



(RESEARCH ARTICLE)



Independence, work experience, and education level on quality of internal supervisory inspection

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Abstract

Quality of inspection is a possibility (joint probability) which internal inspector will find and report a violation committed by a party. This study aims to determine the effect of independence, work experience, and level of education on the quality of the inspection of the Denpasar City Credit Institution Internal Supervisor. The population of this study includes all internal supervisors at the People's Credit Institution in Denpasar City. The sample was determined by nonprobability sampling technique and saturated sample method, so the final sample was 105 respondents. Research data obtained from questionnaires for primary data and documentation for secondary data. The data analysis technique used is multiple linear regression analysis. The results showed that independence, work experience, and educational level partially and simultaneously have a positive effect on the quality of inspection.

Keywords: Independence; Work experience; Education level; The quality of inspection

1. Introduction

Financial Institutions are business entities that move to accommodate public funds and then channel them back to the community. Financial institutions in the Province of Bali have Desa Pakraman domiciled in wewidangan (region) called the Village Credit Institution (People's Credit Institution) (Bali Province Regional Regulation Number 3 of 2017 concerning Village Credit Institutions). The management principles used by the Village Credit Institutions are simpler and adapted to the environmental conditions in which they were established. The simplicity of the People's Credit Institution does not reduce the function felt by the community, for example services that are comparable to the circumstances and surrounding conditions, as well as services that spread and cover various sectors of community business (Sandraningsih & Putri, 2015). The important role of Village Credit Institutions for the community causes the management or managers of Village Credit Institutions to develop a level of productivity so that they are not left out by other financial institutions (Eka Putra & Latrini, 2018).

Based on the Regional Regulation of the Province of Bali Number 3 of 2017 concerning Village Credit Institutions Chapter I Article 1 Paragraph (11), those in charge of overseeing the management of Village Credit Institutions are internal supervisors (panureksa). The number of corporate cases that fall due to problems managing the business is linked to the failure of internal controls. The failure of internal supervisors causes low quality of inspection results. The quality of the inspection is the possibility (joint probability) in which the internal inspector will find and report on the existence of a violation committed by a party (De Angelo, 1981). Violations here lead to discrepancies between statements regarding economic events reported by the Village Credit Institutions with the real situation on the ground and various applicable standards. It is necessary to pay attention to the quality of the inspection because the higher the quality of the inspection carried out, the more reliable the inspection report produced will be used as the basis for making a decision.

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An attitude of independence is very much needed by internal inspectors, because an attitude of independence is a very important factor in assessing the quality of an audit. The internal supervisor of the People's Credit Institution as well as an internal auditor in their duties must be able to act objectively and with high integrity in order to create an honest and impartial oversight. Based on research by Adi et al. (2013), Lamba et al. (2020), Rindu (2020), and Napitupulu et al. (2021) states that independence has a positive and significant effect on the quality of the examination, however, research by Prasanti et al., (2019) and Wulandari (2018) states that independence has no positive effect on the quality of the examination.

Work experience is one of the factors that influence the quality of inspection. The longer the working period and experience of an internal supervisor, the better the quality of the inspection (Sari & Susanto, 2018). Based on the research by Prasetyo & Utama (2015) and Rindu (2020) it is stated that work experience has a positive and significant effect on audit quality, but Napitupulu et al. (2021), Wulandari (2018), and Marwa et al. (2019) stated that work experience did not have a positive effect on the quality of the examination.

Another factor that affects the quality of the examination is the level of education. The level of education is also needed for the quality of the audit, because the wider the knowledge possessed by the internal supervisor, the more proficient the internal supervisor is in solving problems and carrying out audit tasks (Futri & Juliarsa, 2014). Based on research by Dharmawan (2014), Putri & Juliarsa (2014), Kirana (2021), and Prasetyo & Utama (2015) stated that the level of education has a positive effect on audit quality, however Bernadenta et al. (2020) stated that the level of education had no positive effect on the quality of examinations.

As for several cases that occurred at the People's Credit Institution in Denpasar City, namely the occurrence of corruption cases which resulted in losses of up to billions of rupiah. According to (NusaBali.com, 2022) the Chairperson of the People's Credit Institution and the Treasurer of the People's Credit Institution used inappropriate funds and manipulated cash book records. Apart from that, other Village Credit Institutions in Denpasar City also had cases of alleged misappropriation of funds, causing the Village Credit Institutions to no longer be able to pay savings and deposits to customers (NusaBali.com, 2022). From these cases, internal inspectors are required to have an attitude of independence, work experience, and level of education to be able to carry out internal control tasks to produce good quality inspections.

2. Literature review and hypothesis development

The attribution theory supports the influence of independence on the quality of internal audit examinations, that the behavior of internal auditors is caused by internal and external factors that affect audit quality. The higher the attitude of independence of internal supervisors, the higher the quality of the work they perform so that the quality of the inspections they produce is better (Yixin, 2021). This is also supported by research conducted by Adi et al. (2013), Anggraini & Diana (2020), Dianita et al. (2019), Putri & Juliarsa (2014), Napitupulu et al. (2021), Miss (2020), Yixin (2021), and Lamba et al. (2020) stated that independence has a positive effect on examination quality.

H1: Independence has a positive effect on the quality of inspections by the internal supervisor of the Denpasar City People's Credit Institution

Attribution theory supports the influence of work experience on the quality of examination which is influenced by internal supervisors, one's experience is indicated through handling various types of work and the length of time worked in order to receive true knowledge apart from formal education. The longer the working period and experience of an internal supervisor, the better the quality of the inspection (Sari & Susanto, 2018). This is also supported by research conducted by Prasanti et al. (2019), Prasetyo & Utama (2015), Rindu (2020), and Sari & Susanto (2018) state that work experience has a positive effect on the quality of examinations.

H2: Work experience has a positive effect on the quality of the internal supervisory inspection of the Denpasar City People's Credit Institution.

Attribution theory supports the influence of educational level, where attribution is the process of studying how a person responds to an event and explains the causes of his behavior (Sentosa & Budiarta, 2021). Knowledge can be measured by how high the education of an internal supervisor is, because internal supervisors will have a lot of knowledge (views) regarding the field they are involved in (Dharmawan, 2014). This is also supported by research conducted by Dharmawan (2014), Putri & Juliarsa (2014), Kirana (2021), and Prasetyo & Utama (2015) stating that the level of education has a positive effect on the quality of examinations.

H3: The level of education has a positive effect on the Quality of Examination of the Internal Supervisor of the Denpasar City People's Credit Institution.

3. Methods

This research was conducted at 35 Village Credit Institutions in Denpasar City. The object of research is the perception of internal supervisors regarding inspection quality. The primary data for this study were obtained from questionnaires and secondary data were obtained from documentation in the form of book publications, thesis edits, scientific journals published nationally. The population in this study were all internal supervisors at the Denpasar City People's Credit Institution. The sampling method used is nonprobability sampling technique with saturated sample method. The number of samples used in this study, namely 105 respondents.

This study includes three independent variables and one dependent variable. The first independent variable of the research is independence. The indicators for measuring independence in this study modify the questionnaire (Sugiharto, 2015), namely the independence of programming, the independence of work implementation, and the independence of reporting. The second independent variable is work experience. The work experience measurement indicator in this study modifies the questionnaire (Sukriah et al., 2009), namely the length of time worked as an auditor and the number of audit assignments. The third independent variable is the level of education. The educational level measurement indicator in this study modifies the questionnaire (Siddiqi, 2017), namely the level of academic education and linear education. The dependent variable of the research is the quality of the examination. Inspection quality measurement indicators in this study modified the questionnaire (Nur Wulandari et al., 2019), namely: the consistency of inspection reports and the quality of inspection report results. The data analysis technique used is multiple linear regression analysis.

4. Results and discussion

4.1. Multiple Linear Regression Analysis

The results of multiple linear regression analysis are presented in Table 1.

Table 1 Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.317	1.900		1.219	0.226
Total_X1	0.332	0.078	0.352	4.270	0.000
Total_X2	0.373	0.079	0.393	4.732	0.000
Total_X3	0.427	0.126	0.231	3.405	0.001

Primary Data. 2023

A constant value (α) of 2.317 with a positive value indicates that there is a directly proportional effect between the independent variables and the dependent variable. This shows that if the implementation of the variables of independence, work experience, and education level does not change and is considered constant, then the value of the variable quality of examination will be positive at 2.317.

The independence regression coefficient (X1) of 0.332 indicates that the independence variable has a positive relationship to the quality of the examination, meaning that independence is in line with the quality of the examination. So, it is known that when independence increases, the quality of inspection will also increase.

The work experience regression coefficient (X2) is 0.373 indicating that the work experience variable has a positive relationship to the quality of the examination, meaning that work experience is in line with the quality of the examination. So, it is known that when work experience increases, the quality of examination will also increase.

The education level regression coefficient (X3) of 0.427 indicates that the education level variable has a positive relationship to the quality of the examination. meaning that the educational level is in line with the quality of the examination. So. it is known that when the level of education increases. the quality of examination will also increase.

This research chooses the value of adjusted R^2 to measure the magnitude of the coefficient of determination. The test results obtained the value of adjusted R square is 0.633. This explains that variations in audit quality can be explained by variations in independence. work experience. and education level of 63.3%. While the remaining 36.7% is explained by various factors outside the regression model of this study.

4.2. f-test

The F test is used to determine the feasibility of a multiple linear regression model as a media analysis that examines the effect of the independent variables on the dependent. The test results obtained an F value of 56.888 with a significant level of $0.000 < 0.05$. This indicates that the variables of independence. work experience. and education level simultaneously influence the quality of the examination. The model is considered worthy of testing and proving the hypothesis can be continued.

The results of the test of the effect of independence on the quality of the examination obtained a sig value. 0.000 which is less than 0.05. This value indicates independence has a significant effect on audit quality. The independence regression coefficient (X1) with a positive direction of 0.332 indicates that there is a positive effect of independence on the quality of the examination. So. it is known that hypothesis 1 is accepted (H1 is accepted). Internal supervisors who have an attitude of independence will be free from the influence of other parties or are not easily influenced. If the higher the attitude of independence possessed by the internal supervisor. the higher the quality of the audit produced.

The results of this study are supported by attribution theory which explains the reasons for someone's actions due to either external factors or internal factors. The independence of internal supervisors is a valuable factor for creating quality audits because without an independent attitude of internal supervisors. the results of auditing financial statements may not match the facts so that they are not trusted as material for decision making. The results of this study are in line with the research of Adi et al. (2013); Anggraini & Diana (2020); Diana et al. (2019); Putri & Juliarsa (2014); Lamba et al. (2020); Napitupulu et al. (2021); Miss. (2020); and Yixin (2021) which stated that independence has a positive effect on the quality of examinations.

The results of the test of the effect of work experience on the quality of inspection obtained a sig value. 0.000 which is less than 0.05. This value indicates work experience has a significant effect on the quality of inspection. The value of the independence regression coefficient (X2) with a positive direction of 0.373 indicates that there is a positive influence of work experience on the quality of the examination. So. it is known that hypothesis 2 is accepted (H2 is accepted). Internal supervisors who have work experience can detect and report problems in financial reports. If. the more work experiences the internal supervisor has. the better the quality of the inspection.

The results of this study are supported by attribution theory which explains the reasons for someone's actions due to either external factors or internal factors. The experience of internal supervisors is indicated by handling various types of work and length of time working in order to receive true knowledge apart from formal education. Experience can influence every decision making when conducting an examination so that the decisions taken are believed to be appropriate and of good quality. The work experience of internal supervisors can also minimize errors in examining financial reports. with this work experience internal supervisors already have the ability. skills and potential to detect and report problems in financial reports. The results of this study are in line with the research of Prasanti et al. (2019); Prasetyo & Utama (2015); Miss (2020); and Sari & Susanto (2018) which state that work experience has a positive effect on the quality of examinations.

The results of the test of the effect of educational level on the quality of the examination obtained a sig. 0.001 which is smaller than 0.05. This shows that the level of education has a significant effect on the quality of the examination. The value of the independence regression coefficient (X3) with a positive direction of 0.427 indicates a positive effect of education level on the quality of examination. This means that hypothesis 3 is accepted (H3 is accepted). Internal supervisors who have a high level of education will have good knowledge so as to produce quality examinations.

The results of this study are supported by attribution theory which explains the reasons for someone's actions due to either external factors or internal factors. The knowledge gained while studying by internal supervisors can improve the quality of auditing financial reports. With this knowledge. internal supervisors have good potential in understanding the financial reports produced at the Village Credit Institutions. The results of this study are in line with Dharmawan's

research (2014); Futri & Juliarsa (2014); Kirana (2021); and Prasetyo & Utama (2015) which states that the level of education has a positive effect on the quality of examinations.

5. Conclusion

Referring to the results of this study, it was found that independence has a positive effect on the quality of examination. The higher the attitude of independence possessed by the internal supervisor, the higher the quality of the inspection produced. This study also found that work experience has a positive effect on the quality of examination. The more work experiences an internal supervisor has, the better the quality of the inspection. Another finding is that the level of education has a positive effect on the quality of the examination. Internal supervisors who have a high level of education will have good knowledge to produce quality examinations.

The advice given from this research is that the Credit Institution in Denpasar City is obliged to ensure that internal supervisors carry out inspections without restrictions on the activities of certain individual records that should be included in the inspection. Internal supervisors should be adept at managing the completion of many tasks so that inspections are completed quickly, deepen knowledge related to work so that tasks are completed with good quality inspections, and not be easily influenced by mistakes and violations that occur within the Village Credit Institutions. To avoid problems with the Village Credit Institutions, such as acts of fraud, it is hoped that the internal supervisors of the Village Credit Institutions will tighten the supervisory process when supervising the management of the Village Credit Institutions, to increase the comfort and trust of the public.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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