

The Influence of Individual Differences on the Quality of Investigative Audits

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This study aims to predict variations in the value of investigative audit quality by examining individual differences of auditors such as due professional care, independency and personality. The study was conducted at the Finance and Development Audit Agency (BPKP) and representatives of the BPKP of West Java Province and DKI Jakarta Province. This research is an explanatory study with a survey approach. The primary data used in this research was obtained using a questionnaire. The population in this study was auditors who conducted investigative audits on BPKP and BPKP Representatives of West Java Province and DKI Jakarta Province. The sample was determined by purposive sampling technique and obtained as many as 106 auditors. Statistical Package for Social Sciences (SPSS) Software Version 21.0., was used to process data with multiple regression analysis. The results showed that individual differences were able to influence the quality of investigative audits.

Key words: *Individual differences, Due Professional Care, Independency, Personality, locus of control Audit Investigative quality.*

Introduction

Research on the quality of investigative audits in Indonesia have been widely carried out, given that investigative audits are needed so that irregularities can be found. Research that links audit quality with individual differences in auditors has also been widely carried out even though the results are still not consistent. Individual differences in this study include careful attitude and prudence that is owned by an auditor, known as due professional care, and neutral attitude, known as independent, as well as auditor personality, seen from the construct locus of control, (LoC). Individual behavior according to Nelson and Quick (2006), is influenced by differences in individual characteristics. These individual characteristics

include attitudes, personality, knowledge, values and much more. The behavior in focus this study is auditor behavior in conducting investigative audits.

Research conducted by Nirmala & Cahyonowati (2013), Puspitasari (2015) and Raharjo (2017) show that due professional care has an effect on investigative audit quality. The research conducted by Saripudin, Netty and Rahayu (2012), Hanif (2015), Imron, Widyastuti and Amilin (2017), shows that independence influences the quality of investigative audits. The research conducted by Jayanti, Sujana and Wahyuni (2017), Pramono & Mustikawati (2016), and Pramesti and Rasmini (2016), found that LoC had an effect on audit quality. Anugerah, Anita, Sari, and Zenita (2016), found that external locus of control had a positive effect on reducing audit quality. However, there are still several studies whose findings contradict the results of the above studies. Research conducted by Saripudin, Netty and Rahayu (2012), found that due professional care had no effect on audit quality. Caesario (2017), Hardi (2017), and Wicaksono (2017), research shows that independence does not affect audit quality. Research conducted by Parwati and Sutapa (2016), found that LoC did not affect audit quality.

Literature Review

Due Professional Care

In the course of doing their work, an auditor must use all the capabilities of their professional expertise in order to gather sufficient evidence. Arens, Beasley, & Elder (2008: 34), explains professional care in auditing as: "Auditors are professionals responsible for fulfilling their duties diligently and carefully. Due care includes consideration of the completeness of the audit documentation, the sufficiency of the audit evidence, and the appropriateness of the audit report. As professionals, auditors must not act negligently or in bad faith, but they are not expected to be infallible." The audit standards of public accountants (2011) in Indonesia state that auditors are required to use their professional skills carefully and thoroughly in conducting audits and preparing their audit reports. The Indonesian Financial and Development Supervisory Board explained that due professional care consists of 3 aspects, namely: 1) professional skepticism is an attitude that includes thoughts that constantly question and critically evaluate audit evidence, 2) caution is an attitude that must always be careful and thorough, 3) professional judgment is the application of knowledge and experience relevant to auditing, accounting and ethical standards (BPKP, 2018).

Indra bastian (2007), states that auditors who have technical skills and professional due care will produce a quality audit report. Bawono and Singgih's research (2011), also said that one of the factors influencing audit quality was due professional care. Louwers, Timothy, Henry, Reed and Gordon (2008), who concluded that audit failure in the case of related party fraud transactions was caused by a lack of skepticism and auditor's due professional care rather

than fraud in auditing standards. The description can be formulated in a hypothesis H1: that the better the due professional care, the better the audit quality.

Independence

Auditors' attitudes that cannot be influenced by clients or other parties who have personal interests are known as having independent attitudes. The 2011 Auditing Standards (PSA) statement explained that the Auditor must act independently, which means they are not easily influenced in relation to their engagement. This is in line with the explanation of BPKP (2007), that when auditors carry out their audit work, starting from the planning stage, up to audit reporting, must have the willingness and ability to maintain an attitude that is free, or not bound by, any interests or pressures from anyone, including their own interests. The explanation of the BPKP shows that there are three types of independence in conducting audits, namely: 1) program independence, 2) independence of investigation and 3) independence of the report. Arens et al., (2008), classify independence from the point of view of irregularity, that is independence in appearance and independence in fact. Tugiman (2006), says that the independence of an internal audit can be obtained from organizational status and objectivity. This independent attitude must be maintained by the auditor so that the audit is carried out objectively and in the end the audit will be of quality. Previous studies that showed that audit quality could be influenced, were carried out by by Enofe (2013), Hosseinian, Inacio and Mota (2014), Hanif (2015), and Faiz, Sakina, and Rudi (2017), amongst others. Based on the above description H2 can be formulated: the better the auditor's independence, the better the quality of investigative audits.

Locus of Control

Differences in individual characteristics, will cause differences in behavior. Personality is one of the characteristics of individual differences that tends to be stable (Nelson and Quick, 2006). This study uses locus of control (LoC) to measure a person's personality. LoC is a person's belief in events that occur in their lives (Rotter, 1954). Brownell (1981), says if an event is perceived by someone as a result of luck, opportunity, or a complex environment, then someone is said to have an external LoC personality. If someone perceives an event to depend on his own actions then that person is said to have an internal LoC personality. Many studies have been conducted which find that the higher the internal LoC of a person, the higher the quality of performance, including studies conducted by Nouri and Bird (1999), Littunen (2000), and Kwon and Banks (2004), amongst others. Research conducted by Hyatt and Prawitt (2001), found that auditors who have internal LoC have a higher level of performance. Patten's (2005), found the same thing within their study. Research conducted in Indonesia found that auditors who have internal Loc will conduct quality audits (Budiman, 2010, Bawono, Rangga, Singgih 2013, Poluan, Sondakh, Karamoy, 2016). This description

can be used as the basis for formulating H3: the higher the internal LoC the better the quality of the investigative audit.

Investigative Audit Quality

The entity's financial statements need to be checked for fairness in order to be free from material misstatements, so that the user obtains adequate confidence when using the information contained in it, and the occurrence of errors in decision making is minimised. The Law of the Republic of Indonesia No. 15 of 2004 explains that there are three types of examinations, one of which is examination with certain objectives, including examination of other matters in the field of finance, investigative examination, and examination of the government's internal control system. Investigative audits can be simply defined as an effort to prove (Tuanakota, 2010). Investigative audits are not limited in period, with areas suspected of containing indications of abuse of authority, recommended to be followed up (Bastian, 2007). Regulation of the Minister of State for Administrative Reform Number: PER / 05 / M.PAN / 03/2008 concerning Audit Standards of the Government's Internal Oversight Apparatus explains the definition of investigative audit as an audit activity starting from the process of finding and gathering evidence that aims to reveal whether or not fraudulent action occurs, with the results in the form of written recommendations written that can be followed up for further legal action.

Investigation only begin when there is a reasonable basis or in investigation known as "predication". The Association of Certified Fraud Examiners (2006) explains that predication is: someone who is sufficiently trained and experienced with adequate prudence is able to indicate that fraud has been, is or will take place. Investigative audits have two types, namely: proactive investigative audits, and reactive investigative audits (Ardianingsih, 2013). Investigative audits are directed at proof of the existence or absence of fraud (including corruption) and other illegal acts (such as money laundering) (Tuanakota, 2010). The quality of investigative audits can be achieved when meeting the standards used, namely the Regulation of the Minister of State for Administrative Reform number PER / 05 / M.PAN / 03/2008 concerning Audit Standards of the Government Internal Supervision Apparatus which consists of implementation standards, reporting standards, and follow-up standards.

The auditor can conduct a quality investigative audit if they have high independence, have due professional care attitudes and supportive personalities, namely internal LoC. This is based on the theory put forward by Nelson and Quick (2006), that behavior will be influenced by individual differences. Research conducted by Pramono and Mustikawati (2016), found that LoC, due professional care and integrity affected audit quality. Pramesti and Rasmini (2016), also found that LoC, integrity, due professional care and audit expertise were able to influence audit quality, and Hermina (2009), found that auditor personal characteristics

influence audit quality. This description can be formulated in H4, the better the due professional care, the higher the independent and the higher the internal LoC, the higher the quality of the investigative audit.

Research Method

The setting chosen in this study was the auditor at BPKP and BPKP Representatives of West Java Province and DKI Jakarta Province. The type of research used in this study was explanatory research involving the survey of 125 investigative auditors. The sampling technique in this study was Non-Probability Sampling, a type of purposive sampling method. The criteria used as samples were questionnaires that were filled out by respondents and returned to the researcher. As many as 106 questionnaires were returned to the researcher. The questionnaire for the variable Due Professional Care (X1) was adopted from the BPKP Education and Training Center (2007), with a total of 13 items. The Auditor Independency variable questionnaire (X2) was adopted from the BPKP Education Center (2007), with a total of 8 items. The questionnaire for the Loc variable uses an instrument developed by Spector (1982), consisting of 8 questions related to internal LoC. (X3). The questionnaire for the dependent variable is the Quality of Investigative Audit (Y) adopted from the APIP Audit Standard (2008), with 10 statements items. All variables were interval scale with Likert attitudes. Data was analysed using multiple regression.

Research result

Validity and reliability test results showed all instruments were valid and reliable. Respondents were auditors who mostly worked over 15 years and always attended 88% of investigative audits or training seminars. The classic assumption test results show that data was normal, heteroscedasticity did not occur, and multicollinearity did not occur. The results of processing with multiple regressions show the following results:

Tabel 1: Model Summary

Model	R	Square	Adjusted R Square	Std. Error of the Estimate
1	,751 ^a	R,564	,551	,45563

- a. Predictors: (Constant), LoC, Independence , Due professional car
b. Dependent Variable: Investigative audit quality

The Adjusted R Square value obtained was 0.551 or 55%, indicating that due professional care, independence and auditor LoC contribute 55% to investigative audit quality, while the remaining 45% is a contribution of the influence given by other factors which were not examined.

Tabel 2: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27,403	3	9,134	44,000	,000 ^b
	Residual	21,175	102	,208		
	Total	48,578	105			

a. Dependent Variable: investigative audit quality

b. Predictors: (Constant), LoC, Independence, Due Professional Care

A probability value of 0,000 was smaller than 0.05. These results indicate that the variation in the value of Due Professional Care, Independence and LoC was able to explain the variations in the value of the Quality of Investigative Audit at the Financial and Development Supervisory Agency and the Representative of the Financial and Development Supervisory Board of West Java and DKI Jakarta.

Tabel 3: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,609	,390		1,564	,121
	Due Professional Care	,441	,137	,386	3,214	,002
	Independence	,256	,111	,234	2,299	,024
	Locus Of Control	,239	,098	,222	2,444	,016

a. Dependent Variable: Investigative audit quality

The test results show that the variation in the value of due professional care, Independence and LoC can each explain the variation in investment audit quality, because the probability value of each independent variable was smaller than 0.05.

Discussion

The results of hypothesis testing indicate that the due professional care variable influences the quality of investigative audits on the Financial and Development Supervisory Agency and Representatives of the Financial and Development Supervisory Board of West Java Province and DKI Jakarta Province. This means that the better professional care is, the better the investigative audit quality will be. The auditor must always use their professional precision in audit quality (Wiratama & Budiarta, 2015). This study supports the research of Singgih and

Bawono (2010), and Puspitasari (2015). The results of hypothesis testing indicated that auditor independence influences investigative audit quality, which means that the more an auditor's independence the better the investigative audit quality. This research is in line with the Professional Standards of Public Accountants, SA Section 220 No. 04 which states that in all matters relating to engagement, independence in mental attitude must be maintained by the auditor. This standard requires the auditor to be independent, meaning that it is not easily influenced by anything. Auditor independence has a positive nature which has the effect that; (1) the audit results will be objective in accordance with the facts found in conducting audits in the field; (2) prevent conflicts of interest between the auditor and those with special relationships with the auditor; and (3) the results of the audit can be accounted for if they are followed up or delegated to the law enforcement authorities.

The results of hypothesis testing indicate that LoC affects investigative audit quality which means that the higher the internal LoC auditor the better the investigative audit quality. Pfeiffer (1991), says someone who has a high internal LoC, among others, is curious, has the ability to process information, does not like being forced, and does not easily give up. Therefore, someone who chooses the profession of auditor should have an internal LoC.

The results of hypothesis testing indicate that due professional care, independence and LoC affect investigative audit quality which means that an auditor will be able to conduct a quality investigative audit if the auditor has a good attitude of due professional care, high independence and high internal LoC. In other words, individual differences can influence audit quality.

Conclusion

This study found that:

1. The better the due professional care, the more investigative audit quality will be, which means that the variation in the value of due professional care can explain the variation in audit quality.
2. The higher the independence, the more investigative audit quality will be, which means that variations in the value of independence can explain the variation in audit quality.
3. The higher the internal LoC, the more investigative audit quality that means the variation in the internal value of LoC can explain audit quality.
4. The better the due professional care, the higher the independency and the higher the internal LoC, the higher the quality of the investigative audit. This means that variations in the value of due professional care, independence and internal LoC can explain the variation in audit quality.

The suggestion that can be given from this study is that an auditor should have individual differences which include good due professional care, be able to maintain independence and aim to have internal LoC. Considering that the three individual differences studied were able

to influence audit quality, the next research should aim to examine other differences individually such as organizational commitment, ethics, and expertise.

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