

## The influence of independence, competence and loyalty on auditor performance with emotional intelligence as a moderation variable

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### Abstract

**Background:** This research is motivated by the importance of auditor performance, where auditor performance can measure audit quality. In fact, there are still high losses and problems. There is an increase in fraud cases that occur among the government in 2018-2022. Where in 2018 there were 454 cases with 1,087 suspects and an increase in 2022 of 579 cases with 1,369 suspects. Therefore, the importance of the role of auditors in the implementation of government supervision, so that auditor performance is needed to realize a better, cleaner and KKN-free government.

**Purpose:** This study aims to examine the effect of independence, competence and loyalty on auditor performance with emotional intelligence as a moderation variable.

**Methodology:** Through a quantitative descriptive approach with Lisrel-SEM analysis, data was collected collected from CPC auditors to analyze the relationship of such factors and the extent to which emotional intelligence moderates their influence.

**Results:** The results of this study show that independence, competence and loyalty have a positive and significant effect on auditor performance. Emotional intelligence is able to moderate independence, competence and loyalty to auditor performance.

Keywords: *Independence, Competence, Loyalty, Auditor Performance, Emotional Intelligence*

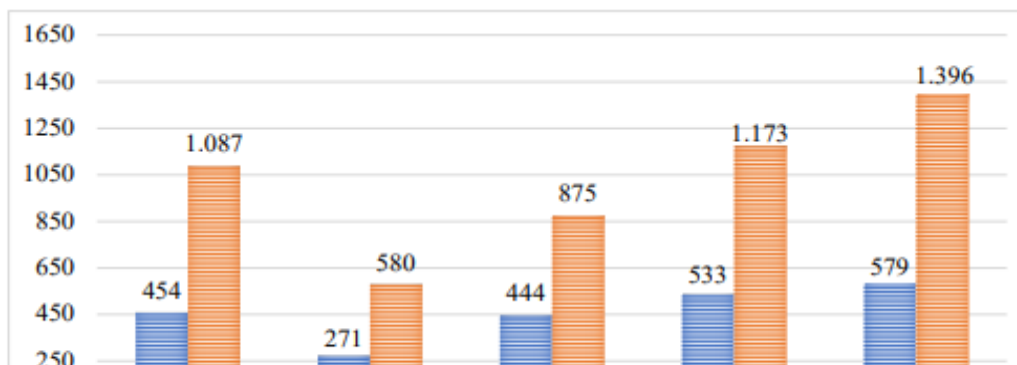
### I. INTRODUCTION

The Financial Audit Agency (BPK) is one of the free and independent state institutions tasked with examining the management and responsibility of state finances. The Financial Inspection Agency (BPK) has the authority to conduct financial statement examinations. The purpose of examining financial statements is to provide an opinion on the fairness of financial information presented in the financial statements. The opinions generated on the fairness of the financial statements become a source of information for stakeholders to make the right decisions with a note that the Examination Results Report (LHP) is of good quality and is able to prevent, detect and minimize fraud.

The West Java Provincial Government is one of the regional governments supervised and inspected by BPK RI in its financial management. Based on the examination conducted by BPK from the Examination Results Report (LHP) on the Regional Government Financial Statements (LKPD) of West Java Province for the 2018-2022 fiscal year. The Financial Inspection Agency (BPK) concluded that the preparation of the West Java Provincial Government's Financial Statements for 2018-2022 was in accordance with Government Accounting Standards (SAP), so that the Financial Inspection Agency (BPK) provided an Unqualified Fair Opinion (WTP) on the West Java Provincial government's financial statements for 2018-2022. Although BPK provides an Unqualified Opinion (WTP), the results of the examination carried out still found problems and losses that are quite high. The results of the BPK examination for the 2018-2022 period fluctuated over losses from problems of non-compliance with statutory provisions. The results of the examination showed that in 2018 5,103 problems were found, IDR 1.7 million in losses, IDR 464

thousand in potential losses and IDR 1.3 million in revenue deficiencies and in 2022 5,495 problems were found, IDR 1.8 million in losses, IDR 548 thousand in potential losses and IDR 698 thousand in revenue deficiencies.

Fraud among the government is increasing which causes a crisis of public confidence in the role of government auditors who are considered no longer able to give confidence to the public in the implementation of clean government. This can be seen in the table below which shows the increasing cases of corruption among the government.



Source: Indonesia Corruption Watch, 2023

**Figure 1.1 Trend of Potential State Financial Losses in 2018-2022**

Based on the graph above, the number of cooperatives in Indonesia in the last 5 years 2018-2022 has increased from 454 cases with 1,087 suspects in 2018 to 579 cases with 1,396 suspects in 2022.

This reflects that the role of government auditors has not been maximized in carrying out supervision of clean government administration, especially fraud cases that occurred in 2018 by the Bekasi Regent of alleged corruption in the management of permits for the Meikarta development project in Bekasi Regency, then in the same year 2018 by the Regent of Cirebon, allegations of bribery related to buying and selling positions and related to projects and permits. In 2019 by the Regent of Indramayu, a case of alleged bribery related to a project at the PUPR Office. Furthermore, in 2020 by the Mayor of Cimahi the case of alleged receipt of bribes was related to the licensing of the development of the Kasih Bunda Cimahi Hospital. In 2021 by the Regent of West Bandung a case of alleged bribery related to the procurement of emergency response goods for the COVID-19 pandemic. In 2022 by the Mayor of Bekasi for alleged money laundering or TPU, then in the same year 2022 by the Bogor Regent for alleged bribery cases related to the management of the Bogor Regency Government's financial statements. Furthermore, in 2023 by the Mayor of Bandung, allegations of bribery in the procurement of CCTV and internet provider services in the Bandung area in the Bandung Smart City program (Bagaskara, 2023). These bribery actions in West Java Province reflect the performance of BPK RI auditors West Java Provincial Representatives have not been optimal in realizing a clean government, because auditors are still willing to accept bribes from outside parties so that the auditor's performance is still questioned by the public.

Related to this research, several studies on independence have been carried out, including (Dwiyanto & Rufaedah, 2020), (Wahyudi & Aryati, 2022), (Wiratama & Budiarta, 2015) found that independence has a significant positive effect on auditor performance. In contrast to research conducted by (Fachruddin & Rangkuti, 2019), (Farahdiba & Cahyaningsih, 2020), (Snow et al., 2014) found that independence has no effect on auditor performance. Based on the *research gap* described above, researchers draw conclusions that competence and loyalty are no differences while independence there are differences of opinion carried out by previous researchers. By referring to the opinion (Goleman, 2015) that emotional intelligence has the ability to motivate themselves which can improve auditor performance. Therefore, researchers will conduct research by moderating independence, competence and loyalty to auditor performance with emotional intelligence.

## II. METHODOLOGY

This study aims to examine the effect of independence, competence and loyalty on auditor performance with emotional intelligence as a moderation variable. This type of research is descriptive quantitative research. The research models used in this study are *basic research*, *causal research* and *hypothesis generating research*. The population in this study is auditors who work at BPK RI West Java Provincial Representative. In this study, the data used were 94 samples with saturated *sampling* techniques. The data analysis technique used in this study is Structural *Equation Modeling* (SEM) with the help of the *Linear Structural Relations* (LISREL) program through a *path analysis* approach.

## III. RESULTS AND DISCUSSION

### 1. Validity Test

**Tabel 3.1 Validity Test Results**

Variable Items	Loading Factor	Cut Off	Conclusion
IND1, IND2, IND3, IND4, IND5, IND6, IND7, IND8 & IND9	0.81, 0.80, 0.75, 0.76, 0.57, 0.67, 0.65, 0.69, 0.73	≥ 0.5	All items are valid
KOM1, KOM2, KOM3, KOM4, KOM5, KOM6, KOM7, KOM8, KOM9 & KOM10	0.74, 0.68, 0.75, 0.82, 0.76, 0.80, 0.74, 0.69, 0.78, 0.81	≥ 0.5	All items are valid
LOY1, LOY2, LOY3, LOY4, LOY5, LOY6, LOY7, LOY8, LOY9 & LOY10	0.81, 0.75, 0.71, 0.84, 0.83, 0.68, 0.77, 0.84, 0.78, 0.77	≥ 0.5	All items are valid
EQ1, EQ2, EQ3, EQ4, EQ5, EQ6, EQ7 & EQ8	0.52, 0.17, 0.59, 0.24, 0.70, 0.70, 0.70, 0.57	≥ 0.5	All items are valid except EQ2 and EQ4 items
KIA1, KIA2, KIA3, KIA4, KIA5 & KIA6	0.82, 0.70, 0.83, 0.72, 0.75, 0.78	≥ 0.5	All items are valid

Source: Processed primary data, 2023

Based on table 3.1 above, it is known that for the latent variable Independence of the 9 statements used to measure the variable has a *loading factor* value that ranges from 0.65 to 0.81. For the Competency latent variable of the 10 statement items used to measure the latent variable, the entire statement item has a *loading factor* that ranges from 0.68 to 0.82. For the latent variable Loyalty of the 10 statement items used to measure the latent variable, all statement items have a *loading factor* that ranges from 0.68 to 0.84. For the latent variable Emotional Intelligence of the 8 statement items used to measure the variable, there are two statement items that have a *loading factor* value below 0.5, namely: the EQ2 statement item and EQ4 which have a *loading factor* of 0.17 and 0.24. While the other six statement items have *loading factor* values ranging from 0.52 to 0.70. For the latent variable Auditor Performance of the 6 statement items used to measure the latent variable, the entire statement item has a *loading factor* value that ranges from 0.70 to 0.83. Thus it can be inferred from the 43 statement items used, 41 statement items meet the validity testing criteria. While 2 statement items (EQ2 and EQ4) that do not meet the test criteria must be excluded from the study.

### 2. Reliability Test

**Tabel 3.2 Reliability Test Results**

Latent Variables	CR	Cut Off	Decision
Independence	0.904	≥ 0.5	Latent variables are declared reliable
Competence	0.931		Latent variables are declared reliable
Loyalty	0.939		Latent variables are declared reliable
Emotional Intelligence	0.797		Latent variables are declared reliable
Auditor Performance	0.895		Latent variables are declared reliable

Source: Processed primary data, 2023

Based on table 3.2 above, it is known that: all latent variables have a *Construct Reliability* (CR) value ranging from 0.797 to 0.939 which means greater than 0.5 thus it can be concluded that all latent variables used in this study have met the test criteria.

### 3. Goodness of Fit

**Tabel 3.3 Goodness of Fit Parameters**

GOF Size	Criterion	Result	Match Rute
Statistik $X^2$	$0 \leq X^2 \leq df$ or $2df < X^2 \leq 3df$	7.66 df 1	Less Fit
P-Value	$0.05 \leq p \leq 100$ or $1 < p \leq 0.05$	0.020	Fit
NCP	Initial Model $383.13 < NCP \leq 548.88$	5.62 90% <i>Confidence Interval for NCP</i> 0.86 s/d 17.78	Fit
RMSEA	$RMSEA \leq 0.08$ p $\geq 0.05$	0.24	Less Fit
ECVI	Initial Model $4.28 < ECVI \leq 5.11$	0.78 90% <i>Confidence Interval for ECVI</i> 0.73 s/d 0.91	Fit
Model AIC	AIC < saturated AIC	76.62 saturated AIC 72.00	Less Fit
Model CAIC	CAIC < saturated CAIC	202.45 saturated CAIC 201.42	Less Fit
NFI	$NFI > 0.90$ or $0.80 < NFI < 0.90$	0.99	Less Fit
TLI/NNFI	$0.80 < TLI/NNFI < 0.90$	0.81	Fit
CFI	$CFI > 0.97$ or $0.90 < CFI < 0.97$	0.99	Less Fit
IFI	$IFI > 0.90$ or $0.80 < RFI < 0.90$	0.99	Less Fit
RFI	$RFI > 0.90$ or $0.80 < RFI < 0.90$	0.78	Less Fit
CN	$CN > 200$	85.86	Less Fit
SRMR	$SRMS \leq 0.08$ or $0.1 < SRMR < 0.80$	0.10	Less Fit
GFI	$GFI > 0.90$ or $0.80 < GFI < 0.90$	0.98	Less Fit
AGFI	$AGFI > 0.89$ or $0.80 < RFI < 0.90$	0.40	Less Fit

Source: Primary data processed, 2023

Based on the model fit test on the table above, it can be seen that of the 16 model fit sizes set, there are 4 models that are fit and 12 other models that are less fit.

### 4. Hypothesis Testing

$$KIA = 0.39*IND + 0.35*KOM + 0.37*LOY - 0.047*MIND - 0.055*MKOM - 0.058*MLOY,$$

Errorvar.= 0.0100,  $R^2 = 0.99$

(0.098)	(0.067)	(0.075)	(0.041)	(0.033)	(0.039)
3.97	5.26	4.97	-1.15	-1.66	-1.47

- a.  $H_1$ : The effect of independence (IND) on auditor performance. Based on the structural equation, the T-Value of IND for KIA is 3.97 greater than the Z Score with a significant level of 5%, thus  $H_0$  is rejected and  $H_1$  is accepted, meaning that the auditor's independence has a direct effect on auditor performance.

- b. H<sub>2</sub>: The effect of competence (KOM) on auditor performance. Based on the structural equation, the T-Value of KOM for KIA is 5.26 greater than the Z Score with a significant level of 5%, thus H<sub>0</sub> is rejected and H<sub>2</sub> is accepted, meaning that the auditor's compability effects auditor performance.
- c. H<sub>3</sub>: The effect of loyalty (LOY) on auditor performance. Based on the structural equation, the T-Value LOY for KIA of 4.97 is greater then the Z Score with a significant level of 5% thus H<sub>0</sub> is rejected and H<sub>3</sub> is accepted, meaning that auditor loyalty effects auditor performance.
- d. H<sub>4</sub>: The effect of independence (IND) on auditor performance after moderation with emotional intelligence. Based on the *structural equation*, the T-Value of MCH of -1.15 is smaller than the Z Score with a significant level of 5%, thus H<sub>0</sub> is accepted and H<sub>4</sub> is rejected meaning that the auditor's independence attitude has no effect on auditor performance after moderation by emotional intelligence.
- e. H<sub>5</sub>: The effect of competence (KOM) on auditor performance. Based on the *structural equation*, the T-Value of KOM against MCH is -1.66 smaller than the Z Score with a significant level of 5%, thus H<sub>0</sub> is accepted and H<sub>5</sub> is rejected meaning that auditor competence has no effect on auditor performance after moderation by emotional intelligence.
- f. H<sub>6</sub>: The effect of loyalty (LOY) on auditor performance. Based on the *structural equation*, LOY's T-Value for MCH is -1.47 less than the Z Score with a significant level of 5%, thus H<sub>0</sub> is accepted and H<sub>6</sub> is rejected meaning that auditor loyalty has no effect on auditor performance after moderation by emotional intelligence.

#### IV. CONCLUSIONS AND NEWNESS

This study aims to determine the influence of independent variables, namely independence, competence and loyalty on the dependent variable, namely auditor performance, and to determine whether the variables independence, competence and loyalty affect auditor performance after moderation with emotional intelligence. The conclusions of this study show the following:

1. Independence has a positive and significant effect on auditor performance. This means that auditors who are honest and impartial and cannot be influenced by certain parties will make audit reports in accordance with the actual conditions of the company. Thus, the better the independence of an auditor, the better the auditor's performance.
2. Competence has a positive and significant effect on auditor performance. This means that auditor competence which includes knowledge of accounting and audit standards as well as experience auditing financial statements of various types of *client* businesses will increase the probability of finding errors in the audited financial statements. Thus, the higher the level of auditor competence, the auditor will remind performance.
3. Loyalty has a positive and significant effect on auditor performance. This means that auditor loyalty, which includes being loyal to work, being able to work with a team, can improve auditor performance.
4. Emotional intelligence is not able to strengthen the influence of independence, competence and loyalty on auditor performance.

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