

Factor Analysis Affecting The Audit Quality (Study On Inspectorate In Riau Province)

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Abstract: This study aims to determine (1) the influence of integrity on audit quality, (2) the influence of objectivity on audit quality, (3) the effect of work experience on audit quality, (4) the influence of knowledge on financial management on audit quality, and (5) Motivation to audit quality. The sample of this study is the auditor who works in inspectorate in Riau Province, precisely in Inspectorate of Bengkalis, Siak, Pelalawan, Kuantan Singingi, and Pekanbaru City. Data were analyzed by using multiple regression method using SPSS version 21. The data used is primary data by using questionnaire. The analytical technique used to perform the hypothesis is random sampling. The results showed that integrity, work experience, knowledge of local financial management and motivation had no effect on audit quality while objectivity had an effect on audit quality. Adjusted R Square of 0.626. This shows that the quality of audit on Inspectorate in Riau Province can be influenced by factors studied by 62.6% and 37.4% influenced by factors not observed in this study.

Index Terms: Quality Audit, Integrity, Objectivity, Work Experience, Knowledge of Local Financial Management and Motivation

1 INTRODUCTION

Awareness of the importance of the institution of inspectorate as an institution that performs internal control function (internal auditor) of government increasingly. The main objective is to realize good governance which is one of the main agenda of public sector reform in Indonesia. The inspectorate is one of the units conducting an audit on local government. The regional inspectorate has the task of organizing local government oversight activities and other tasks assigned by the regional head, so that in his duties the inspectorate is the same as the internal auditor (Falah, 2005 in Efendy 2010). In performing its duties, one of the APIP functions in this case the provincial / regency / municipal Inspectorate is to review the Local Government Financial Statement (LKPD) prior to audit by the State Audit Board (BPK). On the findings of APIP, the findings should be followed up by SKPD as an improvement, and at least no longer be the same findings by BPK. Supervision / Inspection by the Inspectorate contains the findings and weaknesses in governance and recommendations on these findings. These findings explain the weaknesses of internal control and disobedience to legislation. The audit results also provide information on potential state losses found in the audit process resulting from misuse and inefficiency of APBN / APBD usage. Some of the Inspectorate's audit results are followed up to audit investigations, corruption cases and criminal cases. However, the facts gained on the opinion given by the Audit Board of Auditors In its report, BPK again gave unqualified opinion with the explanatory paragraph on the Riau Provincial Government Financial Report for fiscal year 2014. This is because in the audit conducted by BPK get the findings Undetected by the Inspectorate of Riau Province, these findings have an effect on BPK's opinion on LKPD. BPK found a weakness of the internal control system in the preparation of financial statements, namely, Administration of fixed assets of the Riau Province government has not been orderly.

Administration and management of unregulated inventories and inventories of fiscal year 2014 have yet to describe actual conditions, There are activities in some SKPDs that are not Riau Province authorities and BPK also finds non-compliance with laws and regulations in local financial management. Among them, the delay in the procurement of vehicles serviced by the Riau Provincial Government for fiscal year 2014 has not been imposed a fine.. According to the Regulation of the State Minister for State Apparatus Empowerment Number PER / 05 / M.PAN / 03/2008, audit quality measurement on the financial statements, especially those conducted by the Government Internal Supervisory Apparatus (APIP), must use State Audit Standards (SPKN). A quality audit is an audit that can be acted upon by the auditee. This quality must be built from the beginning of the audit to reporting and recommending. APIP in performing its duty must hold professional principles, as regulated in the Regulation of State Minister of Administrative Reform State PER / 05 / M.PAN / 03/2008 about APIP code of ethics. Audit quality is the possibility of the auditor finding and reporting violations on the government accounting system based on accounting standards and predefined audit standards. In the public sector, the Government Accountability Office (GAO) defines audit quality as adherence to profesi standards and contractual ties during audits (Lowenshon, et al, 2005). The same opinion was expressed by the Indonesian Institute of Accountants (IAI), namely that audits conducted by auditors are said to be qualified if they meet auditing standards and quality control standards. In the Regulation of the State Minister of Administrative Reform State: PER / 04 / M.PAN / 03/2008, explains that one of the principles of behavior that must be obeyed by the auditor is Integrity. Integrity is the auditor must have a personality based on honest, courageous, wise, and responsible elements to build trust in order to provide the basis for reliable decision-making. Integrity is a quality that underlies public trust and is a benchmark for members in testing all decisions taken. According to the Principle of Professional Ethics of the Indonesian Institute of Accountants (IAI) the fourth principle of objectivity, states that objectivity is a quality that gives value to services provided members. The principle of objectivity requires members to be fair, impartial, honest, intellectual, unbiased or biased, and free from conflict of interest or under the influence of others. Each member shall maintain objectivity and be free from conflicts of interest in the fulfillment of his professional duty. Another factor that affects

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the quality of audit results is work experience. Experience is a learning process and the addition of potential development behavior of both formal and non formal education or can also be interpreted as a process that brings a person to a pattern of higher behavior. In accordance with the general standards in the Standards of Professional Public Accountants that the auditor is required to have sufficient work experience in the profession he is engaged in, and is required to meet the technical qualifications and experience in the field of industry that his clients are involved. The auditor's experience will continue to increase as more audits are conducted and the complexity of the audited financial transactions of the company will add and expand its knowledge in accounting and auditing. The auditor in the inspectorate is an auditor who comes from the government who is the State Civil Apparatus (ASN). Auditors receive rewards according to their respective categories, they may feel that reward fees are not in accordance with the work they do, so the motivation of inspectorate employees is reduced. Whereas with the motivation of the auditor will be more responsible for the task so that the auditor performance will increase. Based on the phenomenon, researchers are interested to examine what factors may affect audit quality. This is expected to be used as a benchmark for improving audit quality in kabupaten / city in Riau province in particular, and for other provinces in Indonesia in general. Based on the background of the above problems, the research questions for this research are: (1) Does integrity affect the results of the audit quality of the inspectorate apparatus in the supervision of regional finance ?, (2) Does Objectivity affect the results of the audit quality of the inspectorate apparatus in the supervision of regional finances? , (3) Does the Work Experience affect the results of the audit quality of the inspectorate apparatus in the supervision of regional finances? , (4) Does the Knowledge of Financial Management affect the results of the audit quality of the inspectorate apparatus in the supervision of regional finances? The result of the audit quality of the inspectorate apparatus in the supervision of regional finances ?. Based on the research questions above, this study has the following objectives: (1) To test the effect of integrity on the results of the audit quality of the inspectorate apparatus in the supervision of regional finance, (2) To test the effect of Objectivity on the results of the audit quality of the inspectorate apparatus in the supervision of regional finances. (3) To examine the effect of Work Experience on the results of the audit quality of the inspectorate apparatus in the supervision of regional finances. (4) To examine the effect of Knowledge on Financial Management on the results of the audit quality of the inspectorate apparatus in the supervision of regional finances, (5) To examine the effect of Motivation on the results of the audit quality of the inspectorate apparatus in the supervision of regional finances.

2 LITERATURE REVIEW

2.1 Audit Quality

In the public sector, the Government Accountability Office (GAO) defines audit quality as adherence to professional standards and contractual ties during auditing (Lowenshon et al, 2005). The audit standard is the guidance and measure of the quality of the auditor's performance (Messier et al, 2005). According to the Regulation of the State Minister for State Apparatus Empowerment number PER / 05 / M.PAN /

03/2008, the audit quality measurement on the financial statements, especially those done by APIP, must use State Audit Standards (SPKN). "The amount of benefits derived from the examination work does not lie in the findings of the reported inspection or the recommendations made, but lies in the effectiveness of the settlement pursued by the entity being examined. The management of the audited entity is responsible for following up on recommendations and creating and maintaining an information process and system to monitor the status of follow-up on the recommendations of the examiner. If management does not have such a method, the inspector shall recommend that management monitor the follow-up status of the reviewers' recommendations. Continual attention to the material inspection findings and recommendations may assist the examiner to ensure the realization of the benefits of the investigation "(para. 17). So it can be concluded that a quality audit is an audit that can be acted upon by the auditee. This quality must be built from the beginning of the audit to reporting and recommending. Thus, the indicators used to measure audit quality include the quality of the process, whether the audit is done carefully, according to the procedure, while continuing to maintain skepticism.

2.2 Integrity

In the Regulation of the State Minister of Administrative Reform State: PER / 04 / M.PAN / 03/2008, explains that one of the principles of behavior that must be obeyed by the auditor is Integrity. Integrity is the auditor must have a personality based on honest, courageous, wise, and responsible elements to build trust in order to provide the basis for reliable decision-making. Integrity (Integrity) is to act consistently in accordance with organizational values and policies and professional codes of ethics, even under difficult circumstances to do this. In other words, "the only word with deed". Communicate intents, ideas and feelings openly, honestly and directly even in difficult negotiations with others.

2.3 Objectivity

According to the Regulation of the Audit Board of the Republic of Indonesia Number 01 Year 2007 regarding State Auditing Standards, being objective is an impartial, intellectually honest, and free from conflict of interest. Objectivity is required by an auditor to be able to act fairly without being influenced by pressure or request from a particular party with an interest in the audit result (Sukriah et al., 2009: 3). According to John (2009) Objectivity can be interpreted as neutral in all implementation activities. Objectivity is done only by looking at the object to be assessed / tested without looking at other factors. Objectivity can be developed within the examiner if the examiner has no relationship with one of the parties concerned and or not under pressure from various parties.

2.4 Work Experience

In accordance with the general standards in the Professional Standards of Certified Public Accountants that the auditor is required to have sufficient work experience in the profession he is engaged in, and is required to meet the technical qualifications and experience in the field of industry that his clients are engaged. The auditor's experience will continue to increase as more audits are conducted and the complexity of the audited financial transactions of the company will add and expand its knowledge in accounting and auditing. Experience is a learning process and the addition of potential development

behavior. It can be seen either from formal or non-formal education or it can be interpreted as a process that brings a person to a higher behavioral pattern.

2.5 Knowledge of Financial Management

Based on Government Regulation No. 58/2005 on Regional Financial Management, the definition of regional financial management is a whole activity that includes planning, implementation, administration, reporting, accountability, and monitoring of regional finances. Knowledge of this is useful to ascertain whether budget execution is appropriate to the budget and does not deviate from existing regulations. To be able to produce quality audit results then the quality of people who carry out the task of supervision and examination therein should be the main concern that the employees involved in the activity must understand and understand how the process and implementation of accounting is run with reference to the applicable provisions.

2.6 Motivation

Terry (in Moekijat, 2002) defines motivation as a desire within an individual that encourages him to act. Meanwhile, according to the Committee of Management Termination of Management Institutions and Management Development, motivation is a process or factors that encourage people to act or behave in a certain way; Whose processes include: recognition and assessment of needs that have not been satisfied, setting goals that will satisfy the needs, and determining the actions necessary to satisfy the needs. Motivation is an important factor in the determination of results. Motivation is what causes, distributes and supports human behavior, so that individuals can work harder and more enthusiastically to achieve optimal goals or outcomes. With the motivation of the auditor will be more responsible for the task so that auditor performance will increase.

3 HYPOTHESES

Hypothesis in this research is as follows:

H1: Integrity affects the quality of the audit results of the inspectorate apparatus in the supervision of regional finances at the inspectorate in Riau Province.

H2: Objectivity affects the quality of the audit results of the inspectorate apparatus in the supervision of regional finances at the inspectorate in Riau Province.

H3: Work Experience affects the quality of the audit results of the inspectorate apparatus in the supervision of regional finances at the inspectorate in Riau Province.

H4: Knowledge of Financial Management Affects Quality of Audit Result of inspectorate apparatus in supervision of regional finance at inspectorate in Riau Province.

H5: Motivation affects the quality of the audit results of the inspectorate apparatus in the supervision of regional finances at the inspectorate in Riau Province.

4 RESEARCH METHODOLOGY

In accordance with the problems and objectives formulated, this research belongs to causative research. Causative research is useful for analyzing the influence of one variable with several other variables. Where research that aims to find out how far independent variables affect the dependent variable. This research is directed to provide empirical evidence that Integrity, Objectivity, Work Experience, Knowledge of Financial Management, and Motivation Affect

Quality Audit of Inspectorate Apparatus in Local Financial Supervision (At Inspectorate in Riau Province). Population in this research is all Auditor working on Inspectorate in Riau Province. Determination of sample with random sampling that is taking sample member of population is done randomly without considering strata that exist in population, where sample in this research is Inspectorate of Regency of Bengkalis, Siak, Pelalawan, Kuantan Singingi, and Town Pekanbaru. The method used in this research is survey method with questionnaire technique. The questionnaire contains a list of questions asked to respondents to obtain data related to the research. Primary data obtained from the answers of the respondents of the study of the Inspectorate Auditor in Riau Province. To obtain the required data in this study used the instrument in the form of questionnaires. The questionnaire was distributed by giving directly to the Inspectorate Auditor in Riau Province. The questionnaire contains a list of questions whose answers are expressed using a Likert scale.

5 RESULTS AND DISCUSSION

Based on the test of the validity of the Integrity variables (X1), Objectives (X2), Work Experience (X3), Knowledge of Financial Management (X4), Motivation (X5) and audit quality (Y) have corrected item - total correlation greater than 0.224 . This means that all statement items are declared valid. Based on the results of Integrity Reliability (X1), Objectives (X2), Work Experience (X3), Knowledge of Financial Management (X4), Motivation (X5) and Audit Quality (Y) have Cronbach's Alpha value greater than 0.6 So it can be stated all the variables in the research is reliable. Normality test results in this study indicate that the value of Assymp Sig Kolmogorov-Smirnov (K-S) is greater than 5% (0.05). It can be concluded that the overall data used in this study is normally distributed. In this study obtained tolerance values ≥ 0.10 and $VIF \leq 10$ so it can be concluded that there is no multicollinearity. To measure how big the relationship between the independent variables (X1, X2, X3, X4, and X5) with the dependent variable (Y) is the value of R (correlation coefficient) in the table. The result by showing R (correlation coefficient) = 0,811 which means there is strong relation between independent variables with dependent variable equal to 81,1%. R2 (coefficient of determination) is a value that indicates the ability of independent variables to explain the dependent variable, in this study R2 of 0.626 which means that 62.6% variation (change) Y (audit quality) can be explained by the variation of independent variables (X1, X2, X3, X4, and X5) while the remaining 37.4% is explained by factors other than the model in this study. Test results are known t-table value 1.674 at a significant level of 2.5% or 0.025. Based on regression test can be seen that t count $<t_{table}$ is 1,480 <1.674 with significance value obtained is 0,145 $> 0,05$. From the test results can be concluded that the first hypothesis is rejected. This shows that Integrity does not engage in audit quality. Means the higher the integrity possessed by an auditor does not affect the quality of audits generated by the auditor. This can happen because the possibility of the integrity of the respondent has not been maximized due to certain factors. Such independence may still be affected, since the auditor at the inspectorate is an internal auditor whose client is the government agencies themselves, so less independent. Integrity is a quality that underlies public trust that requires an auditor to be honest and transparent, courageous, prudent and

responsible in carrying out the audit. Test results are known t -table value 1.674 at a significant level of 2.5% or 0.025. Based on the regression test can be seen that t -count $>$ t -table is $3.767 > 1.674$ with significance value obtained is $0,000 > 0,05$. From the test results can be concluded that the second hypothesis accepted. This shows that objectivity affects audit quality. Means the higher the Objectivity owned by an auditor then the better the quality of audits produced by the auditor. This is because the unbiased, unbiased, fair and impartial auditor's way of thinking will result in a clean examination. In the decision-making process, the examiner uses a logical mind, so that it can express opinions according to what is in accordance with the actual conditions. With the creation of a clean inspection and disclosure in accordance with the actual conditions, then the resulting financial reports will be qualified which will then bear the results of quality inspection. Test results note known t -table value 1.674 at a significant level of 2.5% or 0.025. Based on regression test can be seen that t -count $<$ t -table is $0,231 < 1,674$ with significance value obtained is $0,818 > 0,05$. From the test results can be concluded that the third hypothesis is rejected. This shows that work experience has no effect on audit quality. It means that more work experience owned by an auditor does not affect the quality of audit generated by the auditor. This is presumably because the respondents are responsible for the examination with low complexity. Other factors, it can be seen that the average respondent's working life $>$ 5 years, however, as long as the respondents work in the inspectorate, respondents are older and earlier work in other fields than previous audit / audit, resulting in experience in the field of audit / audit conducted by the respondent Still minimal and few. Test results are known t -table value 1.674 at a significant level of 2.5% or 0.025. Based on the regression test can be seen that the value of t -count $<$ t -table is $-0.151 < 1.674$ with significance value obtained is $0.881 > 0.05$. From the test results can be concluded that the hypothesis keempat rejected. This indicates that Knowledge of Financial Management has no effect on audit quality. Means the higher Knowledge of Financial Management owned by an auditor does not affect the quality of audits generated by the auditor. Based on the results of this study, the increasing knowledge of auditors does not affect the quality of audit generated. It is known that most of the respondents have followed many trainings and also all the respondents are graduates of S1 or S2, which with high education level of course access to the information it has become more so that will have an impact on improving the quality. But even though the respondent has knowledge and many follow the training, the results of this study indicate that the increase. Test results are known t -table value 1.674 at a significant level of 2.5% or 0.025. Based on regression test can be seen that t -count $<$ t -table is $1,439 < 1,674$ with significance value obtained is $0,156 > 0,05$. From the test results it can be concluded that the fifth hypothesis is rejected. This shows that motivation has no effect on audit quality. Means the higher the motivation owned by an auditor does not affect the audit quality generated by the auditor. This is allegedly due to a lack of self-motivated auditors that can be associated with various factors, such as incentives or fee audits. If the incentives or fees received by the auditor are inconsistent with what they have done, they may be factors that cause the auditor not to be motivated to do the job, so that the auditor will be impressed neglecting his job and not concerned with the outcome of his work. Not to mention the inspectorate is an auditor who comes from the

government who is a civil servant (PNS) which incentives are obtained in accordance with the class and position of employees. Conversely external auditors such as KAP every audit will get incentives in the form of fee audit in accordance with the work it does.

6 CONCLUSION, IMPLICATIONS AND LIMITATIONS OF RESEARCH

CONCLUSION

- Based on the results obtained from the first hypothesis testing proves that integrity has no effect on audit quality. This is because the respondents still can not fully run the integrity attitude well.
- Based on the results obtained from testing the second hypothesis, proving that objectivity affects audit quality. Thus can be interpreted the higher the objectivity of an auditor, the higher the audit quality generated by the auditor.
- Based on the results obtained from testing the third hypothesis, proving that work experience has no effect on audit quality. This is because the respondents are responsible for the examination with low complexity.
- Based on the results obtained from the fourth hypothesis testing, proving that knowledge of financial management has no effect on audit quality. Although the respondents have knowledge and many follow the trainings, the results of this study indicate that the increased knowledge of auditors does not improve the quality of the resulting audit.
- Based on the results obtained from testing the fifth hypothesis proves that motivation does not affect the quality of the audit. This is due to a lack of motivation in the auditor's self.

IMPLICATIONS

The results of this study are expected to be able to give contribution to the government as an illustration of how the influence of the factors studied on audit quality in order to improve the quality of audit produced.

LIMITATIONS OF RESEARCH

- 1) This study only uses integrity, objectivity, work experience, knowledge of financial management and motivation as an indicator.
- 2) This research only uses the object of Inspectorate research in Bengkalis Regency, Siak Regency, Pelalawan Regency, Kuantan Singingi Regency and Pekanbaru City.
- 3) This research is a survey method using questionnaires without complete interview with the respondent.
- 4) For the next researcher is expected to spread the questionnaire is done when the examiner is in place and not when doing the assignment in the field for the questionnaire obtained maximum.
- 5) Further research should use research methods other than survey methods, such as interview methods that can be used to obtain two-way communication with the subject and get honest answers to the subject.
- 6) Increase the number of research samples and expand the scope of the study.

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