

ROLE OF INDIVIDUAL CHARACTERISTICS AS A MODERATING INDEPENDENCE EFFECT ON AUDIT QUALITY OF INSPECTORATE APPARATUS IN SOUTHEAST SULAWESI

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Abstract—This study aims to determine and analyze Independence effects on audit quality and individual characteristic role as a moderating variable of independence effects on audit quality on Regional Inspectorate in Southeast Sulawesi. These research populations are all Inspectorate auditors in Southeast Sulawesi Province that are distributed in 17 regencies/cities and 1 province namely there are 576 populations; meanwhile, the research samples are all inspectorate employees in Southeast Sulawesi meeting the following criteria: (1). Having profession as an auditor, (2). Having conducting audit as a Chairman of TIM or Member of auditor minimally 2 (twice), and (3). Having work experiences as an auditor minimally 2 years. Based on the collected data and criteria, the number of respondents meeting the criteria is 167 auditors.

Results of research are found out that Independence has significant effects on audit quality. Meaning higher auditor independence means lower audit quality. This implies that increasingly higher auditor independence leads to more despotic auditor so this influences on increasingly lower audit quality.

Individual characteristic moderates auditor independence on audit quality of Regional Inspectorate in Southeast Sulawesi. Meaning interaction of individual characteristics and independence gives moderation effects of strengthening on pure moderation category.

Index Term : Auditor Independence, Audit Quality, Individual Characteristics

1 INTRODUCTION

Roles and functions of government intern supervision apparatus in order to help management to achieve organizational objectives can be reached through assurance activities and consulting activities based on standard, so there are efficiency and effectiveness improvement on governance, risk management and organizational intern control. Also, Regulation of Government Number 60 of 2008 concerning Government Intern Control System regulating the intern audit government under the government institution environment is conducted by officers with responsibility to conduct the supervision which the officers have met the requirement as competent auditors.

Such matters are pursuant to the commitment by the government in which to realize a transparent and accountable government and free of corruption, collusion and nepotism in various implementation aspects of general government and development tasks which is outlined in the Law No. 28 of 1999 concerning Implementation of a Clean and Free Country of Collusion, Corruption and Nepotism (KKN).

In public organizations, supervision towards the government is seen as an important way to avoid any conflicts of interest between the community as the principal and the government as the agent. This is related to the agency theory

about the agent's interest with the principal meanwhile the legislature (DPR) serves as people embodiment playing a role as the principal giving mandate to the government as an agent to run the government.

It is possible of finding any deviations on the budget use by the government referring to certain provisions. On another hand, the principal requires a transparent and an accountable budget management, as well as the participatory one, based on the concept of Performance budget. In this regard, it is necessary for an auditing process to overcome any occurrence of information asymmetry leading to minimize any occurrence of conflict of interest.

One of the units implementing an audit / examination towards the regional government is the regional inspectorate with the task of implementing regional government general supervision activities and other tasks that are assigned by regional head, so that in their duties, the regional inspectorate plays a role as an internal auditor. The internal audit is an audit implemented by a unit of inspection as a part of a supervised organization (Mardiasmo, 2006).

Roles and functions of Provincial, Regency / City Inspectorate are generally regulated in Article 4 of the Regulation of the Minister of Home Affairs No. 64 of 2007. In this article, it is

stated that in implementing the task of supervision on any government affairs, the Provincial, Regency / City Inspectorates have the following functions; (a) Planning supervision programs; (b) Formulation of supervisory policies and facilities and (c) Inspection, investigation, testing and assessment of supervisory duties.

The internal work unit that supervises the regional government is the Regional Inspectorate, which has the duty and authority to carry out general supervision towards regional government and also other tasks that are given by regional head, so that the Regional Inspectorate plays a role as the Government Internal Supervisory Officer (APIP) that is directly responsible to the Governor / Regent / Mayor.

Audit Quality Measurement has been determined through the Regulation of the State Minister of Administrative Reform number PER / 05 / M.PAN / 03/2008, stating that the measurement of audit quality on financial statements, especially those carried out by APIP, is required to use the State Financial Inspection Standards (SPKN) that is presented in the Regulation of the Supreme Audit Agency (BPK) of the Republic of Indonesia Number 01 of 2007. The first general standard statement on the SPKN is: "Collective auditors must have sufficient capacity to carry out inspection tasks".

In addition to audit capabilities, an auditor must also have independence in conducting audits in order to be able to provide opinions or conclusions without any influences from any interested parties (BPKP, 2014). The second general standard statement on the SPKN is: "In all matters related to audit works, examining organization and examiners must be free from any mental attitude and appearance from personal, external, and organizational disturbances that can influence on its independence".

Asri Usman (2015) recommended on the need to examine individual characteristics to identify effects of independence on Audit Quality.

Gibson (1984) revealed that individual characteristics consist of mental, physical abilities, marital status, social level, experiences, demographic, age, ethnicity, gender, personality, work environment, employment status, education and length of employment. This study adopts 4 (four) indicators namely age, gender, marital status and length of employment. The four individual characteristics are seen as an objective issue and can be easily obtained from personal records. Individual characteristics are any individual characteristics that can lead to differences in behavior towards work in an organization both productivity, craft loyalty, quality and job satisfaction (Badeni 2013).

De Angelo (1981) emphasized that quality of an audit serves as probability of an auditor to find and report violations on client's accounting system. Whereas Deis and Giroux (1992) confirmed that probability of finding a violation depends on auditor's technical ability, and probability of reporting a violation depends on auditor independence. In other words, independence can influence on audit quality. Furthermore, Asri Usman (2015) confirmed that one of the important factors in improving audit quality is auditor's professional attitude.

Research on the influence of auditor independence on au-

dit quality is also explained by Dali, N (2013) stating that person preference as seen through integrity and objective will have effects on audit quality improvement. However, this study is not only in line with a research conducted by Marsellia (2015) showing that independence is proven to have an effect on audit quality. Marseille emphasizes that higher level of independence can have opposite effects, namely low quality of produced audits. This is as a result of auditor's freedom from any influence leading to auditor's easiness to decide any things, so the auditor often acts less careful, does not pay attention to direction given by management or audit supervisor, or even does not pay attention to all audit procedures in a given short time in an client's audit process.

Furthermore, Novyarni Nelli (2014) revealed different research results with 2 (two) previous researchers, describing independence of an auditor has positive and insignificant effects on audit quality. High independence has effects on audit quality but its effect is meaningless. This is caused by many other factors that can influence on audit quality.

Based on the gap research considerations described earlier, the researcher compiled a research model to prove empirically whether there are any still consistent effects of independence variables on audit quality as has been tested earlier or whether it can actually produce new findings. In addition, development of the conceptual framework emphasizes on empirical supports from Asri Usman (2015) to analyze individual characteristic variable as a variable with ability to provide reinforcement or weakening of audit quality.

Results of a study by Sholawatun et.al (2015) explained that auditor gender has no effects on audit quality. This indicates that men and women have the same ability, independence, commitment and responsibility in providing quality audit services.

Rezaei. F and Shabani Z (2013), also examined characteristics of an auditor effects on audit quality, and explained that to maximize audit quality, a company should use older auditors. This study confirms that young and old auditors are different in improvement audit quality. Use of old auditors has a higher audit quality and will give confidence to users on financial statements in terms of accuracy of the information provided in the financial statements.

Based on the theory, research gap and the phenomena aforementioned, this study aims to determined and analyze about: (1) Effect of Independence on audit quality, (2) Effect of independence on audit quality and individual characteristics as a moderating variable.

2 LITERATURE REVIEW

Agency Theory

This research uses agency theory as the grand theory on the audit implemented by Regional Inspectorate in supervision and control of regional financial management. When there is an implementation of agency theory in public organization, then legislators as mandatory of the people play a role as a principal, and the government as an agent. Manifestation of such mandate is that legislators supervise government works based on applicable regulations (Presidential Decree Number 74 of 2001).

Agency theory is used to describe the importance of audit as a cause of conflict of interest among the agents and principals. There will be an agency relationship when one person or more (principal) employs another person (agent) to provide a service and then delegates decision-making authority to the agent.

Agency theory is part of the game theory by Rahmah, N.A (2014) as a contractual model between two or more people (parties). The parties in agency theory include Agent and Principal. Agency theory begins with an emphasis on voluntary contracts that can be found out between various parties as an efficient solution to these conflicts of interest. This theory turns into a view of a company as a contract (nexus). (Jensen and Maklin)

Agent and principal relations can be seen in the following figure:

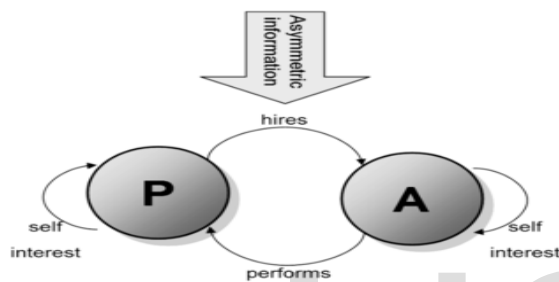


Figure 2.1. Asymmetric Information

Illustration on Figure 2.1. can describes that principals delegate responsibility for decision making to the agent so that the principal gives a mandate to the agent to carry out the task in accordance with the agreed work contract. The authority and responsibility of the agent and principal are regulated in the work contract for mutual agreement between the two parties.

Audit Quality

According to Watkins (2004), audit quality is a possibility in which an auditor will find out and report material error presentation in client's financial report. Based on Public Accounting Profession Standard (SPAP), there will e a good audit by an auditor, if it meets audit requirements or standards. Meanwhile, according to Simanjuntak (2008), audit quality is a systematic and independent examination to determine activity, quality and its results based on arrangement as planned previously and whether such arrangement is implemented effectively and based on the goals.

Akmal (2006) argued that audit quality is a result that has been achieved by a subject / object to obtain a level of satisfaction, so that it will cause subject / object desire to assess an activity.

De Angelo (1981) audit quality indicators include probability of an auditor finding and reporting violations found out in his client's accounting system.

Based on Regulation of BPK-RI Number 01 of 2007 concerning State Financial Inspection Standards (SPKN), audit quality is measured based on the following matters (Efendy,

2010):

Quality of Process (accuracy of audit findings, skepticism attitude) it aims that the benefits to be obtained from the audit work will not depend on any reported audit findings or recommendations, but it will depend on effectiveness completion taken by the entity being examined. In addition, the audit must be carried out carefully, according to the procedure, while continuing to maintain skepticism.

Quality of results (value of recommendations, clarity of reports, benefits of audits). Management of the audited entity is responsible for following up recommendations as well as creating and maintaining information process and system in order to monitor follow-up status on the auditor recommendation.

Quality of follow-up on audit results, auditor must recommend that management monitor follow-up status toward the auditor recommendation. Continuous attention to material audit findings and recommendations can help the auditor to ensure the benefits of the examination carried out.

Independence

Arens, et.al.(2000) defined independence in auditing as "use of unbiased views in the implementation of audit testing, evaluation of the testing results, and reporting of audit findings". Mulyadi (2002) defined independence as "a state of being free of any influence, being controlled by no one, being dependent on no one" and independent public accountants must be public accountants who are not influence by various interests outside the accountants when they make any consideration on any facts found out during the examination.

Messier et al (2005), independence is a term often used by profession of auditors. Independence avoids relationships that might interfere auditor's objectivity. BPKP (2014) defined objectivity as one freedom from any influence of subjective views given by other interested parties, so they can express their opinions as they are.

Theory of Attitude and Behavior developed by Triandis (1971) is seen as an underlying theory to explain independence. The theory states that determination of behavior is about what people want to do (attitude), what they think they will do (social rules), what they can do (habits) and consequences of the behavior they think. Attitudes concerning cognitive components are related to beliefs, while component of affective attitude has connotation of likes or dislikes.

This theory of attitude and behavior can explain auditor independent attitude in his performance. An auditor with an independent attitude will behave independently in his performance, meaning that an auditor in carrying out his duties is not justified in favoring anyone's interests. Auditors have an obligation to be honest both to the management and other parties such as owners, creditors, investors.

A study conducted by Firth (1980), for example, argued that, if an auditor is not seen as an independent one, then user of the financial statements is increasingly distrustful at the financial statements produced by the auditor and the auditor's opinion about the audited company's financial statements has no value. In the same opinion (Arens, et.al 2000) described independence as a mental attitude that is free of any influence, being controlled by no one, being dependent on no one. Inde-

pendence can also be interpreted as honesty given by an auditor when he considers any fact with objective and impartial considerations at the time the auditor formulates and expresses his opinion; talking about independence in mental attitude (Independence in fact), it is based on honesty, objectivity, while independence in performance is interpreted as an attitude of being careful by an accountant so there is no doubt about his honesty.

Individual Characteristics

According to Panggabean (2008), individual characteristics are unique individual characteristics according to certain characteristics. Individual characteristics include a number of basic inherent traits in certain individuals. According to Winardi in Rahman (2013), individual characteristics include traits in the form of abilities and skills; family, social background, and experience, age, nation, gender and others, all of which reflect certain demographic characteristics; and psychological characteristics consisting of perception, attitude, personality, learning, and motivation.

There will be a high auditor's performance only when an individual in his organization can determine what he should do and how to do it. Similarly, in realizing good audit quality, there are many factors giving influences on the audit quality. The factors that influence one performance include individual characteristics, organizational characteristics, and work characteristics.

In line with this opinion, Panggabean (2008) stated that the factors that influence on performance are individual characteristics, organizational characteristics and job characteristics. There are also the same opinions given by some experts, one of which is given by Gibson et al. (1984) stating that there are 3 (three) factors that influence on work quality including:

Individual factors including; mental, physical, background, family, social level, experience, demographics, age, ethnicity, gender, personality, work environment and employment status, education, job application, workplace and transportation equipment.

Psychological factors including perception, attitude, personality, learning and motivation.

Organizational factors including Resources, Leadership, Rewards, Structure and Job Design

According to Robbins (2008), individual characteristics, consist of Age, Sex, and length of employment, objective issues and easily obtained ones from personal records. Individual characteristics are individual traits including age, gender, marital status and length of employment. All of these characteristics can lead to differences in behavior towards any work in an organization both productivity, work loyalty, quality and job satisfaction (Badeni 2013).

Based on this, the study will examine 4 (four) characteristics by considering that the four characteristics of individual, namely age, gender, marital status and length of employment are objective and easily obtained from personal notes:

Age

Age determines a person's ability to work, including how he responds to any stimulus given by other individuals / parties. Higher person age leads to lower physical ability but otherwise experience and stability of emotions can be higher. This

means that higher person age leads to higher willingness to accept reality, more positive attitude towards work and better performance. Thus, it can be concluded that in leading a work group, group with older age person will be more productive because they have better performance.

Age is closely related to employee maturity. Maturity is the level of technical maturity when carrying out tasks as well as psychological maturity. In general, personnel performance has increased in line with increasing employee age. According to Siagian (2010), there will be increasing work performance along by increasing age and then it will decrease by decreasing age. Further older age by a person, he will be more technical maturity increase, as well as psychological and also show mental maturity.

Gibson (1984), stated that age on performance has a positive relationship, meaning that older employee's age will lead to higher performance; this can be found at least up to reaching employee period of pension. Referring at the theory of individual characteristics, namely Siagian theory (2010), anything caused by age has effects on productivity, but if there is a decline due to age, it is often balanced by processing due to experience. Increasing age will also lead to increased work motivation and quality of work.

There is a very closely relationship between performance and age; it is believed that performance is decreasing by increasing age. Older employees are also considered less flexible and reject new technologies. But on another hand, there are a number of positive qualities that can be found in older employees, including experience, consideration, strong work ethics, and commitment to quality

Younger employees tend to be physically strong, so they are expected to work hard and generally they have no family or if they have a relative, they are still relatively few. But younger employees are generally less disciplined, less responsible and often change jobs than older employees (Alex S. Nitisemito, 1992). Older employees have less possibility to stop because their longer length of employment tends to give them higher wage rates, longer day off with more wages, and more attractive pension benefits. Most studies also show a positive relationship between job satisfaction and age, at least until the age of 60 years. There is a tendency of increasing job satisfaction by increasingly employee professionalism along by their increasing age, whereas for non-professional employees, it is found decreasing satisfaction during middle age and then it will increase again in the following years.

Gender

Gender is physically different from male and female. In nature, female employees are more often absent from work than men. Female employees tend to be more diligent, disciplined, thorough and patient. Women are more willing to obey authority and routine work, while men are more aggressive and have expectations for success.

Hurriyati (2005) confirmed that there is no consistent difference between men and women in problem solving skills, analytical skills, competitive motivation, motivation, sociability, or learning ability.

Study results find that women are more willing to obey authority, and men are more aggressive and have more possibil-

ity for success than women. Evidence also states that women have a higher level of absenteeism than men.

Marital Status

Effects of employee marital status namely married and unmarried employees will be different in interpreting a job, also in the level of job satisfaction. In general, it can be said that those who are married have fewer chances of job transfers than those who are not married.

Hurriyati (2005) stated that marital status is an inner and outer binding between a man and a woman as a husband and wife with the aim of forming a happy and eternal family based on the One and Only God (Demography Institute FE UI, 2000). Marriage is a legitimate binding between a man and a woman which creates rights and obligations between them and their offspring. One study shows that married employees have fewer absences, have lower turnover, and are more satisfied with their jobs than their single work colleagues. Marriage imposes an increase in responsibilities leading to increasing valuable and important work, Robbins (2008).

Length of Employment

Longer time an employee works leads to his lower to leave his job. Length of employment will correlate with experience of completing work, and therefore the experience of completing work will be related to increased ability.

Rahman, A (2013) said there is no reason to believe that people with longer length of employment are more productive than those with lower seniority. Length of employment and job satisfaction have positive relation. Indeed, when age and work period are treated separately, it seems that length of employment will be an indicator for more consistent and steady job satisfaction than chronological age. (Stephen P Robbins, 2008). Longer length of employment will tend create more feeling at home by the employee in an organization, this is because, one of which longer time of adjustment to the environment, so that an employee will feel comfortable with his job. Another cause is also about policy established by the institution or companies regarding lofe warranty in old days (Robert kreitner, Angelo Kinicki, 2003).

3 CONCEPTUAL FRAMEWORK AND HYPOTHESIS

Conceptual Framework

To meet the demands of public accountability and good governance, it is necessary for an audit. Mardiasmo (2006) argued that audit is an activity carried out by parties having independence to examine whether results of government performance are in accordance with any established standards. Asri Usman, (2015) said that to complement good audit quality, it does not only require competence and independence, it also requires a professional attitude of an auditor. Regency / City Inspectorate is the internal auditor from local government who performs audit function in the local government.

Attribution theory related to internal factors as individual characteristics described by Asri Usman et al (2014) states that this study has ignored Individual Characteristics as the respondents. This causes inability to analyze causes of respondents' answer variations. After going through several processes

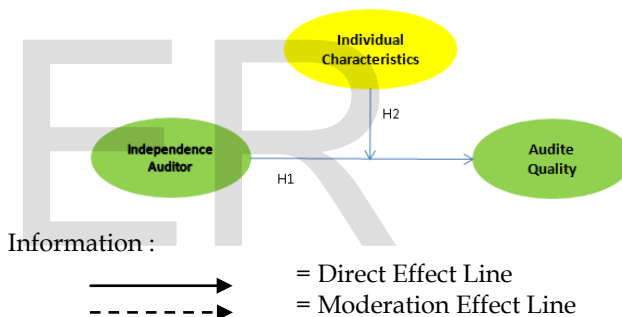
and comparing several literatures, it turns out that individual characteristics play an important role in building the inspectorate performance in realizing good governance.

Asri Usman (2009) suggested the need to examine individual characteristics as a moderating variable since it is able to strengthen or weaken the effect of independence on Audit Quality at Inspectorate Office in Southeast Sulawesi Region.

Gibson (1984), revealed that individual characteristics consist of; mental, physical, marital status, social level, experience, demographic, age, ethnicity, gender, personality, work environment, employment status, education and length of employment. This study adopted 4 (four) indicators namely age, gender, marital status and length of employment. According to Gibson (1984) the four individual characteristics are objective issues and easily obtained from personal records. Individual characteristics are individual traits that can lead to differences in behavior towards work in an organization both productivity, workmanship loyalty, quality and job satisfaction (Badeni 2013).

Based on the background description, a literature review with the theories described in the previous chapter related to this research, the conceptual framework of this research is as follows:

Figure 3.1. Research Concept Framework



Hypotheses

Based on the theoretical review, results of previous studies, as well as the theoretical framework regarding the factors that influence on the audit quality by internal auditors, hypotheses based on theory and empirical studies are as follows:

H1: Effect of Independence on audit quality by Inspectorate apparatus in Southeast Sulawesi

H2: Individual characteristics serve as a moderating effect of independence on audit quality by Inspectorate apparatus in Southeast Sulawesi.

4 RESEARCH METHOD

Study location will be carried out in 17 Cities and Regional Regencies + 1 Provincial Inspectorate in Southeast Sulawesi. While the research objects are auditors' competence, independence, professional attitudes and individual characteristics and their influence on audit quality. The data sources used in this study are primary data including data relating to respondents' statement to these study variables, namely independence, individual characteristics and audit quality. This primary data is obtained or sourced from the respondents (inspectorate auditors) by directly distributing questionnaires

and conducting necessary interviews to explore more information related to these research variables. Other data sources are also carried out by Focus Group Discussion (FGD) involving elements of Inspectorate, OPD and also the researchers. In addition, it is also supported by secondary data in the forms of Inspectorate profiles, auditor data, and other documentation of relevant data to this study.

These research populations are all Provincial Inspectorate auditors in Southeast Sulawesi that can be found out across 17 regencies / districts and 1 Province, namely there are 576 populations. Whereas the samples in this study are all Inspectorate employees in Southeast Sulawesi meeting the criteria: (1). Profession as an auditor, (2). Once conducted an audit as a Chairman of team or member of the auditor at least 2 times, and (3). Having minimum of 2 years of working period as an auditor. Based on data and criteria, the number of respondents meeting the criteria is 167 auditors.

Sample collection to all Inspector offices in Southeast Sulawesi is carried out by proportional random sampling, namely collecting respondents proportionally based on the number of employees in each inspectorate.

The data collection method in this study uses triangulation namely (1) literature review, the survey is conducted by distributing questionnaires to respondents in across 18 Regional Inspectorate offices and conducting in-depth interviews to support and uncover any facts behind the findings of quantitative analysis.

The data processing procedure begins by tabulation of results of questionnaire answers that are distributed to auditors in 17 regencies / cities + 1 province using the Excel program. The tabulation process is done by grouping answers based on auditor profiles, independence variables and audit quality. Afterward, it calculates the mean value of each variable and determines value of indicator interaction through multiplication between indicators of independent and dependent variables with indicators of individual characteristics. After completing the data, the file is saved by CSV (comma delimited) so that there will be easy further processing. The testing process with PLS is done by drawing a research framework on PLS software and running PLS Algorithm to display outer loading value from all indicators and running bootstrapping to determine effects of all variables. After the output is generated, and there is an interpretation of the PLS outputs.

5 RESULTS AND DISCUSSION

Results of Partial Least Square (PLS) Analysis

a. Evaluation of Model Structural (Inner model).

The data collection method in this study uses triangulation is (1). literature review, the survey is conducted by distributing questionnaires to the respondents in across 18 Regional Inspectorate offices and conducting in-depth interviews to support and uncover any facts behind the findings of quantitative analysis.

The data analysis method used in this study is Partial least square (PLS). PLS is a variance based structural equation (SEM) model. Evaluation of the PLS model in this study is based on 2 (two) fundamental evaluations, namely: First, evaluation on the measurement model (outer model) to determine indicator

validity and reliability that measure latent variables. The criteria for instrument validity and reliability in this study refer to discriminant validity, convergent validity and composite reliability. Second, it is to assess (inner model) or structural model to determine the relationship between constructs, significance values and R-square of the research model. Inner model testing in Partial Least Square (PLS) analysis is carried out through resampling bootstrapping.

After analysis, it is found that the testing on indicator validity and reliability through testing on validity, reliability and composite reliability (outer model) has met the criteria so that the analysis is continued to the second stage (inner model).

b. Evaluation of Structural Model (Inner model).

Testing on the structural model is to evaluate by considering percentage of described variance, which is to determine R2 value. To assess the model with PLS, it is to start by looking at R-Square for each latent variable. Changes in the value of R-Square are used to assess the effect of independent variables on the dependent variable whether it has a substantive effect.

The coefficient of determination (R2) of endogenous variables is presented in Table 5.1.

Table 5.1. Result of R-Square Testing

Structural Model	Composite Reliability	Result
1	Audit Quality (KUA)	0,661

Source: Partial Least Square (PLS) Output, in 2018

Based on the R2 determination coefficient value presented in Table 5.1, it can be seen that the R-square value is 0.661 meaning that the accuracy of this research model can explain diversity of independence and individual characteristic variables on the audit quality by 66.1%. The remaining of 33.9% is explained by other variables that are not found in this research model. It is formed a model with a good accuracy because the value is above 60%.

c. Results of Testing on Structural Model and Research Hypotheses

The structural model of the inner model is evaluated by looking at path coefficient value of inter-variable relationship. The testing on the structural model (inner model) is carried out after building the relationship model in this study, in accordance with observational data and suitability of overall model. It is to determine inter-variable relationship designed in this study. From PLS output, testing on structural model and hypotheses is done by looking at significant estimated path coefficient values at p-value <0.05. The following are the results of PLS analysis

Table 5.2. Direct Effect of Coefficient Path and Hypothesis Testing

Hypothesis	Direct effect	Path coefficient	p-value	Evidence	Empiric
H1	Independence --> Audit Quality	-0,303	0,009	Negative Significant	Hypothesis is accepted

Source: Partial Least Square Output

d. Testing on Path Coefficient of Moderation Variable Effects Examination of moderating variable effects aims to detect

position of the moderating variable towards individual characteristic role in the model. The moderating variable can be classified into four types, namely: (1) pure moderation; (2) quasi moderation; (3) potential moderation (homologiser moderation) and (4) moderation predictor, Solimun, (2011). Partial Least Square (PLS) approach in identifying the influence of moderating variables can be done as an examination method on coefficient and significance level.

From the examination method of coefficient value and significance, testing on hypotheses and path coefficients of moderating variable effects is presented in Table 5.3 as follows:

Table 5.3. Path Coefficient of Moderation Effect and Hypothesis Testing

Moderation Variable Effects	Path coefficient	p-value	Empirical evidence	Moderation characteristics
(Hypothesis 2) Independence Effects on Audit Quality with Moderation (KI)				
Individual Characteristics -> audit Quality (b ₂)	0,083	0,312	+ insignificant	Pure Moderasi
Interaction (Independence*KI) = (b ₃)	-0,529	0,034	+ significant	

Source: Results of PLS data processing, in 2018

Based on the study results, testing of direct effects and research hypotheses aims to answer whether the proposed hypothesis can be accepted or rejected. Results of the testing on direct effect hypothesis can be described as follows:

Hypothesis Test 1: Independence has significant effects on audit quality

Testing on the hypothesis 1 (H1), that auditor independence has significant effects on audit quality, is evidenced by statistical tests with path coefficient (original sample estimate) value by -0.303 and the significance value of p-value (0.009) < α 0.05. This shows that independence increase is followed by decreased audit quality significantly. Thus, the first hypothesis (H1) stating that independence has significant effects on audit quality is accepted.

Hypothesis Test 2: Characteristics of individuals Auditors moderate independence effects on audit quality.

Results of testing on moderation variable as shown in Table 5.24 prove that individual characteristic variable effect on audit quality (b₂) is positive with a significant path coefficient value of 0.083 and p-value of 0.312 > α 0.05 and there are also significant effects of interaction between (independence and audit quality) with path coefficient value of -0.529 and p-value of 0.034 < α 0.05; so, based on the type of moderation classification on the effect of inter-variable of independence on audit quality that is moderated by individual characteristics is stated as pure moderation. This can be stated that characteristics individual is a moderating variable on the independence effect on audit quality. Based on this, hypothesis 2 (H2) stating that individual characteristics of the auditor moderating independence effects on audit quality can be declared to be acceptable.

Discussion of Research Results

Independence Effects on Audit Quality of Regional Inspectorate in Southeast Sulawesi

Independence according to Mulyadi (2002) can be interpreted as a mental attitude that is free of any influence, being

controlled by no parties, being dependent on no one. Independence also means existence of honesty in an auditor when he considers any facts and existence of objective and not impartial considerations in the auditor when he formulates and expresses their opinions.

The second hypothesis (H2) of this study states that auditor independence has significant effects on audit quality on Regional Inspectorate in Southeast Sulawesi. Result of testing on the second hypothesis (H2) is accepted. Results of the study are significant negative effects. This can be interpreted that higher auditor independence leads to lower audit quality on Regional Inspectorate in Southeast Sulawesi.

Based on average respondent description, auditor independence variable states auditor independence in good category in conducting an audit if it is seen from objectivity and integrity aspects. However, there is still a fact that there is about 21.59% of auditors rejecting the statement that auditors are objective and have integrity in conducting audits. Some auditors state that auditor objectivity and integrity are inadequate, and it is still necessary for efforts by Regional Inspectorate management to further increase auditor independence

Results of interviews conducted by assistant inspector II of Kolaka Regency auditor describe that even though auditors have objectivity and integrity, the program or activities to be carried out by the team sometimes give pressure and orders from the leadership related to disclosure of findings and reporting findings. (Yakin, November 01, 2019)

Furthermore, there is a good respondent assessment on auditor objective indicator but it is still perceived at the lowest level. It can be interpreted that most auditors are bound by one who can limit auditor scope and change audit decisions. Effects of this intervention is that the auditor team will face difficulty in rejecting all forms of facilities provided by clients due to service rewards factors, besides the auditors will accept assignments even though they are related to existing kinship and family relationships despite the fact that they can violate auditor's professional code of ethics.

In addition, integrity has the most dominant contribution to auditor independence, but empirical facts are still low when compared with auditor objectivity. It can be explained that there are still cases in which auditors remove findings in the audit reports, reveal findings without considering other side effects, is not honest when carrying out the audit, is difficult to confirm from any party on audit findings and does not uphold the professional code of ethics to maintain public trust .

Results of empirical identification of the Inspectorate auditors in Southeast Sulawesi find out that there are several aspects causing negative and significant independence effects, namely: (a). Most auditors are still intervened during preparation of inspection program in terms of determining, eliminating or modifying certain examined parts. (b). Auditor objective behavior and integrity are not supported by good accounting skills so that audit quality is lower.

This study proves the research of Marsellia, (2015), that independence is proven to have negative effects on audit quality. Marseille emphasizes that too high level of independence can lead to opposite effects, namely low quality of audits. This is caused by auditor's freedom of any influences leading to easiness for the auditor to freely decide what to do, so the au-

ditor often acts inadvertently, does not pay attention to management direction or audit supervisor, or even does not carry out all audit procedures in a short time audit process on a client.

However, several other studies such as Dali. N (2013), Evi Octavia, 2015, Abdul Halim et al, 2015, Alim, 2007 and Sholawatun et.al 2015 assert that one's independence through integrity and objectivity will have effects on audit quality improvement. Higher auditor independence leads to higher audit quality.

The agency theory concept described earlier places auditors in a broad sense, in a strategic place. The auditor existence is addressed to guarantee achievement of principal's goals that are entrusted to the agent so that it will be carried out properly. Principal decisions will be more influenced by auditor suggestions. Level of principal trust in the agent is determined by the extent in which the auditor can carry out his job properly. To obtain the highest degree of advice, in this case, it is necessary for the principal to be an independent entity, or being independent of all interests. The independence is trusted to be able to direct to auditor recommendation objectiveness so that it can add an organizational value (Basyhi, 2012)

Individual Characteristics As a Moderating Effects of Independence on Audit Quality

Mulyadi (2002) defines independence as a state of being free of any influence, being controlled by no one others, being dependent on no one" and independent public accountants must be public accountants who are not influenced by various forces from outside the accountants when he considers any facts he faces during the examination.

Results of testing on the second hypothesis (H2) confirm that individual characteristics moderate independence effect on audit quality. Based on results of Partial Least Square (PLS) analysis, it can be explained that the interaction between auditor independence and individual characteristics is able to provide reinforcement. This means that the interaction of independence and individual characteristics moderate independence effects on audit quality. Based on this, the testing of the second hypothesis is declared to be acceptable.

The fact found out at Regional Inspectorate in Southeast Sulawesi has explained that average level of auditor education is bachelor degree (S1); this indicates that auditors have high education seeing at their level of education. In addition, the auditor age is dominated by 37 years old to 58 years old, but the length of employment is classified as a low category namely 2-12 years.

Referring to the study findings, interaction of the individual characteristic and auditor independence show significant reinforcement by pure moderation classification. These results are interpreted that there will be auditor independence improvement when there is an interaction with individual characteristics that can be seen through auditor's age and length of employment.

Evaluation results of measurement model on the interaction of independent variable and individual characteristics has estimated value of outer loading from the four variable indicator interactions, all of which are declared to be valid. This means that the four interaction indicators provide most domi-

nant reinforcement on each audit quality (a). interaction between (objectivity and tenure), (b) interaction between (integrity and tenure), (c). interaction between (objectivity and age) and (d). interaction between integrity and age.

Based on these findings, it can be explained that auditor characteristics have significant effects on auditor attitude in revealing and reporting findings, and the most dominant effect is the auditor length of employment and age of the auditors.

Research Limitation

This research has been carried out to maximally, but given the breadth of discussion scope, this study has limitations as follows; (1) study respondents are limited to the Regional Inspectorate in Southeast Sulawesi. Thus, they can limit the ability to generalize the study findings, especially to private organizations or agencies in other regions. Therefore, it is recommended to do it on private Auditor objects. (2) This study does not analyze overall indicators of individual characteristics and is limited only to age, sex, length of employment and marital status. The researcher suggests testing by changing position of Individual Characteristic variable as an independent variable or a mediating variable with age and length of employment indicators.

6 CONCLUSION AND RECOMMENDATION

Conclusion

Based on the study results, several conclusions can be formulated as follows; (1) Independence has significant negative effects on audit quality. This means that higher auditor independence leads to lower audit quality. This can be interpreted that higher auditor independence leads to lower audit quality effects. (2) Individual characteristics moderate with significant effects of auditor independence on the audit quality of the Regional Inspectorate in Southeast Sulawesi. This means that interaction of individual characteristics and independence gives the effect of strengthening moderation with pure moderation category.

Recommendations

Based on the results and conclusions of this study, there are some recommendations for this study as follows; (1). The leader does not intervene in examination results in terms of determining, eliminating or modifying certain examined parts. In addition, it supports and encourages auditor objective behavior and integrity so that there will be better audit quality. (2) Individual characteristic is the variable which significantly strengthens the relationship of independence and audit quality with regard to these findings, it is recommended that the Regional Inspectorate in Southeast Sulawesi conducts an audit approach based on the interaction of individual characteristics and auditor independence so that there will be improvement on the ability to uncover findings and report findings.

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