

UDC 331

THE EFFECT OF GOOD GOVERNANCE AND COMPETENCY ON AUDIT QUALITY WITH PROFESSIONAL ETHICS AS A MEDIATION VARIABLES

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ABSTRACT

The effectiveness of the audit implementation by the Inspectorate offices in Bali Province can be seen from the quality of the audit. Government auditors in carrying out audits are required to pay attention to the quality of the audit, because good audit quality is expected to produce financial reports that can be trusted by users of financial information. The purpose of this study was to determine the effect of good governance and competence on audit quality with professional ethics as a mediating variable. This research was conducted at the Inspectorate offices of all districts in Bali Province with a population of 171 people. The number of samples using the Slovin method was 63 respondents. The results of research on good governance, competence and professional ethics have a positive effect on audit quality. Professional ethics mediates the influence of good governance and competence on the audit quality of the Inspectorate offices in all districts in Bali Province. Suggestions that can be given, for auditing practitioners, especially the Inspectorate Office in Bali Province, need to pay attention to, among others, improving the implementation of good governance so as to improve audit quality. An auditor in carrying out auditing duties must use competency qualifications to understand the criteria used and be competent to know the type and amount of evidence that will be collected in order to reach the right conclusion after carrying out the examination. Inspectorate offices in the regency of Bali Province to maintain a professional ethics system in carrying out their duties so that the level of fraud in the area can be suppressed so that it will create a clean government.

KEY WORDS

Good governance, competence, professional ethics and audit quality.

Government internal control is an important management function in government administration. Through internal control, it can be seen whether a government agency has carried out activities in accordance with its duties and functions effectively and efficiently, and in accordance with the plans, policies that have been set, so that the demands for implementing public sector accountability for the realization of good governance in Indonesia must be further increased al., 2014). This demand is reasonable, because several studies have shown that the economic crisis in Indonesia was caused by bad governance and bad bureaucracy (Angge and Edy, 2014).

The bad image and performance of the bureaucracy today has more connotations with negative images such as the low quality of public services; behave in a corrupt, collusive, and nepotic manner (KKN); has a tendency to concentrate authority; low professionalism; and the absence of good culture and ethics. To overcome this, government audit is one of the important elements in good governance. However, practice is often far from being expected. Susilawati (2014) explains that there are several weaknesses in government audits in Indonesia, including the unavailability of adequate audit quality as a basis for measuring the performance of both central and local government government and this is commonly experienced by public organizations because the output produced such as public services is not easy to measure, in other words, the measure of government performance is still being debated today so that supervision by internal audit or APIP (Government Internal Supervisory Apparatus) is required.

Public sector accountability relates to the practice of transparency and provision of information to the public in order to fulfill public rights. Meanwhile, good governance

according to the World Bank is defined as a solid and responsible management of development and in line with the principles of democracy and efficient markets, avoiding misallocation of investment funds, preventing corruption both politically and administratively, creating budget discipline, and creating a legal framework and politics for the growth of business activities (Asri et al., 2015).

Angge and Edy (2014) stated that the challenge of the accounting profession is increasingly competitive with the implementation of the ASEAN economic community in 2015. Indonesian accountants must face competition with foreign accountants to offer their professional services. The Indonesian government together with all members of Southeast Asian countries who are members of ASEAN have agreed to implement the AEC in 2015. In simple terms MEA can be interpreted as a free market for the ASEAN region. One of the services that is enforced freely is the accounting profession services, for that the government has prepared various regulations to ensure a healthy competition in the provision of accounting professional services (Larry and Timothy, 2012). The implementation of the AEC also has positive and negative consequences for the accounting profession in Indonesia (Abdul et al., 2014).

According to Asri et al. (2015) there are three main aspects that support the creation of good governance, namely supervision, control and inspection. Supervision is an activity carried out by parties outside the executive, namely the community and the Regional People's Representative Council (DPRD) to monitor the performance of the government. Control is a mechanism implemented by the executive to ensure that management systems and policies are implemented properly so that organizational goals can be achieved. Meanwhile, an audit is an activity carried out by parties who have independence and professional competence to check whether the results of government performance are in accordance with the standards set (Ayu and Yeni, 2016).

One of the units that conducts audits / checks on local governments is the regional inspectorate. The roles and functions of the Provincial, Regency / City Inspectorates are generally regulated in article 4 of the Minister of Home Affairs Regulation No. 64 of 2007. In this article it is stated that in carrying out the supervisory task of government affairs, the Provincial, Regency / City Inspectorates have the function of planning the supervision program, formulating the policies and facilities for supervision and examination, investigation, examination and assessment of supervisory duties.

The positions and classes are in accordance with the City Inspectorate's organizational structure consisting of the Inspector, Secretariat, Regional Assistant Inspector (Irbn), and functional position groups. However, currently the functional position group structure is not fully filled due to the lack of staff at the Inspectorate of the Regency / City of Bali Province. Thus, all employees of the City Inspectorate carry out the duties and authority of the inspection.

In connection with the implementation of these duties and authorities, the Bali Provincial Inspectorate as regulated in the Bali Provincial Government Regulation Number 12 of 2008, has the main task of assisting the Regional Head in carrying out Regional Government in the field of supervision. The main tasks are to formulate technical policies in the field of supervision, prepare plans and programs in the field of supervision, carry out technical operational control of supervision, carry out coordination of supervision and follow up on the results of supervision.

Meanwhile, to carry out these duties, the City Inspectorate has the authority to carry out an examination of the duties of the Regional Government which include the fields of governance and development, economy, finance and assets, as well as special fields, testing and evaluating the accuracy of periodic or occasional reports from each unit. / work units, fostering supervisory functional personnel within the City Inspectorate, conducting evaluation and reporting on the implementation of City Inspectorate duties.

According to Fandy et al. (2016) The Regional Inspectorate has the task of carrying out general supervision activities of the regional government and other tasks given by the regional head are the same as the internal auditors. Internal audit is an audit carried out by an inspection unit which is part of the organization that is supervised (Susilawati, 2014).

According to Asri et al. (2015) the function of the internal auditor is to carry out an internal audit function which is an independent assessment function within an organization to test and evaluate the organization's activities. In addition, internal auditors are also expected to contribute more to improving efficiency and effectiveness in order to improve organizational performance. Thus the local government internal auditors play a very important role in the process of creating accountability and transparency of financial management in the regions (Fandy et al., 2016).

Audit quality according to De Angelo (1981) in Badjuri (2011: 123) is the probability that the auditor will find and report violations in the client's accounting system. The probability of finding a violation depends on the technical ability of the auditor and the probability of reporting a violation depends on the independence of the auditor. In other words, competence and independence can affect audit quality. In the public sector, the Government Accountability Office (GAO) defines audit quality as adherence to professional standards and contractual commitments during the audit (Dwi et al., 2015). The Indonesian Institute of Accountants (IAI) also expressed the same opinion, namely that audits conducted by auditors are said to be of quality if they meet auditing standards and quality control standards (Noor and Priyanto, 2012).

To support the success in carrying out its duties and functions properly, audit quality is needed (Ari, 2010). The ability of auditors to make decisions when faced with ethical dilemma situations will depend on various things, because the decisions made by auditors will also have a lot of influence on the company (Adnyani et al., 2014). Internal auditors must identify, analyze, evaluate, and record sufficient information to achieve the engagement objectives (Kenneth and Jeffrey, 2007). An auditor must pay attention to the quality of the audit, because high audit quality is expected to produce financial reports that can be trusted by users of financial information (Greg and Graham, 2013).

Auditing is the collection and evaluation of evidence about information to determine and report the degree of conformity between that information and predetermined criteria (Nizarul et al., 2007). The final objective of this auditing process is to produce an audit report, this audit report is used by the auditor to convey a statement or opinion to users of financial statements, so that it can be used as a reference for users of financial statements (Wife and Dharma, 2013). Auditors must identify, analyze, evaluate, and record sufficient information to achieve the engagement objectives (Kenneth and Jeffrey, 2007).

The phenomenon of problems that are still in the spotlight and often occur today regarding the quality of audits carried out by the Inspectorate of the Regency / City of Bali Province, there are still many audit findings that are not detected by the inspectorate apparatus as internal auditors, but are found by external auditors, namely the Audit Board (CPC). The Supreme Audit Agency (2010) states that based on the results of the examination of the Regional Government Financial Reports (LKPD) of the Bali Province Regency / City fiscal year 2009, there were 8 (eight) findings. The BPK findings mean that the audit quality of the inspectorate officials at the Regency / City of Bali Province is still relatively low or there are irregularities.

There are two things that cause the audit quality of the inspectorate officials at the Regency / City of Bali Province to be less than optimal. Functional education and training in the field of supervision is only held in Bali Province. This is one of the factors why only 7 out of 40 District / City Inspectorate officers of Bali Province have met the requirements to become functional auditors. In addition, the existence of mutations between work units causes experienced officers to be replaced by those who are inexperienced. Like the internal auditors in general, the inspectorate apparatus, including those in the Regency / City of Bali Province, are under the influence of policy makers. This also affects the independence of the inspectorate apparatus of the Regency / City of Bali Province. Public accountability is non-negotiable. Understanding the importance of quality audits for the creation of an accountable government will be able to motivate the inspectorate apparatus to use and improve their competence and independence. So, with the above considerations, it is necessary to know the effect of good governance, competence and professional ethics on the quality of the

Inspectorate audit in regional financial supervision, especially in the Regency / City of Bali Province.

The quality of auditors can be improved by implementing good governance and the competence of auditors related to professional ethics as compliance in audit implementation. Internal supervision by an auditor on the running of government requires the realization of good governance that is effective, efficient, transparent, accountable and clean and free from corruption, collusion and nepotism (Satyo, 2005). Semiu and Temitope (2010) state that good governance is used to encourage company performance and provide trust to shareholders and society. One of the benefits that can be received by implementing good governance is improving company performance through the creation of a better decision-making process, increasing the company's operational efficiency, and improving services to stakeholders (Sri, 2007). Auditors who understand the implementation of good governance will work in accordance with professional ethics and provide clear directions for their behavior. The implementation of good governance will direct the auditors to carry out auditing properly so that brilliant performance is achieved to show maximum audit quality (Kenneth and Jeffrey, 2007).

In accordance with national demands and global challenges in realizing good governance, it is necessary to have human resources of state apparatus who have competence in government positions and administration. To create competent human resources, an independent internal audit is required to oversee the running of the company by ensuring that the company has carried out practices in implementing the principles of good governance within the company which include: accountability, responsibility (responsibility, openness (transparency), fairness (fairness) and independence (independence) (Satyo, 2005). Carl (2013) states that the principles of good governance as an effort to improve audit expertise by realizing good governance are things that are not easy to implement, there are several obstacles in this regard, especially in terms of transparency and accountability which the government in Indonesia has not fully met.

The phenomenon of problems that often occur related to the principles of good governance, such as the fairness of the financial statements of the auditors' supervision of the Inspectorate of Regency / City of Bali Province, is often a question because it often presents fair without exceptions. The transparency of the findings of the auditors of the Bali Provincial Inspectorate / City is rarely published. Auditors do not fully comply with accounting principles in carrying out supervision such as disclosure of relevant information, financial operational controls. To be able to realize the principles of good governance there needs to be improvements in the government, namely by strengthening control in supervision, enforcing control systems and understanding good governance, so that deviations can be minimized, and the realization of audit quality (Satyo, 2005).

Angge (2014) states that the principles of good governance are one of the most important factors in realizing good audit quality, however, the behavior of audit quality is also influenced by competence. Agoes (2000: 112) states that auditor competence is a qualification needed by auditors to carry out an audit properly. To obtain these competencies, education and training for auditors is needed, known as continuing professional education. Competence is related to education and adequate experience of auditors in auditing and accounting (Lori and Morina, 2003). In carrying out an audit, the auditor must act as an expert in accounting and auditing (Badir and Abeer, 2013).

The attainment of expertise begins with formal education, which is further expanded through experience in auditing practice. In addition, auditors must undergo sufficient technical training covering both technical and general education aspects (Syamsuddin et al., 2014). To achieve their competence, they must gain professional experience by getting adequate supervision and review of their work from more experienced superiors. The auditor must continuously follow developments that occur. Auditors must study, understand and apply new provisions in established accounting principles and auditing standards (Dwi et al., 2015). Research conducted by (Ari, 2010). Competence has a significant effect on audit quality. The results of this study are in line with research conducted by Adnyani et al. (2014) and Angge and Edy (2014).

The phenomenon of problems that often occur is related to the competence of an auditor at this time, such as the auditor's lack of competence in determining the number of audits that must be audited, the lack of communication between auditors and all levels in the Inspectorate office of the Regency / City of Bali Province. The auditor is not on time in completing the supervisory report. The knowledge of the Inspectorate auditors must be questioned because there are still frequent corruption, collusion and nepotism (KKN) problems. These things cause problems regarding the competence of an auditor, causing low audit quality.

The basic thing that must be considered by auditors is ethics in their profession. The implementation of professional work is inseparable from ethics because professional behavior is needed for all professions so that the profession they live in can get the trust of the community (Arens and James, 2003). The American Heritage Directory in Sukendra et al. (2015) state ethics as mediation in a rule or standard that determines the behavior of members of a profession to achieve good governance. With high ethical awareness, an auditor tends to be professional in his duties and carry out his duties in accordance with the professional code of ethics and auditing standards, so that the results of the audit carried out will show more of the actual situation. Research on professional ethics (accountants) in Indonesia has been widely carried out. However, this research is still limited to the cognitive aspects of accountants (especially with regard to ethical decision making). The American Heritage Directory states ethics as a rule or standard that determines the behavior of members of a profession. The development of ethical or moral awareness plays a key role in all areas of the accountant profession (Louwers, 1997 in Sukendra et al., 2015). Angge and Edy (2014) stated that in order to understand ethics it is necessary to distinguish between morality in order to realize good governance and the competence of an auditor so that the realization of audit quality. Morality is a value system of how a person should live as a human. This value system is contained in the teachings, morality gives people concrete rules or instructions on how to live, how to act in this life. as a good human being and how to avoid bad behaviors. Meanwhile, ethics talks about moral values and norms that determine human behavior in life (Ramzan et al., 2013).

Accountants have an obligation to maintain their highest standards of ethical behavior to the organizations they belong to, their profession, society and themselves where accountants have a responsibility to be competent and to maintain integrity and objectivity and realize good governance (Nizarul et al., 2007). Research on ethics that has been conducted by Hasan et al. (2014) offer a framework for examining ethical standards approaches by the accounting profession in realizing auditor competence. The framework is based on game theory through opinion buying by audit clients. Angge and Edy (2014) state that based on the IFAC "Ethical Guidelines" as a mediating variable, with the ethical requirements of an accounting organization it should be based on the basic principles governing the actions / behavior of an accountant in carrying out his professional duties to form competence and good governance. These principles are (1) integrity, (2) objectivity, (3) independence, (4) trustworthiness, (5) technical standards, (6) professional ability, and (7) ethical behavior.

Good governance and competence are standards that must be understood and met by an auditor to be able to conduct an audit properly. However, it is not certain that auditors who have the two things above will have the commitment to perform the audit properly. As stated by Susilawati (2014), only with professional ethics an auditor has a high fighting spirit to achieve goals and meet existing standards. In other words, professional ethics mediates the understanding of good governance and the competence of an auditor to excel in producing quality audit reports.

HYPOTHESES FORMULATION

The concept of good governance is mainly based on social learning theory which is able to have a positive influence on audit quality (Sri, 2007). Good governance that is implemented in the company has a positive relationship with audit quality (Carl, 2013). Greg

and Graham (2013) have provided evidence that good governance is positively related to improving audit quality. Badjuri's research (2011) proves that good governance is used as an independent variable to have a positive relationship with audit quality. On the basis of the scientific arguments above, the following hypotheses can be formulated.

H₁: Good governance has a positive effect on audit quality

Competence through Dissonance theory can be defined as a person's ability to deal with situations and conditions in their work based on knowledge, opinions or beliefs that lead to creativity in overcoming problems that occur. A person's competence can be seen from the level of creativity he has and the innovations created and his ability to solve a problem (Nizarul et al., 2007). Research results by Abdul et al. (2014) show empirically that the competency factor has a positive effect on audit quality by implementing an independent attitude. The results of research by Asri et al. (2015) proved the same thing where audit quality is positively influenced by the competence of auditors with an attitude of trust. Competence has a positive influence on audit quality (Adnyani et al., 2014). Based on this description, the hypothesis proposed is as follows:

H₂: Competence has a positive effect on audit quality.

Cognitive dissonance theory can explain that the inconsistency in auditors to follow or not follow part of the code of ethics, as well as differences in individual perceptions about ethical or unethical matters can lead to inconsistencies. Therefore, if auditors can maintain harmony in their professional ethics, they will be able to carry out their audits properly as required in the professional code of ethics (Emrinaldi et al., 2014).

Research results by Mehran et al. (2014) show empirically that ethical factors have a positive effect on audit quality. Nizarul et al. (2007) professional ethics has a positive impact on auditor quality. Pancawati and Rachmawati (2012) professional ethics has a positive relationship with the quality of auditors so that they are able to provide good audit results.

H₃: Professional ethics has a positive effect on audit quality.

Social learning theory teaches an auditor to behave ethically in carrying out an audit. The supervision that is carried out of course looks at the implementation of good governance within the company as well as the competence of an auditor to complete the results of the supervision / audit. This social learning theory is relevant to explain the behavior of auditors in fulfilling their obligations to carry out supervision so as to produce good audit quality (Susilawati, 2014).

The results of research by Nizarul et al. (2007) stated that professional ethics as a mediating variable has a positive influence on the relationship between competence and the implementation of good governance on audit quality. Likewise with Abdul et al. (2014) explained in his research that the competence and implementation of good governance had a positive effect on audit quality through the professional ethics of an auditor. This was confirmed by Asri et al. (2015) in his research found that an auditor who understands professional ethics as a mediating variable is able to increase competence, realize good governance so as to provide quality results in his audit report. Based on the description above, the hypothesis that can be formulated the research results are as follows:

H₄: Professional ethics mediates the effect of good governance and competence on audit quality.

METHODS OF RESEARCH

The location of this research is the Inspectorate of Province, Regency, City in Bali. The inspectorate consists The population in this study was the Provincial / Regency / City Government Internal Supervisory Apparatus in Bali, Indonesia with a total of 171 people. Government Internal Supervisory Apparatus The inspectorate consists of an Auditor function and a Regional Government Affairs Supervisory function (P2UPD). Auditors have the task of conducting reviews, auditing finances and assets in the context of carrying out government tasks in the regions. P2UPD has the task of supervising the technical implementation of regional government affairs outside of financial supervision. Both, both the auditor and P2UPD are in one LKPD review assignment. of an Auditor function and a Regional

Government Affairs Supervisory function (P2UPD). The number of permanent employees sampled is 63 people. The sample to be used is based on the proportionate random sampling method because the members of the population are homogeneous so that they can represent the entire population.

Table 1 – Data on the Number of Regional Inspectorate Internal Supervisory Apparatus (APIP) as a sample in Bali 2016

No.	The Regional Inspectorate	APIP		$\frac{N_i}{N} \times n$	Sample
		Auditors	P2UPD		
1	Inspectorate of Badung Regency	8	6	5.1	5
2	Inspectorate of Bangli Regency	5	6	4.0	4
3	Inspectorate of Buleleng Regency	9	4	5.0	5
4	Inspectorate of Gianyar Regency	7	6	5.0	5
5	Inspectorate of Jembrana Regency	5	9	5.1	5
6	Inspectorate of Karangasem Regency	9	5	5.1	5
7	Inspectorate of Klungkung Regency	19	16	13.0	13
8	Inspectorate of Tabanan Regency	10	5	5.1	5
9	Inspectorate of Denpasar City	14	2	6.0	6
10	Inspectorate of Bali Province	13	13	9.7	10
Total		99	72		
Total Population		171			63

Source: Regional Inspectorate around Bali Province, Indonesia, Fiscal Year of 2018.

This study used a survey method with a questionnaire instrument. The questionnaire was given to respondents directly escorted by the researcher. For each statement in the questionnaire, a score of 1-5 was given based on the Likert scale. In this study, the operational definitions of the variables used are as follows.

1) Good governance (X_1).

Good governance is intended as a managerial ability to manage resources in ways that are open, transparent, accountable, equitable, and responsive to community needs (Sri, 2007). A good company can improve a climate of openness, integrity and accountability in accordance with the basic principles of good governance. This study uses 5 instruments (Indonesia Institute for Corporate Governance (2007: 165). Indicators of good governance include: fairness (statement no. 1), transparency (statement no. 2), accountability (accountability).) (statement no. 3), responsibility (statement no. 4), and participation (question no.5). By giving a score of 1 for the choice Strongly Disagree (STS), a score of 2 is for the option Disagree , a score of 3 is for a choice of Sufficiently Agree (CS), a score of 4 for a choice of Agree (S) and a score of 5 for a choice of Strongly Agree (SS).

2) Competence (X_2).

LOMA Competency Dictionary (1998) in Nizarul et al. (2007: 6) competence is defined as the personal aspects of a worker that enable him to achieve superior performance. These personal aspects include traits, motives, value systems, attitudes, knowledge and skills in which competence will direct behavior. Researchers use two dimensions of competence from Murtanto (1998) in Nizarul et al. (2007: 9) namely experience and knowledge. Researchers used questions as indicators as follows: (1) the number of clients being audited, (2) communication with clients, (3) timeliness of audit completion, (4) assistant skills, (5) knowledge of education. By giving a score of 1 for the choice Strongly Disagree (STS), a score of 2 for the choice of Disagree, a score of 3 for the option of Agreeing Enough (CS), a score of 4 for the choice of Agree (S) and a score of 5 for the choice of Strongly Agree (SS).

3) Professional ethics (M).

Professional ethics issued by organizations to regulate the behavior of members in carrying out professional practice for society (Nizarul et al, 2007). This study uses 5 instruments in SA.100 (SPAP: 2013) developed by (Angge and Edy, 2014) which have regulated the principles that must be obeyed by auditors, including: integrity principle

(statement no.1), objectivity principle (statement 2), an attitude of care and caution (statement no. 3), the principle of confidentiality (statement no. 4), and the principle of professional behavior (statement no. 5). By giving a score of 1 for the choice Strongly Disagree (STS), a score of 2 for the choice of Disagree, a score of 3 for the option of Agreeing Enough (CS), a score of 4 for the choice of Agree (S) and a score of 5 for the choice of Strongly Agree (SS).

4) Audit Quality (Y).

The quality of auditors is important in auditing. With the correct application of accounting standards and auditing standards, auditors will be able to disclose and report errors or violations committed by clients (Basit, 2014). The indicators used to measure audit quality in this study are: 1) Reporting all client errors, 2) Understanding the client's accounting system. 3) Commitment to complete the audit. 4) Guided by the principles of auditing and accounting principles in doing field work. 5) Trust in clients. 6) Be careful in making decisions. By giving a score of 1 for the choice Strongly Disagree (STS), a score of 2 for the choice of Disagree, a score of 3 for the option of Agreeing Enough (CS), a score of 4 for the choice of Agree (S) and a score of 5 for the choice of Strongly Agree (SS). The data analysis technique used in this study is the path analysis technique. Path analysis is an extension of multiple linear regression analysis, to estimate the causal relationship between tiered variables based on theory (Utama, 2009: 135).

This study uses path analysis. The path coefficient is calculated using two structural equations, namely the regression equation which shows the hypothesized relationship. In this case, the two equations are:

Substructure equation 1:

$$M = a_1, a_2 X_1, X_2 + e_1 \quad (1)$$

Information:

a_1, a_2 = path coefficient of good governance and competence;

X_1, X_2 = good governance and competence;

M = professional ethics;

e_1 = default estimate error value.

Substructure equation 2:

$$Y = b_1, b_2 X_1, X_2 + cM + e_2 \quad (2)$$

Information:

Y = audit quality;

b_1, b_2 = path coefficient of good governance and competence;

c = path coefficient of professional ethics;

X_1, X_2 = good governance and competence;

M = professional ethics;

e_2 = default estimate error value.

RESULTS AND DISCUSSION

Before testing the hypothesis, first the instrument test is carried out which includes the validity test and the reliability test. The results of testing the validity of all items in each variable are declared valid because the calculated r value is greater than r table (0.300). So that all of these items can be used in further research for the hypothesis. Based on the results of the Cronbach's Alphas coefficient value, all variables have a Cronbach's Alpha coefficient value > 0.600. This indicates that each research instrument has a good level of reliability.

Descriptive statistics are used to provide an overview of each variable in the study. The descriptive statistics presented consist of the minimum value, maximum value, average value, and standard deviation of each variable are presented in Table 2.

Table 2 – Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
<i>Good governance</i>	8.50	24.37	16.0443	3.15684
Competence	9.98	24.76	15.8708	3.12430
Professional Ethics	8.93	24.39	15.8705	3.11245
Audit Quality	11.37	29.15	18.6397	3.45892

The descriptive results from Table 2 show that the good governance variable has a minimum value of 8.50 and a maximum value of 24.37 with an average of 18.04 and a standard deviation of 3.16. The competency variable has a minimum value of 9.98 and a maximum value of 24.76 with an average of 15.87 and a standard deviation of 3.12. Furthermore, the professional ethics variable has a minimum value of 8.93 and a maximum value of 24.39 with an average of 15.87 and a standard deviation of 3.11. While the audit quality variable has a minimum value of 11.37 and a maximum value of 29.15 with an average of 18.64 and a standard deviation of 3.46.

Path analysis is basically an extension of regression analysis. Thus, the classical assumption test is carried out to ensure that the data is free from classical assumptions. The results of the normality test show that the residuals in the two models are stated to be normally distributed because they have a significance value greater than 0.05. The multicollinearity test results show that all variables from both models have a tolerance value > 0.1 and VIF < 10. This means that all variables are free from multicollinearity problems (non-multicollinearity). Based on the results of the heteroscedasticity test, it shows that all variables from the two models have a significance value > 0.05. This means that all variables are free from heteroscedasticity problems (non heteroscedasticity).

Table 3 – Test Hypotheses Results

Model 1				
Variables	Unstandardized coefficient B	t hitung	Sig.	Result
<i>Good governance</i>	0.329	2.625	0.011	
Competence	0.357	2.816	0.007	
Constant = 4.917				
$R^2 = 0.385$				
F test = 18.819				
Significant = 0.000				
Model 2				
Variables	Unstandardized coefficient B	t hitung	Sig.	Result
<i>Good governance</i>	0.319	3.363	0.001	H1; Accepted
Competence	0.424	4.389	0.000	H2; Accepted
Professional Ethics	0.388	4.198	0.000	H3; Accepted
Constant = 0.649				
$R^2 = 0.750$				
F test = 58.878				
Significant = 0.000				

The hypothesis which states that good governance has an effect on audit quality in Inspectorate offices throughout Bali Province is supported statistically by empirical results. This is evidenced by the significance value of 0.001 which is smaller than 0.05. Good governance according to The Indonesia Institute for Corporate Governance (2007: 167) is good governance in a business which is based on professional ethics in doing business or work. Good governance is also intended as a managerial ability to manage resources in ways that are open, transparent, accountable, equitable, and responsive to community needs (Kenneth and Jeffrey, 2007).

The results of this study support previous research conducted by Greg and Graham (2013) which has provided evidence that good governance is positively related to improving audit quality. This is also in line with the opinion of Kenneth and Jeffrey (2007) which states that the implementation of good governance will lead auditors to carry out auditing well so

that brilliant performance is achieved to show maximum audit quality. The quality of auditors can be improved by implementing good governance and the competence of auditors related to professional ethics as compliance in audit implementation. Internal supervision by an auditor on the running of government requires the realization of good governance that is effective, efficient, transparent, accountable and clean and free from corruption, collusion and nepotism (Satyo, 2005).

Semiu and Temitope (2010) state that good governance is used to encourage company performance and provide trust to shareholders and society. One of the benefits that can be received by implementing good governance is improving company performance through the creation of a better decision-making process, increasing the company's operational efficiency, and improving services to stakeholders (Sri, 2007). Auditors who understand the implementation of good governance will work in accordance with professional ethics and provide clear directions for their behavior. The implementation of good governance will direct the auditors to carry out auditing properly so that brilliant performance is achieved to show maximum audit quality (Kenneth and Jeffrey, 2007).

The second hypothesis which states that competence has a positive effect on audit quality is supported statistically by empirical research. Competence is defined as the personal aspects of a worker that enable him or her to achieve superior performance. These personal aspects include traits, motives, value systems, attitudes, knowledge and skills where competence will direct behavior, while behavior will result in performance (Dictionary of Competence LOMA (1998) in Dwi et al. (2015).

The results of this study are in line with research conducted by Abdul et al. (2014) which shows empirically that the competency factor has a positive effect on audit quality by implementing an independent attitude. Competence through Dissonance theory can be defined as a person's ability to deal with situations and conditions in their work based on knowledge, opinions or beliefs that lead to creativity in overcoming problems that occur. A person's competence can be seen from the level of creativity he has and the innovations created and his ability to solve a problem (Nizarul et al., 2007).

Agoes (2000: 112) states that auditor competence is a qualification needed by auditors to carry out an audit properly. To obtain these competencies, education and training for auditors is needed, known as continuing professional education. Competence is related to education and adequate experience of auditors in auditing and accounting (Lori and Morina, 2003). In carrying out an audit, the auditor must act as an expert in accounting and auditing (Badir and Abeer, 2013).

The third hypothesis which states that professional ethics has a positive effect on audit quality is supported statistically by empirical results. Ethics can be defined as a set of moral principles or values (Bastian, 2001: 76). In terms of ethics, a profession must have a high moral commitment as outlined in the form of special rules. This rule is a rule of running or carrying out the profession, which is commonly referred to as a code of ethics. The code of conduct contains ethical contents, which basically aim to protect the interests of members and the interests of the public who use professional services.

The results of this study are in line with previous studies conducted by Mehran et al. (2014) which shows empirically that ethical factors have a positive effect on audit quality. These results also support previous research conducted by Pancawati and Rachmawati (2012) which stated that professional ethics has a positive relationship with the quality of auditors so that they are able to provide good audit results. Cognitive dissonance theory can explain that the inconsistency in auditors to follow or not follow part of the code of ethics, as well as differences in individual perceptions about ethical or unethical matters can lead to inconsistencies. Therefore, if auditors can maintain harmony in their professional ethics, they will be able to carry out their audits properly as required in the professional code of ethics (Emrinaldi et al., 2014).

To prove the fourth hypothesis, the Sobel test was used. The results of calculating the effect of the mediating variable using the single test are presented in Table 4.

The fourth hypothesis in this study which states that professional ethics mediates the effect of good governance and competence on audit quality is supported statistically by

empirical research. This is evidenced by the calculated z value that is greater than the z table. The results of this study are in line with research conducted by Nizarul et al. (2007) which states that professional ethics as a mediating variable has a positive influence on the relationship between competence and the implementation of good governance on audit quality. Likewise with Abdul et al. (2014) explained in his research that the competence and implementation of good governance had a positive effect on audit quality through the professional ethics of an auditor.

Table 4 – Sobel Test

Variables	Coefficient	Standard Error	z test	z table
<i>Good governance</i>	0,329	0,126	2,220	1,960
Competence	0,357	0,127	2,339	1,960
Professional Ethics	0,388	0,092	-	-

The quality of auditors can be improved by implementing good governance and the competence of auditors related to professional ethics as compliance in audit implementation. Internal supervision by an auditor on the running of government requires the realization of good governance that is effective, efficient, transparent, accountable and clean and free from corruption, collusion and nepotism (Satyo, 2005). Semiu and Temitope (2010) state that good governance is used to encourage company performance and provide trust to shareholders and society.

One of the benefits that can be received by implementing good governance is improving company performance through the creation of a better decision-making process, increasing the company's operational efficiency, and improving services to stakeholders (Sri, 2007). Auditors who understand the implementation of good governance will work in accordance with professional ethics and provide clear directions for their behavior. The implementation of good governance will direct the auditors to carry out auditing properly so that brilliant performance is achieved to show maximum audit quality (Kenneth and Jeffrey, 2007).

Social learning theory teaches an auditor to behave ethically in carrying out an audit. The supervision that is carried out of course looks at the implementation of good governance within the company as well as the competence of an auditor to complete the results of the supervision / audit. This social learning theory is relevant to explain the behavior of auditors in fulfilling their obligations to carry out supervision so as to produce good audit quality (Susilawati, 2014). Good governance and competence are standards that must be understood and met by an auditor to be able to conduct an audit properly. However, it is not certain that auditors who have the two things above will have the commitment to perform the audit properly. As stated by Susilawati (2014), only with professional ethics an auditor has a high fighting spirit to achieve goals and meet existing standards. In other words, professional ethics mediates the understanding of good governance and the competence of an auditor to excel in producing quality audit reports.

CONCLUSION AND SUGGESTIONS

Good governance has a positive effect on audit quality at Inspectorate offices throughout Bali Province. This is evidenced by the t test significance value that is smaller than 0.05 and the regression coefficient value which has a positive direction. The competency has a positive effect on the quality of audits at Inspectorate offices throughout Bali Province. This is evidenced by the t test significance value which is greater than 0.05 and the regression coefficient value which has a positive direction. Professional ethics have a positive effect on audit quality at Inspectorate offices throughout Bali Province. This is evidenced by the t test significance value which is greater than 0.05 and the regression coefficient value which has a positive direction. Professional ethics mediate the influence of good governance and competence on audit quality in Inspectorate offices throughout Bali

Province. This is evidenced by using the single test which has a calculated z value greater than the z table.

It is suggested that further research can develop and use other variables that are thought to also affect audit quality, apart from the variables that have been studied, including loyalty, professionalism and experience. Further research is recommended to use other analysis tools, so that the results obtained will be more comprehensive. In addition to multiple linear regression, further researchers can use AMOS and PLS analysis. These analytical tools have the same goal in answering the hypothesis with the same goal.

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