

Effect of Independence , Competence , Organizational Commitment To Audit Quality

ABSTRACT

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The problem in this research is the result of the financial audit of Local Government Financial Statement in West Bandung – West Java Indonesia that has been accomplished by the Audit Board for the last four years have not received an unqualified opinion. This shows still need revamping financial management of local government.

Using regression statistical testing tool of 30 respondents, the results showed the implementation of independence, competence, organizational commitment, as well as internal audit quality in West Bandung District Inspectorate has been running well. Partially, independence and competence variables have no effect on audit quality, while the organizational commitment variable affect the quality of internal audit. Simultaneously, independence, competence and organizational commitment variables affect the quality of internal audit.

Keywords: Independence, competence, organizational commitment, Internal Audit Quality.

1. Introduction

Local government auditor plays a very important in the process of creation of accountability and transparency of the financial management area. The role of the inspectorate function provinces, districts or cities in general governed by Article 4 of Regulation of the Minister of the Internal Affair No. 64 of 2007. According to that article stated that in carrying out supervisory duties of government affairs, inspectorates provincial, district or city has the following functions: first, program planning supervision, both, policy formulation and control facilities, and the third, examination, investigation, testing, and assessment of supervisory duties. The role of internal auditor governments are encouraged to assist a Regent presenting the financial statements of accountable and acceptable in general (Indra Bastian, 2007: 34). Indonesian Institute of Accountants (IAI, 2009; Messier et al: 48), suggests that auditors will conduct audit if they meet the standards of audit quality and quality control standards. According to the Regulation of the Minister of State for Administrative Reform No. PER / 05 / M.PAN / 03/2008, measuring the quality of audits of financial statements, particularly those undertaken by the government inspectorate as internal auditor shall use the Standard of Governmental Financial Statements Examine (SPKN).

Government of West Bandung regency is one of the existing local government of West Java. As local governments certainly have a body charged with the conduct of internal audit is

directly responsible to a Regent. The agency is the Regional Inspectorate is headed by a Chief Inspector.

Below is the report of Supreme Audit Agency (BPK) opinion regarding the financial statements of West Bandung regency, for the last 5 years:

Table 1

Audit Opinion for Financial Statements of West Bandung Government

Year of Financial Report	Audit Opinion
2009	Disclaimer Opinion
2010	Disclaimer Opinion
2011	Qualified Opinion
2012	Qualified Opinion
2013	Qualified Opinion
2014	Qualified Opinion
2015	Qualified Opinion

Based on these data we can see that the presentation of financial statements conducted by the Government of West Bandung are not optimal in accordance with the Standards . The Regional Inspectorate agency should be able to review the financial statements presented by the Government of West Bandung so that it can provide input to the Regent and finally the financial statements at the time examined by State Audit Agency of The Republic of Indonesia get a Unqualified Opinion. . Thus the authors are interested in assessing the quality of the examination results of West Bandung Regional Inspectorate to examine the relationship of auditor independence , auditor competence and organizational commitment to internal audit quality.

2. Literature Review

2.1 Internal Auditor Independence

According to the Standard of the Governmental Financial Statements Examine / SPKN (2007: 34) the independence of the auditor is: In all matters relating to the inspection work, the organization examiners and inspectors, should be free in mental attitude and appearance of interference personal, external, and organizations that may affect independence. In carrying out the examination, the internal auditor must maintain independence, independent in fact and in appearance (IIA, 2011). Internal auditors must be independent in order to be able to give their opinions and conclusions were in fact what happened at the time of the examination, without any influence from the parties or other interested parties. According to Annuar, et al, (2001), Halimah et., Al., (2009) Cohen and Sayag internal auditor's independence may affect the quality of internal audit.

There are several previous studies that do research on the impact of internal auditor independence of the internal audit quality. Among the research that has been conducted by Cohen and Sayag (2010), his research concluded that affect the organizational independence of internal audit quality. The other study was conducted by Annuar, et, al. (2001), the results of his research explains that the internal auditor's independence significantly influence the internal audit quality. Research conducted by Halima et. Al (2009), by means of internal audit in the state and local government in Malaysia as respondents . Halimah research results et., Al explain that the internal auditor Objectivity affect the quality of internal audit.

Further research Sukriah et., Al., (2009) explains that the government auditor's independence and objectivity positive effect on the quality of the examination results of internal auditors. Research by Effendy (2010), shows that the independence of the internal auditor of government influence on the quality of internal audits conducted by the General Inspectorate of Gorontalo. Based on the study of theory and previous research results, it can be a hypothesis: The independence of the internal auditor has positive effect on the quality of internal audit.

2.2 Competence Internal Auditor

According to The IIA Research Foundation 's CBOK (IIA , 2007) McIntosh (1999) ; APIP Auditing Standards ; Mills (1993 : 84) Cheng , et al (2002) , argued that the internal auditor competence can be seen from the dimensions and indicators as follows :

1. **Knowledge**. Indicators used in relation to knowledge are : 1) education , 2) expertise , 3) Skills , 4) experience .
2. **Attitude and ethical behavior** . The indicator used is the attitude and ethical behavior in the work.

Internal audit quality is affected by the internal auditors' competence, either in the form of technical skills, cognitive skills and behavioral skills. Technical skills ensure that the auditors are more able to provide advice to improve the internal control system, cognitive skills include technical competences and behavioral skills include communication and interpersonal abilities (Brody et al, 1998; Pickett, 2000; Smith, 2005). Previous researchers who conduct research on the effect of the competence of the internal auditor of the quality of internal audits conducted by Pickett (2000), the research results show that, the internal auditor competence (cognitive skills and behavioral skills) have a significant effect on the quality of internal audit. Other research by Flesher and Zanzig (2000), the research results show that, internal audit quality is affected by the internal auditor competence is technical skills and experiences. Further research Halimah et. Al (2009), shows that the internal auditor competence affect the quality of internal audit. Research conducted in Indonesia related to the effect of the competence of internal auditors with internal quality audit was conducted by the research Sukriah et., Al., (2009), the research results show that, work experience and competence positive effect on the quality of examination results. Based on the study of theory and previous research results , it can be a hypothesis : Competence internal auditor positive effect on the quality of internal audit

2.3 Organizational commitment

Buchanan in Sri Trisnaningsih (2007) defined as commitment is employee acceptance of the values of the organization (identification), psychological involvement (psychological immersion) and loyalty (affection attachment). Commitment is an attitude and behavior that encourage each other (reinforcement) between one another. Himmet Karadal (2008) describes a number of definitions of commitment, namely: Individuals who have a strong commitment will prioritize the interests of the organization than personal or group interests Pinder (1984) in Edfan Darlis (2002). Organizational commitment is strong within the individual to strive to achieve organizational goals with organizational interests (Angle and Perry (1981); Porter et al (1974) in (Edfan Darlis, 2002) and will have a positive outlook and try to do our best for the sake organization (Porter et al, 1974).

Wiener (1982) in Karadal (2008) state employees with a strong normative commitment will remain loyal to the organization. Normative commitment develops as a result of socialization experiences that emphasize an obligation to repay benefits already given organization.

Mowday, Porter and Steers (1982: 186) in Camilleri (2002) defines organizational commitment as: the relative strength of an individual's identification with and involvement in a particular organization. Organizational commitment expressed by Mowday et al (1982), is characterized by the presence of:

1. Strong belief and acceptance of the goals and values of the organization
2. Readiness to work hard, and
3. A strong desire to stay in an organization. This commitment is classified as affective commitment or attitude as it relates to the extent to which individuals felt the value and purpose in accordance with the values and goals of the organization.

Components of organizational commitment by Meyer (1990) are as follows:

1. Affective commitment led to the employee's emotional attachment to, identification with, and involvement in the organization. This means, affective commitment related to the employee's emotional attachment, employee identification and involvement of employees in the organization. Thus, employees who have a strong affective commitment will continue to work in the organization because they want to do so.
2. Commitment continuance associated with an awareness of the costs associated with leaving the organization. This shows the benefit considerations within the employees associated with the desire to keep working or precisely leave the organization. Commitment continuance in line with the opinion that commitment continuance Becker is awareness of the impossibility of choosing other social identities or other behavior alternative for their threat of big losses. Employees who work on the commitment to this continuance stay in an organization because they need (need to) do so because of lack of other options.
3. Normative commitment reflects a feeling of obligation to continue employment. In other words, normative commitment associated with a feeling of obligation to keep working in the organization. This means that employees who have a high commitment to perform normative feel that they ought (ought to) stay in an organization. Wiener (in Allen & Meyer, 1990) defines the components of this commitment as normative pressures internalized as a whole to behave in particular to meet the goals and interests of the organization. Therefore, the behavior of all employees based on their beliefs about "what is right" and related to the moral.

Auditor in carrying out his profession as a duty profession will get a conflict when it should report the findings might not be profitable performance management . Conflict occurs when the auditor and auditee disagree on some aspects and purposes of the examination . For the auditor is expected to a choice of conflicting decisions related to the activity of the examination . Because the auditor professionally guided by a code of professional conduct and examination standards . The auditor are in a dilemma . Meeting the demands of the auditee is a violation of the standard examination and code of professional conduct . Violations of inspection standards and codes of conduct have implications for the quality of audits produced by the auditor . Therefore, auditors should be able to maintain a professional code of ethics and examination standards have been set. Based on the foregoing , it can be made a hypothesis :Organizational commitment positively affects the quality of internal audit . Independence, competence , organizational commitment together the same positive effect on the quality of internal audit.

2.4 Quality of Internal Audit

According to the Regulation of the Minister of State for Administrative Reform, No. PER / 05 / M.PAN / 03/2008 as the measurement of the quality audit of financial statements, particularly those undertaken by the regional inspectorate as an internal auditor for the government, is obliged to use the Standard for Governmental Financial Statement (SPKN) contained in the Supreme Audit Agency of the Republic of Indonesia Number 01 Year 2007, Code of Conduct Government Internal Supervisory Apparatus (APIP) and audit standards APIP (BPKP, 2008).

According to Power (1997), based on the concept of auditing, internal audit quality relates to the independence, competence and ethical code of internal auditors. The independence and competence becomes an important factor that must be owned by an internal auditor in order to implement the audit assignment. Quality audit is an audit that can be acted upon by the auditee. This quality must be built from the beginning of the audit to reporting and referrals.

Some research which concludes that, the quality of internal audit is influenced by the independence and competence of internal auditors (Schneider, 1984; Schneider, 1985; Margheim, 1986; Messier and Schneider, 1988; Annuar et. Al, 2001; Halimah et. Al, 2009).

According to Cohen and Sayag (2010), the quality of internal audit related to the effectiveness of the internal audit function, in which the internal audit quality can be determined by, (1) the level of compliance with the standards; (2) ability to plan; (3) Finding the audit findings; (4) Communicating audit.

3. METHODOLOGY

3.1 Data Collection Instrument

Data collection techniques to study this field consists of: Questionnaire, which is a structured list of questions and statements addressed to the respondent. Observation, namely monitoring in the field and discussions with respondents to obtain information clearer picture of the actual situation results from the questionnaire.

3.2 Samples

The sample in this study is the number of internal auditors in the Office of the General Inspectorate of West Bandung totaling 30 people.

3.3 Analysis

To analyze the data in this study used multiple regression analysis. This analysis is used to determine the influence of independent variables on the dependent variable.

4. RESULTS AND DISCUSSION

To reveal the influence of the independence, competence, and with the same organizational commitment to audit quality in the General Inspectorate of Government of West Bandung regency testing the hypothesis by linear regression using SPSS version 17.0. Based on the results obtained SPSS version 17.0 out put as follows:

table 2
Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2,697	4,281		,630	,534
The Independence	-,118	,130	-,158	-,915	,369
Competence	,092	,197	,088	,467	,645
Organizational Commitment	,317	,104	,633	3,059	,005

Based on Table 2 can be described regression equation which can be obtained as follows :

$$Y = 2,697 - 0,118 X_1 + 0,092 X_2 + 0,317 X_3$$

Where :

Y = Quality Audit

X₁ = Independence

X₂ = Competence

X₃ = Organizational Commitment

Constanta amounted to 2.697 states that if the variable independence , competence and organizational commitment in a state of constant , then the amount of audit quality in West Bandung District Government Inspectorate of 2,697 assuming other factors held constant or zero. The independence has a coefficient of -0.118 means that if there is a decrease or change in the independent variable in one unit , it can improve the quality of audits of 0,118 where the other factors in a state of constant or zero .

Competence has a coefficient of 0.092 means that if there is an increase in the variable competence in one unit , it can improve the quality of the audit 0.092 where other factors in a state of constant or zero .

Organizational commitment has a coefficient of 0.317 means that if there is an increase in the variable of organizational commitment in a single unit , it can improve the quality of audits of 0.317 where other factors in a state of constant or zero .

Test Coefficient of Determination (R²)

Table 3
Test Results for Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

1	,630 ^a	,397	,327	1,43460	1,854
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Based on the table 3 are known :

1. Figures R amounted to 0.630 figures show a moderate correlation between the quality of the audit with the independence , competence and organizational commitment .
2. Results of adjusted R square of 0.327 or 32.7 % . This indicates that audit quality can already be explained by the variable independence , competence and organizational commitment by 32.7 % while the remaining 67.3 % (100 % -32.7 %) influenced by other factors not examined .

T test (Hypothesis Testing individual coefficient)

T tests were conducted to investigate which of the independent variables that affect the quality of the audit . The t-test is done by comparing the t contained in the table of test results with t table . The significant level of 5% (test one way) or by 5 % : 2 = 2.5% (test both directions) .

table 4
Test Results Statistics t
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,697	4,281		,630	,534
	The Independence	-,118	,130	-,158	-,915	,369
	Competence	,092	,197	,088	,467	,645
	Organizational Commitment	,317	,104	,633	3,059	,005

Results obtained from the t table of 2.052 to obtain the test results as follows:

1. Variable independence have t count equal to 0.369 -0.915 with significance level (above 0.05 or 5%). Thus t is smaller than t table (-0.915 <2.052). It concluded that independence in West Bandung District Government Inspectorate does not affect the quality of internal audit.
2. Variable competency has amounted to 0,467 t with a significance level of 0.645 (above 0.05 or 5%). Thus t is smaller than t table or 0,467 <2,052. It concluded that competence in the Inspectorate of Government of West Bandung regency does not affect the quality of internal audit.
3. Variable organizational commitment have t count equal to 3.059 with a significance level of 0.000 (below 0.05 or 5%). It can be concluded that organizational commitment in West Bandung District Government Inspectorate affect the quality of internal audit.

Test F (Hypothesis Coefficient Together / Simultaneous)

To test the effect of the independence , competence and organizational commitment t simultaneously on audit quality used F test.

Table 5
Test Results Statistics F
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35,190	3	11,730	5,700	,004 ^b
	Residual	53,510	26	2,058		
	Total	88,700	29			

Obtained value of $F = 5.700$. From the table, the F value table for degrees of freedom (db1) = number of variables $X = 3$ and degrees of freedom (db2) = $n - k - 1 = 30 - 3 - 1 = 27$ for $F [0.05 : 3 : 27] = 2.96$.

Because the value of $F = 5,700 > F \text{ table} = 2.96$ then the decision is testing the null hypothesis is rejected . The test results can be concluded that the independence , competence , organizational commitment with the same affect audit quality.

5. CONCLUSION

1. The independence of the internal auditor in the General Inspecorate of West Bandung regency has no effect on audit quality .
2. The internal auditor Competence in the General Inspectorate of West Bandung District does not affect the quality of the internal audit .
3. The internal auditor of organizational commitment in the General Inspectorate of West Bandung has a positive effect on the quality of internal audit .
4. The internal auditor's independence , the competence of internal audit and internal auditor of organizational commitment in the General Inspectorate of West Bandung have the same effect on the quality of internal audit .

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