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Analysis the Role of Spirituality in Mediating the Relationship of Competence and Auditor Independence to Audit Quality in Inspectorate of Southeast Sulawesi Province

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Key words: Competence, independence, spirituality and audit quality, competence, indirect testing, mediator

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Abstract: This study aims to determine the influence of competence and independence on audit quality as well as the role of spirituality that mediating the relationship of competence and independence to audit quality in the inspectorate of Southeast Sulawesi region. The study populations contain all internal auditors at the inspectorate of Southeast Sulawesi region. All populations were used in sampling, so that, this study used the census method. Data collection method that used was the survey method by giving questionnaire to respondent and measured it by Likert scale then tested based on validity and reliability. Technical analysis used to describe is the description analysis that using SPSS program. The study result of this showing that the competence and independence directly positive and significantly influence on audit quality. While with the indirect testing, the role of spirituality cannot be a mediator in the relation of competence and independence to audit quality.

INTRODUCTION

Indications of low accountability in local governments are characterized by the high corruption index, budget leakage and also low performance and surveillance. Financial management must be based on transparency and accountability. Internal auditors at the regional inspectorate demanded for competence and independence in improving audit quality. This study is a reflection of previous research that show variation of the study result. Competence positively influenced the audit quality by Tan and Libby (1997), Bonner (1990), Libby and Frederick (1990) and Tubbs (1992). Competence have no effect on audit quality by Yanyan Wang and Lisheng Yu. Independence significantly influenced on audit quality by Deis and Giroux (1992), Boatham and Ussahawanitchakit (2009), Arens and Lobbecke (1997), Bartlett (1993), Al-Thuneibat *et al*. (2011) and Schneider (1985). Independence not influenced on audit quality by Shockley (1981), Callaghan *et al*. (2009) and Effendy (2010).

The exist of variation in research findings by previous researchers, made the value of spirituality is considered to be a mediator in the relationship of competence and independence on audit quality (Ashmos and Duchon, 2000; Mitroff and Denton, 1999, Mitroff *et al*., 1999; Karakas, 2010; Ludigdo, 2007; Zohar and Marshall, 2000; Neck and Milliman, 1994). The auditors expected to uphold the high value, norm and profession ethics as to be part of the truly spirituality value that has been imprinted in the human brain known as the god spot that means that the auditors in doing the theirs job always remembering God.

Literature review

Agency theory: Agency theory by Jensen and Meckling (1976) explains the principal relationship with the agent. People have role as the mandate giver (principal) and the government as the mandate holder (agent) that cannot be separated during the governmental rolling. But in execute the role of each other the conflict interest happened, so, it caused the asymmetrical information in achieve the aim where agent rolling the role is not fit with the principle interest, so, it feels that how surveillance important to perform the government well.

Auditor competence: Lee and Stone competencies as the enough ability explicitly used to auditing objectively. Libby and Frederick (1990), Bonner (1990), Jeffrey and Weatherholt (1996) and Tubbs (1992) knowledge and experience as auditor competence indicators.

Auditor independence: Arens and Loebbecke (1997) independence is an auditor's perspective to be impartial in carrying out testing, evaluation and arrangement of audit reports. Sawyer (2016)'s independence includes independence in auditing program, verification and reporting. To fulfill its professional responsibilities, the auditor must be behaving independently (Reiter, 1997). DeAngelo (1981) indicators to measure the auditor independence include objectivity and integrity.

Spirituality auditor: Giacalone and Jurkiewicz (2003) spirituality is a value framework and cultural framework that facilitates a sense of being to others by providing a feeling of perfect and joy. Ashmos and Duchon (2000) spirituality have three main dimensions; inner life, meaningful work and community work. Marques (2006), Mitroff and Denton (1999), Mitroff *et al*. (1999) and Ashmos and Duchon (2000) spirituality as an interconnectedness experience to all of who involved in the research process, requiring care givers at work who have a sense of purpose and meaning at work and the sense of commutation in the workplace.

Audit quality: DeAngelo (1981) the audit quality is the auditors ability to finding and reporting the findings. Al-Thuneibat *et al*. (2011) audit quality can be measure according to the how long the relationship between auditor and client. Becker *et al*. (1998), the experienced auditor will have the good audit quality than the auditors not experienced at all. DeAngelo (1981) and Deis and Giroux (1992) audit quality influenced the competence and independence.

Conseptual framework: The research about the influenced of competence and independence to audit quality have done by Schroeder *et al*. (1986), Deis and Giroux (1992), Sutton (1993), Behn *et al*. (1997), Moizer (1998), Warming-Rasmussen and Jensen (2001), Duff (2004), Jaffar *et al*. (2005), Boatham and Ussahawanitchakit (2009), Iskandar *et al*. (2010), Schneider (1985), Margheim (1986) and Messier and Schneider (1988). Audit quality indicator refer to DeAngelo (1981) that include the auditor probability combination that be able to find and report the findings. Auditors competence include the knowledge (Tan and Libby, 1997), experience (Libby and Frederick, 1990). Deis and Giroux (1992), auditors independence refer to the auditors mental personality that can't be use on taking conclusion to take care the audit quality.

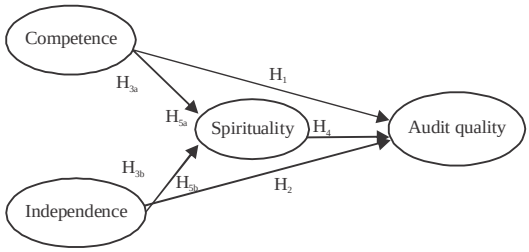

Fig. 1: Research conceptual framework

Zohar and Marshall (2000) serta Ashmos and Duchon (2000) spiritaulity reflected the indicator that refer to inner life, morality at work and working community. Conseptual framework is the developing model from the previous research that contain (Fig. 1).

It refer to the concept development on model above, the competence variable include two indicator that; experience, knowledge (Libby and Frederick, 1990) and independence include objectivity (Boatham and Ussahawanitchakit, 2009), integrity (Turner, 1999). Audit quality model include probability to reveal the findings and the courage to reveal the findings (DeAngelo, 1981) and the spirituality adopted from Zohar and Marshall (2000) and Ashmos and Duchon (2000) that include meaning at work, harmony with value and working community.

Previous research

Influenced of auditor competence to audit quality: Bonner (1990) knowledge can be increased the auditor performance. The well-auditors depend on the competence that they have done (Hogarth, 1991). It strengthened with Ashton (1991), Libby and Frederick (1990), Jeffrey and Weatherholt (1996), Tubbs (1992) and Davis and Newstorm (1985) the auditor that have an experience that can be increase the audit findings. But Pany Whittington research in 2011 experience is not influenced on auditor quality. So, the hypothesis in this research:

- H_1: the higher competence can be improve the audit quality

Influenced of independence's auditor to audit quality: Bartlett (1993) and Messier *et al.* (2008) the factors that

influence the independence to audit quality are the objectivity and integrity. It strengthened with Deis and Giroux (1992) audit quality influenced by duration (tenure) duration to make audit, klien amount, auditee financial health and review by third side, so, this researche hypothesis:

- H_2: higher competence auditor can be increase the audit quality

Influenced of competence and independence to auditor spirituality: Auditor's competence and independence influence to audit quality (Mihret and Yismaw, 2007; Schneider, 1985; Margheim, 1986; Messier and Schneider, 1988; Ahmad *et al*., 2009). The idea appear when spirituality based on the result of the researche from Mitroff and Denton (1999) in organization extremely can occur the potential for interest conflict and wishes between employee in working interactions that can disturb the working quality because of the difference in spirituality value that they have.

Auditors must be highly up hold the competence and independence in reveal the finding without based on certain interest. According Zohar and Marshal (2000) spirituality refer to the meaning and value (morale and ethics) that placing the behavior of human life in wide meaning context than wuth the others. Auditor probability receive pressure that can be occur the stress caused by the inner pressure that can be occur o competence and auditor's independence (Fisher, 2001). So, is research hypothesis is:

- H_{3b}: higher competence auditor can be increase the auditor spirituality
- H_{3b}: higher independence auditor can be increase auditor spirituality

Influence of auditor spirituality to audit quality: Spirituality influence directly to audit quality (Bierly III *et al*., 2000; Delbecq, 1999; Korac-Kakabadse *et al*., 2002; Mitroff *et al*., 1999). Other research showing that organization that have volunteer spirituality program have more profit and success (Dehler and Welsh, 1994; Mitroff *et al*., 1999; Konz and Ryan, 1999; Turner, 1999). Asrun found the spirituality influence positively significant to working satisfaction. Employee that show the high spirituality character have huge understanding to adapting with the environmental change have ability to trust other people and also have high commitment to the organization (Mohamed *et al*., 2001). Therefore, ability to adapting to the working environment can be increase with spirituality because synergity have a role in that. Campuzano and Seteroff by Janfeshan employee realize that working is not a purpose but become a means for express spirituality, so that, employees satisfaction increased. According the descriprion above, this research hypothesis:

- H_5: higher audit quality can make the audit quality better

Spirituality role in mediating relationship of competence and independence to auditors quality: Mihret and Yismaw (2007), Schneider (1985), Ahmad *et al*. (2009) Margheim (1986) and Messier and Schneider (1988) audit quality influenced by competence and independence. Mitroff and Denton (1999) in organizations potentially occur interest conflict and wishes between employee in working interactions. According Zohar and Marshal (2000) spirituality refer to meaning and value that placing the behavior of life in wide meaningful context than the others. Bierly III *et al*. (2000), Delbecq (1999), Korac-Kakabadse *et al.* (2002), Mitroff and Denton (1999) spirituality have positively influence to quality. Other researches showing that organizations have spirituality program have more high profit and success (Dehler and Welsh, 1994; Mitroff *et al*., 1999; Konz and Ryan, 1999; Turner, 1999). Asrun found that spirituality positively influence to the working satisfaction. So, the hypothesis in this research:

- H_{3a}: higher spirituality can increase the competence influence to audit quality
- H_{3b}: higher spirituality can increase independence influence to audit quality

MATERIALS AND METHODS

Population in this research is all of the auditor in inspectorate in Southeast Sulawesi region as many as 188 auditors. Taking sampling method using census where all of the populations can be analysis unit. Data can be obtained with questionnaire with Liker scale and processed with using Partial Least Square (PLS) method. Research instrument refer to validity test with criteria $r \geq 0.30$ and significant value correlation $\leq 95\%$ or $\alpha = 0.05$ and reliability test with koefsien ≥ 0.60. Goodness of fit testing refer to outer model that measure through convergent validity with criteria estimation value loading) from 0.70 to trusting level 95% or $\alpha = 0.05$ and discriminant validity according AVE (Average Variance Extracted) value with criteria >0.50 and composite reliability ≥ 0.70. Goodness of fit for inner model have evaluated with $Q^2>0$ showing that the model have predictive relevance, otherwise if $Q^2<0$ showing the model less have predictive relevance.

RESULTS AND DISCUSSION

Responden characteristic: Auditor as an analysis unit have characterize based on male 63.30% and female (36.70%), education stage, senior highschool (3.72%), diploma 3 (4.26%), bachelor (71.81%) and master (20.21%), technical training (44.69%), working duration

Table 1: Hypothesis testing result

Variables	Original sample (O)	Sample Mean (M)	SD (STDEV)	SE (STERR)	t-statistics (|O/STERR|)
X1 (Competency)→Y1 (Spirituality)	0.161219	0.144676	0.078440	0.078440	2.055318
X1 (Competency)→Y2 (Audit quality)	0.148237	0.137409	0.070456	0.070456	2.103961
X2 (Independence)→Y1 (Spirituality)	0.917227	0.907979	0.074730	0.074730	12.273849
X2 (Independence)→Y2 (Audit quality)	0.826869	0.823234	0.083347	0.083347	9.920794
Y1 (SPIRITUALITY)→Y2 (Audit quality)	0.730828	0.718737	0.111053	0.111053	6.580905

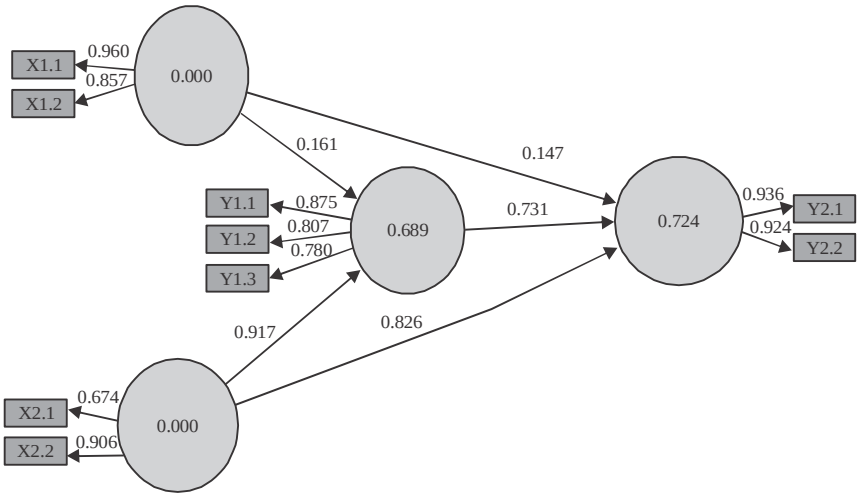

Fig. 2: Hypothesis testing result model

within 3 years (6.38%), between 4 until 6 (22.34%), between 7 until 9 years (20.74%), between 10 until 12 years (14.89%), around 12 years (71.81%) and 13 years above (35.65%).

Result of Partial Least Square (PLS) test: Result of discriminant validity test showing that all of the indicator giving a good value and to be considered as a valid because all of have a loading factor <0.05. As well with √AVE value construct and correlation value between construct showing each latent construct have well discriminant validity because of √AVE competence, independence, spirituality and audit quality variable that more big than other latent variable correlation above 0.70 (tolerance limit).

According to convergent validity showing outer model experience, integrity and inner life the most strong in reflected the competence, independence and spirituality to audit quality. Result of composite reliability test also showing that all of the latent variable that analyze have well-reliability, so that, all of the instrument that used in this research worth to be use in all of the latent variable measure. Goodness of fit evaluation model show that predictive-relevance value $Q^2 = 0.749$ or 74.9% which explain the accuracy of the competence and independence model to spirituality and audit quality amount to 74.9% and the rest have explain by other variable that not in this research model.

Result of inner model test and research hypothesis: The model testing and hypothesis done with two stages that coefficient testing with direct influence of competence and independence path to audit quality and also indirect influence of competence and independence to audit quality testing that mecdiating by spirituality, just like Table 1 and Fig. 2. According to the picture above the coefficient testing path and hypothesis can be explained.

Hypothesis testing result: Auditor competence have positively and also significantly influence to audit quality. According to the testing result that show the original sample estimate value 0.148 where t-count value 2.10, t-table value 1.96 and significantly to p = 0.05. It indicates that competence positively and significantly influence to audit quality, so that, the hypothesis that proposed can be acceptable.

Auditors independence have positively and significantly influence to audit quality. It show by the original sample estimate = 0.82 and significantly (p = 0.05) that show with t-statistic = 9.92, t-table. It indicates that independence positively and significantly influence to audit quality, so that, the hypothesis that proposed can be acceptable.

Competence have positively and significantly influence to audiot's spirituality quality. It shown by the original sample estimate value 0.16 and significantly

(p = 0.05) that show the t-statistic 2.05, t-table 1.96. It indicates that competence positively and significantly influence to auditor spirituality, so that, hypothesis that proposed can be acceptable.

Auditor's independence have positively and significantly influence to auditor spirituality. It shown by the original sample estimate value 0.91 and significantly (p = 0.05) that shown with t-statistic value 12.27, t-table 1.96. It indicates that independence positively and significantly influence to auditor spirituality, so that, the hypothesis that proposed can be acceptable.

Auditor's spirituality have positively and significantly influence to audit quality. It shown by the original sample estimate value 0.73 and significantly (p = 0.05) that shown with t-statistic value 6.58, t-table 1.96. It indicates that spirituality positively and significantly influence to audit quality, so that, hypothesis that proposed can be acceptable.

Result of indirect coefficient path test and hypothesis: Spirituality testing role in mediating relationship of competence and independence to audit quality that used sobel test, so that, can be obtained z-value with 0.022 that shown t-count 0.022<1.96. It indicates that there is no spirituality influence in relationship competence and audit quality, so that, hypothesis that propose is denied.

As well with the spirituality role in mediating the relationship independence to audit quality by z = 0.050 that show that t-count <1.96 and below the $\alpha = 0.05$ that indicating that there is no influence about mediating spirituality with relationship independence to audit quality, so that, the hypothesis that propose is denied.

Average value (mean) and loading factor (outer loading): Competence loading factor value is an experienced that show the experience indicator is the dominant indicator to measure the competence with 0.97 value. As well with independence that have the biggest loading factor value to integrity with 0.905 value that show that the integrity indicator is the dominant indicator to measure the independence. For spirituality the loading factor value is the highest in inner life amount to 0.874, so that, this indicator that dominant in measure spirituality. While audit quality loading factor value the biggest is the probability to reveal the findings amount to 0.935, so that, this variable also dominantly in audit quality.

Competence was highly perceived by the auditor, so, higher auditor competence, make well the audit quality. The highest experience indicator in reflecting the competence variable because of auditor have experience that make it easy in detection fraud. Research result strength the theory that said from DeAngelo (1981) auditor's probability will find misstatement depends on auditor's understanding quality (competency).This research result strengthen the research about experience auditor can increase the audit quality (Libby and Frederick, 1990; Bouwman and Bradley, 1997; Duff, 2004; Schneider, 1985).

Independence influence to audit quality obtained by the positive coefficient path and there is one way relationship between independence and audit quality. This thing indicating that higher auditor's independence, makes well audit quality. Analytical empiric result show the independence highly perceived and it means that higher auditor's independence, makes well audit quality. The highest integrity indicator in reflecting independence variable. This caused by auditor have honesty and responsibility in reveal and reporting a finding. Its correspondingly with result research DeAngelo (1981) auditor's probability will have courage in reporting a finding without influence by other side. This research differently with Turner (1999), longer auditor to maintain client, make can be keep the objectivity, so that, make more big probability to make undetected mistake in audit report.

Analysis result about competence influence to auditor spirituality obtained by positive coefficient path and significantly indicate that there is one way relation between competence and spirituality. It shows that higher competence, makes auditor's spirituality well. Auditor in doing audit have to refer to standard and profession ethics code that contain value, morale and ethics. Spirituality values that have by auditor have role as catalisator to prevent the ethics and profession violation. Auditor's independence increase by giving implication fixing to audit quality. Auditor's spirituality faced by dilemmatic position that because of difficult experience to act fair, so that, the auditor difficult to act independently to reporting a finding. Auditor must aintain integrity and objectivity to face conflict of interest to act honesty and frankly. Its refer to research from Bazerman *et al*. (1997) in behavior aspect not probably to auditor to keep the independence because of the limitation to processing the information as self serving bias that shows when people call for make a judgment that not take side that judgment tend to take side to personal judgment maker interest. Spirituality can help auditor to solve the problem because of containing values and meaning that acting or person life path mor meaningful than the others (Zohar and Marshall, 2000).

Auditor who have highest spirituality ideally have highest ethics behavior too in increasing the audit quality,

so that, not doing scandal and manipulation (fraud). Auditor's courage in reporting the finding experience in dilemmatic position because of there is a conflict interest where the one side want to uphold the values, norm and ethics but the other side prosecuted to accommodate the certain side interest. Research connect with Mitroff and Denton, 1999) probably occur conflict interest caused by there is a different spirituality value that their believe. If an auditor understanding well the working ethics that contain worship values, so, not experiencing the dilemmatic condition. Zohar and Marshall (2000) explaining spirituality for face and solve the means and value problem that for placing the our life behavior in wide meaning and rich for rate about acting or path life a person ore meaningful than the others.

Competence and independence can not increase the audit quality if mediating by spirituality, although, education, experience, objectivity and integrity increased. Auditor not sure, yet, about the important the spirituality value in uphold the value, norm and profession ethics but always uphold humanity values that impact to the professionalism. Mitroff and Denton (1999) probably occur the conflict interest caused by a different spirituality that person believed. Burack (1999) related to independence, auditor must place then honesty values as the main focus that they have must have.

Inflication and limited research: This theoretical implication refer to develop the conceptual insight and theory about competence and independence in increase the audit quality, also spirituality role in relationship competence and auditor's independence to audit quality. Practical implication emphasize to regional government in increase the internal government supervise institution.

This research's limitation refer to the research location that not covers all of the Souteast Sulawesi region because not inserted the new defitive region, so that, this result research can't generalized and using questionnaire as research instrument where the respondent probably not answering the question according with the real fact.

CONCLUSION

Competence and independence and auditor's spirituality have direct influence positively and significant to audit quality. Its indicate that higher competence, independence and auditor's spirituality makes higher auditor can find and report the finding, so that, makes higher audit quality too. As well, the auditor's quality can't be a mediator in relationship competence and independence to audit quality.

Regional government try to increase the auditor's ability capacity through increase the education and technical training tat staging and continuously increasing the auditor's mental through increase the spirituality to manifest the good governmance principles, fix the selection system and auditor recruitment. And also give a punishment to auditor that make violation the standard and ethics profession codes. And the other, for other research who will developing this research should design the model and other variable that can be a mediator in relationship competence and independence to audit quality.

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