

THE QUALITY OF INTERNAL AUDIT IMPLEMENTATION IS AFFECTED BY THE COMPETENCE AND OBJECTIVITY OF INTERNAL AUDITOR AT PT SARANA PANCA NUSANTARA

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ABSTRACT

The Competence and Objectivity of Internal Auditors play a critical role in supporting the advancement and effectiveness of an organization. Auditor competence enables the execution of audit activities in a more effective and efficient manner, thereby contributing positively to the organization's overall performance. This study aims to examine the extent to which Competence influences the Quality of Internal Audit Implementation, to assess the impact of Objectivity on audit to assess how objectivity affects audit quality, and to evaluate the combined effect of Competence and Objectivity on the overall Quality of Internal Audit Implementation. The research method used is quantitative descriptive with data collection techniques through the distribution of questionnaires with a sample size of 41 people. Data analysis was carried out using multiple regression tests, determination coefficient tests and hypothesis tests. The findings of the study indicate that Auditor Competence has a significant effect on the Quality of Internal Audit Implementation. Similarly, internal auditor objectivity also exerts a significant influence on audit quality. Furthermore, both Competence and Objectivity collectively contribute to the effectiveness and Quality of Internal Audit Implementation. The implications of the research for those being audited use common and easy-to-understand language so as not to cause misinterpretation.

Keywords: quality of internal audit implementation; competency; objectivity; internal auditor; sarana panca nusantara

INTRODUCTION

Audit quality refers to the auditor's professional attitude and conducts in performing audit tasks, as demonstrated by audit outcomes that are credible and compliant with established standards. The quality of audit findings is reflected in their ability to strengthen accountability and to provide reliable evidence regarding compliance or non-compliance with established auditing standards (Hery,

2019). Internal auditor competence plays a critical role in ensuring the effective performance of audit tasks. This competence is typically assessed through the auditor's level of professional knowledge and the breadth of their relevant audit experience. Educational attainment serves as a key indicator of such knowledge, as higher levels of education are associated with broader perspectives and a deeper

understanding of issues within the auditor's field of practice. To be deemed competent, audit evidence must fulfill the criteria of validity and relevance. Valid evidence is characterized by its reliability and persuasiveness, typically derived from a well-functioning and effective information system. Relevance implies that the evidence directly aligns with and supports the achievement of the audit Objectivity (Agoes, 2017).

The phenomenon inability of the internal audit department of PT. Pertamina Energy Trading Ltd (Petal) findings that caused high costs as the main indicator of suboptimal management in running the company's activities. The internal audit performance of PT Pertamina Energy Trading Ltd (Petal) failed to examine state losses during the 2012-2015 activity periods. This is suspected, in addition to the fact that the professionalism of internal auditors in the company has decreased, not to mention the pressure of always making the financial condition seem fine from stakeholders, which has further cornered the performance of internal auditors. In conducting an audit, it is essential that the engagement be

performed by one or more individuals possessing adequate technical proficiency and formal training as auditors, in accordance with the First General Standard outlined in SA Section 210 of the 2011 Indonesian Public Accountants' Professional Standards (SPAP). Objectivity represents a core attribute that enhances the credibility and value of services rendered by professionals. It demands that practitioners uphold independent judgment, ensuring that personal biases, conflicts of interest, or undue influence from others do not compromise their professional or business decisions. Basically, every individual who does work will gain trust from other parties in order to support the smooth running of the work he does.

PT Sarana Panca Nusantara was chosen because, as a family-owned company, it is vulnerable to fraud. Therefore, audits must be conducted more Objectivity with competent auditors. The research Objectivity is to determine the influence of internal auditor competence and objectivity on audit quality.

LITERATURE REVIEW

Internal audit serves as an independent assessment function within an organization, designed to review and evaluate a range of activities in support of organizational Objectivity. It involves Objectivity review processes across accounting, finance, and other operational domains, providing management with insights and recommendations aimed at enhancing organizational effectiveness and control. (Hery, 2019). Meanwhile, the Internal Auditor according to (Arens et al., 2015) is an auditor who is an employee of a company who carries out audits for the board of commissioners and management of that company.

Competence

Competency of Internal auditor refers to the personal attributes that enable auditors to perform at a high level. These attributes encompass characteristics such as personality traits, motivations, value orientations, attitudes, knowledge, and skills. Competency serves as a driver of behavior, which in turn influences the quality and outcomes of audit performance (Sulanjana, 2023).

Objectivity

Objectivity is a fundamental quality that enhances the value of professional services delivered by members. This principle obliges members to act with fairness, impartiality, and intellectual honesty, while remaining free from bias, conflicts of interest, and external influences that could compromise their professional judgment (Agoes, 2017). Objectivity represents a core attribute that enhances the credibility and value of services rendered by professionals. It requires practitioners to maintain Objectivity and independent judgment, safeguarding their professional or business decisions from being affected by personal bias, conflicting interests, or external pressures.

Audit Quality

Definition of audit quality according to (Arens et al., 2015) states Audit quality refers to the extent to which an audit is capable of detecting and reporting material misstatements in financial statements. The ability to detect such misstatements reflects the auditor's professional competence, while the accuracy and transparency in reporting are indicative of the auditor's ethical standards, particularly their

integrity and independence. In light of the preceding explanation, auditing functions as a tool to reduce information asymmetry between management and shareholders by engaging independent external auditors to examine and confirm the reliability and accuracy of the financial statements. Financial statement users, particularly shareholders, rely on auditor-issued reports to inform them of their decision-making processes. Accordingly, auditors play a critical role in providing assurance on the accuracy and reliability of a company's financial statements. Accordingly, auditors are expected to deliver high-quality audits in order to minimize the potential misalignment of interest between management and shareholders.

Meanwhile, the indicators of audit quality according to Public Company Accounting Oversight Board, (2013) can be seen from the indications: (1) The financial statements along with their accompanying disclosures; (2) Independent assurance regarding the effectiveness of internal control systems; (3) An evaluation and disclosure of any substantial doubt

concerning the entity's ability to continue as a going concern

Based on the foregoing discussion, audit quality can be defined as the probability that an auditor, in the process of examining a client's financial statements, is able to detect violations or misstatements within the client's accounting system and appropriately disclose them in the audited financial reports. This process must be conducted in accordance with applicable auditing standards and the professional code of ethics governing auditors.

Drawing from the preceding definition, it is clear that stakeholders rely on auditors to deliver an independent assessment regarding the fairness and reliability of the financial statements prepared by company management. To fulfill this responsibility, auditors must possess three key attributes: competence (expertise), independence, and due professional care. However, in performing their duties, auditors frequently encounter conflicts of interest with management. Management often seeks to portray the company's performance in a favorable light—commonly through the

presentation of higher profits—in order to gain positive recognition or external appreciation.

Auditing

Many experts provide limitations on auditing. Basically, experts have the same goal, which is to formulate the definition of auditing so that it is easy to understand. The difference lies only in the perspective used by each expert in its formulation. (Arens et al., 2015) describe auditing as a structured process involving the gathering and assessment of evidence pertaining to specific information, with the Objectivity of determining the extent to which the information aligns with established criteria. This process must be conducted by an individual who is both qualified and independent. According to (Agoes, 2017), auditing is defined as a structured and comprehensive evaluation carried out by an independent party on financial statements prepared by management, along with the underlying accounting records and supporting documentation, with the main purpose of expressing an opinion on the fairness and accuracy of the financial information presented.

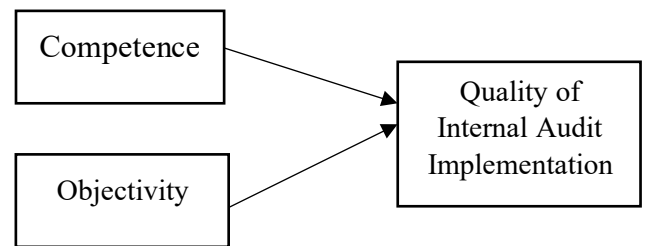


Figure 1. Conceptual framework

RESEARCH METHODS

The object of this study is internal auditors. The independent variables in this study are auditor competence and Objectivity, while the dependent variable in this study is the quality of internal audit implementation.

In this study, the research method used is the associative method with a quantitative approach. According to (Sugiyono, 2019) a research problem formulation that asks about the relationship between two or more variables. total population 69 respondents. The selected sample was 41 respondents using Slovin method. Data collection was conducted in May 2025. In this study, the researcher employed a proportional stratified random sampling technique, whereby representatives were selected from each subgroup within the population in proportions corresponding to the

number of members in each subgroup (Arikunto, 2021).

Data analysis

Multiple linear regression is a regression model involving more than one independent variable. Multiple linear regression analysis is conducted to determine the direction and extent of influence of the independent variables on the dependent variable (Ghozali, 2021). The regression analysis used in this study is multiple regression analysis, as follows:

$$Y = a + b_1X_1 + b_2X_2 + \varepsilon$$

The correlation test uses Pearson Product Moment Correlation analysis to measure the strength or weakness of the relationship between variables. The strength of the relationship between the two variables can be seen from several categories of correlation coefficients with values of $-1 \leq r \leq +1$.

The coefficient of determination analysis is used to indicate the magnitude of the contribution of variable X to variable Y. The coefficient of determination equation is as follows:

$$Kd = r^2 \times 100\%$$

Simultaneous Hypothesis Testing (F Test) Simultaneous or joint hypothesis testing can show whether all

independent variables (X) entered into the equation have a joint impact on the dependent variable (Y).

RESULT AND DISCUSSION

Table 1. Recapitulation of respondents' responses regarding competency

No	Average	Information
1	3.02	Enough
2	3.15	Enough
3	3.66	Good
4	3.73	Good
5	3.68	Good
6	3.49	Good
Amount	20.73	
Total	3.46	Good

The recapitulation results indicate that the responses regarding auditor competence at PT Panca Nusantara Facilities are considered quite good with an average value of 3.46.

Objectivity

Table 2. Recapitulation of Respondents' Responses Regarding Objectivity

No	Average	Information
1	3.61	Good
2	3.61	Good
3	3.29	Enough
4	3.56	Good
5	3.56	Good
6	3.29	Enough
7	3.44	Good
8	3.49	Good
Amount	27.85	
Total	3.48	Good

Table 2 illustrates the respondents' responses regarding auditor objectivity with an average of 3.48, which is in a

good position, namely in the interval 3.40 - 4.19.

Quality of Internal Audit Implementation

Table 3. Recapitulation of Respondents' Responses Regarding the Quality of Internal Audit Implementation

No	Average	Information
1	3.90	Good
2	3.20	Enough
3	3.88	Good
4	3.98	Good
5	3.49	Good
6	3.20	Enough
7	3.71	Good
8	2.95	Enough
Amount	28.29	
Total	3.54	Good

Table 3 presents the respondents' perceptions of the quality of internal audit implementation, yielding an average score of 3.54, which is in a good position, namely in the interval 3.40 - 4.19.

Multiple Linear Regression Analysis

Multiple linear regression analysis is employed to assess the extent to which auditor competence and auditor objectivity influence the quality of internal audit implementation. The multiple linear regression equation to be formed is as follows:

$$Y = 9.282 - 0.0537X_1 + 0.722X_2$$

In the presented linear regression equation, the intercept of 9.282 signifies that when the

independent variables (auditor competence and auditor objectivity) are held constant at zero, the predicted value of Y (quality of internal audit implementation) is 9.282 units. The regression coefficient-value for the competence variable (X_1) is 0.0537, indicating that a 1% decrease in auditor competence, assuming the auditor's Objectivity variable remains constant (at zero), would result in a 0.0537-unit decrease in the quality of internal audit implementation. The value of the auditor's Objectivity regression coefficient (X_2) is 0.722, which means that if the auditor's Objectivity variable increases by 1%, while the competence variable is considered constant (value 0), then the dependent variable, namely the quality of internal audit implementation, will increase by 0.722 times.

The relationship between auditor competence and Objectivity as independent variables (X) and the quality of internal audit implementation as the dependent variable (Y) is reflected by an R value of 0.700, which falls within the range of 0.600 to 0.799, indicating a strong correlation.

Analysis of Determination Coefficient (R²)

The results of the coefficient determination test, as indicated by the R-squared value of 0.490, show that auditor competence and objectivity collectively explain 49% of the variance in the quality of internal audit implementation.

Partial Hypothesis Test

To determine whether there is an influence of auditor competence and Objectivity on the quality of internal audit implementation, a significance test is conducted with an error rate of $\alpha = 5\%$.

Based on the table above, the calculated t-value for competency (x1) is -0.298, the level of significance is (α) is 5%, $df = (n-2)$ then $df = 41-2 = 39$, with 2-party testing, the t-table obtained is 2.024, thus $t\text{-value} < t\text{-table}$ ($-0.298 < 2.024$). Thus, there is no negative influence of competence on the quality of internal audit implementation.

For the objectivity auditor variable, the calculated t-value is 5.425, the level of significance is (α) is 5%, $df = (n-2)$ then $df = 41-2 = 39$, with 2-party testing, the t-table obtained is 2.024, thus $t\text{-value} > t\text{-table}$ ($5.245 > 2.024$). Consequently, Objectivity of

Internal Auditor exerts a positive influence on the quality of internal audit implementation.

Simultaneous Hypothesis Testing

Simultaneous hypothesis testing is carried out (F Test) to prove whether auditor competence and objectivity simultaneously have a significant effect on the quality of internal audit implementation with the following statistical hypothesis formulation: (1) If $F\text{-value} \leq F\text{-table}$ then H_0 is accepted, meaning there is no significant relationship (in the acceptance area); (2) If $F\text{-value} > F\text{-table}$, H_0 is rejected, meaning there is a significant relationship (in the rejection area).

Significance level (α) of 5%, $df_1: 2$ and $df_2: (nk-1)$ then $44-2-1 = 41$, with 2-party testing, the F table obtained is 2.83. To test the hypothesis above, the F-test statistic is used, obtained through the ANOVA table as presented in the table below:

With a calculated F-value of 18.263 exceeding the critical F-table value of 3.24, it can be inferred that auditor competence and auditor objectivity, when considered simultaneously, have a significant effect on the quality of internal audit

implementation at PT Sarana Panca Nusantara.

The Influence of Competence on the Quality of Internal Audit Implementation

The results of the study showed competence of Internal Auditor does not have a negative impact on the quality of internal audit implementation. This is based on the calculated t-value of -0.298 which is smaller than the t-table of 2.024 because the higher the auditor's competence, the higher the audit quality produced. The results of the respondents' responses that had the highest assessment were regarding solutions in each examination with an average value of 3.73. While the lowest assessment was the response regarding competent auditors who have the ability to communicate with an average value of 3.02, thus the auditor's communication skills need to be improved starting from assignment planning, testing implementation, to follow-up monitoring, all of which require communication skills to produce the best quality of internal audit implementation. Enhancing audit quality requires strengthening auditor competence. Auditors must possess strong personal attributes, sufficient

professional knowledge, and specialized expertise within their area of practice. This shows that audits must be carried out by auditors who have the knowledge to understand the audited entity, have the ability to work together in a team and the ability to analyze problems.

As the auditor's competence increases, the auditor will be more sensitive and responsive in detecting errors, the auditor will be more punctual in completing audit tasks, the auditor will be quicker in classifying errors based on audit objectivity and accounting systems. The results of this study do not align with the findings reported in the research conducted by (Dwitami & Kuntadi, 2023), which concluded that experience has a significant impact on the quality of internal audit implementation.

The Influence of Objectivity on the Quality of Internal Audit Implementation

The auditor's Objectivity has a significant influence on the quality of internal audit implementation, as evidenced by a calculated t-value of 5.425, which exceeds the critical t-table of 2.024. Based on the results of the respondents' responses, the highest assessment of 3.61 is found in two

statements, namely the auditor is not influenced by other parties, and the auditor does not look for errors in the object of the examination. The lowest average score of 3.29 was observed in two statements: the refusal to accept assignments when collaborating with external auditors and matters related to criteria and policies. Thus, auditors should refuse assignments when working with external auditors because in addition to violating the code of ethics, it can also give the impression of not respecting the work results of the profession. Therefore, auditors can accept assignments if the object is not bound to any auditor. In addition, auditors can understand the criteria for implementing the examination by carrying out according to the rules and code of ethics by deciding the results wisely.

The study's findings reveal a positive relationship between auditor objectivity and the quality of internal audit implementation. This is because objectivity compels internal auditors to perform their duties in a manner that upholds confidence in the outcomes of their work, without compromising the quality of any significant audit activities. Therefore, auditors must be

in a position to make professional decisions freely and Objectivity. With an attitude of objectivity, the resulting assessment is not biased, impartial, and not a result of compromise. These results are in agreement with the findings of a study conducted by (Hernadianto et al., 2024) that the Objectivity of internal auditors have a significant effect on the overall quality of internal audit activities.

The Influence of Competence and Objectivity on the Quality of Internal Audit Implementation

The simultaneous results of the study indicate that auditor competence and auditor objectivity significantly influence the quality of internal audit implementation. This evidence is reinforced by the F-test result, which shows that the computed F-value of 18.263 exceeds the critical threshold of 3.24. The highest respondent answer results were in the statement Regarding the audit results, there needs to be a guarantee by covering testing inside and outside the company with an average value of 3.98, while the lowest assessment regarding quality audit reporting must pay attention to the time sequence with an average of 2.95, with this needing to be considered in the implementation of the audit report

because in determining the time sequence, deficiencies or irregularities in the results of the examination will be known at any time.

Therefore, every internal auditor is responsible for continuously maintaining the quality of their audit by improving their competence through various activities such as participation in continuing education, seminars, symposiums, and so on. Audit implementation is likely to fail in the absence of adequate auditor competence. As noted by Perry, the five most frequent causes of audit failure include limitations in audit scope, lack of professional competence, reliance on informal discussions rather than substantive procedures, failure to critically assess transactions, and a deficiency in objectivity and professional scepticism.

This study's findings corroborate those of the research carried out by (Mulyani et al., 2018) said that the quality of internal audits is significantly influenced by auditor competence and objectivity.

CONCLUSION

Based on the research results, the following conclusions are

established: Internal auditor competence was not found to have a statistically significant effect on the quality of internal audit implementation at PT Sarana Panca Nusantara, based on the results of a partial hypothesis test, which showed a calculated t -value of -0.298, smaller than the t -table value of 2.024. Therefore, H_a is rejected, and H_o is accepted. This is suspected to be due to the company's lack of communication with internal audit and inadequate consideration of the expertise and experience of internal audit.

Objectivity of Internal Auditor exerts a positive influence on the quality of internal audit implementation at PT Sarana Panca Nusantara. This finding is validated by the results of the hypothesis testing, which show that the computed t -value of 5.425 exceeds the critical t -table value of 2.024, thereby supporting the rejection of the null hypothesis (H_o) in favor of the alternative hypothesis (H_a).

The competence and Objectivity of internal auditors significantly influence the quality of internal audit implementation at PT Sarana Panca Nusantara. This is demonstrated by the

results of the simultaneous hypothesis testing, where the calculated F-value of 18.263 surpasses the critical F-table value of 3.24, thereby justifying the rejection of the null hypothesis (H_0) and the acceptance of the alternative hypothesis (H_a). Furthermore, auditor competence and Objectivity collectively explain 49% of the variance in internal audit quality, indicating that these factors jointly contribute to improving the effectiveness of internal audit implementation.

Based on the research that has been conducted, the author tries to provide suggestions and input that can be useful and be taken into consideration, including In order for auditors to identify problems quickly, audit result reporting should use common and easy-to-understand language. This not only makes it easy to understand but also makes it easier for the audited object and does not cause misinterpretation.

The quality of the audit produced if there is an error, the auditor should quickly report it to the company, this is an effort to follow up the audit in the examination quickly and well so that the company can quickly review the results of the auditor's report.

The relevance of audit quality must be tested to determine the extent to which the previously audited object is relevant to the current audit results, so that the relevance that occurs can be determined carefully.

The results of this study only reflect the state of internal audit quality in private companies. Future researchers should expand the research scope, such as to city/district or provincial inspectorates.

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