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## Professional Skepticism, Auditor Competence and Moral Reasoning on Audit Quality

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### Abstract

This study examines the effect of professional skepticism, auditor competence, and moral reasoning on audit quality in Makassar City. Data collection in this study used a questionnaire instrument. The population in this study amounted to 35 auditors at the Makassar City Inspectorate, while the sampling used the census sampling technique because the population was relatively small. The analysis method used was multiple linear regression with the help of SPSS. This study indicates that professional skepticism, auditor competence, and moral reasoning have a positive and significant effect on audit quality.



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## 1 Introduction

The issue of low audit quality has attracted much public attention in recent years. As a supervisory agency for government agencies, the Inspectorate has a very strategic role and status in realizing the Government's vision, mission, and plans, namely planning supervision programs, formulating policies and supervisory facilities, inspections, investigations, testing, and assessment of supervisory tasks. The role of the Inspectorate auditor as a neutral and independent party is very much needed to grow and increase the trust and users of financial statement information. In addition, the auditor can also provide information in the form of reliable audit findings to reflect the quality of the audit. A quality audit will provide adequate information to the audited government organization about internal control weaknesses, fraud, and irregularities in the State Financial Auditing Standard (2007) laws and regulations that occur in an organization. Facts found by the Supreme Audit Agency as many as 16 cases of discrepancies in the number of goods and budgets, one of which was found at the Makassar City Communications and Information Office related to the procurement of 21 monitoring cameras in 2020 that were purchased not following the specifications of the activity plan ([www.kompastv.com](http://www.kompastv.com), May 2021). These cases show the still weak performance of auditors at the Makassar City Inspectorate, which has a significant impact on public confidence in the public accounting profession. So it takes a high-quality audit to produce

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financial statements that can be trusted in decision making.

Audit quality is all possibilities where the auditor auditing the client's financial statements and finds a violation in the client's accounting system has the right to report it in the form of audited financial statements and is guided by auditing standards. Therefore, an auditor needs to improve audit quality to create public trust in the accuracy and validity of audited financial reports. When the auditor's quality is low, it will allow fraud when auditing financial statements (Su'un & Sari, 2021). Audit quality is the process of ensuring that generally accepted auditing standards are applied, quality control procedures are followed, and audit standards are consistently met in their duties to achieve good quality results (Rahim, Sari, Wardaningsi, & Muslim, 2020). Muslim, Rahim, Pelu & Pratiwi, (2020) argues that a quality audit will reduce the uncertainty factor in the financial statements presented by the management.

The resulting audit quality will be better if the auditor has an attitude of professional skepticism. The skepticism that the auditor must possess can be used in conducting audits and preparing reports. However, in carrying out fieldwork and obtaining sufficient competent audit evidence, an auditor is also obliged to uphold skepticism to improve the quality of the reports produced. This skepticism of the auditor is expected to reflect the professional skills of an auditor (Tawakkal, 2019). Research result (Alfiati, 2017; Tawakkal, 2019; Rahayu, 2020) found that professional skepticism affects audit quality. The existence of skepticism will make the auditor more careful in receiving or processing information from the auditee, thus making the audit quality better. (Savira et al., 2021). Professional skepticism is an attitude of prudence and distrust of audit evidence presented by management (Rahim et al., 2019).

**H1:** Professional skepticism has a positive and significant effect on audit quality.

Audit quality is also influenced by the competence of the auditor. Astuti & Sormin, (2019) argues that competence is the expertise, knowledge, experience, and skills needed by an auditor in carrying out his audit duties in order to be able to carry out audits carefully, objectively, and thoroughly. Competence is a characteristic inherent in a person that causes a person to predict his surroundings in a job or situation (Anggraeni & Helmy, 2020). Research result (Tjahjono & Adawiyah, 2019; Sari & Tiara, 2020; Maulana, 2020) found that competence has a significant positive effect on audit quality. The auditor can achieve audit quality if the auditor has good competence. A competent auditor with sufficient and explicit knowledge and experience can conduct an audit objectively, carefully, and thoroughly. Knowledge and length of work experience are important factors to increase competence. The higher the competence possessed by the auditor, the better the quality of the audit produced (Tomasoa, 2020).

**H2:** Auditor Competence has a Positive and Significant Effect on Audit Quality.

Given the importance of the function of public sector audit institutions in providing an assessment of the financial performance of local governments, the quality of internal audits by the Makassar City Inspectorate has become the focus of studies by various parties. This causes these institutions to face demands for professionalism and a high attitude of integrity from the community (Rinaldy et al., 2020). The demands of this attitude certainly include various moral values. Audit quality will affect the personal characteristics of auditors, and such moral reasoning will influence the auditor in making ethical decisions or his ability to resolve ethical dilemmas that are influenced by his level of moral reasoning (Anwar, 2017). The internal government auditors who work for these institutions often experience moral dilemmas, namely when the auditors are in a complicated situation because they find it difficult to choose between their interests and the public interest. This moral dilemma also arises because of the need to make choices that can be good for one party but not good for the other party. Auditors with low levels of moral reasoning will behave differently from those who have high moral reasoning levels when faced with ethical dilemmas. So it can be concluded, the higher the level of one's moral reasoning, the more likely one is to behave ethically. Research result (Merawati & Ariska, 2018) and (Ari et al., 2021) found that moral reasoning had a positive and significant effect on audit quality. If the auditor has sound moral reasoning, he can maintain his professional value to provide a reliable audit opinion. Moral reasoning is higher; the higher the quality of the audit produced (Landarica, 2020).

**H3:** Moral reasoning has a positive and significant effect on audit quality.

This study develops research that has been carried out by (Hutagaol, 2020) which examines professional skepticism and competence towards audit quality. This study adds a moral reasoning variable as a new variable by looking at the results of several presented studies showing that the level of individual auditors' moral reasoning will affect their ethical behavior so that it will affect the quality of the audit produced. Another difference between this study (Hutagaol, 2020) is at the research site. (Hutagaol, 2020) conducted research at the Inspectorate Office of South Kalimantan Province while this research was conducted at the Makassar City Inspectorate based on the inspectorate's weakness in overseeing the use of the budget in Makassar City OPD. Based on the description above, this study aims to: 1) test professional skepticism that has a significant effect on audit quality, 2) examine auditor competence which has a significant effect on audit quality and 3) examine moral reasoning that has a significant effect on audit quality.

## 2 Research Method

This research approach uses a scientific approach to test the justification of the proposed hypothesis with statistics to find a conclusion. The population in this study is the internal auditor at the Makassar City Inspectorate, amounting to 35 people. The sampling technique uses a saturated sample technique. Collecting data in this research is by distributing questionnaires directly to internal auditors who work in the Inspectorate Office in Makassar City. The questionnaire was compiled with a 5-point Likert Scale. The data analysis of this research was carried out with several stages of analysis, namely: 1) Normality test through the Normal P-Plot graph to see the regression model of the dependent (bound) variable and the independent (free) variable having a normal contribution. 2) Multicollinearity test is needed to determine whether there are independent variables that have similarities with other independent variables in one model. 3) Heteroscedasticity test aims to test whether there is an inequality of variance and residuals from one observation to another in the regression model. Then, to test the relationship between variables, this study conducted multiple regression analysis using the SPSS V. 25 program with the following equation:

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + e$$

**Description :**

- Y : Audit quality
- X<sub>1</sub> : Professional Skepticism
- X<sub>2</sub> : Auditor competence
- X<sub>3</sub> : moral reasoning
- α : Constant.
- β : Regression Coefficient.
- e : Error.

## 3 Result and Discussion

### *Result*

Based on picture 1, the dots spread around the diagonal line, and the direction of the spread follows the direction of the diagonal line. This shows that the regression model is feasible to use because it meets the assumption of normality.



**Figure 1. Normality Test**

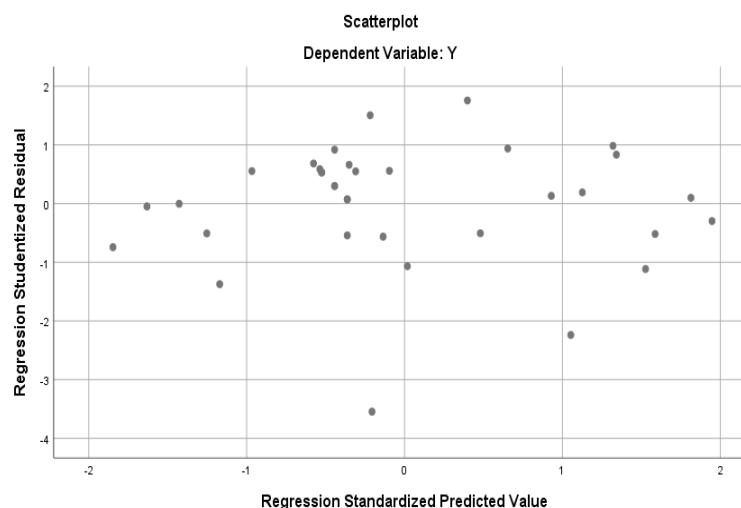
To test multicollinearity, it can be seen from the tolerance value and the VIF (Variance Inflation Factor) value. If the VIF value is not more than ten and the tolerance value is not less than 0.1, then the model can be said to be free from multicollinearity. The results of the multicollinearity test can be seen in the following table 1:

**Table 1. Multicollinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
1		
	(Constant)	
	X1	,462
	X2	,321
	X3	,205

Source: Data processed, 2021

Heteroscedasticity detection is carried out using the scatterplot method by looking at the spread of the points generated randomly, not forming a specific pattern, and the direction of the spread being above or below the number 0 on the Y-axis. The results of the heteroscedasticity test can be seen in figure 1:



**Figure 2. Heteroscedasticity Test**

The scatterplot graph shown in figure 2 shows that the data is spread on the Y-axis and does not form a clear pattern in the data distribution. This shows that there is no heteroscedasticity in the regression model. The regression model is feasible to use to predict audit quality with the influencing variables, namely professional skepticism, auditor competence, and moral reasoning. The coefficient of determination test aims to determine how much the independent variable can explain the ability of the dependent variable. The following is presented the results of the coefficient of determination test in table 2.

**Table 2. Coefficient of Determination Test**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,945a	,892	,882	,20818

Source: Data processed, 2021

Table 2 shows that the coefficient of multiple determination explains audit quality by 89.20% influenced professional skepticism, auditor competence, and moral reasoning. This test uses 5%. With the provisions, if the significance of F-calculated > F-estimated and significance value < 0.05, the proposed hypothesis can be accepted. The test results are shown in table 3:

**Table 3. Simultaneous Test**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.136	3	3,712	85,650	,000b
	Residual	1.344	31	,043		
	Total	12,479	34			

Source: Data processed, 2021

Table 3 shows that the calculated f value is 85.650 > f-estimated 2.910 with a significance level of 0.000 or less than 0.05, so it can be said that professional skepticism, auditor competence, and moral reasoning simultaneously (together) influence audit quality. In this study, the t-test is used to test whether the hypothesis proposed in this study is accepted or not by knowing whether the independent variables individually affect the dependent variable. The results of the t-test in this study can be seen in table 4:

**Table 4. Regression Test Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,760	,422		-4.168	,000
	X1	,764	,140	,473	5,458	,000
	X2	,382	,154	,258	2,479	0.019
	X3	,375	,145	,337	2,593	0.014

Source: Data processed, 2021

Table 4 shows that all the independent variables in this study have a t-calculated value greater than t-estimated and a significance value with a significance level smaller than 0.05, which means a positive and significant effect. Table 4 also shows the calculation of the regression analysis written by the multiple regression equation as follows:

$$Y = -1.760 + 0.764 X1 + 0.382 X2 + 0.375 X3$$

The constant value is 1.760. This indicates that if the independent variable (professional skepticism, auditor competence, and moral reasoning are zero (0)), then the value of the dependent variable (audit quality) is 1.760.

Professional skepticism regression coefficient ( $b_1$ ) is 0.764 and is positive. This means that the Y variable's value will increase by 76.40% if the value of the X1 variable increases if the other independent variables have a fixed value. The coefficient with a positive sign indicates a unidirectional relationship between the variables of professional skepticism(X1) with audit quality variable (Y). The higher the professional skepticism, the audit quality will increase. Auditor competence regression coefficient ( $b_2$ ) is 0.382 and is positive. This means the Y variable's value will increase by 38.20% if the value of the X2 variable increases if the other independent variables have a fixed value. The positive coefficient indicates a unidirectional relationship between the auditor's competence variable (X2) and the audit quality variable(Y). The higher the competence of an auditor, the audit quality will increase. The regression coefficient of moral reasoning ( $b_3$ ) is 0.375 and is positive. This means that the Y variable's value will increase by 37.50% if the value of the X3 variable increases if the other independent variables have a fixed value. The positive coefficient indicates a unidirectional relationship between the moral reasoning variable (X3) and the audit quality variable(Y). The higher the moral reasoning, the audit quality will increase.

## Discussion

### The Effect of Professional Skepticism on Audit Quality

The results of testing the first hypothesis (H1) are accepted, indicating that professional skepticism has a positive and significant effect on audit quality. The higher the auditor's professional skepticism, the higher the audit quality. The better the attitude of professional skepticism is applied and implemented, the better the audit report's quality. With this attitude of professional skepticism, the auditor is expected to carry out his duties according to the standards that have been set, upholding the rules and norms, so that audit quality and the image of the auditor's profession are maintained. Research result (Alfiati, 2017), (Tawakkal, 2019), and (Rahayu, 2020) found that professional skepticism affects audit quality. An auditor who can detect fraud will be more skeptical when faced with signs of fraud happening around him (Peuranda et al., 2019). The existence of skepticism will be able to make the auditor more careful in receiving or processing information from the auditee, thus making the audit quality better (Savira et al., 2021)

### The Effect of Auditor Competency on Audit Quality

The results of testing the second hypothesis (H2) are accepted, indicating that the auditor's competence has a positive and significant effect on audit quality. If the auditor has competence, the audit quality will increase. Competence is a fundamental thing that an auditor must own; the higher the auditor's knowledge about auditing, the easier it will be for an auditor to carry out his duties. Research result (Tjahjono & Adawiyah, 2019), (Sari & Tiara, 2020), and (Maulana, 2020) found that competence has a significant positive effect on audit quality. The auditor can achieve audit quality if the auditor has good competence. A competent auditor with sufficient and explicit knowledge and experience can conduct an audit objectively, carefully, and thoroughly. Knowledge and length of work experience are important factors to increase competence. The higher the competence possessed by the auditor, the better the quality of the audit produced (Tomasoa, 2020).

### The Effect of Auditor Competency on Audit Quality

The results of testing the third hypothesis (H3) are accepted, indicating that the auditor's competence has a positive and significant effect on audit quality. If the auditor has competence, the audit quality will increase. Competence is a fundamental thing that an auditor must own; the higher the auditor's knowledge about auditing, the easier it will be for an auditor to carry out his duties. Research result (Merawati & Ariska, 2018) and (Ari et al., 2021) found that moral reasoning had a positive and significant effect on audit quality. If the auditor has sound moral reasoning, he can maintain his professional value to provide a reliable audit opinion. Moral reasoning is higher; the higher the quality of the audit produced (Landarica, 2020).

## 4 Conclusion

This study found that the variable professional skepticism (H1) had a positive and significant effect on audit quality, indicating that the first hypothesis (H1) was accepted. These results suggest that the more professional



skepticism, the higher the audit quality. The second hypothesis (H2) auditor competence variable has a positive and significant effect on audit quality, indicating that the second hypothesis (H2) is accepted. This result states that the higher the competence of the auditor, the audit quality will increase. The third hypothesis (H3) variable moral reasoning positive and significant audit quality indicate that the third hypothesis (H3) is accepted. This result states that the higher the moral reasoning owned by the auditor, the audit quality will increase. This study suggests furthering researchers to increase the number of new variables other than the variables used in this study to know better what factors can affect audit quality and to use qualitative methods in analyzing data. The results of this study are expected to provide input and consideration for auditors working at the Makassar City Inspectorate concerned to improve the quality of audit work further.

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