

The Effects of Competence and Motivation on Audit Quality with Ethical Orientation as a Moderating Variable

Jeivi Brenda Andolo & David A. A. Pesudo

Abstract:

This current period of Government Internal Audit require to be more competence, clear, responsibility, and other with the aim to provide good service on public sector. And also Internal auditor of BPKP must uphold the ethical standard in running their duties and responsibilities. Thereafter, the purpose of this research is to examine the effects of competence and motivation on audit quality with ethical orientation as a moderating variable in BPKP (Badan Pengawasan Keuangan dan Pembangunan), North Sulawesi. The analysis technique is used descriptive analysis, classic assumption tests and hypothesis test, and with total respondent of questionnaires' are 65 auditors of BPKP and the data analysis technique was multiple linear regression analysis. Hence, the result of this study found that the competence and motivation has significant positive effect on audit quality, the competence with ethical orientation as a moderating variable has a significant positive effect on audit quality, and the motivation with ethical orientation as a moderating variable has significant positive effect on audit quality.



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Introduction

In the past decade there have been major changes in the regulation of the audit profession. The audit profession is basically self-regulated and after the major changes that occurred in 2002, the audit profession became a profession that was highly supervised by independent regulators around the world and government supervisors. These changes tell us a lot about the impetus for regulation and also give us insights into what might not be, or what regulation can achieve in terms of audit quality. As one example: In Australia, there was a change in audit regulations similar to the Corporate Legal Economic Reform Program, following the HIH Insurance audit scandal and until November 2015, more than 50 countries have formed a national audit oversight body and joined with IFIAR (Knechel, 2016).

As for in Indonesia, there is the Indonesian Government's Internal Audit Standard which regulates internal audit activities that can be carried out by Aparat Pengawasan Intern Pemerintah (APIP) Leaders and Auditors in accordance with their positions and mandates, duties and functions, including Audit of Specific Financial Aspects, Audits with Specific Purposes, Audits Performance, Evaluation, Review, Monitoring, and Other Supervision Activities and Providing Consultancy Services (AAIPI, 2013). The Indonesian Government's Internal Audit Standards itself are adhered to and followed by the Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan), Inspectorate General of Departments (Inspektorat Jenderal Departement), Inspectors of Internal Supervision Units at the State Ministry (Inspektorat/Unit Pengawasan Intern pada Kementerian Negara), and others, in accordance with statutory regulations as a part of Aparat Pengawasan Intern Pemerintah (APIP) (AAIPI, 2013). Thus, the object of this paper is Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan) in North Sulawesi.

The Financial and Development Supervisory Broad (Badan Pengawasan Keuangan dan Pembangunan) is the Internal Auditor of the Indonesian National Government with very important roles in creating fair, transparent, clean, and accountable governance (Agustia et al., 2018). In consequence, The Financial and Development Supervisory Broad (Badan Pengawasan Keuangan dan Pembangunan) carry out their duties and responsibilities for the implementation of state finances in development matters such as auditing, overcoming corruption, nepotism, collusion, and providing education or supervision training based on the existing regulations (<http://www.bpkp.go.id>, Tuesday, February 11, 2014). The regulatory attention is now collected, the profession of auditing faces an awkward but interesting conundrum because, in general, auditors receive two basic forms about complaints to them. They are: fees of the audit are too high (or some complementary said that too much pricing power in the Big 4), and in some instances, the quality of audit is too low. There are some cases related with the reasons to complain about the auditors. For example: Malaysian Securities Commission reported 12 cases of wrongdoing among auditors to the Malaysian Institute of Accountants from MIA Annual Report 2010 (Johari et al., 2017). Whereupon, the activity indicates constant attempts to abuse the markets either through manipulating share prices or perpetrated corporate fraud, such as manipulating the financial accounts of companies (Johari et al., 2017). Another case from the Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan) in Indonesia, that is a lawsuit from Indosat Mega Media (IM2) to the Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan) regarding alleged corruption committed by Indosat Mega Media amounted to IDR 1.3 trillion and also a lawsuit related to the corruption cases by PT. Chevron Pacific Indonesia of IDR 141.037 billion. So that State Administrative Judicial (Pengadilan Tata Usaha Negara) granted Indosat Mega Media a lawsuit, canceled the audit of Financial and Development Supervisory Board (Badan

Pengawasan Keuangan dan Pembangunan), and asked the terms of cooperation. The case of internal auditors' failures above can be used as evaluation material to improve professional ethical and audit quality of internal auditors' itself. Thus, in government internal auditor to make good management of government finances must be supported by good audit quality and other factor to support that. Deangelo (1981) said that audit quality is a joint market-assessed prospect that a given auditor to find an infraction in the client's accounting system and report on an infraction. Also the higher the audit quality will become, "the greater assurance ensure of high-quality of financial reporting" (Soyad et al., 2019). It means that good audit quality can create reliable and trusted as the basis for making a decision and reports. In the Public sector, especially Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan), they have a very important role to protect the state-owned assets and avoid acts of misappropriation of such assets. Meanwhile, the Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan) uses the value of audit quality to examine and interpret their audit's report about their duties and responsibilities such as to protect and avoid fraud, corruption and so on. Cano Rodríguez & Sánchez Alegría, (2012) examined the value of audit quality in public and private companies which means that it is one of the important factors for internal control in the public and private sector. Furthermore, Wooten (2003) said that in a model that summarizes research on factors affecting audit quality, there are two factors affecting it. They are independence and competence. The ability to act or behave with objectivity and integrity is an understanding of independence (Bierstaker, 2014), and competency is an employee characteristic that contributes to successful of job performance and achievement of an outcome in the organization, including skills, abilities, knowledge, and other characteristics (Sutton, 1993) . Hence, according to Kurnia et al. (2014), to find a violation (e.g. corruption and manipulating financial report from management financial), an auditor must have competence, professional care and prudence to improve and build a general standard of expertise and knowledge in the field of accountants to carry out their profession based on procedures established by government regulations in public sectors. Therefore, competence is an important factor affecting an auditor because with competence, the auditor especially government auditor can make and build their own standard knowledge and expertise, good performance, and also their skills that they can use for their duties and responsibilities and they can get appreciated from their team or work environment.

According to Wayan et al. (2014), when an auditor performs duties and responsibilities well, the auditor will get a good recognition from the environment and it will become the motivation to them likewise, the auditor of the Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan) in carrying out duties and responsibilities. For example: the compensation from organizations in the form of rewards according to their profession, will lead to audit quality because they feel that the organization has paid attention to the needs and expectations of their work. From the examples above, the auditors of the Financial and Development Supervisory Board (Badan Pengawasan Keuangan dan Pembangunan) need to be motivated, and later it will be increasingly challenged to increase their competence as it increases professional judgment, evaluation, the quality of auditor's report and others. It means that the auditor needs the motivation from themselves or other people in their work environment. There are some researches that have been conducted with a variety of findings about audit quality. Starting from the factors affecting the audit quality and the influence of the audit quality in public sectors, Meidawati & Assidiqi, (2019), Arisinta, (2013), and Gunawan et al., (2016) conducted research on the influences of competence, audit fees, and independence on audit quality. Shintya et al. (2016) and Arianti et al. (2014), argued that competence has a positive effect on audit quality but (Ardini, 2010) and Lauw

Tjun Tjun et.al. (2013) also supported the arguments above. In contrast, Tarigan & Susanti (2013) stated that competence does not affect audit quality. Meanwhile, Hanjani (2014) and Saprudin, (2018) found that Motivation can influence audit quality but other research from (Ardini, 2010) found that motivation cannot influence audit quality. Hence, this paper will examine the effect of competence and motivation on audit quality with ethical orientation as a moderating variable of Financial and Development Supervisory Board (BPKP) in North Sulawesi. From the explanation above, this paper aims to examine and obtain concrete evidence of the effect of competence on audit quality in Financial and Development Supervisory Board (BPKP). Second, this paper will examine and obtain concrete evidence of auditor motivation on audit quality. Third, it uses to examine and obtain concrete evidence of competence on audit quality with ethical orientation as a moderating variable. Fourth, it uses to examine and obtain concrete evidence of motivation on audit quality with ethical orientation as a moderating variable. Finally, there are some contributions from this paper. First, for academics this paper contributes to the development of accounting literature, especially those related to the effect of competence and motivation on audit quality with ethical orientation as a moderating variable. Second, the results of this paper will become one of the references in determining the influence of the competence and auditor motivation on audit quality with ethical orientation as a moderating variable in the Financial and Development Supervisory Board (BPKP) in North Sulawesi. And third, this paper will contribute to researchers, it is expected to be able to enrich insights, knowledge, and understanding related to the effect of competence and auditor motivation on audit quality with ethical orientation as a moderating variable.

Literature Review

Audit Quality

The audit quality is one important factor that can be affected and needed in some aspects in business, industries, and other sectors. According to Deangelo (1981), audit quality is a joint market-assessed prospect that a given auditor will find an infraction in the client's accounting system and report on that infraction. It means that audit quality is an important concept from both the private and public sectors to make sure their businesses, sectors, and industries are going concern (Hai, 2016). DeFond & Lennox (2011) found that Sarbanes-Oxley issued to increase the audit quality because it will give some effect to the market, client, and the auditor's itself. It can be said that audit quality is all possibilities of the auditor (Public and private sectors), when doing audit can find infractions that occur in the client's accounting system and report them in the audit report. Therefore, carrying out the tasks and the auditor's responsibilities are guided by audit standards and the relevant public accountant code of ethics.

Auditor Competence

According to Sutton, (1993), competency is an employee characteristic that contributes to successful job performance and achievement of an outcome in the organization, including skills, abilities, knowledge, and other characteristics. McIntosh, (1999) defined that the auditor needs professional competence in carrying out their duties and responsibilities. Hence, another definition about auditor competence comes from (AAIPI, 2013), stated that: *"The auditor must have the education, knowledge, expertise and skills, experience, and other competencies needed to carry out his responsibilities"*. It means that the knowledge, expertise and technical training possessed by an auditor can reflect the competencies of an auditor.

Motivation

A series of processes that encourage humans to achieve a goal is called motivation, and motivation can encourage someone to act. According to O'Donnell in (Hanjani, 2014), motivation is an effort and thrust to fulfill goals or needs. Motivation in auditing is the degree

to which the auditor has the drive to perform quality audits (Goleman et al., 2002). There is the level of auditor perception about how much the motivation it has carried out the audit process well, such as the level of aspiration that wants to be realized by utilizing quality audits, toughness, tenacity, and consistency (Arianti et al., 2014). Work motivation is something that makes a person perform movements, actions or behaviors in certain ways. Some people, like leaders, motivate their teams to show the directions and steps that need to be taken to ensure that they reach a common goal (Ardini, 2010) and motivation has both negative and positive motivations.

Ethical Orientation

According to Forsyth (1980), ethical orientation is the main goal for professional behavior which is closely related to morals and values that are applied and controlled. Hence, in Ethics Position Questionnaire (EPQ), ethical orientation is the ability of individuals to think and respond in considering and evaluating an ethical value in a particular event thought in the ethical dilemma and it is controlled by two characteristics, namely idealism and relativism. Relativism is an ethical orientation that refers to the rejection of moral principles (rules) that are universal or absolute, while Idealism is an ethical orientation that refers to the extent to which a person is concerned about the welfare of others and tries hard not to harm others. Hence, Sukriyah et al. (2009) found that when they performance their duties and responsibilities, idealism and relative give significant effect to them. It can be said that ethical orientation is related with personal's value and it is needed to auditor's ethical orientation to help the auditors to think and evaluate an ethical value for their duties and responsibilities to create the good result.

Hypothesis Development

Competence effect on Audit Quality

The previous studies conducted by (Furiady & Kurnia, 2015) explained that increasing the auditor's competence has the ability to conduct an analytical review knowledge concerning the organizational theory, auditing, and public sector. Competence is one of the factors that show someone who has a lot of knowledge and experience. The auditors who have competence can do audits objectively, accurately, and thoroughly in carrying out their duties and responsibilities (Ningrum, 2002). Arisinta (2013) found the competence effect on audit quality. Competencies can develop knowledge and experience so when the auditor has high competence, it will make high audit quality. Therefore, the Financial and Development Supervisory Board (BPKP) needs to be competent to increase knowledge, skill, and experience about audit to make high audit quality. Also with competence, the auditor is expected to achieve superior performance as a government auditor of BPKP. In this paper, it can be said that the government internal auditor of the Financial and Development Supervisory Board (BPKP) needs the competence to make high audit quality and achieve their duties and responsibilities. Also, some studies from (Gamayuni, 2018) and (Shintya et al., 2016) supported that competence has an effect on audit quality, and auditors needed to be competent.

H1: Competence has a positive effect on audit quality

Motivation Effect on Audit Quality

The Financial and Development Supervisory Board (BPKP) in carrying out their duties and responsibilities will need the motivation to motivate their employees to increase the value of work, performance, morale, job satisfaction, enthusiasm, increase work productivity, maintain loyalty and stability, increase discipline, create a good atmosphere and working relationships, increase creativity and participation, increase welfare, and increase a sense of responsibility for each person (Hanjani, 2014). Also when the auditor of the Financial and

Development Supervisory Board (BPKP) has the motivation, it will increase the audit quality because audit quality will be high when the wants and needs of auditors make their work motivation fulfilled. In this paper, it can be said that motivation has indirect and direct effects on audit quality based on the explanation above. Kuntari et al. (2017) found that motivation has a positive effect on audit quality. Hence, some study from (Saprudin, 2018; Turangan et al., 2016; Hanjani, 2014) supported that motivation has a positive effect on audit quality. Based on the aforementioned description, the hypothesis built is:

H2: Motivation has a positive effect on audit quality

Effect of Competence on Audit Quality with Ethical Orientation as Moderating Variable

The Common Body of Knowledge (CBOK) by the IIA Research Foundation (2010) in Gamayuni (2018) provided three dimensions for auditor competence, there are knowledge, behavior and technical skill, and ability. Meanwhile, when an auditor has adequate competence and expertise, an auditor will be easier to understand and know, and examine various problems in details but the auditor also need ethical orientation to support their ethical behavior, has morality, and integrity to doing their duties and responsibilities as a governance internal auditor (Agustia et al., 2018). Therefore, the government internal auditor of the Financial and Development Supervisory Board (BPKP) with ethical orientation and competence will have professional behavior which is closely related to morals and values that are applied and controlled to create the good result and add the value of audit quality to improve the good interpretation and examine the auditor's performance, duties, and responsibilities. Also, Furiady & Kurnia (2015) supported that the competency of auditor in their field will produce effective performance and ethical behavior. So, based on the aforementioned description, the hypothesis built is:

H3: The Ethical Orientation reinforces a positive effect of Competence on audit quality

The Effect of Motivation on Audit Quality with Ethical Orientation as the Moderating Variable

According to Rosnidah, (2011), one of the things that supports someone in behaving to work actively and enthusiastically in achieving a goal or result with optimism can be called a motivation. Therefore, when the auditor's motivation is low, then the performance will be low and also it can influence their ethical or abilities to be low, too. One thing that influence auditor's ethical is they will experience the condition of the ethical dilemma. It is a condition to choose being ethical or unethical (e.g. The client threatens to look for another auditor, if the auditors opinion does not meet the client's requirements and it will create a dilemma if the REQUIRED opinion turns out to be inappropriate to give). Hence, the auditor who has an ethical orientation can do their duties and responsibilities with integrity, ethics, and also with professional manner.

Based on the explanation above, the internal auditor of Financial and Development Supervisory Board (BPKP) with ethical orientation and motivation can doing their work, responsibilities, duties, and support the good result. Hence, it will improve their performance and audit quality to have good result of auditor report. There are some studies from (Ulum, 2005) which found that the auditor's ethical orientation (Idealism) has positive effect to audit quality and auditor's ethical orientation (relativism) has a negative effect to audit quality. Hence, an empirical evidence provided that professional commitment has a positive effect on auditor idealism while professional commitment has a negative effect on auditor relativism (Ratih et al., 2016). According to Greenfield et al. (2008), professional commitment has a strong relationship with intentions, ethical behaviors, and perceptions. So based on the aforementioned description, the hypothesis built is:

H4: The ethical orientation reinforces the effect of motivation on audit quality

Theoretical Framework

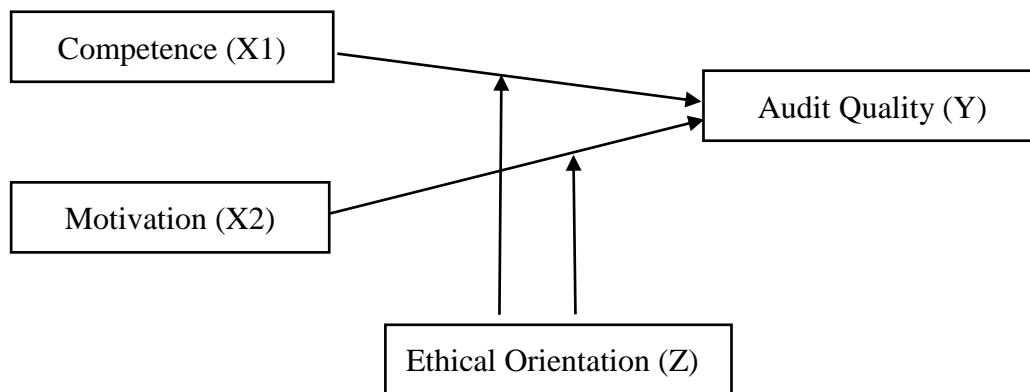


Figure 1 Theoretical framework

Research Method

Types of Research

This study uses quantitative methods. Sugiyono (2015)s said that quantitative research methods is based on a philosophy of positivism that is used to support certain samples or research, data collection using data collection technique, and the data analysis has been determined. Quantitative research is looking at the relationship of variables to objects that are cause and effect, so there are independent variables and dependent variables. Hence, this paper uses the design of this study to provide empirical evidence and analyze the planning factors of Competence (X1) and motivation (X2) as independent variable, ethical orientation (Z) as the moderating variable. In this paper, it is the audit quality (Y) as the dependent variable of the Financial and Development Supervisory Board (BPKP) in North Sulawesi.

Location, Population, Samples, and Sampling Techniques

Population is the area of generalization consisting of the object and the subject that have particular quality and characteristic determined by the researcher to be studied and then drawn conclusions (Sugiyono, 2015). In this study, the population is all of the auditors staff with the total 90 staff of Financial and Development Supervisory Board (BPKP) in North Sulawesi. And based on (Bowen, 2008), this study uses saturation sampling, where the total population will be taken to become the sample for this research to avoid empty questionnaire.

Operation Definition and Measurement

Table 2: Operational Definition and Measurement of Research Variables

Variable	Operational definition	Indicator
Competence (X1)	The first general standard (SA Section 210 in SPAP 2011) states that an audit should be carried out by individuals or teams who have sufficient training and technical expertise as auditors, because it can reflect the auditor's competence. Hence, to measure the competency variable using an instrument developed by (Sukriyah et al., 2009).	<ol style="list-style-type: none"> 1. Personal quality 2. General knowledge 3. Special expertise
Motivation (X2)	Auditor motivation is the power from them that determines the auditor to act in a certain way and forces it on the expectation that it will be carried by specific outputs and the attraction of output for the auditor. An auditor motivation can be measured using instrument by (Asmara, 2016).	<ol style="list-style-type: none"> 1. Skeptical attitude 2. Positive Attitude 3. Self- ability 4. Professionalism attitude 5. Personality

Auditor's Ethical Orientation (Z)	Forsyth, (1980) said that ethical orientation is the ability of individuals to think and respond in considering and evaluating an ethical value in a particular event. An ethical orientation is measured by adapting an established instrument developed by (Forsyth, 1980) called the 'ethics position questionnaire' (EPQ) on idealism and relativism.	<ol style="list-style-type: none"> 1. Idealism 2. Relativism
Audit Quality (Y)	Audit quality is a joint market-assessed prospect that a given auditor will find an infraction in the client's accounting system and report on an infraction (Deangelo, 1981). Audit quality is measured by the seven indicators (Asmara, 2016).	<ol style="list-style-type: none"> 1. Mastery of SPAP 2. Communication with clients 3. Understanding of Effective audit in auditing 4. Interaction between personal 5. Ethics professionalism 6. Understanding of client 7. The ability of technology

Data Collection Technique

The instrument used to collect data was a survey method and this study uses a questionnaire for that purpose. According to Sugiyono (2015) the quality of data from a research result can be influenced by the quality of data collection and the quality of research instruments. At the time of data collection, the quality of data collection can be determined by the accuracy of the way data is collected. There are various ways and sources which can be used for data collection and this paper uses primary data. Hence, this paper uses questionnaire to keep the confidentiality of the information and preserve the identities of the respondents. According to (Sugiyono, 2015), distributing questionnaires is a data collection technique done by giving a set of statements to be answered or question to respondents from Financial and Development Supervisory Board (BPKP) in North Sulawesi. The survey is conducted using offline and online questionnaires to collecting data. The questionnaire is scored using a Likert Scale,

Answer Choices	Score
Strongly agree	5
Somewhat agree	4
Neutral	3
Somewhat disagree	2
Strongly disagree	1

Validity Test

According to Sugiyono (2015), validity is the degree of determination between the data that occurs in a research object with the ability that can be reported by a study. It means that valid data of the questionnaire is the same data between the one that actually occurs in an object of research and the one from researchers. Hence, Sugiyono (2015) stated that if the correlation value is below 0.30, it can be concluded that the instrument is invalid and must be corrected. In other words, if the correlation value is higher than 0.30, it can be concluded that the instrument is valid.

Reliability Test

Reliability is a tool used to measure a questionnaire which is an indicator of variables. The questionnaire is said to be reliable when the respondents' answers for the questions or statements in the questionnaire are consistent and stable from time to time. Cronbach Alpha (α) statistical tests can be carried out in the Statistical Package for Social Science (SPSS)

Software which facilitates the measurement of variable reliability. The research instrument is reliable when the alpha coefficient values > 0.60 .

Data Analysis Technique

In this paper, the data analysis technique used is descriptive analysis, classic assumption tests and hypothesis test.

Descriptive Analysis

Descriptive analysis is used in an effort to investigate deeply the data obtained by researchers during the research so that the true meaning and condition of what has been investigated will be known.

Classic Assumptions Test

Before the data is going to be analyzed using the Moderated Regression Analysis (MRA), the data is first processed using classical assumption tests, they are: normality, multicollinearity and heteroscedasticity test.

Normality Test

The aim of normality test of this study is to examine whether in the regression model (MRA), both variables (independent and dependent) have a normal distribution or not (Ghozali, 2006). Normal probability plot is used to detect whether the residuals are normally distributed or not by comparing the cumulative distribution of the normal distribution. Normality can be known by looking at the spread of data (points) on the diagonal axis of the graph, Where the Kolmogorov-Smirnov Test is done using a method or formula for calculating the distribution of data created by Kolmogorov-Smirnov. Hence, for the small sample, the use of Shapiro Wilk method is effective.

Multicollinearity Test

Multicollinearity test aims to examine the correlation between independent variables in the regression model. A good correlation model does not have a correlation between the independent variables the value of Tolerance and Variance Inflation Factor (VIF) can show whether there is multicollinearity or not in the independent variable. A low tolerance value is the same as a high VIF value (because $VIF = 1 / \text{Tolerance}$). If tolerance value < 0.10 or equal to VIF value > 10 , shows that there is multicollinearity because the correlation value that can still be tolerated between independent variables when the VIF value < 10 , (Ghozali, 2006).

Heteroscedasticity Test

According to Ghozali (2006), heteroscedasticity is characterized by the presence of certain patterns on the Scatterplot chart. When the plot graph shows a wavy and widening point pattern, it means that heteroscedasticity has happened. Based on Ghozali's explanation, when there is no clear pattern scheme, it means that heteroscedasticity does not occur, while the absence of heteroscedasticity can be indicated by the number 0 with respect to the Y axis. In other words, heteroscedasticity test is used to examine the variance inequality from the residuals of one observation to another in the regression model. A good regression model is when homoscedasticity occurs or heteroscedasticity does not occur.

Hypothesis Test

This paper uses two independent variables, one dependent variable, and one moderating variable. The analysis method used for hypothesis testing is multiple regression. The method is used to test H1, H2, H3, and H4. Lie (2009) revealed that Moderated Regression Analysis (MRA) or interaction test is a special application of linear multiple regression where the regression equation contains interaction elements (multiplication of two or more independent variables). According to Ghozali (2006), the purpose of Moderated Regression Analysis (MRA) is to find out whether moderating variables will strengthen or weaken the relationship between independent and dependent variables. Also, MRA uses the analytical approach that maintains the integrity of a sample and provides a basis for controlling the

effect of moderating variables. Hence, Moderated Regression Analysis (MRA) has some types, there are: homologizer moderator, quasi moderator, and pure moderator. The moderated regression equation model in this paper is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1Z + \beta_4 X_2Z + e$$

Where:

Y	= Audit Quality
a	= Constant
$\beta_1, \beta_2,$	= Coefficient regression
X_1	= Competence
X_2	= Motivation
Z	= Ethical Orientation
X_1Z	= Interaction between competence with ethical orientation
X_2Z	= Interaction between Motivation with ethical orientation
e	= Error

Where, Moderate variables can be the multiplication between X_1 and X_2 which shows the influence of variable X_2 on the relationship between Y and X_1 . whereas variables X_1 and X_2 with respect to Y can be directly influenced by variables X_1 and X_2 .

F Test (Fisher Test)

The F test is used to determine the effect of independent variables such as competence and motivation simultaneously or jointly on the dependent variable such as audit quality. And also The F test was also carried out by comparing the value of F_{count} with the value of F_{table} . So,

When $F_{\text{count}} > F_{\text{table}}$, H_0 is rejected and H_a is accepted.

When $F_{\text{count}} < F_{\text{table}}$, then H_0 is accepted and H_a is rejected.

T Test

The t test is used to determine the effect of independent variables such as competence and individual motivation on audit quality as the dependent variable. T test is done by comparing the value of T_{count} with the value of T_{table} with the significance level of 0, 05 ($\alpha = 5\%$). So, the following statistical hypothesis;

When $T_{\text{count}} > T_{\text{table}}$, H_a is accepted and H_0 is rejected.

When $T_{\text{count}} < T_{\text{table}}$, then H_a is rejected and H_0 is accepted

Correlation Coefficient Test and Determination coefficient

Correlation coefficient test is used to determine the relationship between two or more independent variables such as competence (X_1) and Motivation (X_2) on dependent variables such as audit quality (Y) simultaneously. While the coefficient of determination test in multiple linear regression is used to determine the percentage contribution of the influence of the independent variable ($X_1, X_2,$) simultaneously on the dependent variable (Y).

Correlation Value	Explanation
1	Perfect Correlation
>0.75 – 0,99	Very Strong Correlation
>0,50 – 0,75	Strong Correlation
>0,25 – 0,50	Enough Correlation
>0 – 0,25	Weak Correlation
0	Not Correlation

Source: Sugiyono, (2015)

For regression of more than two independent variables, the adjusted R^2 is used as the coefficient of determination, which means that if the adjusted R^2 value = 0, then the variation of the independent variables used cannot explain the variation of the dependent variable. But if adjusted R^2 = 1, then the variation of the independent variables used can explain 100% of the dependent variable variation.

Findings and Discussion

The data and result come from 65 respondents in the Financial and Development Supervisory Board (BPKP) North Sulawesi.

Table 1. Summary of Descriptive Characteristics Analysis Test

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	50.8	50.8	50.8
	Female	32	49.2	49.2	100.0
	Total	65	100.0	100.0	
Education Background		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Associate Degree	19	29.2	29.2	29.2
	Bachelor Degree	42	64.6	64.6	93.8
	Master Degree	4	6.2	6.2	100.0
	Total	65	100.0	100.0	

Source: Primary data collected by research, 2020

Position		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Auditor	65	100.0	100.0	100.0
Work Life		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< One years	2	3.1	3.1	3.1
	1-3 years	25	38.5	38.5	41.5
	> 3 years	38	58.5	58.5	100.0
	Total	65	100.0	100.0	

Source: Primary data collected by research, 2020

From the table above, it is showed that the respondents of this research comes from male 50.8% and female 49.2%, education background divide from associate degree 29.2%, bachelor degree 64.6%, and master degree 6.2%, position is auditor 100%, and work life divide of <one year 3.1%, 1-3 years 38.5%, and >3 years 58.5%.

Table 2. Summary statistic of descriptive analysis test

	N	Minimum	Maximum	Mean	Std. Deviation
Competence (X1)	65	38	50	44.66	3.697
Motivation (X2)	65	15	25	20.35	2.294
Audit Quality (Y)	65	23	35	28.25	2.823
Ethical Orientation (Z)	65	54	100	72.54	8.176

Source: Primary data collected by the researcher, 2020

Validity Test**Table 3. Summary statistic of the correlation analysis of validity test**

Variables	Indicator	Pearson Correlation (r count)	r _{table}	Interpretation
Competence (X1)	X1.1	0.582	0.2441	Valid
	X1.2	0.686	0.2441	Valid
	X1.3	0.764	0.2441	Valid
	X1.4	0.687	0.2441	Valid
	X1.5	0.736	0.2441	Valid
	X1.6	0.615	0.2441	Valid
	X1.7	0.619	0.2441	Valid
	X1.8	0.639	0.2441	Valid
	X1.9	0.701	0.2441	Valid
Motivation (X2)	X2.1	0.729	0.2441	Valid
	X2.2	0.724	0.2441	Valid
	X2.3	0.477	0.2441	Valid
	X2.4	0.735	0.2441	Valid
	X2.5	0.492	0.2441	Valid
Audit Quality (Y)	Y1	0.602	0.2441	Valid
	Y2	0.699	0.2441	Valid
	Y3	0.644	0.2441	Valid
	Y4	0.624	0.2441	Valid
	Y5	0.486	0.2441	Valid
	Y6	0.585	0.2441	Valid
	Y7	0.568	0.2441	Valid
Ethical Orientation (Z)	Z1	0.376	0.2441	Valid
	Z2	0.355	0.2441	Valid
	Z3	0.360	0.2441	Valid
	Z4	0.402	0.2441	Valid
	Z5	0.302	0.2441	Valid
	Z6	0.371	0.2441	Valid
	Z7	0.331	0.2441	Valid
	Z8	0.338	0.2441	Valid
	Z9	0.4	0.2441	Valid
	Z10	0.364	0.2441	Valid
	Z11	0.322	0.2441	Valid
	Z12	0.493	0.2441	Valid
	Z13	0.538	0.2441	Valid
	Z14	0.644	0.2441	Valid
	Z15	0.552	0.2441	Valid
	Z16	0.57	0.2441	Valid
	Z17	0.568	0.2441	Valid
	Z18	0.643	0.2441	Valid
	Z19	0.45	0.2441	Valid
	Z20	0.559	0.2441	Valid

Source: Primary data collected by the researcher, 2020

From table 2 above, all value of the independent and dependent variables are above the $r_{table} = 0.2441$ and $>30\%$. It can be concluded that all of the variables are valid.

Reliability Test

Table 4. Summary statistic of the correlation analysis of Reliability test

Variable	Cronbach's Alpha		Interpretation
	Criteria	Result	
Competence (X1)	0.6	0.783	Reliable
Motivation (X2)	0.6	0.686	Reliable
Audit Quality (Y)	0.6	0.675	Reliable
Ethical Orientation (Z)	0.6	0.782	Reliable

Source: Primary data collected by the researcher, 2020

Table 3 above shows that the Cronbach's Alpha values of all indicators are above 0.6 or 60%, which means all variables are reliable.

Classic Assumption Test

Normality Test

**Table 5. Normality Test Result
One-sample Kolmogorov-Smirnov Test**

Unstandardized Residual		
N		65
Normal Parameters ^{a,b}	Mean	28.4000000
	Std. Deviation	1.57117904
Most Extreme Differences	Absolute	0.71
	Positive	0.71
	Negative	-.054
Test Statistic		0.71
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Source: Primary data collected by the research, 2020

Table 5 shows that the significance value is 0.200 or more than 0.05 and it can be concluded that the data is normally distributed and the assumption of normality is accepted.

Multicollinearity Test

Table 6. Multicollinearity Test Result

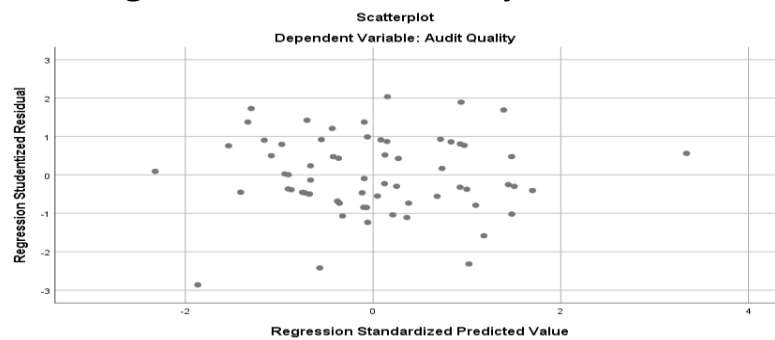
Model	Tolerance	VIF
Competence (X1)	0.990	1.010
Motivation (X2)	0.877	1.140
Ethical Orientation (Z)	0.874	1.145

Source: Primary data collected by the research, 2020

Table 6 shows that the tolerance value is more than 0.1 (0.990; 0.877; 0.874) and the VIF is less than 10 (1.010; 1.140; 1.145), so it can be said that the model regression does not have multicollinearity problem.

Heteroscedasticity Test

Figure-1: Heteroscedasticity Test Result



Source: Primary data collected by the researcher, 2020

In figure 1 the scatterplot shows that the dots radiate randomly from under zero (y) until up to zero (x). So it means that there is not heteroscedasticity.

Multiple Linear Regression

Hypothesis testing with the t test is carried out to determine the influence of each (partial) independent variable individually on the dependent variable. The t test is also done by comparing the t_{count} with the t_{table} values. The t_{count} value is obtained from the results of the SPSS calculation while the t_{table} is obtained from the t distribution table $\alpha = 5\%$: $2 = 2.5\%$ (2-sided test) with degrees of freedom (df) $nk-1$ or $65-4-1 = 60$. With a 2-sided test (significance value = 0.025), the results obtained for t table is 1.67065.

Table 8. Summary of Multiple Linear Regression Test

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	8558	4.638		1.845	0.000
Competence	0.254	0.086	0.332	2.970	0.004
Motivation	0.490	0.17	0.322	2.879	0.005

Source: Primary data collected by the researcher, 2020

From table 8 above, the competence effect on audit quality has $t_{\text{count}} = 2.970 > t_{\text{table}} = 1.671$ and the significance value $0.004 < 0.05$. It can be concluded that the competence has a significant effect on audit quality. Second, Motivation effect on audit quality has $t_{\text{count}} = 2.879 > t_{\text{table}} = 1.671$ with the significance value $0.005 < 0.05$, which means that motivation has a significant effect on audit quality.

Table 9. Effect of Competence on Audit Quality

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.356a	0.127	0.113	2.931

a. Predictors: (Constant), Competence

Source: Primary data collected by the research, 2020

Table 9 shows that competence has a significant effect on audit quality with the influence value of 12.7% or 0.127. Hence, table 8 shows that the $t_{\text{count}} > t_{\text{table}}$ ($2.970 > 1.670$) which means that it has the significant effect with positive direction (0.254).

Table 10. Effect of Competence on Audit Quality with Ethical Orientation as a Moderating Variable

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	20.151	2.154		9.355	0.000
Competence*EO	0.003	0.001	0.439	3.881	0.000

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.439a	0.193	0.180	2.817

a. Predictors: (Constant), Moderation_X1Z

EO = Ethical Orientation

Source: primary data collected by researcher, 2020

Based on table 10, it can be concluded that competence can affects audit quality with ethical orientation as an interaction/moderating variable with $t_{\text{count}} > t_{\text{table}}$ or $3.881 > 1.670$ and with value of B is 0.003 positive direction. Hence, table 10 shows the result of moderating regression analysis competence, audit quality, and ethical orientation as the variables, to find the significant effect of competence on audit quality with ethical orientation as a moderating variable. The result can be seen in table 10. After adding the ethical orientation as the moderating variable, the effect of competence on audit quality is 19.3% or 0.193 which means that the R value increased by 6.7% after adding the ethical orientation as the moderating variable.

Table 11. Effect of Motivation on Audit Quality

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.346a	0.12	0.106	2.942

a. Predictors: (Constant), Motivation

Source: Primary data collected by the researcher, 2020

Table 8 shows that motivation affects audit quality because $t_{\text{count}} > t_{\text{table}}$ ($2.879 > 1.670$) and has a positive direction with b value of 0.490. And from the data on table 10 above, it can be said that motivation has a significant effect on audit quality with the value of 12% or 0.12.

Table 12. Effect of Motivation on Audit Quality with Ethical Orientation as a Moderating Variable

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	21.298	2.082		10.23	0.000
Motivation*EO	0.005	0.001	0.4	3.463	0.001

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.400a	0.16	0.147	2.874

a. Predictors: (Constant), Moderation_X2Z

Source: Primary data collected by researcher, 2020

EO = Ethical Orientation

Table 12 shows that $t_{\text{count}} > t_{\text{table}}$ ($3.463 > 1.670$) which means that motivation affects audit quality with ethical orientation interaction. And based on table 8 and 12, this study can conclude that the significant effect is increasing by 0.493 with ethical orientation as the moderating variable. Hence, table 12 shows the result of moderating regression analysis with

motivation, audit quality, and ethical orientation variables to find the significant effect of motivation on audit quality with ethical orientation as a moderating variable. The result can be seen from the data above. Whereas after adding the ethical orientation as the moderating variable, the effect of motivation on audit quality with ethical orientation has IS 16% or 0.193 which means that R value is increasing by 4%.

Fisher Test

Table 13. Summary of Fisher Test Result

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	172.486	4	43.121	5.787	.001b
	Residual	447.114	60	7.452		
	Total	619.6	64			

a. Dependent Variable: Audit Quality

b. Predictors: (Constant), Moderation_X2Z, Competence, Motivation, Moderation_X1Z

Source: primary data collected by researcher, 2020

Hypothesis testing with the F test (Fisher Test) is conducted to show whether all the independent variables used in the regression model have a significant effect simultaneously on the dependent variable. Based on the F distribution table, the value of $F_{table} = 3.14$. The results of the F test show that $F_{count} = 5.787$, which means that $F_{count} = 5.787 > F_{table} = 3.14$, then H_a is accepted. The results of this test show that all independent variables, namely Competence, Motivation, effect of competence on audit quality with ethical orientation as a moderating variable, and effect of motivation on audit quality with ethical orientation as a moderating variable together have a significant effect on the dependent variable, namely audit quality.

Coefficient of Determination (R^2)

The coefficient of determination of this study is used to know how deep the regression model effect and means to variation of dependent variable. Hence, R^2 value of the effect of competence on audit quality (11.3%), the effect of motivation on audit quality (10.6 %), the effect of competence on audit quality with ethical orientation as a moderating variable (18%), and the effect of motivation on audit quality with ethical orientation as a moderating variable (14.7%). It can be concluded that the audit quality can be influence by other factor, where it is not included in this research.

Discussion

Based on the hypothesis test results, the effect of competence (X1) on audit quality (Y) indicates that competence has a significant, positive effect on audit quality, which means that H_1 is accepted. Therefore, it can be said that competent auditors can be more comfortable to solve their duties and are familiar with complex work area (for example: competent auditors can work and fulfil their tasks on time and get good audit quality) in Financial and Development Supervisory Board (BPKP). Hence, the auditor who has the high competence can work professionally based on Yellow Book Standard. Also, it shows that competence has a role in determining the quality of audits produced by the internal auditors of Financial and Development Supervisory Board (BPKP). Thus, the result of this study is in line with (Marwa et al., 2019) who stated that competence affects audit quality because the higher education of auditors will have an extensive review of various matters, including findings of deeper and more varied problems. Besides that, auditors will also be easier to follow complex developments, especially in the Government sector for internal auditor BPKP. Competence is one of important requirement from (AAIPI, 2013), which means when the auditors of BPKP is

competent and responsible to carry out the audit tasks then the auditors can work professionally. The results of this study support some research results from (Prasanti et al., 2019; Zahmatkesh & Rezazadeh, 2017; Meidawati & Assidiqi, 2019; Novranggi &, 2019), which showed that competence has a significant positive effect on audit quality.

From the findings above about the effect of motivation (X2) on audit quality (Y), it can be said that motivation ~~has~~ influences audit quality positively. Therefore H2 is accepted. Then this study can conclude that the motivation possessed by auditors of the Financial and Development Supervisory Board (BPKP) in carrying out their duties and responsibilities will also affect the quality of the results of their duties and responsibilities, especially in carrying out audits where the results can be seen from the quality of the audits produced. Also, when the Financial and Development Supervisory Board (BPKP) puts their priority on human resource, they must be more careful and motivate the auditors about the process or the quality of the work implementation of each auditor so the result of their task and process of audit will get good audit quality. Hence, this study is relevant with the theory of Herbach, (2001), the difference between the auditor's motivations to work will have an impact on the audit quality and audit quality is a critical factor for auditors to be able to survive in the long term. It means that when an auditor of BPKP has a high motivation to work, it will provide the best service and increased audit quality. On the contrary, when an auditor does not have the motivation to carry out his duties and responsibilities, it will reduce the audit quality. There are some research from (Idawati & Ak, 2015; Asmara, 2016; Kuntari, Chariri, & Nurdhiana, 2017) which found that motivation has a significant, positive effect on audit quality.

Based on the results above, it shows that the ethical orientation has interaction and positive effect of competence on audit quality. Therefore, it can be said that H3 is accepted. This means that it is aligned with the research hypothesis. Although competence is important for auditors of Financial and Development Supervisory Board (BPKP), but with a relatively low level of competence, as long as the auditors continues to work with regard to the binding professional in ethical orientation, they can still produce the same quality of audit, even better than the auditor who has the very high level of competence. This is because auditors who have a high level of competence in term of experience and knowledge, tend to have a high selfish attitude as well and they can often ignore SOPs that must be complied with during the period of finishing their duties and responsibilities. This study is relevant with a research done by (Agustia et al., 2018) which stated that ethical orientation is the ability of individuals to evaluate and consider the ethical values in an event. It can be said that ethical orientation can encourage auditors to work as professionals with high attitude and produce good audit quality because ethical orientation and competence that the auditors must comply with. This result supports the research done by (Ramlah et al., 2018). Based on findings above, it shows that the ethical orientation has interaction and positive effect of motivation on audit quality. Therefore, it can be said that H4 is accepted. The auditors of Financial and Development Supervisory Board (BPKP) who have high motivation to work must have a high ethical orientation because it can help the auditor to perform well and produce the best quality of audit. Thus when the auditors of Financial and Development Supervisory Board (BPKP) have high ethical orientation but low motivation, the auditors can still produce good audit quality because the ethical orientation relates with the auditors' behavior so it can give big impacts on the internal or external and the auditor must be control their behavior and ability to adapt with clients and their teams. Hence, even though the auditors have low motivation to work but when they work professionally with ethical orientation then the auditors OF BPKP can still produce a good audit quality. This result supports the research done by (Sabir, 2019; Wright, 2001).

Conclusion

This study aims to determine whether competence and motivation have a positive and significant effect on audit quality with ethical orientation as the moderating variable in Financial and Development Supervisory Board (BPKP). Based on the results of the hypothesis test and the discussion that has been done, the conclusions of the hypothesis testing are as follows; first, competence has a positive and statistically significant effect on audit quality in Financial and Development Supervisory Board (BPKP). Second, motivation has a positive and significant effect on audit quality in Financial and Development Supervisory Board (BPKP). Third, competence has a positive and significant effect on audit quality with ethical orientation as a moderating variable in Financial and Development Supervisory Board (BPKP). Fourth, motivation has a positive and significant effect on audit quality with ethical orientation as a moderating variable in Financial and Development Supervisory Board (BPKP).

Limitation of the Study/Future Study Agenda

Based on the research results, this study has been done as good as possible. However, It still has some limitations; first, this study planned to use saturation sampling technique, in which the total population will be taken as the sample for this study with the total population of 95 auditors in Financial and Development Supervisory Board (BPKP). However, this study was done with 65 sample of auditors in BPKP because some of them were having business trips in other areas/cities. In other words, not all of the population were taken as the respondents of this research. Second, there are several other variables that can affect audit quality the variables that have been analyzed in this research. Thus, the future research are expected to be more extensive, and use other methods or analysis which are more representative for the future research itself.

Suggestion

Based on the results of this study, there are some suggestions that can be given first, Financial and Development Supervisory Board (BPKP) must be able to improve the competence of each Auditor, both in knowledge and performance, through competency trainings made by BPKP itself apart from APIP. Second, BPKP needs to analyze every performance and work of the auditors so that the goals and responsibilities are fulfilled. Third, the Financial and Development Supervisory Board (BPKP) must pay attention to every auditor's hard work, so it can improve their work motivation with the expectation that the result of the duties and responsibilities are good. Last, this study is expected to become the reference for the next research related to the effect of competence and auditor motivation on audit quality with ethical orientation as a moderating variable, with larger area of the research object.

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