met.

Auditor competence is the auditor's ability to implement knowledge and skills so that later the auditor can complete his work carefully, thoroughly, and objectively (Lisda, 2007; Arens, Elder, and Beasley, 2012). With this, audit quality is not the only factor, but there is another factor, namely objectivity. Gamayuni, (2016; Auditors, 2017) revealed that this objectivity is a mental attitude that can influence internal auditors to complete their duties neutrally. Therefore, the higher the objectivity, the better the audit results will be. In connection with this phenomenon, there are several related studies, including those conducted by MeilinaSafitri (2017) with the title The Effect of

Knowledge of Financial Management, Objectivity, Work Experience, Integrity, and Motivation on Audit Quality. The results of his research revealed that this condition occurs because financial relationships with clients can affect the objectivity and can lead third parties to conclude that the higher the objectivity of the auditor, the better the quality of the audit produced.

Internal audit provides a major role for the company's management in making decisions. The company management needs reliable and strategic information from internal auditors for making policies, procedures, as well as business decision-making processes and company operational decisions. Internal auditors are expected to be able to produce quality audits for management needs in the decision-making process. Thus, internal audit has a significant effect on the process of improving company performance.

Another study conducted by Purnomo, (2017) with the research title The Effect of Integrity, Competence, Objectivity, Professionalism, and Due Professional Care on Audit Quality. The results of his research revealed that when the auditor does his work, it must be based on a logical mind in collecting evidence in the process without any influence and pressure from any party or mental attitude. Unskilled resources will certainly not be able to complete their work effectively and efficiently. Based on this phenomenon, . This is the basis of research in revealing the effect of competence and objectivity on audit quality.

Method

This research uses a quantitative method with primary research/survey. This method was chosen to reveal a detailed picture related to the influence of competence and objectivity of internal audits on audit quality. In connection with that, the object of this research is the competence and objectivity of the internal audit of 60 employees of the financial audit section of PT. Pindad Bandung City.

Sampling was selected based on the probability sampling technique with the simple random sampling method. In revealing the data related to the influence of competence and objectivity of internal audits on audit quality, the researcher used questionnaires, literature studies, interviews, and observations. The questionnaire is conducted openly contains several questions related to the respondent's experience regarding competence, the objectivity of an internal audit, and audit quality at PT. Pindad Bandung City, which is distributed online. For observations and interviews, the researchers conducted directly, which then the data collected in the field was strengthened by data from the literature review. All data collected is then analyzed descriptively to describe the phenomenon, and verification analysis to test the research hypothesis.

Results and Discussions

Before conducting the research, the researcher tested the validity of the instrument by processing data through product movement correlation. The results obtained are as follow tabel 1.

The test results presented in the table show that all the questions on the auditor competency questionnaire are valid and feasible to be analyzed at the next stage of research. It can be seen from the Korean coefficient value which is greater than the critical point of 0.30. The same thing is seen in testing the validity of the auditor's objectivity questionnaire which shows it is greater than the critical point value of 0.30. As shown in the following table 2.

Table 1. Results of Auditor Competency Questionnaire Validity Test Results

Question Items	count	critical	Description
Item 1	0,449	0,30	Valid
Item 2	0,451	0,30	Valid
Item 3	0,368	0,30	Valid
Item 4	0,445	0,30	Valid
Item 5	0,475	0,30	Valid
Item 6	0,509	0,30	Valid
Item 7	0,519	0,30	Valid
Item 8	0,617	0,30	Valid
Item 9	0,519	0,30	Valid
Item 10	0,631	0,30	Valid

Source: Appendix of Validity and Reliability Test Output

Table 2. Test Results of Auditor Objectivity Questionnaire Validity

Question Items	rcount	critical	Description
Item 11	0,657	0,30	Valid
Item 12	0,515	0,30	Valid
Item 13	0,520	0,30	Valid
Item 14	0,624	0,30	Valid
Item 15	0,547	0,30	Valid

Source: Appendix of Validity and Reliability Test Output

Thus, the auditor's objectivity questionnaire is valid and can be continued for analysis at the next stage of research. Likewise, the audit quality questionnaire which was tested for validity showed the results that the audit quality questionnaire was valid and serviceable to be tested as seen from the correlation coefficient value which was greater than the critical point. As shown in the following table 3.

Table 3. Validity Test Results of Quality Audit Questionnaire

Question Items	rcount	critical	Description
Item 16	0,530	0,30	Valid
Item 17	0,428	0,30	Valid
Item 18	0,616	0,30	Valid
Item 19	0,500	0,30	Valid
Item 20	0,678	0,30	Valid
Item 21	0,569	0,30	Valid
Item 22	0,550	0,30	Valid
Item 23	0,641	0,30	Valid
Item 24	0,682	0,30	Valid
Item 25	0,598	0,30	Valid
Item 26	0,546	0,30	Valid
Item 27	0,580	0,30	Valid
Item 28	0,579	0,30	Valid
Item 29	0,484	0,30	Valid

Source: Appendix of Validity and Reliability Test Output

In the next step, the researchers conducted a reliability test to determine the credibility of the measuring instrument used. The tested data can be said to be reliable if the calculation results show that it is greater than the critical point of 0.70. The results of calculations carried out using the split-half method of Spearman-Brown are described as follow table 4.

Table 4. Recapitulation of Research Variable Reliability Test Results

Questionnaire	Reliability coefficient	Critical Value	Description
Auditor competence	0,818	0,7	Reliabel
Auditor objectivity	0,793	0,7	Reliabel
Audit quality	0,890	0,7	Reliabel

Source: Appendix of Validity and Reliability Test Output

Based on the picture above, shows if the calculated value is greater than the critical value. This confirms that all the questions are reliable and can be used as a measuring tool. In revealing the competence of auditors, researchers explore based on several dimensions including the dimensions of education, the dimensions of professional education, and the dimensions of experience. Related to the education dimension, the researcher reveals the auditor's educational background and the auditor's understanding of accounting standardization,

Financial reporting, and auditing. The results are seen if the auditors of PT. Pindad Bandung City is an accounting graduate and his understanding of accounting standards, financial reporting, and auditing looks very good. This is indicated by a score of 4.55. The second dimension regarding professional education was tested based on several questions that refer to the participation of the auditor in continuing more professional education, the auditor's efforts to increase the knowledge and ability of the auditor in increasing the expertise in auditing as well as accounting standardization. Tests carried out on all three obtained scores that were included in the very good category.

The third dimension is the experience dimension. Disclosure of this dimension is measured by several statements related to respondents' responses regarding experience in auditing, attending on-the-job training, ability to develop and apply professional judgment, supervising junior auditors, and collecting and evaluating evidence. Based on the test results on these three dimensions, it shows that each response from the respondents shows very good results. With this, it can be emphasized that some of the bear auditors at PT. Pindad Bandung City is very competent in carrying out each of its duties. Aspects that are revealed later are related to the objectivity of the auditor. In measuring the objectivity of this auditor, the researcher seeks to reveal 3 dimensions including the dimension of being fair, the dimension of avoiding conflicts of interest, and concerning the dimension of being fair, the researcher seeks to reveal the actions of the auditors that are not arbitrary, and of course impartial to one another. The test results show in the range of 4.43 which means that most of the auditors at PT. Pindad Bandung City highly upholds the values of professionalism in its work.

The second dimension is related to the dimension of avoiding conflicts of interest. The test results show that most of the auditors at PT. Pindad Bandung City is very careful about objectivity. The third dimension is the disclosure of dimensions according to facts and conditions. The test results with a score of 4.37 which are included in the very good category show that most of the auditors of PT. Pindad Bandung City has the freedom to disclose and determine evidence based on the facts found. The average results of the three dimensions tested are related to the objectivity of the auditors at PT. Pindad. The city of Bandung obtained an average score of 4.47 which was in the very good category.

With this, it can be emphasized that most of the employees of PT. Pindad Bandung is very objective in carrying out their duties. The next analysis relates to audit quality. This aspect is measured based on two dimensions which include audit implementation standards and reporting standards dimensions. The standard dimensions of audit implementation are measured based on the category of ability in preparing work plans, carrying out supervision of auditors' work, collecting and testing evidence. The test results show that most of the auditors at PT. Pindad Kota Bandung always keeps audit documents in an orderly and systematic manner so that they can be retrieved effectively.

Concerning the dimensions of reporting standards, the results showed a very good score for each component tested. From the two dimensions tested the average result shows a score of 4.47 which means it is in the very good range. Therefore, it can be emphasized that the audit results of PT. Pindad Bandung City is of very high quality. In testing the researcher's hypothesis, the steps taken by the researcher were to test the effect of the two independent variables on audit quality, either partially or simultaneously using correlation analysis and multiple linear regression analysis.

Classic assumption test

Classical assumption test is done by normality test, multicollinearity test (for multiple linear regression), and heteroscedasticity test.

Normality test

Normality test is a prerequisite in testing regression. The test results show that the probability value is 0.200. As seen in the following table 6. Based on what is stated in the table 6, it shows that the probability value is greater than the 0.05 significance level. Thus, the data is said to be normally distributed so that it can be continued for regression testing.

Table 6. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		60
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,27037981
Most Extreme Differences Absolute		,099
	Positive	,082
	Negative	-,099
Test Statistic		,099
Asymp. Sig. (2-tailed)		,200c,d

Test distribution is Normal.

Calculated from data.

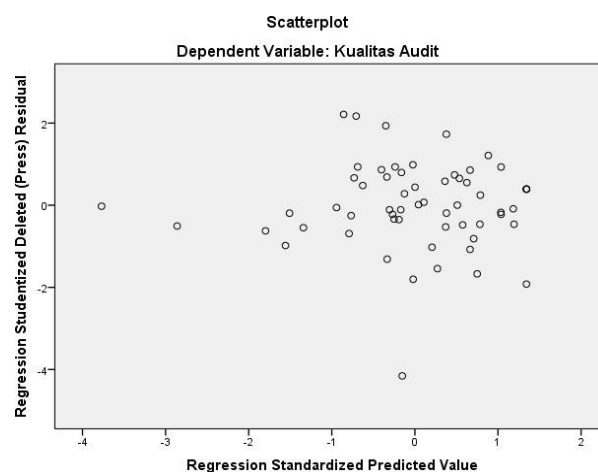
Lilliefors Significance Correction.

This is a lower bound of the true significance.

Multicollinearity test (for multiple linear regression)**Table 7.** Multicollinearity Assumption Test Results

Model	Coefficients	
	Tolerance	VIF
Competence	,575	1,738
Objectivity	,575	1,738

Based on the table above, it can be seen that the VIF value shows that there is no strong enough correlation between the independent variables, where the VIF value of the two independent variables is still less than 10. Likewise, the tolerance value is greater than 0.1, thus between the two independent variables. there is no multicollinearity.

Heteroscedasticity test**Figure 1.** Heteroscedasticity Test Scatterplot Graph

The figure 1 shows if the data points are randomly distributed and evenly distributed both above and below the number 0 on the Y-axis. This means that there is no heteroscedasticity in the regression model. The next step is to perform a multiple linear regression test with the results shown in the following table 8.

Table 8. Results of Multiple Linear Regression Analysis Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations Zero-order
	B	Std. Error	Beta			
(Constant)	,234	,228		1,029	,308	
Competence	,491	,093	,454	5,269	,000	,782
Objektivitas	,434	,075	,502	5,821	,000	,798

Dependent Variable: Audit Quality

Through the value of unstandardized coefficients (B), the regression equation can be formed as follows.
 $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + \dots + b_8X_8$

From the table above, it can be seen that the value of the auditor competence regression coefficient (X1) is positive at 0.491. Based on these results, it can be seen that the more competent the auditors are in carrying out assignments, the higher the quality of the audit results carried out. Likewise, with the auditor's objectivity (X2), the value presented in the table is positive at 0.434, therefore the more objective the auditor is in carrying out the assignment, the higher the quality of the audit results. To test the relationship between the competence and objectivity of the auditor simultaneously with audit quality, multiple correlation analysis was used. The test results look as follows table 9.

Table 9. Multiple Correlation Coefficient

Model Summary					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	,870a	,756	,748		,27508

Predictors: (Constant), Objectivity, Competence

Dependent Variable: Audit Quality

From the table above, it can be seen that the multiple correlation coefficient (R) between auditor competence and objectivity simultaneously with audit quality is 0.879. These data indicate that there is a very high/very strong relationship between the competence and objectivity of auditors simultaneously with audit quality at PT. Pindad Bandung City. To reveal how much influence the competence and objectivity of auditors simultaneously on audit quality, the researcher analyzes based on the coefficient of determination. Based on the processing results, the coefficient of simultaneous determination of competence and objectivity of auditors on audit quality is obtained. The calculation results show table 10.

Table 10. Coefficient of Simultaneous Determination

Model Summary					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	,870a	,756	,748		,27508

Predictors: (Constant), Objectivity, Competence

Dependent Variable: Audit Quality

From the table above, it can be seen that the R-square is 0.756, thus it can be said that the competence and objectivity of the auditor simultaneously have an effect of 75.6% on audit quality at PT. Pindad Bandung City. While the remaining 24.4% is the influence of other factors outside the auditor's competence and objectivity variables. To prove if the competence and objectivity of the auditor simultaneously affect the quality of the audit, the researchers chose to test the statistical hypothesis. The results show that the coefficient of simultaneous determination of competence and objectivity of auditors on audit quality is 75.6%. Therefore, the competence and objectivity of auditors simultaneously affect the quality of audits at PT. Pindad Bandung

City. In addition, the researcher also conducted a partial test with the first hypothesis regarding the effect of auditor competence on audit quality. The test results look as follow table 11.

Table 11. Auditor competence on audit quality

	Audit Quality	Competence
Pearson Correlation Audit Quality	1	,782**
Sig. (2-tailed)		,000
N	60	60
Pearson Correlation Competence	,782**	1
Sig. (2-tailed)	,000	
N	60	60

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the table 11, shows that the correlation coefficient between auditor objectivity and audit quality is 0.798. Furthermore, the coefficient of determination of the effect of auditor objectivity on audit quality is calculated, namely $0.502 \times 0.798 = 0.41$ or 40.1% thus, these data indicate that the auditor's objectivity has a high/strong relationship with audit quality at PT. Pindad Bandung City.

Conclusions

Based on the research and data analysis conducted, it shows that the auditor's competence has an effect on audit quality at PT. Pindad Bandung City. The data obtained were analyzed quantitatively with multiple linear regression analysis techniques, hypothesis testing t, and F test to test simultaneously. The results show that there is an influence of competence and objectivity of internal audit on audit quality at PT Pindad Bandung which is indicated by the calculation results of 75%. After analysis, it can be seen that the regression coefficient is positive, which means that the higher the auditor's competence in auditing, the higher the quality of the audit results will be direct.

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