

**The Effect of Independence and Competence on Audit Quality at the BPKP Representative of North Sumatra Province**

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***Abstract***

*This study aims to determine the effect of: (1) Independence on Audit Quality, (2) Competence on Audit Quality, and (3) Independence and Competence on Audit Quality. Research is causal research. The sample in this study were 33 auditors who worked in the IPP, PPE, AN and P3APIP fields at the BPKP Representative of North Sumatra Province. The research sample was determined by purposive sampling method. This research questionnaire was measured using a Likert scale. Data analysis using multiple linear regression analysis with data quality test, classical assumption test, and data hypothesis testing with the help of SPSS 26 software. The results of this study indicate that (1) Independence has no effect on Audit Quality. This is indicated by the Sig value.  $0.0775 > 0.05$  and the value of  $t$  count  $1.832 < t$  table  $2.04227$ . (2) Competence affects Audit Quality. This is indicated by the Sig value.  $0.000 < 0.05$  and the  $t$  value is  $5.229 > t$  table  $2.04227$ . (3) Independence and Competence simultaneously affect Audit Quality. This is indicated by a value of  $0.000 < 0.05$  and an  $F$  value of  $26.409 > F$  table  $3.32$ .*

***Keywords :*** Independence, Competence, Audit Quality

***JEL Clasification:*** (adjust to JEL classification)

## 1. INTRODUCTION

According to Gettel, the State is interpreted as a group of people who inhabit a certain territory permanently, claim legal independence from outside, have a government organization, implement the law as a whole in their environment, and are managed by a government system with a large allocation of funds. In order to maintain accountability for the use of funds for government administration, it is necessary to carry out reliable supervision to ensure equitable distribution and usefulness of funds in all government sectors starting when planning and budgeting for these funds. Internal supervision of the Indonesian government is carried out by the Government Internal Supervisory Apparatus, abbreviated as APIP, which is given the task of conducting internal supervision within the government in accordance with applicable laws (SAIPI, 2021: 22). Internal supervision carried out by APIP is in the form of *assurance* activities (audits, reviews, evaluations, *monitoring*, and other supervisory activities) and *consulting* activities in providing adequate assurance of whether activities have been adequately planned, implemented and reported in order to create good government accountability. BPKP Representative of North Sumatra Province, located in the capital of North Sumatra Province, conducts internal supervision in the form of *assurance & consulting* activities. One of the *consulting* activities carried out is assistance in regional financial management through the Regional Financial Management Information System (SIMDA) application. This *consulting* activity is expected to be a *knowledge* transfer process to increase the competence and capacity of Local Government Human Resources in the management, financial administration of Regional Apparatus (PD) in accordance with applicable laws. The less than optimal quality of internal audit results is possible because there are still many problems in the existing internal control system, both in the implementation of its duties and functions and in terms of regulations. Academics generally agree that quality audit results must be carried out by independent and competent auditors. Internal control activities are independent and objective activities because they are expected to add value and improve the operations of *stakeholders*. Dhermawan and M. Rasuli (2018) state that auditor competence has a significant effect on audit quality. Afriani Siallagan (2019) in "The Effect of Auditor Competence, Independence and Professionalism on Audit Quality at the Financial and Development Supervisory Agency (BPKP) Representative of North Sumatra Province", concluded that simultaneously the competence and independence of auditors have a significant effect on the audit quality of auditors at the BPKP Representative of North Sumatra Province while partially, competence has a significant effect on audit quality and independence has no significant effect on audit quality. Rifka Alfiati (2017) in her research "The Effect of Auditor Ethics, Professional Skepticism and Auditor Competence on Audit Quality", states that competence has no significant effect on audit quality for auditors working at the Inspectorate of West Sumatra Province. The results of research by Mokh Firdaus Alam Hudi (2017) with the title "The Effect of Competence, Experience, and Independence on APIP Audit Quality (Study at BPKP Representative of East Java Province)", show that competence, experience, and independence partially and simultaneously affect audit quality.

The purpose of this study was to determine and obtain empirical evidence of:

1. The effect of auditor independence of BPKP Representative of North Sumatra Province partially on audit quality at BPKP Representative of North Sumatra Province.
2. The effect of the competence of auditors of BPKP Representative of North Sumatra Province partially on audit quality at BPKP Representative of North Sumatra Province.

3. The effect of independence and competence of auditors of BPKP Representative of North Sumatra Province simultaneously on audit quality at BPKP Representative of North Sumatra Province.

## **2. LITERATURE REVIEW**

Attribution theory is the process of determining the causes and motives about the behavior of others and oneself whether it comes from internal (nature, character, attitude) or external (pressure of certain situations or circumstances) that affect their behavior. Thus, attribution theory is a description of individual / human behavior that is able to describe the independence and competence of auditors through their traits, characters and attitudes. An independent attitude can be maintained by being honest with oneself and considering facts objectively in formulating / expressing opinions. An auditor is likely to face pressure or interests from management or from other parties, however, a competent auditor in carrying out his duties will always try to find, find and report all the facts that will become his audit findings, without being influenced and pressured by other parties.

*Agency Theory* assumes that humans are always *self-interested*, so the presence of an independent third party as a mediator in the relationship between *principal* and *agency* is needed, in this case an independent auditor, Li Dang et al. in Dhermawan and M. Rasuli (2018). Accounting data in quality independent auditor reports tend to be more trusted by investors / outsiders. In the Indonesian Government Internal Audit Standards, abbreviated as SAIPI, independence is interpreted as a state of being free from things that might threaten APIP to be able to be objectively responsible. The APIP leader must have direct and unlimited access to the K / L / D leadership and be able to manage threats to independence from the individual auditor, assignment, and organizational levels to achieve the level of independence required in carrying out the duties and functions of internal supervision (SAIPI 2021: 4). To carry out their professional responsibilities effectively and be able to adapt to the conditions and situation of the auditi, auditors must have the necessary education, knowledge, expertise and skills, experience, and other competencies (SAIPI, 2013: 14). Education, knowledge, expertise and skills, experience, and other competencies are cumulative competencies based on the professional abilities required by auditors. Competence can be proven through a combination of experience and understanding of theory (SAIPI, 2021: 9). DeAngelo in Yasinta Pritama (2017), audit quality is an opportunity where an auditor finds and reports violations or errors found in his client's accounting system. PCAOB (*Public Company Accounting Oversight Board*) in Yasinta Pritama (2017), states that human resources are one of the most important assets because the quality of the audit depends on the auditor's proficiency during the internal audit. In conducting an examination, internal auditors are required to find and report violations in the work system and the resulting performance *output* independently based on audit standards and when finding irregularities, auditors must report objectively.

## **3. RESEARCH METHOD**

This research is a type of associative research by analyzing the effect of a variable on another variable, Sugiyono in Afriani Siallagan (2019). Researchers analyze the effect of independence and competence on audit quality, where auditor independence and competence are independent variables, while audit quality is the dependent variable. Hypothesis testing is done through multiple linear regression analysis with 2 (two) variables. The unit of analysis used in this study is the behavior of government internal

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auditors on their individual audit quality through opinions on questionnaire statements to obtain primary data. Data collection is done through a one-stage study (*cross sectional study*) by means of one collection in a period of days / weeks / months. The statements in this study used a *Likert* scale of 1 to 5. The population of this study was 143 auditors at the BPKP representative of North Sumatra Province.

The sampling technique used in this study was *purposive sampling*. According to Sugiyono (2016: 85), *purposive sampling* is done by providing certain criteria for its selection. A total of 33 samples in this study with criteria:

1. Auditors who conduct internal audits are in the fields of Central Government Agencies (IPP), Local Government Accountability (APD), State Accountants (AN) and P3APIP, and
2. The length of service in the position is in the range of 7 to 19 years.

Data quality tests can be carried out through validity tests and reliability tests. Each of these tests was carried out to determine the consistency and accuracy of the data collected from the distributed questionnaires. The willingness and thoroughness of the respondents in answering each statement is very important. The freedom of an answer is largely determined by the measuring instrument found. In this study, the data quality test was carried out using the SPSS (*Statistical Product and Service Solution*) *Statistic 26* program. The classical assumption test is carried out to assess whether in an *Ordinary Least Square* (OLS) regression model there are classical assumption problems, namely data normality test, multicollinearity test, heteroscedasticity test and multiple linear regression analysis then hypothesis testing is carried out, namely partial test and simultaneous test. In addition, this study also tested the coefficient of determination.

## **4. RESULTS AND ANALYSIS**

This research was conducted at the BPKP representative office of North Sumatra Province, Jalan Jenderal Gatot Subroto KM. 5.5 Medan-20132. This study analyzes the effect of independence and competence of auditors of BPKP Representative of North Sumatra Province on audit quality at BPKP Representative of North Sumatra Province with a population of 143 auditors. The distribution and collection of questionnaires were carried out directly to different respondents from April 25 to 28, 2022 and May 9 to 13, 2022 (9 working days).

### **Data Quality Test**

#### **1. Validity Test**

Data validity testing can be done through a two-way significance test that compares the calculated *r* value with the *r* table for *degree of freedom* ( $df = N-2$ ; *N* is the number of respondents. If  $r_{count} > r_{table}$ , then the data is said to be valid, where *r* table for  $N = 33$  and  $df = 31$ , is 0.3440. From the results of data processing From the results of data processing carried out in table 4.8, the *Corrected Item-Total Colleration* value of each independence, competence, and audit quality variable is entirely valid because *r* count is greater than *r* table.

#### **2. Reliability Test**

This reliability test is based on the calculation of the value of *Cronbach's alpha*. According to Nunnally in Ghozali (2018: 46) in Maulina Nailissyifa et al (2019), if the *Cronbach's aplha* value is  $> 0.70$  then the respondent's answer is declared reliable and if the *Cronbach's aplha* value is  $< 0.70$  then it is declared unreliable. The value of *Cronbach's alpha* for each variable is proven to be greater than 0.70 so it can be concluded that the answers of the respondents in each statement are considered reliable and the statements in the questionnaire can be used in further research.

From the results of data processing, the *Asymp.Sig* value is obtained. (*2-tailed*) of 0.166 so it can be concluded that the regression model fulfills the assumption of normality. The

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data normality test in this study was also carried out using a histogram graph. Data can be said to be normally distributed if the shape of the curve has a slope that tends to be balanced on the right side and the left side.

This study is free from multicollinearity symptoms. This can be seen by comparing the *tolerance* and VIF values. Each independent variable used in this study has a *tolerance* value greater than 0.1. The independence variable (X1) has a *tolerance* value of 0.759, competence (X2) has a *tolerance* value of 0.759. When viewed from VIF, each independent variable is smaller than 10, namely independence (X1) has a VIF of 1.317, competence (X2) has a VIF of 1.317. So the conclusion obtained is that there are no symptoms of multicollinearity in the independent variables.

From the results of the Heteroscedasticity test, namely through the *Scatterplot* graph and the "Glejser" test, from the SPSS *output it is* concluded that the research variables do not experience heteroscedasticity with the conclusion:

- The data points spread above and below or around the number 0 (the spread of points is not patterned);
- The significance value of all independent variables in the "Glejser" test is greater than 0.05.

The independence of auditors of BPKP Representative of North Sumatra Province has a partial effect on audit quality at BPKP Representative of North Sumatra Province. The t test results state the Sig value.  $0.077 > 0.05$  and the value of t count  $1.832 < t$  table  $2.04227$  then H1 is rejected. From the t test results, it was found that the significance value  $> 0.05$ , or t count  $< t$  table so it can be concluded that the independence of auditors has no partial effect on audit quality at the BPKP Representative of North Sumatra Province. When linked to attribution theory, independence is an external force (*external forces*) of auditors in carrying out their duties. This is in accordance with research conducted by Riska Khoisaroh (2017), where independence has no effect on audit quality.

The competence of auditors of BPKP Representatives of North Sumatra Province partially affects audit quality at BPKP Representatives of North Sumatra Province. The t test results state the Sig value.  $0.000 < 0.05$  and the value of t count  $5.229 > t$  table  $2.04227$  then H2 is accepted, which means that there is an effect of the Competency variable on Audit Quality. Thus it can be concluded that the competence of auditors partially affects audit quality at the BPKP Representative of North Sumatra Province. When linked to attribution theory, competence is an *internal* force in assessing auditor behavior. This is in accordance with research conducted by Afriani Siallagan (2019), where partially competence has a positive effect on audit quality.

The independence and competence of auditors of the BPKP Representative of North Sumatra Province simultaneously affect audit quality at the BPKP Representative of North Sumatra Province. The results of the F test state that the significance value for the effect of independence and competence variables simultaneously on audit quality is  $0.000 < 0.05$  and the calculated F value is  $26.409 > F$  table  $3.32$ , so it can be concluded that H3 is accepted, which means that independence and competence simultaneously affect audit quality at the BPKP Representative of North Sumatra Province. This means that if Independence (X1) and Competence (X2) together increase, it will have an impact on the increase in Audit Quality (Y), otherwise if Independence (X1) and Competence (X2) together decrease, it will have an impact on the decrease in Audit Quality (Y).

## 5. CONCLUSION

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From the results of data testing that has been carried out regarding the Effect of Independence and Competence on Audit Quality at the BPKP Representative of North Sumatra Province, the conclusions that can be formulated are:

1. The independence of auditors of BPKP Representatives of North Sumatra Province has no partial effect on audit quality at BPKP Representatives of North Sumatra Province. The t test results state the Sig value.  $0.077 > 0.05$  and the value of t count  $1.832 < t \text{ table } 2.04227$  so it can be concluded that audit quality is not partially influenced by the independence of auditors. Nevertheless, increasing independence individually, teams and agencies as an external force of auditors still needs to be done in maintaining better audit quality;
2. The competence of auditors of BPKP Representatives of North Sumatra Province has a partial effect on audit quality at BPKP Representatives of North Sumatra Province. The t test results state the Sig value.  $0.000 < 0.05$  and the value of t count  $5.229 > t \text{ table } 2.04227$  so it can be concluded that the competence of auditors of BPKP Representative of North Sumatra Province has a partial effect on audit quality at BPKP Representative of North Sumatra Province;
3. Independence and competence simultaneously affect audit quality at the BPKP Representative of North Sumatra Province. The results of the F test state, the significance value for the effect of independence and competence variables simultaneously on audit quality is  $0.000 < 0.05$  and the calculated F value is  $26.409 > F \text{ table } 3.32$ , so it can be concluded that if Independence and Competence simultaneously increase, it will have an impact on the increase in Audit Quality and vice versa if Independence and Competence simultaneously decrease, it will have an impact on decreasing Audit Quality;
4. From the results of the coefficient of determination test (*Adjusted R Square*), there are 38.60% explained by other variables that are not included in the regression model in this study.

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