

The Influence of Moral Reasoning on Internal Audit Quality with Auditor Competence as a Moderating Variable

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ABSTRACT

Internal audit quality is the initial stage that greatly influences whether a company's audit quality is good or bad, as well as being the initial door to creating a company that is healthy, clean, accountable, transparent, and upholds every existing company and state regulations. There are a number of factors that can influence whether the quality of internal audit is good or bad, including the auditor's moral reasoning to find odd flaws, increase the detail of the audit, and so on. Therefore, this research aims to analyze the influence of Moral Reasoning on Internal Audit Quality with Auditor Competence as a moderating variable. This research is quantitative research with an explanatory approach. The data used in this research is primary data distributed to 300 BUMN internal auditors spread throughout Indonesia. This data uses a questionnaire method in its distribution containing the choices of agree, strongly agree, strongly disagree, disagree, and normal/average regarding auditor reasoning, auditor competence, and internal audit standards. The results showed if the Moral Reasoning variable can have a positive relationship and a significant influence on Internal Audit Quality because the P-Values value is positive and is below the significance level of 0.05, namely 0.019. This is because good moral reasoning from an auditor can make the auditor prioritize the interests of the public/company/state rather than personal interests or only some parties. This proves that the author's first hypothesis and first belief can be accepted. Apart from that, the Auditor Competency variable can moderate the relationship between the Moral Reasoning variable and Internal Audit Quality because the P-Values value is in a positive direction and is far below the significance level of 0.05, namely 0.000, even smaller than the direct assessment of 0.019. This is because good Moral Reasoning makes auditors prioritize the public interest, if accompanied by good Auditor Competency, it will make the influence of Moral Reasoning on Internal Audit Quality more significant. In this way, the second hypothesis and the researcher's second belief can also be accepted.

Keywords: Moral Reasoning, Audit Quality, Auditor Competence

INTRODUCTION

Audit is a systematic process carried out to objectively evaluate evidence regarding statements from economic events (Mulyadi, 2013). One of the objectives of an audit is to determine the level of conformity. Audits can be external audits or internal audits. Internal audits are carried out by internal parties called internal auditors. The internal auditor profession has a significant influence on a company or institution, because both companies and institutions need to have a role for auditors

who are tasked with carrying out the audit process. Internal auditors provide services that include examination and assessment of control, performance, risk and governance. The main task of an internal auditor apart from carrying out audits is to provide opinions in accordance with guidelines, namely that they must be based on an attitude of competence and have an attitude of moral reasoning, apart from that, support from senior management and organizational culture is one of the things that must be considered, which means that in carrying out audits, internal auditors must be competent and have a moral reasoning attitude in order to produce good audit quality.

Internal audit or internal inspection is an independent assessment function in an organization to test and evaluate organizational activities carried out (Sugiharti, 2015). Internal audit responsibilities include examining and assessing control, performance and governance (Wibowo, 2016). A company's management errors in managing resources can cause the company to experience quite large losses, losses due to incorrect production processes, engineering, marketing or inventory management can be large compared to losses due to weaknesses in the financial (Sawyer, 2009). This shows that the need for internal audits is increasing, which means the role of internal auditors is becoming very important.

Audit quality is the ability of an auditor to carry out his duties, where in carrying out an audit an auditor can find client errors and report them (De Angelo, 1981). A public accountant in carrying out his audit duties must adhere to the applicable Public Accountant Professional Standards (SPAP), with the hope that the audit can reduce misalignment of interests between management and shareholders. By adhering to applicable standards and principles, the desired goal will be achieved, namely a quality audit. In research conducted by (Kung, 2015) there are five things that are thought to have a relationship with audit quality, namely (1) understanding of the client's accounting information system, (2) level of timeliness of audit completion, (3) level of compliance towards SPAP, (4) the level of confidence in the client's statement, and (5) the level of caution in decision making. Internal audit is an important source of information for external auditors of the Financial Audit Agency (BPK) and is the spearhead for increasing transparency and accountability in management and company supervision. Quality audit results are an important source of information in providing confidence to the company and the BPK (Udayani, 2017). Good management and supervision of company finances must be supported by quality public sector audits. If the quality of public sector audits is low, it is likely to provide leeway for companies to commit policy deviations.

There are several things that can influence the Quality of Internal Audit, namely Moral Reasoning. Sudarshan (2014) explains the meaning of morals using terms such as moral-reasoning, moral-thinking, and moral-judgment, as terms that have the same meaning and are used interchangeably, these terms are translated into moral reasoning. Moral reasoning is seen as a structure of thought, not content. Thus, moral reasoning is not about what is good or bad, but about how someone thinks to arrive at a decision that something is good or bad (Sudarshan K, 2014). These moral reasonings are indicators of levels or stages of moral maturity. Paying attention to the reasoning of why an action is wrong will provide more explanation than paying

attention to someone's actions (behavior) or even hearing a statement that something is wrong (Sugiharti, 2015).

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METHOD

Internal audit quality is the initial stage that greatly influences whether a company's audit quality is good or bad, as well as being the initial door to creating a company that is healthy, clean, accountable, transparent, and upholds every existing company and state regulations (Jonathan Sarwono, 2016). There are a number of factors that can influence whether the quality of internal audit is good or bad, including the auditor's moral reasoning to find odd flaws, increase the detail of the audit, and so on (Sugiyono, 2019). Therefore, this research aims to analyze the influence of Moral Reasoning on Internal Audit Quality with Auditor Competence as a moderating variable. This research is quantitative research with an explanatory approach. The data used in this research is primary data distributed to 300 BUMN internal auditors spread throughout Indonesia (Hair, 2010). This data uses a questionnaire method in its distribution containing the choices of agree, strongly agree, strongly disagree, disagree, and normal/average regarding auditor reasoning, auditor competence, and internal audit standards (Gujarati, 2013). These data were analyzed using Smart PLS 4.0 with the following research model:

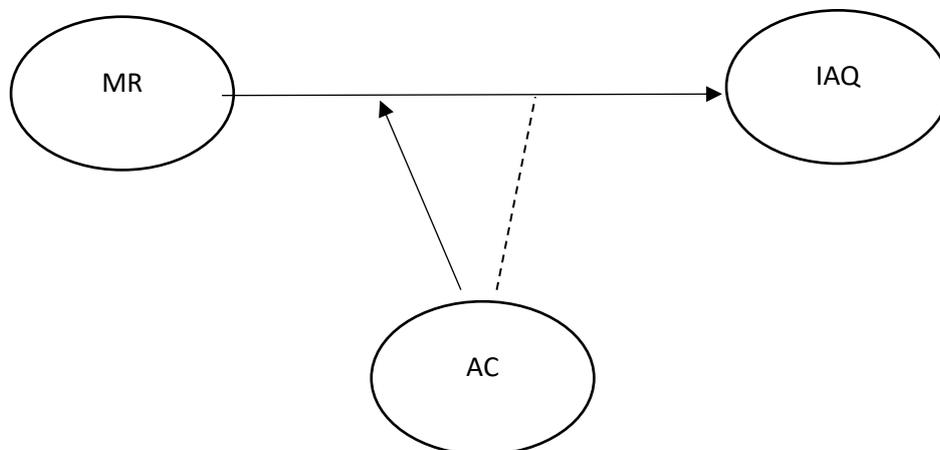


Figure 1: Model

Noted:

MR: Moral Reasoning

IAQ: Internal Audit Quality

AC: Auditor Competence

Hypothesis:

H1: The Influence of Moral Reasoning on Internal Audit Quality

H2: Auditor Competence can Moderates The Influence of Moral Reasoning on Internal Audit Quality

RESULT AND DISCUSSION

Validity Test

Based on the explanation above, researchers have several beliefs, namely that the Moral Reasoning variable can have a positive relationship and a significant influence on Internal Audit Quality and the Auditor Competency variable can moderate the relationship between the two variables above. However, the initial stage that needs to be passed is the validity test stage by testing the 14 question items in this research with the following validity test results (Sarstedt et al., 2014):

Table 1. Validity Test

Variable	Question Item	Loading Factor
Moral Reasoning (X1)	The company's interests are more important than one's own interests	0.801
	The public interest is more important than the interests of colleagues	0.810
	Integrity is something that an auditor must have	0.808
	Good moral reasoning can create good audit quality	0.819
	Mora reasoning can influence audit quality	0.806
	Good moral reasoning is something that an auditor must have	0.809
Internal Audit Quality	Internal audit quality can be influenced by moral reasoning	0.831
	Internal audit quality can be influenced by auditor competency	0.823

(Y)	Internal audit quality can be created from an auditor who has the public interest in mind	0.831
	Good internal audit quality can be achieved if internal auditors adhere to company rules and norms	0.829
Auditor Competence (Z)	Auditor competency can influence moral reasoning	0.845
	Auditor competency can influence the quality of internal audits	0.878
	Auditor competence can create a clean company	0.889
	Auditor competency can create a healthy company	0.887

Valid : > 0.70

Reliability Test

After ensuring that the 14 question items used in this research consisted of 6 question items for the Moral Reasoning variable, 4 question items for the Internal Audit Quality variable, and 4 question items for the auditor competency variable, all question items were above 0.70 and were confirmed to be valid. The next stage is a reliability test to ensure whether the 3 variables used in this research are reliable or not with the following results (Ghozali, 2016):

Table 2. Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Moral Reasoning	0.840	0.802	Reliable
Internal Audit Quality	0.860	0.819	Reliable
Auditor Competence	0.889	0.849	Reliable

Reliable > 0.70

Path Coefficient

The researcher's belief that the Moral Reasoning variable can have a positive relationship and a significant influence on Internal Audit Quality and Auditor Competency can moderate the relationship between the Moral Reasoning variable

and Internal Audit Quality, which has almost reached the peak of proof because it has passed the 14-question item validation test stage and the 3 item reliability test. question with the following Path Coefficient results (Gujarati, 2013):

Table 3. Path Coefficient

	Variable	P-Values	Noted
Direct Influence	MR->IAQ	0.019	Accepted
Indirect Influence	AC*->MR->IAQ	0.000	Accepted

Significant Level > 0.05

The peak of research evidence in this case regarding the influence of the Moral Reasoning variable can have a positive relationship and a significant influence on Internal Audit Quality because the P-Values value is positive and is below the significance level of 0.05, namely 0.019. This is because good moral reasoning from an auditor can make the auditor prioritize the interests of the public/company/state rather than personal interests or only some parties. This is in line with research (Sari, 2021); (Susilo & Widyastuti, 2015) & (Wedhasari, 2019). This proves that the author's first hypothesis and first belief can be accepted.

Apart from that, the Auditor Competency variable can moderate the relationship between the Moral Reasoning variable and Internal Audit Quality because the P-Values value is in a positive direction and is far below the significance level of 0.05, namely 0.000, even smaller than the direct assessment of 0.019. This is because good Moral Reasoning makes auditors prioritize the public interest, if accompanied by good Auditor Competency, it will make the influence of Moral Reasoning on Internal Audit Quality more significant. In this way, the second hypothesis and the researcher's second belief can also be accepted.

CONCLUSION

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