

# Audit Quality as Intervening Variable of the Relationship between Competency, Independence, and Professionalism on the Ability to Detect Fraud (A Case Study on the Bungo and Tebo Regencies Inspectorat

---

**Submission date:** 10-Feb-2022 08:54AM (UTC+0700)  
by Afrizal Afrizal

**Submission ID:** 1758916882

**File name:** 20220122104952pmWEB19158.pdf (346.38K)

**Word count:** 7614

**Character count:** 42345

## **Audit Quality as Intervening Variable of the Relationship between Competency, Independence, and Professionalism on the Ability to Detect Fraud (A Case Study on the Bungo and Tebo Regencies Inspectorate Auditors)**

**Afrizal\***

Department of Accounting, Universitas Jambi, Indonesia. E-mail: afrizaldoktor@unja.ac.id

**Wirmie Eka Putra**

Department of Accounting, Universitas Jambi, Indonesia.

**Yuliusman**

Department of Accounting, Universitas Jambi, Indonesia.

**5**  
*Received September 11, 2021; Accepted December 10, 2021*  
*ISSN: 1735-188X*  
*DOI: 10.14704/WEB/V19I1/WEB19158*

---

### **Abstract**

This study entitled the influence of competency, independence, and professionalism on detecting fraud with audit quality as an intervening variable, aiming to examine the impact of competency, independence, professionalism on audit quality and ability to detect fraud, and discuss the mediating effect of audit quality. The sample used in this study was all the members of Bungo and Tebo Regency's inspectorate, Indonesia with 28 respondents. The data analysis techniques used in this study were descriptive statistics and path analysis used SmartPLS 3 software. This study's results are: competency, independence, and professionalism partially influence audit quality, while only competency, professionalism, and audit quality influence the ability to detect fraud. There is no evidence that audit quality mediating the effect of competency, independence, and professionalism on the ability to detect fraud.

### **Keywords**

Competency, Independence, Professionalism, Audit Quality, fraud.  
JEL Codes: L15, M42

### **Introduction**

The tendency of accounting fraud or generally referred to as fraud in the auditing term, has lately become headlines in frequent media coverage for fraud is a latent danger.

Research conducted by the Global Association of Certified Fraud Examiners (ACFE) found that an average of 5% of the organization's income becomes a fraud victim each year. In the public sector, fraud committee in the form of a leak in the State Revenue and Expenditure Budget (APBN). Meanwhile, in the private sector, fraud occurs in the same form, such as inaccuracy in spending sources of funds. Fraud is actions that are against the law that carries out on purpose (manipulation or giving false reports to other parties) by people from inside or outside the organization for personal or group gain that directly or indirectly harms other parties (ACFE, 2016).

Fraud in government agencies not only involves people who have a high position but also under them. Moreover, fraud can occur within the central government environment and local government circles (Habbe et al., 2019). Frauds that arise, such as manipulating financial report records, deleting documents, and marking up profits, are detrimental to the country's economy. Fraud occurs because of an opportunity to commit acts of deception for personal benefits and group interests. That support by data in 2020 from a survey conducted by corruption observer, Transparency International, its website, [www.transparency.org](http://www.transparency.org), suggests that Indonesia is ranked 85<sup>th</sup> out of 180 countries in 2020 with 40 from the highest score 100. This data indicates that Indonesia classifies as a country with a relatively high corruption level (Transparency International, 2020). The story of fraud at the regional government level can see from the opinion indicators provided by the Audit Board of the Republic of Indonesia (BPK RI) on the results of the examination of regional government financial reports along with the recommendations for 'system' improvements (Herawaty & Hernando, 2020).

In 2018, Bungo Regency received an unqualified opinion. However, the Audit Board of the Republic of Indonesia, Representative of Jambi Province, conducted an audit on the use of the budget. It found several irregularities in the internal control system, such as administering fixed assets that were not following the rules, calculating the expenditure budget for eight PD that did not improve, and services fees at the community health services correct. Furthermore, an examination of compliance. That was not under the law, such as payment of honorarium, was not following the rules, spending on food and drinks, and spending on transportation and accommodation. That we're not following the rules, a lack of work volume at the Public Works and Public Housing Office, and three work items has not to pay the Public Works and Public Housing Office.

The Audit Board of the Republic of Indonesia, Representative of Jambi Province, examines the Report on Local Government Finances abbreviated LKPD of Tebo Regency in 2017, found unqualified opinion along with LKPD in 2018. Even though Tebo

Regency got an unqualified opinion, several crucial things were found, such as asset administration. That was not following SAP, the stipulation of grants that were not following applicable regulations, and 13 work packages that have not complete but not subject to fines. The BPK RI Representative of Jambi Province expects the Bungo Regional Government and the Tebo Regional Government to obey the laws and regulations and immediately follow up on the BPK RI recommendations under the applicable rules. From the audit on the LKPD, BPK RI found that the quality of APIP at the Bungo Regency Inspectorate and the Tebo Regency Inspectorate was not optimal yet.

Fraud can minimize using good fraud detection capabilities. APIP's ability to detect fraud can certainly reduce BPK's findings. However, the BPK's results from 2016-2017 show no decrease. As shown in the audit report of Bungo Regional Government, there were overpayments on the work. Hanafi Regional Hospital rooms' work in 2017 and 2018, which increase in number.

Moreover, a collection of fixed assets in buildings, roads, and irrigation has not to settle. That is similar to the Tebo Regional Government. Tebo Regional Government received an unqualified opinion from 2017-2018, Tebo Regional Government assets' administration was not following SAP. Furthermore, there were late payments on work at the Public Works and Public Housing Office.

Fraud can eliminate by several things such as good audit quality, apparatus competence, apparatus independence, and high apparatus professionalism. Audit quality in government is inseparable from the internal auditor's active role, known as the inspectorate. Following Presidential Decree Number 74 of 2001 concerning Procedures for Supervision and Regional Government Administration, supervision at the Provincial Government level is carried out by the Governor through the Provincial Regional Supervisory Agency or Institution called the Provincial Inspectorate. Meanwhile, at the Regency and Municipal level, the supervisory role is carried out by regents and mayors through regency and municipal, regional supervisory agencies or Regional Inspectorate institutions (Damopoli et al, 2017).

A study conducted by Haryanto & Susilawati (2018) found that good audit quality can reduce fraud. That is similar to a survey conducted by (Suharti & Apriyanti, 2019). The role of the inspectorate is significant in helping detect fraud that occurs in government circles. To be able to detect fraud certainly, internal auditors need to have good abilities such as competence. Auditor competence is a particular characteristic possessed by an examiner who recognizes as being able to use theory and practice to carry out his

profession (Falatah & Sukirno, 2018). A study conducted by Haryanto & Susilawati (2018) states that competence affects audit quality. This statement supports a survey undertaken by Falatah & Sukirno (2018) that competence affects audit quality. Auditor competence is a particular skill possessed by an examiner who recognizes as being able to use theory and practice to carry out his profession.

The professionalism of an auditor needs to prevent or detect fraud, for the higher the professionalism of an auditor, the more guaranteed the quality of the audit results. It expects that an auditor can prevent and detect fraud with an attitude of professionalism. The professionalism of an auditor can see from the results of the audit one has done. Professional auditors work regardless of parties. If they find fraud, they will report it as soon as possible; the study conducted by Made Yunita Windasari & Juliarsa (2016) proves that professionalism affects audit quality. That supports by research conducted by Haryanto & Susilawati (2018) that professionalism affects audit quality.

This study refers to a previous study (Erlina et al., 2018, Asriati, 2019, Umar et al, 2019), which investigates the "factors that influence audit quality and their relationship with detecting fraud." In this study, there were several similarities similar to that previous study. However, the researchers added professionalism as the independent variable. The last review was conducted in the Special Capital District of Jakarta, while this study shows in Bungo Regency and Tebo Regency. Those regencies chose to be studied since there was fraud existing there that the auditors had not detected.

## **Literature Review and Hypothesis Development**

### **1. Stakeholder Theory**

Stakeholders are parties related to issues and problems, for example, auditing issues such as principal (shareholder), management (agent), regulator (government), banks, a state-owned corporation, and many others (Arens & Loebbecke, 2000).

### **2. Entity Theory**

The management concept of "stewardship" and "accountability" emphasizes in entity theory where the business will care about the business financial information of the equity owners and the level of business continuity in maintaining a good relationship, as well as meeting legal needs with equity holders (Tandiontong, 2015).



### **3. Agency Theory**

The agency theory perspective is one of the foundations used to understand fraud emerging in an organization. Agency relationship means that there is control on the part of management. Agency theory is closely related to variables in detecting fraud. One of the auditors' duties is to provide an opinion on a financial report's fairness to prove that the principal's trust does not misuse the agent's interests (Purba & Nuryatno, 2019). The benefits obtained from conducting an examination do not lie in the results of the audit findings that have to recommend or report but lie in the effectiveness of completing the entity audits (Tandiontong, 2015).

### **4. Competence**

Competence is an attitude required to be possessed by an auditor by using sufficient technical training and expertise. The skills expected of an auditor are feasible, fast, intuitive, and rarely or rarely make a mistake to do the job efficiently. Competency is a variable that can be measured using instruments regarding knowledge and experience. Learning can be measured using knowledge instruments from non-formal education (training, courses, and seminars), discipline, formal education, the ability to communicate with clients, and punctuality. Experience can be measured using an instrument regarding the number of clients who have audits and the length of time they have worked as an auditor (Windasari & Juliuarsa, 2016). The first standard demands an auditor's technical competence in carrying out an audit (Halim, 2008).

### **5. Independence**

Independence is an influence-free state that is not controlled and is not influence by other parties. The attitude of an auditor that requires carrying out his duties is an attitude of independence. An auditor's independence will make auditors act honestly, fairly, and objectively (Sanjaya, 2017). Independence is an objective attitude in carrying out a job, free from conflict of interest and impartiality. The philosophy of independence in the audit process means not rejecting or taking sides in various parties' interference in carrying out their duties. The attitude of independence has a significant influence and becomes the basis for auditors to be trusted by the general public. If an internal auditor does not have an independent attitude, it might be difficult for an auditor to prevent fraud (Windasari & Juliuarsa, 2016). Audit service users perceive auditors' work to be meaningless if they do not have an independent attitude towards the reported and audited financial statements for financial report makers and users (Ningtyas & Aris, 2016).

## **6. Professionalism**

An auditor must comply with legal regulations and provisions by avoiding any action that could discredit the profession. Every effort has to have rational knowledge of relevant information (Elen & Sari, 2013). According to the Regulation of the Audit Board of the Republic of Indonesia Number 2 of 2011 concerning the Code of Ethics for the Audit Board, article 1 states that an auditor who has the expertise, ability, and commitment to carry out his duties is called professionalism. The professional attitude can manifest by being professional skepticism during the audit process by prioritizing professional judgment (Atmaja, 2016).

## **7. Ability to Detect Fraud**

Actions against the law intentionally for a specific purpose (giving false reports to other parties or manipulation) by people from inside or outside the organization to get personal or group benefits that cause harm to other parties are called fraud (Tuanakotta, 2010). Fraud consists of all forms that humans can think of to benefit from others, by coercing the truth and any unreasonable way that causes others to be deceived or suffer losses (Atmaja, 2016)

Detecting fraud is an attempt to obtain a sufficient initial indication of the act of fraud. Simultaneously, it narrows the space for the perpetrators of fraud (when the perpetrator realizes that his practice is known or is too late to make an excuse). Meanwhile, Fullerton & Durtschi (2004) defined the ability to detect fraud to recognize and identify the existing fraud symptoms. These symptoms include management style, incentive systems, company ethics, industrial problems, relationship with outside parties, financial pressure, opportunities for fraud, rationalization of fraud, accounting practices, and financial data. Fraud occurs, among others, through the presentation of complete information, information that is irrelevant, invalid, inaccurate, not timely, and incomplete (full disclosure) (Valery, 2011).

## **8. Audit Quality**

The quality of the results of the auditors detects and report on financial statements is called audit quality. The detection of an auditor has several aspects, namely a reflection of the auditor's competence, as seen from the auditor's ethics or integrity, particularly independence (Ningtyas & Aris, 2016). The probability that an auditor reports and finds an error in a client's accounting system is also called audit quality. The indicators in

measuring an auditor's audit quality measure the quality of inputs, processes, results, and context (Robert Knechel, Krishnan, Pevzner, Shefchik, & Velury, 2013).

## **9. Research Framework**

### **1. Competency and Quality of Audit**

Audit quality is all the possibilities whereby the auditor can find violations in the client's accounting system and report the findings in the audited financial statements when auditing the client's financial statements. The implementation of auditors' duties guides auditing standards and the relevant accountants' code of ethics (DeAngelo, 1981). A previous study (Agustina et al., 2014) shows that auditor competency affects audit quality. Audit quality achieves if the auditors have good competencies consisting of all leadership, professionalism, and professional knowledge. Professionalism is related to ethics to focus on stakeholders, comprehensive approach, communication, professional development, professional self-evaluation, and problem-solving. The experience that has to be mastered by an auditor is finance and financial planning, financial accounting and reporting, business environment, management accounting, taxation, and information technology.

H1: Competency affects audit quality.

### **2. Independence and Audit Quality**

A necessary auditing standard related to audit quality is independence. That aims to increase the credibility of the financial statements. According to the 1004 Code of Ethics for Accountants, an attitude that does not have a personal interest in carrying out duties and does not conflict with integrity and objectivity is called an independent perspective.

A previous study (Handayani & Merkusiwati, 2015, Muda et al., 2020) suggests that independence positively influences audit quality. That illustrates that the higher the autonomy of an auditor, the better the audit quality is. Auditors must have an impartial attitude when carrying out their duties, reflecting that auditors are free from any influence and are honest with the company, creditors, and parties to the financial statements. If an auditor does not have independence, it might result in lower audit quality. Thus, the audit report as the final result is not suitable and doubtful. Therefore, an attitude of independence is needed to obtain high audit quality.

**H2: Independence affects audit quality**



### **3. Professionalism and Audit Quality**

When carrying out an audit where he continuously evaluates and questions critically of the audit results, an auditor's attitude is called an attitude of professionalism. A previous study (Ningtyas & Aris, 2016, Elisabeth et al., 2018, Siregar et al., 2019) shows a significant influence of the due professional care variable on audit quality. An auditor can achieve audit quality if an auditor has good owing professional care. Adequate accuracy needs from a public accountant to avoid misrepresentations in the report and produce good audit quality. The accuracy of an auditor is critical in the duty. It can increase confidence in providing an opinion that there are no errors in presenting the financial statements caused by errors or fraud in each work.

**H3: Professionalism affects audit quality**

### **4. Competency and Ability to Detect Fraud**

A measure of the experience and knowledge of an auditor is called competency. Auditor's learning assesses the level of education they have (Muda et al., 2020). Meanwhile, the experience is evaluated by how long it takes to audit. Sufficient knowledge and understanding of an auditor will create more objective, accurate, intuitive, and no mistakes (Sanjaya, 2017).

A previous study (Putri & Putra, 2017) suggests that if competency increases, the auditor's ability to detect fraud will also increase. In contrast, if the competency decreases, it might help the auditor to complete their duties. That proves that experience is a factor that can influence fraud detection. It can conclude that using expertise proves that the more experienced the auditor, the higher its ability to detect fraud.

**H4: Competency affects the ability to detect fraud**

11

### **5. Independence and Ability to Detect Fraud**

The mental attitude that the auditor has to be impartial in carrying out the audit is called an attitude of independence. An audit service user's perspective views that an auditor might work independently of the reported and audited financial statements for users of financial statements (Halim, 2008). The not independent auditor's work results consider being meaningless (Ningtyas & Aris, 2016).

A previous study (Fransisco, Fransiskus, 2019) indicates that auditors' attitudes reflect the work environment to client explanations and the ability to detect fraud. A philosophy that

is free from the influence of other parties will tend to behave objectively towards clients. Thus, independence influences the auditor's ability to detect fraud.

**H5: Independence affects the ability to detect fraud.**

## **6. Professionalism and Ability to Detect Fraud**

An auditor must comply with any applicable legal regulations by avoiding an attitude of discrediting the profession. Any action with a negative conclusion from a rational third party can reduce the auditor profession's reputation (Elen & Sari, 2013, Erlina and Muda, 2018). A study conducted by Putri & Putra (2017) shows that if professionalism increases, the auditor's ability to detect fraud will also increase. If professionalism decreases, it will reduce the ability of auditors to detect fraud. That proves that professionalism is a factor that can affect fraud detection. It can conclude that with an attitude of professional professionalism, the higher the detection of fraud.

**H6: Professionalism affects the ability to detect fraud**

## **7. Audit Quality and Fraud Detection Ability**

Auditors always try to be careful in making decisions during the audit. Thus, sufficient knowledge of fraud types, especially those that often occur during the audit, is required.

**H7: Audit quality affects the ability to detect fraud.**

## **8. Competency on the Ability to Detect Fraud through Audit Quality**

Audit quality does not affect fraud detection because audit quality might create relationship problems between the auditor and auditee engagement (Erlina et al., 2018 and Saadah, 2018). Audit quality in this study was proxied by the rate of the auditors themselves. Previous research (Basri et al., 2019 and Nainggolan et al, 2019) suggests that competency does not affect audit quality as measured by auditors' level of education.

**H8: Competency affects the ability to detect fraud through audit quality.**

## **9. Independence on the Ability to Detect Fraud through Audit Quality**

The inspectorate in carrying out its supervisory tasks is very difficult to run effectively. Apart from those who supervise and supervise have the same institution, besides the equivalent echelon of local bureaucracy (OPD). Thus, it seems as if they have the impression of OPD rather than being controlled, but it is only in coordination (Safwan et al, 2019). It supports by a previous study (Karamoy & Wokas, 2015) that there is an indication of pressure from the party being audited not to be open, resulting in no effect on independence in audit quality and implications for the failure of fraud detection.

**H9: Independence affects the ability to detect fraud through audit quality.**

## 10. Professionalism on the Ability to Detect Fraud through Audit Quality

The regional inspectorate audit results have to report to the regional head with a copy to the Ministry of Administrative and Bureaucratic Reform. That consider making it difficult for provincial inspectors to work independently and not under pressure (Rahadian, 2017).

**H10: Professionalism affects the ability to detect fraud through audit quality.**

### Method

The research method employed in this study was descriptive research method with a quantitative approach. This study used primary data obtained from questionnaires distributed to respondents in the Inspectorate of Bungo and Tebo Regencies. The independent variables used in this study were independence, competence, and professionalism. Meanwhile, the intervening and dependent variables were audit quality and the ability to detect fraud. The obtained data were then analyzed using the partial least square technique with the SmartPLS 3 application's help. The path diagram of this study visualize show in Figure 1 below:

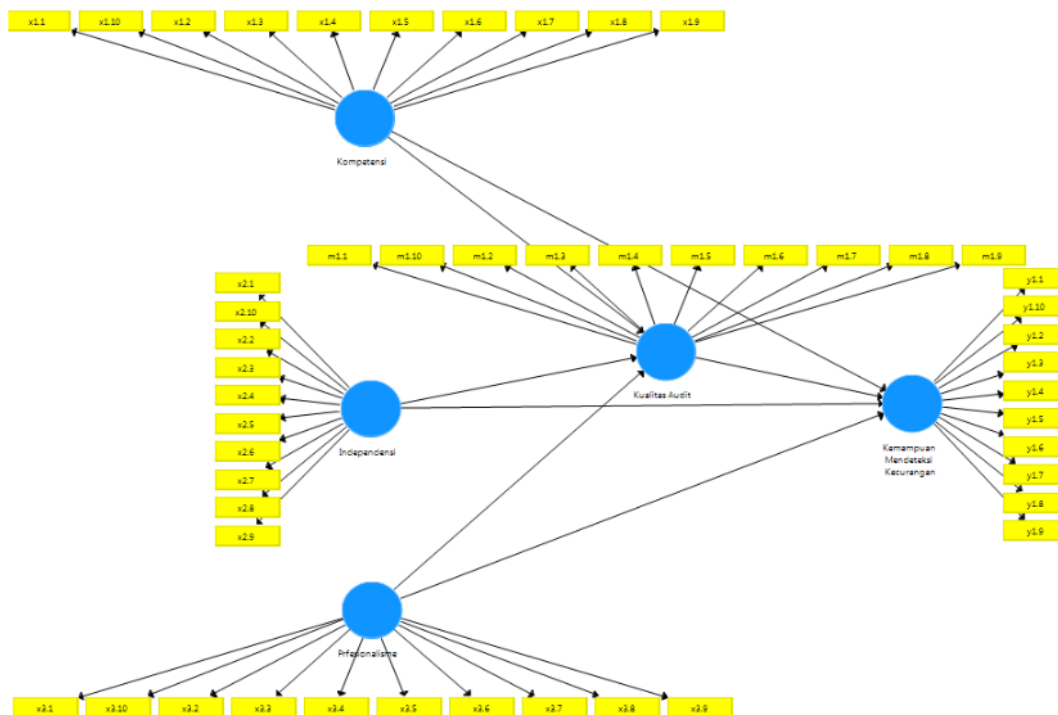


Figure 1 The Path Diagram

Sources: SmartPLS Result (2021).

Based on the researches path diagram in Figure 1 above, the inner model can state as follows:

$$Y = \gamma_1 X + \beta_1 Z + \zeta_1 \quad (1)$$

$$Z = \gamma_2 X + \zeta_2 \quad (2)$$

## Findings and Discussion

### 1. Findings

#### 1.1. Validity and Reliability Tests

The evaluation of the measurement models or outer model carries out to assess the model's validity and reliability. An outer model with reflexive indicators evaluates through convergent and discriminant validity of the latent construct-forming indicators and composite reliability, and Cronbach alpha use for the indicator block (Ringle & Liengard, 2020) show in Table 1.

Table 1 Outer Model Validity Test Results (PLS Outer Loading)

| Indicator | Competency | Independence | Professionalism | Ability to Detect Fraud | Audit Quality |
|-----------|------------|--------------|-----------------|-------------------------|---------------|
| X1.1      | 0.782      |              |                 |                         |               |
| X1.2      | 0.712      |              |                 |                         |               |
| X1.3      | 0.857      |              |                 |                         |               |
| X1.4      | 0.846      |              |                 |                         |               |
| X1.5      | 0.853      |              |                 |                         |               |
| X1.6      | 0.748      |              |                 |                         |               |
| X1.7      | 0.804      |              |                 |                         |               |
| X1.8      | 0.875      |              |                 |                         |               |
| X1.9      | 0.653      |              |                 |                         |               |
| X1.10     | 0.907      |              |                 |                         |               |
| X2.1      |            | 0.801        |                 |                         |               |
| X2.2      |            | 0.814        |                 |                         |               |
| X2.3      |            | 0.829        |                 |                         |               |
| X2.4      |            | 0.878        |                 |                         |               |
| X2.5      |            | 0.818        |                 |                         |               |
| X2.6      |            | 0.803        |                 |                         |               |
| X2.7      |            | 0.845        |                 |                         |               |
| X2.8      |            | 0.840        |                 |                         |               |
| X2.9      |            | 0.534        |                 |                         |               |
| X2.10     |            | 0.712        |                 |                         |               |
| X3.1      |            |              | 0.638           |                         |               |
| X3.2      |            |              | 0.727           |                         |               |

| Indicator | Competency | Independence | Professionalism | Ability to Detect Fraud | Audit Quality |
|-----------|------------|--------------|-----------------|-------------------------|---------------|
| X3.3      |            |              | 0.634           |                         |               |
| X3.4      |            |              | 0.672           |                         |               |
| X3.5      |            |              | 0.740           |                         |               |
| X3.6      |            |              | 0.668           |                         |               |
| X3.7      |            |              | 0.873           |                         |               |
| X3.8      |            |              | 0.736           |                         |               |
| X3.9      |            |              | 0.732           |                         |               |
| X3.10     |            |              | 0.880           |                         |               |
| M1.1      |            |              |                 | 0.643                   |               |
| M1.2      |            |              |                 | 0.697                   |               |
| M1.3      |            |              |                 | 0.557                   |               |
| M1.4      |            |              |                 | 0.714                   |               |
| M1.5      |            |              |                 | 0.754                   |               |
| M1.6      |            |              |                 | 0.608                   |               |
| M1.7      |            |              |                 | 0.780                   |               |
| M1.8      |            |              |                 | 0.886                   |               |
| M1.9      |            |              |                 | 0.609                   |               |
| M1.10     |            |              |                 | 0.829                   |               |
| Y1.1      |            |              |                 |                         | 0.526         |
| Y1.2      |            |              |                 |                         | 0.831         |
| Y1.3      |            |              |                 |                         | 0.647         |
| Y1.4      |            |              |                 |                         | 0.808         |
| Y1.5      |            |              |                 |                         | 0.881         |
| Y1.6      |            |              |                 |                         | 0.779         |
| Y1.7      |            |              |                 |                         | 0.777         |
| Y1.8      |            |              |                 |                         | 0.724         |
| Y1.9      |            |              |                 |                         | 0.779         |
| Y1.10     |            |              |                 |                         | 0.550         |

Sources: SmartPLS Result (2021).

The Table 1 above shows that each indicator produces an outer loading value  $> 0.5$ . In other words, the research instrument, which amounts to fifty statements in this study, had been able to measure competency ( $X_1$ ), independence ( $X_2$ ), and professionalism ( $X_3$ ) variables, as well as the ability to detect fraud (M), and audit quality (Y) variables. The following Table 2 presents the results of the outer loadings reliability of the competency ( $X_1$ ), independence ( $X_2$ ), and professionalism ( $X_3$ ) variables, as well as the ability to detect fraud (M) and audit quality (Y) variables.



**Table 2 Outer Model Reliability Test Results**

| Variable                | Cronbach Alpha |
|-------------------------|----------------|
| Competency              | 0.941          |
| Independence            | 0.935          |
| Professionalism         | 0.903          |
| Ability to detect fraud | 0.904          |
| Audit quality           | 0.890          |

Sources: SmartPLS Result (2021).

Based on Table 2, the results of testing the reliability of the questionnaire resulted in Cronbach's alpha number greater than 0.7. Based on these results, it can state that all indicators in the questionnaire used in measuring competency ( $X_1$ ), independence ( $X_2$ ), and professionalism ( $X_3$ ) variables, as well as the ability to detect fraud (M), and audit quality (Y) variables are declared reliable.

## 1.2. Inner Model Evaluation

The inner model evaluation uses a bootstrapping test, which produced the determination R square, Q square, and hypothesis testing coefficient. The coefficient of determination, 0.789, was obtained for the audit quality variable and 0.495 to detect fraud. Meanwhile, Q Square's value was 0.981, indicating that the independence to see a relationship to audit quality was 78.9%, and the ability to detect fraud was 49.5%. Based on the Q Square number, the model in this study explained the relationship of each endogenous and exogenous variables.

## 1.3. Hypothesis Test Results

The results of running bootstrapping use to determine the direct and indirect effects between each hypothesis's variables. The following shows the results of hypothesis testing from bootstrapping show in Table 3.

**Table 3 Hypothesis Test**

| Hypothesis | Exogenous Variable | Through       | Endogenous Variable     | Coefficient | t-stat | Sig.  | Desc.           |
|------------|--------------------|---------------|-------------------------|-------------|--------|-------|-----------------|
| H1         | Competency         | →             | Audit Quality           | 0.282       | 2.285  | 0.005 | H1 is accepted  |
| H2         | Independence       | →             | Audit Quality           | 0.477       | 3.702  | 0.000 | H2 is accepted  |
| H3         | Professionalism    | →             | Audit Quality           | 0.537       | 4.155  | 0.000 | H3 is accepted  |
| H4         | Competency         | →             | Ability to Detect Fraud | 0.707       | 3.437  | 0.001 | H4 is accepted  |
| H5         | Independence       | →             | Ability to Detect Fraud | -0.445      | 1.802  | 0.072 | H5 reject       |
| H6         | Professionalism    | →             | Ability to Detect Fraud | 0.682       | 2.745  | 0.006 | H6 is accepted  |
| H7         | Audit Quality      | →             | Ability to Detect Fraud | 0.800       | 2.265  | 0.024 | H7 is accepted  |
| H8         | Competency         | Audit Quality | Ability to Detect Fraud | -0.381      | 1.804  | 0.072 | H8 is rejected  |
| H9         | Independence       | Audit Quality | Ability to Detect Fraud | -0.226      | 1.816  | 0.070 | H9 is rejected  |
| H10        | Professionalism    | Audit Quality | Ability to Detect Fraud | -0.430      | 1.900  | 0.058 | H10 is rejected |

Sources: SmartPLS Result (2021).

Based on Table 3, it can see from the t-stat or sig (*p-values*). The t-stat value above the value of 1.96 or sig. < 0.05 ( $\alpha = 5\%$ ) indicates that  $H_a$  is accepted and  $H_0$  is rejected.

## **Discussion**

### **1. The Effect of Competency on Audit Quality**

This study supports previous studies conducted by Ningtyas & Aris (2016) and Yadnya (2017) that audit quality can influence auditor competency. That shows that good competency can have a positive impact on the resulting audit. Competency can improve through several things, such as increasing knowledge. Thus, audit quality implementation can be maximized, such as conducting studies or attending government auditors' specialized training. Then, in preparing financial statements and conducting audits, auditors have to be careful in using their competency skills.

The research data of 28 respondents, or 100%, indicated that auditors require to have great curiosity, broad-mindedness, and the ability to handle uncertainty in auditing. Furthermore, 26 respondents out of 28 respondents explained that auditors have to possess the knowledge and ability to carry out analytical reviews from the obtained data. These findings indicate that competency has a role in determining the quality of audits produced by the inspectorate auditors of Bungo Regency and Tebo Regency.

### **2. The Effect of Independence on Audit Quality**

Following a study conducted by Ningtyas & Aris (2016), achieving good audit quality can be reached if the auditor has an independent attitude (is not influenced by others) and has the auditor's reports' reliability. That can be trusted by external parties or those who may have an interest. That also supports by an independent attitude in fact and appearance. Thus, the higher the independence of an auditor, the higher the quality of the resulting audit.

24 out of 28 respondents explained that in carrying out the preparation of an audit program, it was free from other parties' efforts to determine the subject of audit work, where there was no pressure from other parties. Furthermore, 22 out of 28 respondents explained that auditing reporting is free from personal or other parties' interests that limit all financial statements' audit activities.

### **3. The Effect of Professionalism on Audit Quality**

If the auditor has high professionalism, the auditor can carry out his duties properly. This professionalism is not far from the responsibility of the auditors to complete their responsibilities correctly. A good auditor can use his professionalism by creating

transparency in the community by conveying the findings encountered during the audit process without any defensiveness or pressure from others (Haryanto & Susilawati, 2018).

Twenty-eight respondents, or 100% of the respondents, explained that the auditors used all their knowledge, abilities, and experiences in carrying out the auditing process. By mobilizing all the knowledge that an auditor has, it might create good audit quality. Furthermore, 22 out of 28 respondents explained that the auditor always tries to create transparency in carrying out the audit. Sound clarity is under the professionalism of an auditor. Hence, transparent financial reports do not arouse suspicion in public.

8

#### **4. The Effect of Competency on the Ability to Detect Fraud**

This study's results support previous research (Umar et al., 2019) that competence affects the ability to detect fraud. That is in line with questionnaire statement number 1 on the competency variable. It states that auditors are required to have great curiosity, broad-minded, and the ability to handle uncertainty. Furthermore, it supports by a statement from questionnaire number 1, the variable of detecting fraud. The auditor has sufficient knowledge of fraud types, especially those that often occur during audit assignments. Good auditor competency might prove that a competent auditor can quickly detect fraud.

7

#### **5. The Effect of Independence on the Ability to Detect Fraud**

The results of this study found that independence is not a factor that can increase auditors' ability to detect fraud. That is due to the characteristics of autonomy itself. An attitude of freedom is an attitude that needs to pursue to maintain an impartial attitude of auditors in conducting audits (Wiguna, 2014). Independence alone cannot enable the auditor to detect fraud, for fraud detection requires competency, while the role of autonomy is in reporting audit findings (Umar et al., 2019).

3

#### **6. The Effect of Professionalism on the Ability to Detect Fraud**

Professionalism is related to the profession and requires special or mental skills in the form of commitment from the professional members to create and improve their professional quality consistently. The study results prove that the increased professionalism of auditors, the higher the detection of fraud. Thus, the inspectorate is required to increase training for auditors to be more professional. Hence, it might improve audit quality and present better financial reports (Astuti, 2019). The data obtained from the questionnaire showed that professionalism indicator point number 1 indicates that the

auditors agree with the statement that in carrying out the auditing process, the auditor used all the knowledge, abilities, and experience.

### **7. The <sup>3</sup>Effect of Audit Quality on the Ability to Detect Fraud**

The statement of questionnaire number 2 on the audit quality variable indicates that auditors always try to make decisions during the audit. Then, questionnaire statement number 1 on detecting fraud means that auditors have sufficient knowledge about fraud types, mainly during the audit assignment.

### **8. The <sup>7</sup>Effect of Competency on the Ability to Detect Fraud through Audit Quality**

This study supports the findings of a previous study (Saadah, 2018), which states that audit quality does not affect fraud detection because audit quality might create a relationship problem between the auditor and the auditee. In this study, audit quality was proxied by the rate of auditors themselves. A survey by Nainggolan, Suratno, & Rachbini (2019) states that competency does not affect audit quality as measured by the level of education of auditors. That suggests that the higher education level does not necessarily mean that the audit quality might be better. As a result of not necessarily good audit quality, fraud detection ability does not necessarily affect. In this study, many respondents were S1 graduates. It indicates that they did not necessarily understand fraud detection, which the irrelevance of education can cause to the audit scope.

### **9. The <sup>3</sup>Effect of Independence on the Ability to Detect Fraud through Audit Quality**

Statement item number 2 in the questionnaire on the independence variable states that the preparation of an audit program free from leadership intervention on the auditor's procedures. Yet, six respondents did not agree with that statement. That suggests that some auditors want to show leadership intervention to determine audit procedures that auditors want to work on.

Effectively, the inspectorate's supervisory tasks did not run because apart from those who supervise and those who lead have the same institution, besides the equivalent echelon of local bureaucracy (OPD). It is as if it has the impression that OPD is not controlled but is in coordination only (Safwan, Tatawu, & Sensus, 2019). That supports a previous study (Karamoy & Wokas, 2015) that there is an indication of pressure from the party being audited not to be open, resulting in no effect on independence in audit quality and implications for fraud failure detection.

## **10. The Effect of Professionalism on the Ability to Detect Fraud through Audit Quality**

Statement item number 6 on the professionalism variable questionnaire states that the auditor is not under management pressure in expressing an opinion on the financial statements. Six respondents responded to that statement with disagreement. That indicates a small proportion of respondents who expect to inform that in expressing their opinion on auditors' financial statements, they are under pressure. Rahadian (2017) added that the regional inspectorate audit results have to report to the regional head with a copy to the Ministry of Administrative and Bureaucratic Reform. That consider making it difficult for regional inspectorates to work independently and not under pressure.

Syahrial (2018) also states that Vice-Regent of Bandung, H. Gun Gun Gunawan, S.Si., M.Si., appealed to the financial management officers in Bandung Regency not to make the inspectorate a threat, but as a medium to discuss the obstacles they face. That explains that parties think and view the inspectorate as a threat to carry out audits of financial management in OPD.

### **Conclusions and Suggestions**

Based on the results of the analysis of the effect of competency, independence, professionalism on the ability to detect fraud with audit quality as an intervening variable, it can conclude that competency, independence, and professionalism have an effect on audit quality in the auditors of the Inspectorate of Bungo Regency and Tebo Regency. Competency, professionalism, and audit quality affect the ability to detect fraud, while independence does not. In terms of the mediating variable's influence, it knows that audit quality is not able to mediate the relationship between competency, independence, and professionalism on the ability to detect fraud. This study has several limitations, namely using a less extensive sample, only limited to two regencies, Bungo Regency and Tebo Regency. The time distributing and collecting questionnaires was longer due to the work from a Home system in Bungo Regency and Tebo Regency's government agencies due to the COVID-19 pandemic.

There are some suggestions given from this study. This study expects to use a reference and evaluation for auditors at the inspectorate in processing regional financial reports. As for the future researchers, it is likely that the research sample to be expanded not only to the auditors of the inspectorate of Bungo and Tebo Regencies but other regencies in Jambi Province. Further study also expects to add proxies for other independent variables related to audit quality and the ability to detect fraud, such as accountability, integrity, and objectivity (Elen & Sari, 2013).



## References

- Association of Certified Fraud Examiners. (2016). Report to the nations on occupational fraud and abuse: 2016 global fraud study. Association of Certified Fraud Examiners.
- Agustina, D., Sudarna, M., & Ludigdo, U. (2014). The Effect of Competence, Independence and Auditee Size on Audit Quality. *El-Muhasaba*, 5(2), 12-24.
- Arens, A., & Loebbecke, J.K. (2000). Auditing: an Integrated Approach (8 ed.). New York: Prentice-Hall International Inc.
- Astuti, J.P. (2019). The Effect of Independence, Competence and Professionalism of Internal Auditors on the Ability to Detect Fraud (Case Studies at Bank Panin, Bank CIMB Niaga, and Bank National Nobu). *Journal of Accounting*, 13(2), 123-142.
- Atmaja, D. (2016). The Effect of Competence, Professionalism, and Audit Experience on the Ability of the Auditors of the State Audit Board (BPK) in Detecting Fraud Using Computer Assisted Audit Techniques (TABK) as Moderating Variables. *Journal of Accounting Research Media*, 16(1), 78-91.
- Asniarti, & Muda, I. (2019). The Effect of Computer Assisted Audit Tools on Operational Review of Information Technology Audits. In *1st International Conference on Social Sciences and Interdisciplinary Studies (ICSSIS 2018)*, 23-27. <https://doi.org/10.2991/icssis-18.2019.5>
- Basri, T.H., & Lumbanraja, P. (2019). The Effect of Professionalism, Organizational Culture, Leadership Style, Independence Auditors on Auditor Performance with Intelligence Spiritual as a Variable Moderating on Office Public Accountants in Medan. *International Journal of Research and Review*, 6(6), 163-179.
- Damopoli, M.G., Rengkang, L.R., & Ngangi, C.R. (2017). The function of the Inspectorate of Supervision of the Regional Apparatus (Pd) of the Manado City Government. *Agro-Socio-Economic Unsrat*, 13(1), 269-276. <https://doi.org/10.1017/CBO9781107415324.004>
- DeAngelo, L.E. (1981). Auditor independence, 'low balling', and disclosure regulation. *Journal of accounting and Economics*, 3(2), 113-127. [https://doi.org/10.1016/0165-4101\(81\)90009-4](https://doi.org/10.1016/0165-4101(81)90009-4)
- Elen, T., & Sari, S.M. (2013). Effect of Accountability, Competence, Professionalism, Integrity, and Objectivity of Public Accountants on Audit Quality with Independence as Moderating Variable (Empirical Study on Several Foreign Affiliated and Non-Foreign Affiliated Heads in Jakarta). *Journal of Media Research in Accounting, Auditing & Information*, 13(3), 45-61.
- Elisabeth, D.M., Simanjuntak, A., Muda, I., & Ginting, S. (2020). Corporate Social Responsibility, Auditor Opinion, Financial Distress Impact to Auditor Switching for Banking Companies in Indonesia Stock Exchange for Period of 2014 to 2017. In *Proceedings of the 1st Unimed International Conference on Economics Education and Social Science – UNICEES*, 991-994. <https://doi.org/10.5220/0009499909910994> <https://www.scitepress.org/PublicationsDetail.aspx?ID=/ZQ4uUFFTPQ=&t=1>

- Erlina & Muda, I. (2018). The Effect of Self Efficacy and Professional Development on the Work Quality of Internal Auditor. *International Journal of Civil Engineering and Technology*, 9(5), 1292–1304.  
<http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=9&IType=5>
- Putri, D.R., Sopanah, A., & Muda, I. (2018). Determinants of Job Quality Improvement for Internal Auditors of Local Government (Empirical Evidence from Indonesia). *Technology*, 9(9), 556-568.  
<http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=9&IType=9>.
- Putri, D.R., Sopanah, A., & Muda, I. (2018). Model of Successful Risk Based Internal Audit Implementation in Regencies/Cities in North Sumatera. *International Journal of Civil Engineering and Technology*, 615-627.  
<http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=9&IType=9>.
- Falatah, H.F., & Sukimo, S. (2018). The Effect of Auditor Competence, Independence and Moral Reasoning on Audit Quality (Study at the Regional Inspectorate Office in the Special Province of Yogyakarta). *Nominal, Barometer of Accounting and Management Research*, 7(1). <https://doi.org/10.21831/nominal.v7i1.19361>
- Francisco, Francis, I. (2019). The Effect of Competence, Independence, and Time Pressure on the Auditor's Ability to Detect Fraud with Professional Skepticism as an Intervening Variable. *Journal of Proceedings of the 2nd National Expert Seminar 2019*. 1-10.
- Fullerton, R., & Durtschi, C. (2004). The effect of professional skepticism on the fraud detection skills of internal auditors. *SSRN 617062*.
- Habbe, A.H., Rasyid, S., Arif, H., & Muda, I. (2019). Measuring internal auditor's intention to blow the whistle (a Quasi-experiment of internal auditors in the local government). *Business: Theory and Practice*, 20, 224-233. <https://doi.org/10.3846/btp.2019.22>
- Halim, A. (2008). *Auditing (Fundamentals of Auditing Financial Statements)*. Yogyakarta: YKPN STIM YKPN Publishing and Printing Unit.
- Handayani, K.A.T., & Merkusiwati, L.A. (2015). The effect of auditor independence and auditor competence on auditor professional skepticism and its implications for audit quality. *Udayana University Accounting E-Journal*, 10(1), 229-243.
- Haryanto, N.O., & Susilawati, C. (2018). The Influence of Competence, Independence, and Professionalism of Internal Auditors on Audit Quality. *Journal of Business Accounting*, 16(2), 171. <https://doi.org/10.24167/jab.v16i2.1694>
- Herawaty, N., & Hernando, R. (2020). Analysis of Internal Control of Good Corporate Governance and Fraud Prevention (Study at the Regional Government of Jambi). *Sriwijaya International Journal of Dynamic Economics and Business*, 4(2), 103–118.
- Karamoy, H., & Wokas, H.R.N. (2015). Influence of Independence and Professionalism, in Detecting Fraud on Internal Auditors of North Sulawesi Province. *Journal of Accounting Research and Auditing Goodwill*, 6(2), 91-108.
- Muda, I, Limanto, C, & Erlina (2020). An Examination of Audit Delay: Testing Several Factors of Banking Issuers as Implement Global Reporting Initiative (GRI) General Disclosures Section Reporting Practice. *Quality Access to Success*, 21(178), 114-121. [https://www.srac.ro/calitatea/en/arhiva/2020/QAS\\_Vol.21\\_No.178\\_Oct.2020.pdf](https://www.srac.ro/calitatea/en/arhiva/2020/QAS_Vol.21_No.178_Oct.2020.pdf)

- Muda, I., Davis, K.V., Erlina, Kholis, A., & Gusnardi. (2020). Audit Lag Criteria Report as a Determination of the Reliability and Quality of Auditor's Report in Indonesia. *Research in World Economy*, 11(6), 96-107. <https://doi.org/10.5430/rwe.v11n6p96>
- Nainggolan, T.B., Suratno, & Rachbini, W. (2019). The Influence of Auditor Competence, Independence, and Religiosity on Audit Quality. *Journal of Accounting and Taxation Research*, 6(1), 75–83.
- Ningtyas, W.A., & Aris, M.A. (2016). Independence, Competence, Work Experience, and Due Professional Care: Their Effect on Audit Quality Moderated by Professional Ethics. *Indonesian Accounting and Finance Research*, 1(1), 117-131.
- Purba, S.F., & Nuryatno, M. (2019). Emotional Intelligence as Moderating Effect of Professional Skepticism, Independence, Time Pressure, Locus of Control on Auditor Ability to Detect. *Trisakti Journal of Accounting*, 6(2), 325–344.
- Putri, V.R., & Putra, B.I. (2017). Effect of Leverage, Profitability, Firm Size and Proportion of Institutional Ownership on Tax Avoidance. *Journal of Resource Management Economics*, 19(1), 1–11.
- Rahadian, L. (2017). *The Ministry of Home Affairs-KPK Agrees to Realize the Strengthening of the Inspectorate*. <https://www.cnnindonesia.com/nasional/20170918145114-20-242481/kemendagri-kpk-sepakat-realisasikan-penguatan-inspektorat>
- Ringle, C.M., & Liengard, B.D. (2020). Cross-validated Predictive Ability Test (CVPAT) in Partial Least Squares Structural Equation Modeling (PLS-SEM). In XXVI Congresso Nazionale AIP (Associazione Italiana di Psicologia) Sezione Sperimentale.
- Knechel, W.R., Krishnan, G.V., Pevzner, M., Shefchik, L.B., & Velury, U.K. (2013). Audit quality: Insights from the academic literature. *Auditing: A Journal of Practice & Theory*, 32(Supplement 1), 385-421. <https://doi.org/10.2308/ajpt-50350>
- Saadah, N. (2018). The Effect of Audit Quality on Disclosure of Fraudulent Financial Statements of the Company. *Journal of Economics and Business*, 21(1), 168-181.
- Safwan, M.I., Tatawu, G., & Sensu, L. (2019). Analysis of the Independence Law of the Regional Inspectorate in the Implementation of Regional Government Supervision Analysis of the Independence Law of the Regional Inspectorate. *Journal of Business and Audit*, 1(1), 1–19.
- Sanjaya, A. (2017). The Effect of Professional Skepticism, Independence, Competence, Auditor Training, and Audit Risk on Auditor Responsibilities in Detecting Fraud. *Journal of Business Accounting*, 15(1), 56-71.
- Suharti, & Apriyanti, T. (2019). The Effect of Competence and Independence on the Quality of Audits with Auditor's Ethics as a Moderation Variable. *Scientific Journal of Accounting*, 3(2), 208–217.
- Syahrial, A. (2018). *Deputy Regent, "The Inspectorate Should Not Be A Threat" – Bandung Raya*. <https://bandungraya.net/2018/12/07/wabup-inspektorat-jangan-dijadikan-ancaman.html>
- Tandiontong, M. (2015). *Audit Quality and its Measurement*. Bandung: Alfabeta.
- Siregar, H., Muda, I., & Fachrudin, K.A. (2019). The Impact of Locus of Control, Ethics Audit, Time Pressure, and Commitment to Deviant Behavior in Audit at Foreign

- Affiliated Public Accountants in Medan, Indonesia. *In 1st Aceh Global Conference (AGC 2018)*, 416-423.
- Transparency International. (2020). Transparency International The Global Coalition Against Corruption.
- Tuanakotta, T. (2010). *Forensic Accounting and Institutional Investigative Auditors* (2 ed.). Jakarta: Publisher of the Faculty of Economics, University of Indonesia.
- Umar, H., Fauziah, A., & Purba, R.B. (2019). Audit Quality Determinants and the Relation of Fraud Detection. *International Journal of Civil Engineering and Technology (IJCET)*, 10(3), 1447–1460.
- Valery, K.G. (2011). *Internal Audit*. Jakarta: Penerbit Erlangga.
- Wiguna, F. (2014). The Effect of Professional Skepticism and Auditor Independence on Fraud Detection (Survey of KAP Auditors in Malang). *Journal of Economics and Business*, 5(1), 72-85.
- Windasari, M.Y., & Juliuarsa, G. (2016). The Effect of Competence, Independence, and Professionalism of Internal Auditors in Preventing Fraud at BPRs in Badung Regency. *Udayana University Accounting E-Journal*, 17(3), 32-49.
- Yadnya, I.P.P. (2017). Auditor with Auditor Ethics As Moderating Variable. *Udayana University Accounting E-Journal*, 19(2), 973–999.

# Audit Quality as Intervening Variable of the Relationship between Competency, Independence, and Professionalism on the Ability to Detect Fraud (A Case Study on the Bungo and Tebo Regencies Inspectorat

## ORIGINALITY REPORT

10%

SIMILARITY INDEX

7%

INTERNET SOURCES

2%

PUBLICATIONS

6%

STUDENT PAPERS

## PRIMARY SOURCES

|   |  |     |
|---|--|-----|
| 1 | jurnal.stie-aas.ac.id<br>Internet Source                 | 4%  |
| 2 | Submitted to Udayana University<br>Student Paper         | 3%  |
| 3 | rjoas.com<br>Internet Source                             | 1%  |
| 4 | seajbel.com<br>Internet Source                           | <1% |
| 5 | www.webology.org<br>Internet Source                      | <1% |
| 6 | www.iaeme.com<br>Internet Source                         | <1% |
| 7 | repository.unhas.ac.id<br>Internet Source                | <1% |
| 8 | Submitted to Universitas Sumatera Utara<br>Student Paper | <1% |



|    |   |      |
|----|---|------|
| 9  | journal.perbanas.ac.id<br>Internet Source   | <1 % |
| 10 | "Determinant Factors Audit Delay: Evidence from Indonesia", International Journal of Recent Technology and Engineering, 2020<br>Publication   | <1 % |
| 11 | Submitted to Universitas Mercu Buana<br>Student Paper   | <1 % |
| 12 | Kristian Suhartadi Widi Nugraha, Ika Barokah Suryaningsih, Ira Dwi Cahyanti. "Destination quality, experience involvement And memorable tourism experience: is it relevant for rural tourism?", Management & Marketing. Challenges for the Knowledge Society, 2021<br>Publication | <1 % |
| 13 | Niswah Baroroh, Rita Apriyanti. "Model Tax Avoidance of Indonesian Property Companies within the Perspectives of Size, Sales and Corporate Governance", KnE Social Sciences, 2020<br>Publication  | <1 % |
| 14 | ijbssrnet.com<br>Internet Source  | <1 % |
| 15 | journal.pnm.ac.id<br>Internet Source  | <1 % |

---

Exclude quotes      On

Exclude matches      Off

Exclude bibliography      On