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Effect of Competency and Emotional Intelligence on Audit Quality

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Abstract

The purpose of this study was to describe and analyze the effect of competence and emotional intelligence on audit quality at the North Luwu Regency Inspectorate. Data analysis used variant-based SEM (VB SEM) with the help of Smart PLS software version 3.3. The results of the study indicate that competence has an effect on audit quality by 0.935 units with a t count value of $16,582 > t_{table} = 1.90$, or the P Value of $0.000 < 0.05$. Emotional intelligence has no effect on audit quality of 0.055 units with a value of t count = $0.847 < t_{table} = 1.900$ or a P Value of $0.397 > 0.05$. The joint influence of competence and emotional intelligence on audit quality is 96.3% while 3.7% is influenced by other variables not examined in this study.

Keywords: competence, emotional intelligence, audit quality.

1. Introduction

Transparency in the current era of globalization requires the competence of a company in the presentation of financial statements. Accounting principles must be applied in the presentation of financial statements so that they can be well received by parties related to decision making. Based on research (Suryo, 2016) The results of testing the hypothesis put forward in the study entitled "The Effect of Auditor Competence and Independence on Audit Quality" concluded that competence and independence have an influence on audit quality.

The existence of company competition in increasing business competition which has the aim of looking good in front of outside parties including its competitors. The best design is certainly applied in various units, including in the company's financial reporting as the actualization of management responsibilities in providing useful information for users to make or make decisions. Research (Imansari & Halim, 2016) Testing the competency coefficient in this study shows a significance value of < 0.05 , which is 0.000. where these results indicate that the competence variable has the most significant effect on audit quality.

Auditor competence is a professional ability that is reflected in the expertise and thoroughness of an auditor. The competence possessed by the auditor relates to how the ability of an auditor to carry out his duties in the audit process itself. The ability of an auditor is influenced by several variables, including knowledge and experience. Research (Kurnia et al., 2014) with research results showing that competence has a significant effect on audit quality

The auditor profession is highly demanded for its ability to provide the best services, and as needed. This is a new challenge for auditors due to the need for government institutions, the business world and the wider community for accounting services to become a new challenge for auditors. Aistor is given the trust of various parties, both management and stakeholders to prove that the financial statements presented by management are free from material misstatement. By showing professional performance by providing good audit quality, this trust will always be maintained. Research (Hakim & Esfandari, 2017) concludes that emotional intelligence has a significant influence on audit quality and has a positive or unidirectional relationship. This phenomenon shows that public trust in the auditor profession is certainly needed because auditors are considered the most sovereign and objective part, but a failed audit

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of financial reporting by a public accounting firm certainly has an impact on decreasing credibility and public trust in public accounting firms and the auditing profession.

Research (Su'un, 2019) testing shows that audit quality is positively and significantly influenced by emotional intelligence. In an effort to improve audit quality results, an auditor tends to be able to motivate himself to make good decisions in the work environment, work cooperatively with others and face difficult situations.

In order to support the growth of an institution, the role of financial statements is needed, namely by presenting the information needed by various stakeholders in making decisions. The importance of the role of financial statements, a quality audit is needed to protect the public interest (Arfiansyah, 2017).

The effect of audit quality on audit reporting produced by the auditor, an audit quality is very important and also the main thing to ensure the accuracy of the examination of financial statements (Nugroho, 2018).

2. Methods

This study used 45 respondents as a research sample whose data were collected using a questionnaire based on a Likert scale with 5 scales. Data analysis used variant-based SEM (VB SEM) with the help of Smart PLS software version 3.3.

This research is a quantitative study, using a survey method, namely filling out questionnaires with an interval scale, implementing data collection techniques by distributing questionnaires with a structured and detailed list of questions to employees at the North Luwu Regency Inspectorate to obtain written information relating to with research purposes.

3. Result and Discussions

3.1 Results

a. Descriptive Analysis

Table 1. Distribution of respondents based on competence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	13	28.9	28.9	28.9
	Medium	2	4.4	4.4	33.3
	High	30	66.7	66.7	100.0
	Total	45	100.0	100.0	

Based on table 1, the majority of the influence of competence is in the high category, which is 66.7 percent, while 4.4 percent and 28.9 percent are classified as low. Overall the average influence of competence is 2.38 on a scale of 1 to 5.

Table 2. Distribution of respondents based on Emotional Intelligence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	10	22.2	22.2	22.2
	Medium	2	4.4	4.4	26.7
	High	33	73.3	73.3	100.0
	Total	45	100.0	100.0	

Based on table 2, the majority of the influence of emotional intelligence is in the high category, which is 73.3 percent, while 4.4 percent and 22.2 percent are classified as low. Overall the average influence of emotional intelligence is 2.51 on a scale of 1 to 5.

Based on table 3, the majority of audit quality influences are in the high category, namely 60.0 percent, while 4.4 percent and 35.6 percent are classified as low. Overall the average influence of emotional intelligence is 2.24 on a scale of 1 to 5.

Table 3. Distribution of respondents based on audit quality

Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Low	16	35.6	35.6	35.6
	Medium	2	4.4	4.4	40.0
	High	27	60.0	60.0	100.0
	Total	45	100.0	100.0	

b. Inferential Analysis

1) Outer Model

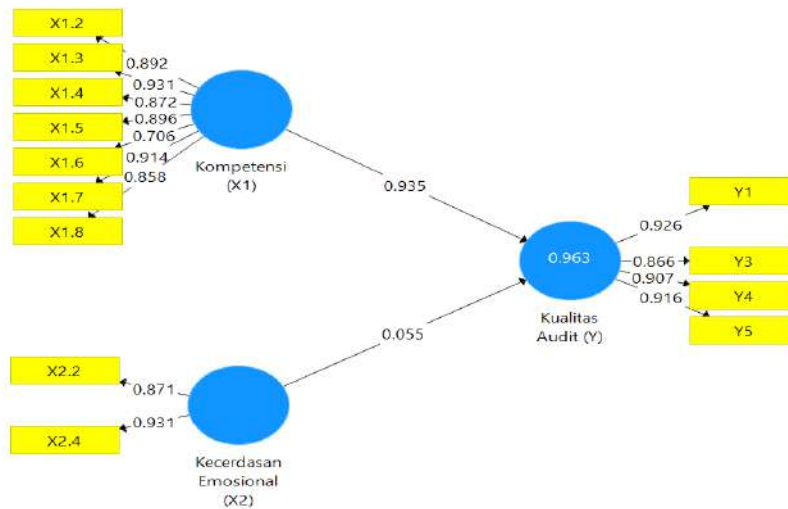


Figure 1. SEM Model (Smart-PLS Output)

a) Convergent Validity (Loading Factor)

Validity test with Convergent validity is to determine the value of the loading factor on the latent variable with its indicators.

Table 4. Outer Loading (Convergent Validity)

	Emotional Intelegency (X2)	Competence (X1)	Audit Quality (Y)
1 X1. 2		0.892	
X1. 3		0.931	
X1. 4		0.872	
X1. 5		0.896	
X1. 6		0.706	
X1. 7		0.914	
X1. 8		0.858	
X2. 2	0.871		
X2. 4	0.931		
Y1			0.926
Y3			0.866
Y4			0.907
Y5			0.916

Source: Smart PLS analysis results

Based on the results of the analysis to see the outer loading used to assess the level of validity of the variable indicators as in the table 4, it was found that all indicators have an outer loading value of > 0.7 (the minimum value for the specified indicator validity level). Therefore, it can be concluded that the SEM model as described above is valid.

b) Discriminant Validity

The discriminant validity of the model aims to see the level of validity of the indicators in the reflective model. The value that becomes the measure is Average Variance Extracted (AVE) with an expected value of > 0.5.

Table 5. Average Variance Extracted (AVE) value on SEM. model variables

Variable	Average Variance Extracted (AVE)
Emotional Intelegency (X2)	0,813
Competence (X1)	0,756
Audit Quality (Y)	0,817

Based on the table 5, the AVE value of each variable in the study is > 0.5 so it can be concluded that all the variables in the analyzed SEM model are declared valid.

c) Model Reliability

The values used to determine the level of reliability of the SEM model are Composite Reliability and Cronbach Alpha. This type of reliability serves to determine the level of internal reliability of the indicator variable.

Table 6. Composite Reliability and Cronbach Alpha values for each variable

Variable	Cronbach's Alpha	Composite Reliability
Emotional Intelegency (X2)	0,774	0,897
Competence (X1)	0,945	0,956
Audit Quality (Y)	0,925	0,947

The standard value of Cronbach's Alpha is a variable so that it is declared reliable is >0.6, while the standard value for Composite Reliability is >0.7. Therefore, based on the table above, it is known that all variables have Cronbach's Alpha values > 0.06 and Composite Reliability values > 0.7 so that it can be stated that the SEM model analyzed is reliable.

2) Inner Model SEM

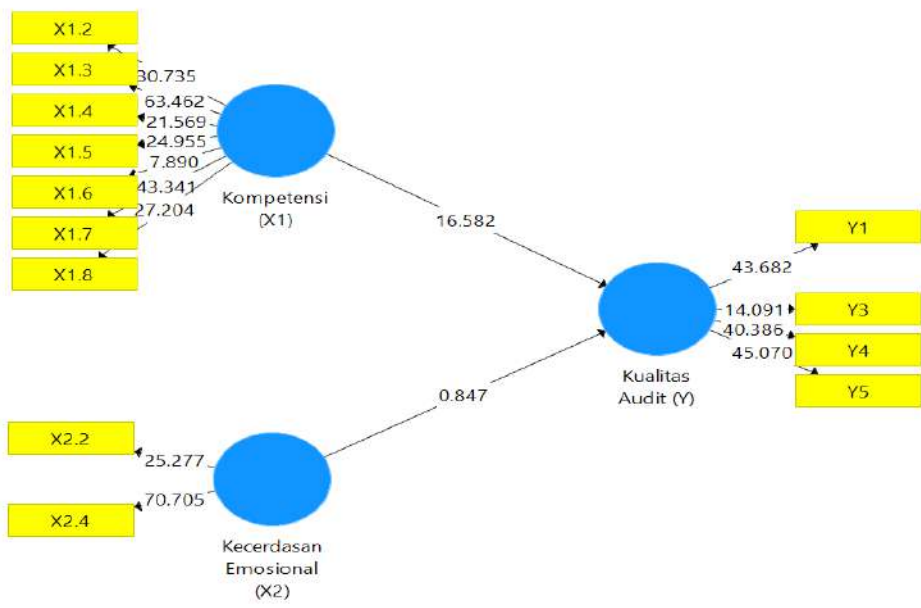


Figure 2. SEM (Bootstrapping) Model

a) T Statistic Analysis

T statistic analysis aims to determine the magnitude of the influence between variables. The calculated T value is greater than the T value. The table shows the influence of the variable is quite strong. The analysis of the inner SEM model is used to see the magnitude of the calculated T value and P Value which is also a measure of the strength of the influence of the Independent variable on the dependent variable.

Table 7. t value and P value

Effect Between Variables	T Statistics	T Tabel	P Values	Cut off P Value
Emotional Intelegency (X2) -> Audit Quality (Y)	0,847	1,900	0,397	0,05
Competence (X1) -> Audit Quality (Y)	16,582	1,900	0,000	0,05

b. Determinant Analysis Results (R Square)

The determinant analysis aims to see the magnitude of the influence of the independent variables simultaneously influencing the dependent variable. The results of the determinant analysis on the SEM model are presented in the table 8.

Table 8. The results of the determinant analysis of the dependent variable

Variable Influence	R Square	R Square Adjusted
Audit Quality (Y)	0,963	0,961

Based on the table 8, it is known that the competence variable (X1), Emotional Intelligence (X2) jointly affects Audit Quality (Y) by 96.3 percent, while 3.7 percent is influenced by other variables not observed in this study.

3.2. Discussion

a) The influence of competence on audit quality

Based on the results of the analysis, competence has a significant effect on audit quality. The results of the T statistical analysis obtained t count: $16,582 > t$ table $1,900$ with a P value of 0.000 or less than the Cut off Value of 0.05 . This means that competence has a very significant effect on audit quality.

The results of this study are in line with (In & Asyik, 2019), volume 8 number 8, August 2019 where the measurement of competence uses two indicators, namely experience and knowledge. Auditors who have adequate experience and broad knowledge are certainly able to produce good audit quality. Auditor competence is also considered important for an auditor who will carry out his duties.

The test results of (Tjun et al., 2012) show that competence has an effect on audit quality in terms of sig. 0.048 (smaller than $= 0.05$). This means that audit quality can be achieved if the auditor has good competence. The competence consists of two sub-variables, namely experience and knowledge. Auditors as the spearhead of the implementation of audit tasks must always improve the knowledge they already have so that the application of knowledge can be maximized in practice. The maximum application of knowledge will certainly be in line with the increasing experience possessed.

Test results of (Kurnia et al., 2014) Auditor competence is the auditor's ability to apply the knowledge and experience possessed by the auditor in conducting audits so that the audit can be carried out carefully, carefully and objectively. Therefore, it can be stated that the audit must be carried out by a person with technical expertise and training who is capable of being an auditor. The higher the education obtained by an auditor, the greater the knowledge possessed by the auditor. A lot of experience also has an influence that will make it easier for the auditor to find out errors that occur in conducting the audit

b) Effect of emotional intelligence on audit quality

Based on the results of the analysis, emotional intelligence has no significant effect on audit quality. The results of the T statistical analysis obtained t count: $0.847 < t$ table 1.900 with a P value of 0.397 or smaller than the Cut off Value of 0.05 . This means that emotional intelligence has no significant effect on audit quality.

Test results of (Hakim & Esfandari, 2017), the tests that have been carried out show that emotional intelligence has no significant effect on audit quality. The age factor of respondents with open-ended questions, mostly that an auditor who fills out the questions has an age of <25 years as much as 50% . Where in general, auditors with that age have a high

emotional level. However, the results of this study prove that emotional intelligence has no effect on audit quality. It means that young respondents think that emotional intelligence does not affect the quality of the audits they provide. Because an auditor in conducting an audit must be based on SPAP and SAK guidelines.

The test results of (Su'un, 2019) shows that emotional intelligence has a positive and significant influence on audit quality. Auditors in improving audit quality tend to be able to motivate themselves to make good decisions, face difficult situations, and work cooperatively with others in the work environment. This means that the higher the emotional intelligence of the working auditor, the better audit quality will be.

4. Conclusions

Based on the results and discussion, it can be concluded that competence is considered to have a positive and significant effect on audit quality. However, emotional intelligence does not have a positive and significant effect on audit quality. Auditors who have adequate experience and broad knowledge are certainly able to produce good audit quality. Auditor competence is also considered important for an auditor who will carry out his duties and the higher the emotional intelligence of the working auditor, the better audit quality will be.

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