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# Mediation Psychological Capital In Relation of Competence and Independence to The Audit Quality

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*This study aims to examine the influence of competence, independence, and psychological capital on the quality of internal audit of government officials (APIP). Common problems in this research are the findings of the audit were not detected by the apparatus inspectorate as an internal auditor, but was found by the external auditor, the Supreme Audit Agency (BPK). Variable apparatus competence is measured by three indicators, namely the mastery of accounting and auditing standards, an insight into the government, and improving skills. Variables measured by the independence of internal disturbance and external interference. Capital psychological variables were measured with Confidence (self-efficacy), hope (hope), optimistic (optimi*

*sm), and durability (resilianci). While variable audit quality measured by the quality of process, quality of results, and follow-up of audit results.*

*The study population is the regional inspectorate officers inspecting the city of Jayapura. Data collection through questionnaires distributed to respondents. The variable in this study is the Audit Quality Dependent variable (Y), while the independent variables are Competence, Independence and psychological capital. Data were analyzed using Equation Structure Model (SEM) PLS with the analysis tool WarpPLS. Research shows that the competence and independence of the positive and significant impact on audit quality, while the variable capital may mediate the effect of psychological competence and independence to audit quality by partial mediation. Implications of the findings of the research is to attempt the realization of high-quality audit with the need for a capital increase psychological (psychological capital) to auditors on audit quality as well as improving the competence of the examiner apparatus.*

**Keyword:** Audit Quality, Competence, Independence, and Psychological Capital

## 1. Introduction

Demands the implementation of public sector accountability towards the realization of good governance in Indonesia is increasing. This demand is reasonable, because some studies show that the economic crisis in Indonesia was caused by poor management of (*bad governance*) and poor bureaucracy (Sunarsip, 2001). According to Mardiasmo (2005), there are three main aspects that support the creation of good governance (*good governance*), namely monitoring, control

and inspection. Supervision is an activity undertaken by a party outside the executive, the communities and the Regional Representatives Council (DPRD) to oversee the government's performance. Control (*control*) is performed by an executive mechanism to ensure that the systems and management policies implemented properly so that organizational goals can be reached. While the examination (audit) is an activity undertaken by the party that has the independence and professional competence to examine whether the

results of the government's performance in accordance with established standards.

One of the units that perform audit / inspection of the local government is regional inspectorate. Inspektorat has the main duty to assist in organizing the Regional Head of Local Government in the field of supervision. The principal task is to:

First, to formulate technical policy in the field of supervision; second, develop plans and programs in the areas of surveillance; Third, carry out technical control of operational supervision; and fourth, the coordination of surveillance and follow-up monitoring result. Meanwhile, the internal auditor in general, including the inspectorate officials in Jayapura was under the influence of policy makers. In addition, the population of close interpersonal relationships can cause, either of kinship or relationship other interests. It also affects the independence of the inspectorate officials Jayapura City. Understanding the importance of a quality audit for the establishment of accountable government would be able to motivate inspectorate officials to use and improve its competence and independence. So, with the above considerations, it is necessary to know the influence of competence, independence, and psychological capital on audit quality Inspectorate in the area of financial supervision, in particular in the city of Jayapura.

Competence and independence is the standard that must be met by an auditor to perform the audit properly. However, not necessarily auditor who has both of the above will have a commitment to conduct audits properly. Therefore, psychological empowerment through Psychological Capital is expected to have an impact on through the interaction of auditor competence and independence of the auditor to the improvement of audit quality. In other words, psychological capital will encourage someone, including auditors, for achievement, commitment to the group and to take the initiative and optimism is high.

## 2. The study Theory and Hypothesis Development

### *Expectations theory*

Expectations theory predicts that employees will expend effort level high if they feel that there is a strong relationship between effort and performance, performance and rewards,

rewards and fulfillment of objectives personal. In order for a business to produce a good performance, the individual must have the ability needed to work, and the performance evaluation system to measure performance. The individual must be perceived to be fair and objective. Performance relationship – awards will be stronger if people feel that the award is given performance (rather than seniority, personal reasons, or other criteria). Last relationships in expectancy theory is the relationship of the award - the goal. Motivation will be high up the rate at which awards received by an individual on a high performance meets the needs of the dominant consistent with individual goals (Robbins, 2008).

### 3. *Audit Quality*

De Angelo (in Alim et al, 2007) defines quality audit as the probability that the auditor will find and report violations to the accounting system auditee. While Deis and Groux (in Alim et al, 2007) explained that the probability of finding a violation depends on the technical ability of the auditor and the probability of reporting a violation depending on auditor independence, 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. Thus, the indicators used to measure the quality of audits among others the quality of the process, whether the audit is done carefully, according to the procedure, while continuing to maintain a skeptical attitude.

### 4.

#### *ompetence and Audit Quality*

Statement of general standard first is: "Examining collectively should have sufficient professional skills to carry out inspection tasks." Bedard (1986) in Sri Lastanti (2005) defines the skill or competence as someone who has the knowledge and skills procedural widely demonstrated in experience audit. Based on the above it can be concluded that the competence of auditors is the knowledge, expertise, and experience required auditors to perform the audit objectively, carefully and thoroughly. Hayes-Roth defines expertise as knowledge of a certain environment, an understanding of the problems arising from the environment, and skills to solve these problems (Barry, 2003). Therefore, the hypothesis as follows:

C

**H1: Competence auditor positive effect on audit quality**

**5. Independence and AuditQuality**

Arens, *et al* (2000) defines the independence of the auditing as "The use of an unbiased perspective in the implementation of audit testing, evaluation of the test results, and reporting of audit findings". While Mulyadi (1992) defines independence as "a state free from influence, not controlled by the other party, does not depend on others" and the independent public accounting must be a public accountant who is not affected and not affected by the forces that come from outside accountants in considering the fact that encountered in the examination. According to Messier et al (2005), independence is a term often used by professional auditors. Therefore, the hypothesis as follows:

**H2: Independence positive effect on audit quality**

**6. Psychological Capital (PsyCap) and AuditQuality**

According Luthans (2011) Capital Psychological as a psychological condition that is positive on the individual and the characteristics of which consists of four (4) elements, namely: 1) belief (*self-efficacy*) perform actions necessary to achieve success in the tasks challenging .2) Hope, strive to achieve the goals, needs, individuals should be directing toward pengeraknya towards these objectives in order to achieve success.3) optimism, have a positive attribution for success now and in the future.4) Resilience, when faced with a problem, people will be able to survive and do better in order to achieve success. Therefore, the hypothesis as follows:

**H3: Psychological Capital positive effect on audit quality**

**7. Research methods**

**Population, Sample and Data Analysis Methods**

The population in this study are all Inspectorate Jayapura City who participated in the task of inspection, as many as 38 people. The reason of choosing the city of Jayapura as the study site because the quality of audits conducted by the Inspectorate of Jayapura City is still a public spotlight. Number of questionnaires distributed to respondents is as much as the number of population is 38 questionnaire. Data were analyzed using methods Structural Equation Model using

Software WarpPLS to test the effect of competence, Independence and Psychological Capital on the Quality Audit. The regression equation to test the hypothesis is as follows:

$$AQ = a + \beta_1 CA + \beta_2 AI + \beta_3 PC + \varepsilon$$

<i>AQ</i>	: <i>Quality Audit;</i>
<i>AC</i>	: <i>AudiorCompetence;</i>
<i>AI</i>	: <i>Independence Auditor;</i>
<i>PC</i>	: <i>Psychological Capital;</i>
<i>a</i>	: <i>constant;</i>
<i>β</i>	: <i>coefficient reresi;</i>
<i>ε</i>	: <i>error</i>

**8. Results and Discussion**

**Competence influence on the AuditQuality**

The results below show the direct influence of CA against AQ 0.39 and statistically significant at  $P < 0.01$  at  $\alpha = 0.05$ . While the test results are not immediate 0.10 and statistically significant at  $P < 0.50$ . The results of testing this hypothesis De Angelo in line with the opinion that the possibility (probability) that the auditor will find misstatement depends on the quality of the auditor's understanding (competence). The results are consistent also with the results of research conducted by Harhinto (2004) that the membership of that proxy in the intensity of the experience and knowledge level auditor positively related to audit quality.

These results can be understood that in order to improve the quality of the audit, an auditor is very dependent on the level of competence. If the auditor has a good competence, the auditor will easily perform tasks of audit and vice versa if lower then in carrying out its duties, the auditor will have difficulties so that the quality of audits produced will be low.

**Effect of Independence on the AuditQuality**

The results below show the direct influence of AI against the AQ of 0.10 and statistically significant at  $P < 0.01$  at  $\alpha = 0.05$ . While the test results are not immediate 0.10 and not statistically significant at  $P < 0.50$ . The second hypothesis states that independence is not a significant effect on audit quality. This indicates that independence had no significant effect on audit quality. The results of testing this hypothesis is not consistent with the opinion of De Angelo found the possibility that the auditor will report misstatements depends on auditor independence. Where, however, the results of this study are consistent with Samelson

*et al.* (2006) concluded that independence does not have a relationship with audit quality. Hypothesis 2 of this study proved unsuccessful, allegedly because the independence of the inspectorate of Jayapura City officials are still affected by policy makers and frequent mutation among local work unit. As a result, although the authorities often have the facilities of the auditee, but officials still considers that a good audit had to be carried.

#### a. Mediating Effect of Psychological Capital on the Audit Quality

The results below show a direct influence on the relations mediation PsyCap in CA and AI against the AQ of 0.50 with value P value of <0.01. Due to the beta coefficient of 0.50 with indirect exam value  $P < 0.01$  compared with the value of the beta coefficient direct testing, it can be said Capita Psyscap variables can be regarded as a partial mediating variable. Thus, the increase psyCap through independent interaction and auditor competence may mediate an increase in audit quality.

#### 9. Conclusion

The purpose of this study to determine the effect of competence, independence and motivation Jayapura City Inspectorate to audit quality. Based on the results of the study it can be concluded that: 1) Competence Auditor effect on audit quality, 2) Independence Auditor affect on audit quality, and interaction Competency Auditor and Auditor Independence by the Psychological Capital can mediate aprsial improve audit quality.

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