



## **The Effect of Auditor Competence on Audit Quality at The Regional Inspectorate of Garut Regency**

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### **Abstract**

This research is titled "The Influence of Auditor Competence on Audit Quality at the Regional Inspectorate of Garut Regency." The study aims to evaluate the impact of auditor competence on audit quality at the Regional Inspectorate of Garut Regency. A quantitative method with descriptive and associative approaches was used in this research. Data collection was carried out through literature review as well as field surveys using questionnaires and interviews. For data analysis, simple linear regression techniques and coefficient of determination analysis were employed. The study reveals that auditor competence has a significant impact on audit quality at the Regional Inspectorate of Garut Regency.

**Keywords:** Auditor Competency, Audit Quality

### **1 Introduction**

Financial management and accountability must be conducted competently, honestly, and responsibly, in accordance with the 1945 Constitution. Comprehensive internal oversight is crucial to improve efficiency, transparency, and accountability in state financial management, as regulated by Law No. 1 of 2004 on State Treasury. According to Government Regulation of the Republic of Indonesia No. 60 of 2008 on the Government Internal Control System, the Inspectorate of Regency/City is an APIP (Internal Government Supervisory Apparatus) directly responsible to the regent or mayor. The Inspectorate serves as an internal auditor that reviews financial statements before they are submitted to the regional head, in accordance with PERMENPAN No. PER/05/M.PAN/03/2008 on the APIP Audit Standards.

Reporting findings is a crucial stage in an audit. Auditor competence is vital in the audit process as it reflects the expertise and meticulousness of the auditor. According to AAPII (Indonesian Association of Public Accountants), auditors must possess the necessary knowledge, skills, and additional competencies required. This is supported by Mulyadi (2011), who states that auditors have a responsibility to achieve competence that ensures the quality of the audit services meets professional standards.

However, according to Regent Regulation No. 147 of 2021, there are obstacles in realizing the mission of the Regional Inspectorate of Garut Regency, such as the limited number of auditors with professional certification in the competencies needed. From observations, it was found that not all auditors are appointed according to their competencies. Although the Garut Regency Government has received the "Unqualified Opinion" (WTP) eight times from the Financial Audit Agency (BPK), there are still findings that need to be followed up within a maximum of 60 days after the report is received. Referring to the BPK RI's Audit Results Report (LHP) on the 2022 Garut Regency

Financial Statements (LKPD), the monitoring of follow-up actions on findings shows developments as outlined in the following table:

Table 1: Follow-up on the Audit Results Report (LHP) of the Regional Government Financial Statements (LKPD) for 2018 – 2022

No	LHP Year	Number of Findings	Number of Recommendations	Monitoring Follow-up Results In Accordance
1	2018	12	28	22
2	2019	15	34	28
3	2020	10	31	22
4	2021	18	64	36
5	2022	20	55	47
Total		75	212	155

Source: BPK RI's Audit Results Report (LHP) on the 2022 Garut Regency Financial Statements (LKPD).

The table shows that there are still findings that have not been followed up and those that have not been in accordance with or completed. Based on the observations made, follow-up actions have been taken, but the issues still persist until the release of the Audit Results Report (LHP) on the 2022 Garut Regency Financial Statements (LKPD). This indicates that the audit quality produced by auditors at the Regional Inspectorate of Garut Regency is still inadequate, which may be due to the auditors' competence not being fully maximized. Follow-up on audit findings is one of the indicators of audit quality. According to Tjahjono & Adawiyah (2019), audit quality heavily depends on the competence of the auditor. Previous studies on the audit quality of inspectorates have shown inconsistent results, which led the author to focus on the competence of auditors. Given this phenomenon, the author became interested in conducting research titled "The Effect of Auditor Competence on Audit Quality at the Regional Inspectorate of Garut Regency." The aim of this study is to identify the impact of auditor competence on audit quality at the Regional Inspectorate of Garut Regency.

## 2 Literature Review

### 2.1 General Concept of Auditing

(Arens et al., 2015) Auditing is defined as a process carried out by competent and independent individuals or groups to collect and evaluate evidence in the form of information with the aim of discovering and reporting to what extent the information complies with the established standards. The purpose of auditing is to assess the fairness of financial statements prepared by management. This process is carried out critically and systematically, involving the collection and evaluation of the information underlying the financial statements. Therefore, auditors must possess adequate competence and integrity to ensure that the audit results are of high quality.

In his book, Arens et al. (2015) explains that there are several types of auditing, including operational audits, compliance audits, and financial statement audits. First, an operational audit is known as a systematic assessment of the efficiency and effectiveness of a company or a specific department, with the purpose of measuring performance, identifying opportunities for improvement, and recommending necessary corrective actions. Second, a compliance audit aims to ensure that the audited entity adheres to established procedures, regulations, or rules. Meanwhile, a financial statement audit is conducted to evaluate the fairness and accuracy of the financial statements

produced by the client, with the primary focus on how well the statements comply with the established accounting standards.

Auditors themselves, according to Mulyadi (2011), are divided into several types, including independent auditors, government auditors, and internal auditors. An independent auditor is an expert who provides audit services on financial statements for the benefit of the public and must maintain independence even when receiving fees from the client. A government auditor's role is to monitor the management and accountability of state finances conducted by public entities, ensuring that financial statements are recorded fairly and in accordance with established standards, as well as promoting good financial governance. Meanwhile, an internal auditor's function is to assist company management by evaluating and ensuring that company operations are carried out in accordance with the established objectives, providing analysis, recommendations, and information regarding the audited activities.

## **2.2 Auditor Competence**

According to Tuanakotta (2015), competence is defined as the maintenance of professional understanding and skills. This is carried out to ensure that clients or employees receive high-quality professional services, keeping up with the latest developments in practice, regulations, and techniques, while adhering to applicable technical and professional standards. In other words, competence involves a deep understanding of the technical aspects related to an auditor's duties and the ability to apply this understanding in relevant contexts.

In the context of regulation, the AAPII Regulation No. PER-01/AAPII/DPN/2021 on the Standards for Government Internal Audits in Indonesia emphasizes the importance of competence for an auditor. Auditors are required to have the insight, expertise, and other competencies needed to perform their tasks and responsibilities. This includes the ability to understand and navigate various regulations, standards, and techniques relevant to the audits conducted. Furthermore, the leadership of APIP is responsible for ensuring that each team performing internal oversight activities collectively possesses the skills necessary to complete tasks effectively. This highlights that competence is the responsibility of the team and the organization, not just an individual responsibility.

The importance of auditor competence is also emphasized by Widiya & Syofyan (2020), who highlight that the insight, expertise, experience, and additional competencies possessed by auditors are crucial to fulfilling their responsibilities. The abilities acquired by auditors not only enhance audit quality but also improve their expertise in analyzing performance standards or work guidelines applied by auditors. This underscores that competence is a critical foundation for auditors to perform their duties effectively and to enhance the quality of the audit results.

Based on various expert opinions, the analysis shows that competence is a combination of understanding and expertise gained from formal education and practical experience. This competence enables auditors to perform their responsibilities well, thereby improving the quality of audit results. Auditor competence is key in ensuring that the audits conducted not only meet technical and professional standards but also remain relevant to the existing needs and situations.

## **2.3 Audit Quality**

Audit quality refers to the level of adherence by auditors to applicable auditing standards and professional ethics codes during the audit process. According to Mulyadi (2013), standards are rules used to measure the quality and excellence of audit services. A quality audit is achieved when it is conducted in accordance with the Generally Accepted Auditing Standards (GAAS) and produces financial statements that comply with the Generally Accepted Accounting Principles (GAAP)

without material misstatements. A good audit should be able to detect errors or fraud and present findings accurately, in accordance with procedures, and with a high level of professional skepticism.

Measuring audit quality involves several key aspects, such as the quality of the process, the results, and the follow-up. The quality of the process includes accuracy, precision, and compliance with established procedures. Meanwhile, the quality of audit results is measured based on the extent to which recommendations are made, the clarity of the reports, and the degree of benefit the audit provides to the audited entity. Additionally, it is important to follow up on audit results to ensure that the recommendations are implemented effectively.

The fundamental principles of audit quality include the audit firm's culture, the capabilities and personal qualities of auditors, the effectiveness of the audit process, and the reliability of the audit report. Factors such as competence, independence, experience, and accountability of the auditor significantly affect the quality of the audit produced. A competent and independent auditor will provide objective and trustworthy assessments, while experience and professional accountability ensure that audits are conducted to high standards and in accordance with applicable ethical principles.

### **3 Research Method**

#### **3.1 Overview of Research Object and Respondent Characteristics**

This study involves 25 respondents from the Regional Inspectorate of Garut Regency, consisting of Structural Employees and General Functional Employees. The respondents were selected to evaluate the impact of auditor competence on audit quality. The characteristics of the respondents are grouped based on gender, age, position, highest level of education, educational background, and length of service. This grouping aims to achieve objective results in the research analysis.

#### **3.2 Research Method Used**

This study applies a quantitative method with a descriptive associative approach. The quantitative method, based on the philosophy of positivism, emphasizes the collection and analysis of data in numerical format based on statistical methods to describe phenomena and test established hypotheses. The descriptive associative approach is applied in this research to answer the question of how far auditor competence affects audit quality at the Regional Inspectorate of Garut Regency, with the aim of deepening the understanding of the relationship between these variables.

#### **3.3 Data Sources, Data Collection Techniques, and Research Instruments**

This research involves both primary and secondary data. Primary data is collected directly through interviews and questionnaires distributed to employees at the Regional Inspectorate of Garut Regency. Secondary data comes from internal documents of the inspectorate, such as profiles, organizational structures, and personnel data.

Data collection techniques include library research and field research. Library research is conducted by analyzing relevant literature, while field research involves collecting data directly from the Regional Inspectorate of Garut Regency through questionnaires and interviews. The questionnaires contain written questions answered by the respondents, while the interviews are unstructured and conducted with relevant officials at the Regional Inspectorate of Garut Regency.

The main research instrument is the questionnaire, which uses a Likert scale to evaluate respondent responses, allowing the researcher to obtain structured and measurable data on the variables being studied.

### 3.4 Population and Sample

This study involves a population consisting of 25 employees at the Regional Inspectorate of Garut Regency, including 16 Structural Employees and 9 General Functional Employees. In this study, the sample is taken from the entire population using the saturated sampling technique or census, involving every member of the population in the data collection process. As a result, this study involves 25 respondents as the sample, which is equal to the total existing population.

### 3.5 Data Analysis Techniques

Data analysis in this study begins with transforming the data, where responses collected from the questionnaires are scored based on an ordinal scale. According to Sugiyono (2022), an ordinal scale categorizes data and ranks it according to order. For statistical analysis purposes, this ordinal scale is then transformed into an interval scale using the Methods of Successive Interval (MSI), as explained by Ningsih & Dukalang (2019).

Next, descriptive analysis is performed to explain the data collected without generalizing it. The data is analyzed using a Likert scale, with 5 as the highest value and 1 as the lowest, with a total of 25 respondents. The analysis is followed by simple linear regression to determine the relationship between auditor competence and audit quality, with the following general regression equation:

$$Y = a + Bx \dots (1)$$

The coefficient of determination ( $R^2$ ) is used to assess how much influence the independent variable (X) has on the dependent variable (Y). Finally, a t-test is applied to test the hypothesis regarding the significant impact of auditor competence on audit quality. If  $t_{\text{calculated}} > t_{\text{table}}$  with a significance level  $< 5\%$ , then  $H_1$  is accepted, indicating a significant effect of auditor competence on audit quality.

## 4 Results and Discussion

### 4.1 Descriptive Analysis

#### Auditor Competence

Based on the results of the descriptive analysis, auditor competence in the dimension of auditor competency components, which is measured using three indicators—personal quality, general knowledge, and specialized skills—can be seen in the following table:

Table 2: Recap of Respondent Responses Regarding Auditor Competence Variables

Variable	Dimension	Indicator	Average Score per Indicator	Criteria
Auditor Competence	Auditor Competency Components	Personal Quality	114.2	Very Good
		General Knowledge	114.5	Very Good
		Specialized Skills	112.5	Very Good
Total Score			341.2	
Average			113.7	Very Good

Source: Primary Data Processing Results (2024)

Referring to Table 2, the respondents' feedback on auditor competence at the Regional Inspectorate of Garut Regency shows a "very good" rating, with an average score of 113.7. The indicator of general knowledge achieved the highest score of 114.5, indicating that auditors are considered to be highly knowledgeable. Although specialized skills had the lowest score among the indicators, at 112.5, it still falls within the "very good" category. However, observations reveal that there are still limitations in the number of auditors with professional expertise certification according to the needs, as outlined in the Regent's Regulation No. 147 of 2021 and highlighted by Widiya & Syofyan (2020).

### Audit Quality

Based on the descriptive analysis, audit quality in this study was measured through three dimensions: process quality, result quality, and follow-up quality. Based on the respondents' answers, a summary of the responses regarding audit quality can be found in the following table:

Table 3: Summary of Respondents' Responses Regarding Audit Quality Variables

Variable	Dimension	Indicator	Average Score per Indicator	Criteria
Audit Quality	Process Quality	Diligence	115	Very Good
		Accuracy	112	Very Good
		Adherence to Procedure	118	Very Good
		Skeptical Attitude	113	Very Good
	Result Quality	Recommendation Value	115	Very Good
		Report Clarity	117.3	Very Good
		Audit Benefit	115	Very Good
	Follow-up Quality	Audit Follow-up	112	Very Good
	Total			917.30
Average			114.66	Very Good

Source: Primary Data Processing Results (2024)

Referring to Table 3, the respondents' feedback on audit quality at the Regional Inspectorate of Garut Regency indicates a "very good" rating, with an average score of 114.66. This reflects that auditors are considered to be very good in the aspect of process quality, including diligence, accuracy, adherence to procedure, and maintaining a skeptical attitude. In terms of result quality, audit recommendations are highly regarded, and audit reports are presented clearly and beneficially.

The indicator "adherence to procedure" achieved the highest score of 118, indicating that audits were conducted in full compliance with procedures. However, the indicators "accuracy" and "audit follow-up" received the lowest scores. While the "audit follow-up" indicator still falls within the "very good" category, there are shortcomings in the follow-up process from 2021 to 2022, as revealed in interviews with Mr. Gatot Mauludin Fatah, ST., MM. (Tandiontong, 2015) emphasized the importance of entity management monitoring the follow-up on audit recommendations and creating a system to track the follow-up status.

## 4.2 Effect Test

### Simple Linear Regression Analysis

This study applies simple linear regression analysis to determine how the audit quality variable can be predicted based on the auditor competence variable. The output of the simple linear regression analysis is shown in the following table:

Table 4: Simple Linear Regression Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	21.368	10.672	
	Auditor Competence	0.772	0.118	0.806

Source: SPSS Output ver. 29 Processed (2024)

Based on Table 4, the linear regression equation model in this study can be formulated as:

$$Y = a + bX \dots (2)$$

$$Y = 21.368 + 0.772X \dots (3)$$

This equation indicates a constant value of 21.368, assuming the auditor competence variable is zero, meaning that the audit quality variable will still be 21.368. Additionally, the regression coefficient for auditor competence is 0.772, meaning every 1% increase in auditor competence will increase the audit quality score by 0.772.

When the regression coefficient shows a positive value, it indicates that auditor competence contributes positively to audit quality. Therefore, to significantly improve audit quality, auditor competence needs to be enhanced.

### Coefficient of Determination

The coefficient of determination ( $R^2$ ) is used to assess the extent of the effect of auditor competence on audit quality. The result of the coefficient of determination can be found in the following table:

Table 5: Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.806	0.649	0.634	5.206515

Source: SPSS Output ver. 29 Processed (2024)

Based on Table 5, the value of  $R^2$  is 0.649 or 64.9%, indicating that auditor competence contributes significantly to audit quality with a contribution of 64.9%. Respondent feedback suggests that auditor competence at the Regional Inspectorate of Garut Regency is rated as "very good," with an average score of 113.7. This includes indicators such as personal quality (114.2), general knowledge (114.5), and specialized skills (112.5).

Besides auditor competence, other factors accounting for 35.1% that influence audit quality include independence and professional expertise (Mulyadi, 2011), as well as experience and accountability (Bawono & Singgih, 2016). The contribution of auditor competence underscores the importance of competence in maintaining and enhancing audit quality, as stated by Mulyadi (2011), who emphasizes the auditor's responsibility to achieve a high level of competence in delivering professional services.

### Hypothesis Testing

The t-test is used to assess the individual positive and significant effect of auditor competence on audit quality at the Regional Inspectorate of Garut Regency. The results of the hypothesis test are shown in the following table:

Table 6: Hypothesis Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	21.368	10.672	
	Auditor Competence	0.772	0.118	0.806

Source: SPSS Output ver. 29 Processed (2024)

Referring to Table 6, the t-statistic value ( $t_{hitung}$ ) is 6.528. The t-table value is calculated as  $df = n - k = 25 - 2 = 23$ , so the t-table value used is  $t_{(0.05)(23)} = 1.714$ . Since  $t_{hitung} > t_{tabel}$  ( $6.528 > 1.714$ ),  $H_1$  is accepted, meaning that auditor competence positively contributes to audit quality. Furthermore, with a significance level of  $0.001 < 0.05$ ,  $H_1$  is accepted, indicating that auditor competence has a significant effect on audit quality. Therefore, the hypothesis proposed by the author regarding the effect of auditor competence on audit quality is accepted.

This study is consistent with research by Samosir et al. (2022), which states that auditor competence has a positive and significant effect on audit quality. Moreover, this study is also aligned with research by Tjahjono & Adawiyah (2019), which mentions that auditor competence positively and significantly affects audit quality.

## 5 Conclusion and Recommendations

### 5.1 Conclusion

Based on the results of the research and the analysis that has been conducted, the author concludes that auditor competence has a significant impact on the audit quality at the Regional Inspectorate of Garut Regency.

### 5.2 Recommendations

Referring to the conclusion stated earlier, the author provides the following recommendations related to this study:

- 1) For the Research Object (Regional Inspectorate of Garut Regency):

Although the "specialized skills" indicator already meets the "very good" criteria, it still has the lowest score compared to the other indicators. Therefore, the author recommends that the Garut Inspectorate continue to improve professional skill certifications in line with the required competencies. This can be achieved by conducting regular technical guidance and training, as well as appointing auditors who already hold certifications in the required professional areas.

The "audit follow-up" indicator already meets the "very good" criteria, but it still has the lowest score compared to the other indicators. Therefore, the author recommends that the Regional Inspectorate of Garut prioritize follow-ups on audit findings and pay closer attention to the recommendations made by the Indonesian Supreme Audit Agency (BPK RI) regarding their findings. This will help

ensure that follow-up actions are completed on time, specifically within 60 days after receiving the audit report from BPK RI, preventing the recurrence of the same issues in the following year.

## 2) For Future Researchers:

Future researchers are encouraged to add variables that were not considered in this study, such as auditor independence, auditor professional competence, auditor experience, and auditor accountability. Furthermore, it is recommended to increase the sample size by expanding the research area beyond the Garut Inspectorate, for example, including the Regional Inspectorate of West Java Province. This would provide a more comprehensive understanding of the topic.

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