

# AUDITOR QUALITY OF LOCAL GOVERNMENT INSPECTORATE IN CENTRAL JAVA

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# AUDITOR QUALITY OF LOCAL GOVERNMENT INSPECTORATE IN CENTRAL JAVA

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**Abstract**—In an increasingly competitive environment, it seems important to understand the perceptions of both users and preparers as they relate to audit quality. Any differences may allow for auditor to deliver more satisfaction to both groups and simultaneously improve their own audit quality. Auditor local governments get important role in the process of accountability and transparency in the financial management area. The role of internal auditor governments are encouraged to help the head of the region to present the financial statements of accountable and generally acceptable. The purpose of this study is investigating religiousness and time pressure toward auditor quality.

The population in this research are auditor local governments in the Central Java province which is administered by purposive sampling technique. It is obtained a sample of 68 auditors. Then, the data are analyzed by using regression. The findings show that only time pressure that influence auditor quality. Variabel religiousness can't influence auditor quality.

**Keywords**—Auditor quality; religiousness; time pressure; audit report; local government

## I. INTRODUCTION

Audit quality is determined by the characteristics of a good auditor and it can not be judged only from measurable output so that control is required to ensure that audit quality can be achieved. Some research to achieve adequate audit quality is supported by the character and expertise in auditors. Producing a quality audit, good competence is required from the point of view of the individual auditor. Because the auditor is the subject that performs the audit directly and directly related to the audit

process. Based on the Standards of Professional Public Accountants (SPAP) audits conducted auditors can be qualified if it meets the requirements or auditing standards. Auditing standards include the professional quality (professional qualities) of the independent auditor, judgment used in auditing and the preparation of the auditor's report.

Auditing standards are important because the opinions of independent accountants aim to increase the credibility of financial statements presented by management. If the accountant not be independent of his client, his opinion will not provide any additional (Mautz and Sharaf, 1993: 246). Therefore it appears clear that every accountant must maintain integrity and objectivity in his professional duties, and should be independent of all conflicting interests or improper influence. Based on this understanding can be concluded that independence is a person's attitude to act honestly, impartial, and report findings based on existing evidence.

Local government auditors play a very important role in the process of creating accountability and transparency of financial management in the region. The role of government internal auditors is encouraged to assist regional heads to present accountable and generally acceptable financial statements (Indra bastian, 2007). The Indonesian Institute of Accountants argues that audits by auditors are qualified if they meet auditing standards and quality standards. The quality of audits conducted by provincial, municipality and district inspector apps is currently under scrutiny. Since there are still many audit findings that are not detected by the inspector apparatus as

internal auditors, they are found by external auditors, the Supreme Audit Board.

In this research will be testing independent variables such as religiosity and time pressure on audit quality at the local government inspectorate in Central Java. This study is a continuation of previous research on the quality identification of inspectorate auditors in the province of Central Java.

**II. HYPOTHESES**

**A. Religiosity Impact of Audit Quality**

Personal religiosity is the starting point to finding moral judgment, because the ideology of religiosity provides many explanations about individual judgments about wrong and right (Rest et al, 1969). The results of Barnett, bast, brown (1996) showed religiosity affecting a person's moral standards. High moral standards show responsibility for high jobs, so the quality of work will be maximized. Similarly, an auditor, if you have a high religiosity then have a good responsibility so as to produce a good quality audit as well.

H1. Religiosity has a positive effect on audit quality

**B. Time Pressure Impact of Audit Quality**

In performing its duties, the auditor sets a very strict audit time allocation, consequently having adverse side effects on the public, ie raising behaviors that threaten audit quality. Waggoner and Cashell (1991) argue that too long time allocations make auditors more daydreaming and unmotivated to work harder. Conversely, if the allocation of time is too fast (narrow), it can lead to behavior that may degrade the quality of the audit, because there are tasks that are ignored (not tested) by the auditor. Time budget pressure is a normal feature of the auditor's control system. The pressure generated by a tight time budget, consistently related to dysfunctional behavior.

Dysfunctional behavior is defined as behavior that is not in accordance with professional ethics auditing standards. The commission on Auditors Responsibilities Report (1978) proves that time budget pressure is a major cause of dysfunctional behavior, such as premature sign-off behavior. Time budget pressure arises due to various factors such as, audit fee competition among KAP (Kelley & Seiler, 1982, McNair, 1991), profitability considerations, and personnel limitations. Dezoort (2002) mentions that the time budgetary pressures faced by professionals in auditing can create high levels of stress and affect auditor attitudes, intentions and behavior (ethics). Rhode (1978) conducted a survey of members of the American Institute of Certified Public Accountants (AICPA) on potential factors related to the occurrence of audit quality reduction measures, including premature sign-off. The main factor driving this behavior is time budget pressure. From the above statement it can be concluded that time budget pressure is related to dysfunctional behavior, where the behavior is a direct and serious threat to audit quality.

H2. Time pressure negatively affects the quality of the audit

**III. RESEARCH DESIGN**

**A. Population and Sample**

The population in this study is the Inspectorate of Regional Government in Central Java Province. If the subject is less than one hundred then it is better to take it all. Therefore the target population is the sample in this study which is done by taking all the Inspectorate of Local Government in Province / Town / Regency in Central Java as the unit of analysis. Total sample 68 internal auditors from local government inspectorate in Central Java province.

**B. Operational Variables and Measurements**

The quality of internal audit is a reflection of the reliable examination results of the internal auditor's stance in performing its duties in accordance with applicable standards. Audit quality is measured by 4 aspects of audit quality based on financial reporting council (2006) that is corporate culture, expertise and quality of personal partner and audit staff, audit process effectiveness, reliability and audit report manfaat. An accountant who has a high understanding and level of religiosity will be able to act or behave ethically in professions and organizations. Time pressure as a form of pressure arises from the limited resources that can be provided to carry out the task. But often the time pressures are not realistic with the work to be done.

**C. Data Analysis Method**

In this research, multiple linear regression method is used to measure the influence of religiosity variable and time pressure on internal auditor quality.

**IV. RESULT**

A good multiple regression equation model is a model that meets the requirements of classical assumptions, such as data must be normal, the model must be free of multicollinearity, free from heteroscedasticity, and free from autocorrelation. From the result of previous analysis, it has been proved that the equation model proposed in this research is already meet the requirements of classical assumption so that the equation model in this research has been considered good.

TABLE 1. REGRESSION RESULT

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Err.	Beta		
1 (Constant)	5.656	.701		8.072	.000
Religi	-.116	.117	-.116	-.993	.325
TekWa	-.265	.117	-.270	-2.268	.027

From Table 1 the result of data processing with the help of SPSS 16 program, we get the following model of multiple regression equation as follows:

$$Y = 5.656 - 0.116X1 - 0.265X2 + e \quad (1)$$

The result of the variable test shows that the time pressure variable negatively affects the quality of the internal auditor. This means that if time pressure increases then the resulting audit quality will decrease. Timing needs to be done in the execution of the audit so that an imbalance can be avoided. Dee Zoort and Lord (1997) stated that when facing budget pressure the auditor's time will respond in two ways: functional and dysfunctional. The functional type is the behavior of the auditor to work better by using the best time. This supports the research of Broberg et al (2017) and utary (2014) but different results with swanberg and Oman (2013).

Religiosity variable has no effect on internal auditor quality. This shows the significance value of 0.325 which is greater than 0.05. This result is in line with research sulistiyo (2014) but different results with research rusmawan (2013) and Hastuti (2014). High moral standards should show responsibility for high jobs, so the quality of work will be maximized. But if high moral standards are not matched by an awareness of religious values embedded in hearts and minds it will result in deviant behavior.

#### V. CONCLUSION

Based on the description on data analysis and discussion can be concluded that the influence of time pressure on internal audit quality is significant. Quality can not be achieved with short and stressful work times. Similarly, the auditor profession is increasingly pressed time in checking the financial statements then the resulting quality is not maximal. Religiosity variable has no effect on internal auditor quality. This shows the understanding of religion as well as the faith of the auditor needs to be improved.

Although the researcher has tried to design and develop the research in such a way, but there are still some limitations in this study, which in this study only use two independent variables, and still there are a number of other variables that are not studied and likely to have a major contribution that will affect the quality of internal auditors. Another limitation of participant work experience that is not entirely related to auditing causes less understanding of the questions of the researcher.

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