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# Effect of Independent Locus of Control and Auditor Ethics on Auditor Professional Skeptics and Its Implications on Audit Quality

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*Independence;*

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*Audit Quality;*

**Abstract**

This study aims to analyze the effect of internal locus of control independence and auditor ethics on auditors' professional skepticism and their implications for audit quality. This research was conducted at the office of 4 inspectorate offices. Some questionnaires were distributed to the Government's internal auditors to collect data. The sampling technique used in this research is purposive sampling. The number of research samples taken was 37 respondents. The data analysis technique uses Path Analysis using SPS V.26 software. Based on the results of the study, it was found that independence has a direct effect on skepticism and audit quality; internal locus of control and auditor ethics has no direct effect on auditor professional skepticism; auditor ethics has no direct effect on audit quality; auditor professional skepticism has a direct effect on audit quality, and the independence and ethics of auditors indirectly affect audit quality through the auditor's professional skepticism.

## 1. Introduction

Good governance is the ideal condition to implement in a government organization. Until now, the community still feels dissatisfaction with the performance of local governments (Ziyoda, 2020). This encourages state administrators at the executive, legislative, and judicial levels to work effectively

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and efficiently to achieve quality public services by prioritizing transparency and accountability in financial reporting. For the realization of good governance in Indonesia, it is necessary to guide the implementation of accountability in the public sector.

Through the existence of fairly reliable external and internal supervision, it is hoped that it will ensure an even distribution of funds or budgets in all public sectors so that the effectiveness and efficiency of fund users can be accounted for (Kalangi et al., 2021). In Indonesia, several State Institutions or units are involved in the process of supervision and examination of the management of state finances.

Based on the Regulation of the Minister of Home Affairs Number 8 of 2009, it is stated that the Inspectorate is tasked with determining the reliability of the information produced by various units/work units as an integral part of local government organizations. As one of the vital functions in the regional Government, the Inspectorate has the task of carrying out general supervision activities of the regional Government and other tasks assigned by the regional head so that in its duties, the Inspectorate is the same as the internal auditor. Through the Internal Supervision of the Regional Government (Inspectorate), it is hoped that the management of the regional Government's budget can achieve its objectives without any budget irregularities.

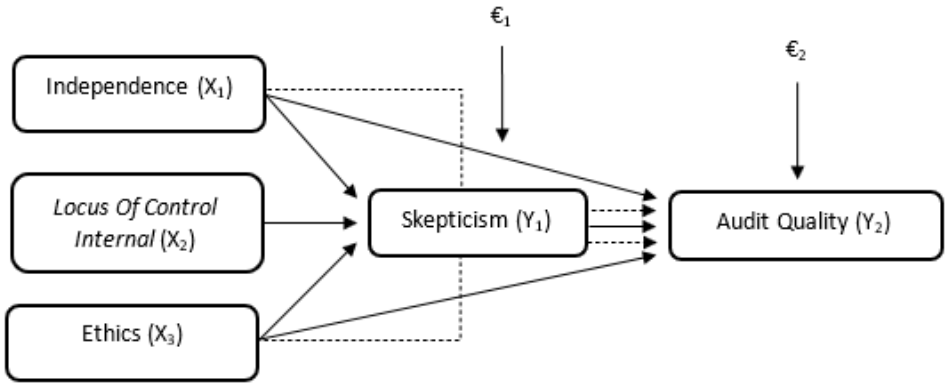
During the 20 years that Papua Province has implemented Special Autonomy (from 2002 to 2021), the Central Government has distributed a Special Autonomy Fund budget of 75.53 trillion IDR (Rupiahs), data released by the Directorate General of Fiscal Balance (DJPK) in 2021 (www.djpk.kemenkeu.go. en, 2021). This condition encourages the Internal Auditor of the Regional Government, in this case, the Inspectorate, to conduct effective and efficient guidance and supervision.

Based on a statement by the commissioner of the Corruption Eradication Commission of the Republic of Indonesia, Alexander Marwata, on November 24, 2021, the KPK asked the Inspectorate - Auditors in Papua to intensify assistance and supervision. Through this statement, he explained that the potential for misuse of the special autonomy budget was very high in acts of corruption, collusion, and nepotism (KKN).

Based on the general standards in the State Financial Auditing Standard (SPKN, 2017), it is stated that independence is an attitude and action in carrying out audits to be impartial to anyone and not influenced by anyone. However, it is not only independent in conducting the examination but also requires an internal locus of control, ethics, and skepticism in conducting the examination. Based on the description above, it can be concluded that the attitude of independence, internal locus of control, ethics, and skepticism can affect audit quality, precisely on the Government's internal auditors in the Mamta customary area.

## 2. Materials and Methods

The purpose of this study was to examine and analyze the effect of auditor independence on professional skepticism, to test and analyze the effect of auditor independence on the audit quality of the Inspectorate, to test and analyze the effect of internal locus of control on professional skepticism, to examine and analyze the effect of the auditor's ethics variable independently. Directly on professional skepticism, to test and analyze the effect of Auditor Ethics directly on the quality of the auditor's audit, to test and analyze the effect of auditor independence on audit quality through professional skepticism, to test and analyze the effect of professional skepticism on audit quality, and to test and analyze the effect of Auditor ethics on audit quality through auditor skepticism. Next, the following is the research framework.




Based on the framework of thought above, the hypothesis is as follows.

1. It is suspected that there is an influence of independence on the professional skepticism of the auditor.
2. It is suspected that there is an influence of independence on audit quality.
3. It is suspected that there is an influence of internal locus of control on professional skepticism.
4. It is suspected that there is an influence of auditor ethics on professional skepticism.
5. It is suspected that there is an influence of auditor ethics on audit quality.
6. Suspected influence of professional skepticism on audit quality
7. It is suspected that there is an influence of independence on audit quality through professional skepticism
8. It is suspected that there is an influence of auditor ethics on audit quality through professional skepticism

*Methodology*

This research was conducted using a quantitative approach. The data source in this study was obtained from distributing questionnaires to 3 Inspectorate Offices in the Mamta Customary Territory. The population in this study were all auditors who worked in 3 Government Inspectorate Offices in the Mamta Customary Territory. The reason the author chose auditors at the Inspectorate Office as a population is because the Inspectorate plays an important role in improving the quality of Local Government Financial Reports (LKPD) to improve the quality of audit results. The time of the research will be from April to May 2022. The sampling technique used is purposive sampling. The criteria for determining the sample used in this study are (1) Working at least one year as a civil servant in the Inspectorate. (2) Is a functional auditor.

The statistical analysis used in this study is path analysis. This analysis aims to determine how much influence Exogenous variables are: Independence (X1), Internal Locus of Control (X2), and Auditor Ethics (X3). Intervening variable Professional skepticism (Y1) on the Endogenous variable, namely Audit Quality (Y2).

## 3. Results and Discussions

### *3.1 Results*

*Linearity Test*

The linearity test uses the Langrage Multiplier test, which is carried out by regressing the independent variable with the residual value of the equation to obtain c2count (n x R2), which will then be compared with table c2. The assumption of linearity will be fulfilled if the calculated c2 is smaller than the c2 table Engle, (1982).

The results of data analysis in the first equation show an R square of 0.920 with a sample of 37, then the magnitude of c2count = 37 x 0.920 = 34.04 compared to the magnitude of c2table with a significant level of 0.05, then the magnitude of c2table is 52.9, it can be said that the model the first equation has met the linearity rule because c2count<c2table (34.04<52,9).

The same calculation will also continue for the second equation, namely; 37 x 0.938 (R square second equation) = 34.706, which when compared with the magnitude of c2table with a significant level of 0.05, then the magnitude of c2table is 52.9, it can be said that the first equation model has met the linearity rule because c2count<c2table (34.706<52, 9). From the test results above, it can be seen that the model formed in this study is in the form of a linear function. Therefore, it can be justified that the model formed can be used for further path analysis testing.

*Path Analysis*

The hypothesis testing proposed in this study was tested by path analysis. The path diagram will prove the influence of exogenous variables on endogenous variables. Statistical analysis of path analysis, with the help of SPSS software version 21 for windows, to prove the pattern of causal relationships, either directly or indirectly, between exogenous variables to endogenous variables. The equations that will be analyzed include;

The first equation :

$$SKPT = \beta_1 INDP + \beta_2 LOCI + \beta_3 ETIK + \varepsilon$$

The second equation :

$$KA = \beta_1 INDP + \beta_3 ETIK + \beta_Z SKPT + \varepsilon$$

From the first equation, the model generated in this study is as follows; $Y1=0{,}751X_1 + 0{,}152X_2 +0{,}026X_3+ e$. From the second equation, the model generated in this study is as follows; $Y1=0{,}680X_1 + 0{,}053X_2 + 0{,}318Z + e$. Statistically, the indirect effect can be proven by comparing the total influence value with the direct influence value. If the total influence value is greater than the direct influence value, it can be said that the path of the relationship has an indirect effect. Based on the results of the analysis, it was found that without intervening or with intervening, the exogenous variable affected the endogenous variable.

*Coefficient of Determination*

The accuracy of the hypothetical model from the research data is measured from the correlation coefficient of determination (R2) from the two equations above, as shown below;

$R^2$ model = 1 - (1 - $R^2_1$) (1 - $R^2_2$)

= 1- (1-0,772) (1- 0,932)

= 1- (0,228) (0,068)

= 1- 0,015504

= 0,984496 or 98,4%

The results of the calculation of the model's accuracy of 98.4% explain that the contribution of the model to explain the causal relationship of all the variables studied is good.

*3.2 Discussion*

*The Direct Effect of Auditor Independence on Professional Skepticism*

The results of testing the first hypothesis reveal that Independence (INDP) has a tcount value of 3.635 which is greater than the t-table value of 1.687 (5.365>1.687) with a coefficient of 0.751 and a significant value of 0.112 which means that, Ha is accepted and H0 is rejected or the hypothesis received. These results indicate that independence has a positive and insignificant effect on auditors' professional skepticism at the Regional Government Inspectorate in the Mamta Customary Territory.

The study's results are consistent with previous studies (Lamba et al., 2020) and (Dharmadiaksa, 2017), which stated that independence affected skepticism. Auditors must maintain independence in collecting required information and reporting findings based on the evidence obtained in making decisions.

*The Direct Effect of Auditor Independence on Audit Quality*

The results of testing the second hypothesis reveal that auditor independence has a tcount value of 7.158 which is greater than the ttable value of 1.687 (7.158>1.687) with a coefficient of 0.680 and a significant value of 0.000 which means that Ha is accepted and H0 is rejected or the hypothesis is accepted.

The results of this study are consistent with (Lamba et al., 2020) and (Dharmadiaksa, 2017), who state that independence positively affects audit quality. This shows that the better the independence attitude possessed by the auditors, both in appearance and actual attitude, the better the audit quality of the regional financial statements produced. This condition is in line with the statement of the State Financial Auditing Standard, which states that in all matters relating to the work of the auditors of the Regional Government Inspectorate in the Mamta Customary Territory, they must be free in their mental attitude and appearance from personal, external, and Regional Apparatus Organizations (OPD) that can affect their independence.

*The Direct Effect of Internal Locus Of Control on Auditor Professional Skepticism*

The results of the third hypothesis analysis are supported by the results of regression analysis which shows that the internal locus of control has a tcount value of 0.679, which is smaller than the ttable value of 1.687 (0.679 <1.687) with a coefficient of 0.152 and the magnitude of the significant

value is 0.002 which means that, H0 accepted and Ha is rejected or the hypothesis is rejected. These results indicate that the internal locus of control has no significant and significant effect on the professional skepticism of auditors at the Regional Government Inspectorate in the Saireri Customary Region. The results of this study are inconsistent with research conducted by (Oktaviani, 2018) and (Alfa & Indarto, 2013), which state that internal locus of control affects professional skepticism. If the internal locus of control is owned by an auditor to work hard and has the initiative, it will improve the quality of audit results.

*The Direct Effect of Auditor Ethics on Auditor Professional Skepticism*

The results of inferential analysis through multiple linear regression testing show that the auditor's ethics has a t-count value of 0.273, which is smaller than the t-table value of 1.687 (0.273 <1.687) with a coefficient of 0.026 and a significant value of 0.787 which means that, H0 is accepted. and Ha is rejected, or the hypothesis is rejected. These results indicate that auditor ethics has no positive and insignificant effect on professional skepticism at the Regional Government Inspectorate in the Mamta Customary Territory. The results of this study are inconsistent with previous studies (Raynaldi & Afriyenti, 2020) and (Wahyuni & Suryono, 2021), which state that auditor ethics has a positive and significant effect on professional skepticism.

*The Direct Effect of Auditor Ethics on Audit Quality*

The results of another analysis using multiple linear regression analysis regarding the effect of auditor ethics on audit quality show that auditor ethics has a tcount value of 1.191, which is smaller than the t table value of 1.687 (1.191 <1.687), but the magnitude of the level of the coefficient is 0.053. The magnitude of the significant value of 0.242 which is greater than 0.05, suggests that H0 is accepted and Ha is rejected, or the hypothesis is rejected. These results indicate that auditor ethics has no positive and insignificant effect on audit quality at the Regional Government Inspectorate in the Saireri Customary Region. The results of this study are consistent with research conducted by (Lamba et al., 2020) which states that auditor ethics does not have a positive and insignificant effect on audit quality.

*The Direct Effect of Auditor Professional Skepticism on Audit Quality*

These results are supported by the results of multiple linear regression analysis, which reveals that professional skepticism has a tcount value of 3.373 which is greater than the ttable value of 1.687 (3.373>1.687) with a coefficient of 0.318 and a significant value of 0.002 which is smaller than 0.05 which means that, Ha is accepted and H0 is rejected or hypothesis is accepted. These results indicate that professional skepticism positively and significantly affects audit quality at the Regional Government Inspectorate in the Mamta Customary Territory. This condition illustrates that the higher the auditor's professional skepticism, the better the audit quality produced by the auditor. On the other hand, auditors who lack skepticism will reduce audit quality. The results of this study are consistent with research conducted by (Lamba et al., 2020) and (Dharmadiaksa 2017) which state that skepticism affects audit quality.

*Indirect Effect of Auditor Independence on Audit Quality through Auditor Professional Skepticism*

This is evidenced by the result of the multiplication of the path coefficient of auditor independence towards professional skepticism and the product of the multiplication of the path coefficient of auditor independence on audit quality or, in short, 0.751x0.318 = 0.238. If the results are compared between the direct path coefficient of auditor independence and audit quality, which is 0.152, the magnitude of the indirect path coefficient is greater (0.238> 0.152). So it can be said that the effect of auditor independence on audit quality through skepticism has a dominant influence. The results of this study indicate that the influence of independence on audit quality can be mediated by professional skepticism as an intervening variable. This shows that the better the independent attitude possessed by the auditors, both in appearance and in actual attitude, the better the ability to evaluate information and evidence critically as a form of professional skepticism to detect errors or fraud. as well as the quality of the resulting regional financial audits. The results of this study are consistent with those (Lamba et al., 2020) and (Dharmadiaksa, 2017), which show that independence affects audit quality through auditors' professional skepticism.

*Indirect Effects of Auditor Ethics on Audit Quality Through Professional Skepticism*

The result is multiplication of the indirect effect of auditor ethics on audit quality through professional skepticism. The results of the analysis show that the direct path coefficient of auditor ethics on audit quality through professional skepticism (0.053) is smaller than the indirect path coefficient of 0.680x0.318 = 0.216 through professional skepticism (0.216 > 0.053). So it can be said that the influence of auditor ethics on audit quality through skepticism has a dominant influence.

If an auditor has bad ethics, this will damage public confidence in the profession. If an auditor adheres to the code of ethics, he will be more skeptical about planning. He will always be careful because there are suspicious thoughts that whether the evidence collected is sufficient or not and can detect fraud or actual errors in the report. Regional Apparatus Organizations (OPD) finances so that the audit quality they produce will be better.

## 4. Conclusion

This study revealed that; (1) Auditor independence has a direct but insignificant effect on professional skeptics. (2) auditor independence has a direct and significant effect on audit quality. (3) Internal locus of control has no significant effect on professional skepticism. (4) auditor ethics has no direct and insignificant effect on professional skepticism. (5) auditor ethics has no influence and is not significant on audit quality. (6) professional skepticism has a direct and significant effect on audit quality. (7) independence affects audit quality through professional skepticism. (8) auditor ethics affect audit quality through professional skepticism.

Based on the results of this study, it is hoped that the Government, in this case, the Government Inspectorate in the Mamta Customary Territory, should continue to make improvements related to ethical attitudes in conducting the audit process of the financial reports of Regional Apparatus Organizations (OPD) within the Government of the Mamta Customary Territory so that the auditors maintain their ethics. A good attitude towards this will be able to build a much better audit quality so that it will be able to create better local financial management. One element that can support better regional financial management is the evaluation and examination carried out by people with high

integrity, including professionalism, good competence, ethics, and obeying the internal auditor's code of ethics.

This study failed to prove the influence of good ethics, owned by the Government Internal Auditor in the Mamta Customary Territory, on audit quality. The assumption from the researcher is that there are still several indicator items from the ethical variable that do not yet have a good value for the auditors who are present as respondents. For auditors, based on the results of the evaluation of the ethics variable, the Government's internal auditor is expected to always pay attention to the extent of ethics shown by the auditor at the Regional Government Inspectorate Office.

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