

## THE INFLUENCE OF COMPETENCE, EMOTIONAL QUOTIENT, AND RELIGIOSITY ON AUDIT QUALITY

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### Abstract

The probability that the auditor will assess the presence of an infraction in the client's accounting system and then report that infraction is what we mean when we talk about audit quality. This study aims to analyze the influence of competence, emotional quotient, and religiosity on audit quality. This research is quantitative with convenience sampling. Data was collected using a questionnaire and distributed to respondents using a google form. There were 100 respondents, and 100 of them could be evaluated. The data were processed using SPSS Version 27 for reliability and validity tests and hypotheses using SmartPLS 3.0. The result of this study is that competence and emotional quotient has a significantly positive effect on audit quality. This shows that the auditor should have emotional intelligence, comprehend his or her place in society, and have adequate knowledge in his field to produce better audit quality. Otherwise, the religiosity of an auditor does not influence audit quality. Finally, this study contributes to a better understanding of the influence of competence, emotional quotient, and religiosity on audit quality from auditors in Jakarta.

**Keywords:** Audit Quality, Competencies, Emotional Quotient, Religiosity.

### 1. Introduction

Auditors' functions and roles are necessary in the business world. An auditor plays a significant role in mediating conflicts of interest among various businesspeople and society (Ramadhanty et al., 2019). (Pinatik, 2021) Describe "the job of an auditor is to examine and provide an opinion on the fairness of the financial statements of a business entity based on established standards". As a result, auditors must maintain quality auditing. Audit quality includes the auditor's capacity to detect and report misstatements, comply with legal and professional obligations, and satisfy investors' criteria.

Audit quality refers to the chance that the auditor, when examining the client's financial accounts, might discover and report on systematic problems in the client's accounting system (Elfarini, 2007). This means the auditor must produce high-quality audit results to reduce misalignment between management and the user of financial reports.

In some cases recently happened in Indonesia, It was an integrity test for the country's public accountants in 2019. During a changing political year, there was a rumor of possible data tampering in the financial statements of the Red Plate company of national pride, namely

PT. Garuda Indonesia (Persero) Tbk. It is indicated by the omission to identify the type of account in the red plate company's financial statement presentation. In this case, Kasner Sirumapea and Public Accounting Firm (KAP) Tanubrata, Sutanto, Fahmi, Bambang & Rekan audited the airline firm PT Garuda Indonesia Persero Tbk in 2018. As a result, the Ministry of Finance (Ministry of Finance) and the Financial Services Authority (OJK) have agreed to identify irregularities in PT Garuda Indonesia (Persero) Tbk's 2018 annual financial statements (GIAA). As a result, both regulatory bodies agreed to impose punishment on auditors, auditing firms, and companies. This all started when two Garuda commissioners determined that Garuda Indonesia's 2018 financial statements were not in accordance with the Statement of Financial Accounting Standards (PSAK). As a result, both refused to sign the annual report. As a result, Garuda Indonesia is predicted to lose USD 244.95 million in 2018. However, in the 2018 financial filings, the company reported a net income of \$ 809.84K, a massive gain over the previous year's loss of \$ 216.58M (Ayuningtyas, 2019).

The following instance is just one example of the auditing profession's dark past. It is not very pleasant if auditors are accountable to the public work for the advantage of a single person or organization. Various circumstances can influence auditor performance if we follow a common thread. There are many factors, some of which are Competence, Religiosity, and Emotional quotient.

The first factors are Competence, which refers to a person's overall knowledge, ability or skill, work attitude, and personality traits (Dinata, 2006). The second factor is Religiosity,

Individual ideas, values, and behaviors are influenced by religion, influencing economic consequences (Webber, 1905). Furthermore, the last factor is the emotional quotient. The emotional quotient is thought to have an impact on audit quality. The emotional quotient (EQ) is the ability to understand one's and others' feelings, motivate oneself, and regulate emotions appropriately in one's own life and relationships with others are known as the emotional quotient (EQ). These skills are distinct from and complementary to pure academic ability, namely pure cognitive ability as measured by the Intellectual Quotient (Goleman, 2001).

The result of previous research proved that competence positively affects the quality of the audit (Wicaksono and Mispiyanti, 2021; Pinatik, 2021 Zarefar et al., 2016). Meanwhile, the research conducted by (Rakatama and Dillak, 2016) showed that competence has no positive effect on audit quality. For religiosity, there are no research findings that discuss the influence of religiosity on the quality of the audit. However, some research related to the audit, such as Jaggi and Xin (2014), studied religiosity and audit fees. They concluded that audit companies' strong religious environment affects their behavior, resulting in lower audit risk, effort, and fees. However, their results showed a negative relationship between audit fees and religiosity in provinces where audit companies have offices, and another research is related to how religion influences the behavior of auditors (Gul and Ng, 2018; Leventis et al., 2018; Jha and Chen, 2015) the result from research conducted still inconsistent. For EQ, The result by (Ramadhanty et al., 2019), (Wicaksono & Mispiyanti, 2021), (Fauzan, 2017)

prove that emotional quotient positively affects the quality of audits.

This study is a replication of the research of Wicaksono and Mispiyanti. The research differences are in the location of the study. The writer chose a location in Jakarta because of the position of the writer in Jakarta. Meanwhile, for the variable, the writer adds Religiosity as an independent variable because Indonesia is known as a religious country. The writer wants to know if there is an influence on audit quality. Furthermore, the year of research for the purpose of this study is to see the influence of Competence, Religiosity, and Emotional Quotient on Audit Quality. The results of this study are expected to improve the quality of the audit and the quality of the auditors.

## 2. Research Methodology

This quantitative study uses primary data from surveys to distribute questionnaires to the study's subjects, notably the Public Accounting Firm (KAP), which has a total of 100 auditors. The questionnaire was distributed directly online to public accountants in Jakarta on (22 May 2022). In this study, the data was taken from respondents' answers to positive and negative statements in the questionnaire, and each respondent was asked for their opinion on the statements. The Likert scale is utilized in this study to quantify each variable.

This study's population is (Public Accounting Firm in Jakarta. This is because Jakarta is a large city with many KAP. There are the Big four, such as Ernest & Young (EY), PricewaterhouseCoopers (PwC),

Deloitte, and Klynveld Peat Marwick Goerdeler (KPMG) that require the presence of independent auditors in performing financial statement examinations, which is a type of involvement in assessing audit quality. The convenience sampling method was used, a sampling strategy that involves distributing several questionnaires and processing those returned. The sample in this study is an independent auditor who works at KAP in Jakarta and meets the following criteria:

1. Education: minimum bachelor's degree
2. Already worked for two years
3. Position: Minimum Junior Auditor

The variable of the audit quality is the probability that the auditor will not report the audit report with a reasonable opinion without exception to financial statements containing material errors. The question asked was adapted from a research questionnaire conducted by Oklivia and Marlinah (2014) consisting of 10 question items.

The auditors are competent auditors who, with sufficient and explicit knowledge and experience, can conduct audits objectively and carefully. The question asked was adapted from a research questionnaire conducted by Oklivia and Marlinah (2014) consisting of 10 questions.

While religiosity is defined as an integrated system of beliefs, lifestyles, ritual activities, and institutions that provide meaning in human life and direct people to the sacred or the highest values Glock and Stark (1965), this variable measurement uses questionnaire instruments, with a four-point Likert scale model with ten items developed by (Umar and Hasnawati, 2015).

Emotional intelligence is someone who can understand their emotions to

manage them well, encourage themselves, and can understand the emotions and personalities of others in socializing (Goleman, 2015). This variable measurement uses questionnaire instruments, with a 4-point Likert scale model with five dimensions adopted (Jamaluddin and Indriasari, 2011).

Moreover, the obtained data is examined using statistical tools such as SPSS 27 for Windows as data processing software for validity and reliability and smartPLS for hypothesis tests, from which analyses and conclusions can be

taken from the study's findings. This study's regression model is:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e$$

Y : Audit Quality

X1 : Competence

X2 : Spiritual Quotient

X3 : Emotional Quotient.

### 3. Result and Discussion

The characteristics of the respondents who completed the questionnaire in this study are shown in Table 1.

**Table 1: Characteristics of Respondent**

Variables	Items	Frequency	Percentage
Gender	Man	53	53
	Women	47	47
Age	<25	13	13
	25-35	63	63
	35,1 - 45	15	15
	45,1 -55	7	7
	>55	2	2
Duration	< 5 thn	19	19
	5 - 10	56	56
	10,1 - 15	17	17
	15,1 - 20	5	5
	> 20	3	3
Position	Junior Auditor	50	50
	Senior Auditor	39	39
	Manager	8	8
	Partner	3	3

## VALIDITY AND RELIABILITY TEST

### Validity Test Result

**Table 2: Validity Test Result**

Variable	Item	Outer Loading	R Count	R Table	Information
COMPETENCE (X1)	<b>Competence</b>				
	1	0.945	0.944	0.195	VALID
	2	0.863	0.864		
	3	0.920	0.919		
	4	0.945	0.943		
	5	0.817	0.822		
	6	0.869	0.869		
	7	0.949	0.948		
	8	0.913	0.912		
	9	0.932	0.906		
10	0.907	0.933			
<b>Emotional Quotient</b>					

<b>EMOTIONAL</b>	1	0.941	0.936	0.195	VALID
	2	0.939	0.935		
<b>QUOTIENT</b>	3	0.852	0.862		
	4	0.927	0.922		
<b>(X2)</b>	5	0.908	0.913		
<b>Religiosity</b>					
<b>RELIGIOSITY</b>	1	0.926	0.922	0.195	VALID
	2	0.894	0.899		
	3	0.848	0.843		
	4	0.933	0.927		
	5	0.882	0.885		
	6	0.885	0.893		
	7	0.861	0.869		
	8	0.869	0.865		
	9	0.907	0.912		
	10	0.878	0.882		
<b>Audit Quality</b>					
<b>Audit Quality</b>	1	0.915	0.915	0.195	VALID
	2	0.934	0.936		
	3	0.920	0.921		
	4	0.933	0.931		
	5	0.904	0.907		
	6	0.899	0.899		
	7	0.871	0.873		
	8	0.952	0.950		
	9	0.951	0.950		

Source: SPSS 27 and SmartPLS 3.0

Correlation is significant at the 0.05 level (2 tailed)

All statements in the questionnaire were found to be valid based on the results of the research-validity instrument's test on all the variables

examined. This is indicated by all values of corrected item-total Correlation (r-count) greater than r-table (0.195) so that all items are valid.

### Reability Test Result

**Table 3: Reability Test Result**

Variable	Cronbach Alpha	Average Variance Extracted (AVE)
Audit Quality	0.977	0.847
Competence	0.976	0.835
Emotional Quotient	0.950	0.823
Religiosity	0.970	0.790

Source: SPSS 27 and smartPLS 3.0

Based on the above reliability test results can be justified that the overall instrument statement used to measure the variables analyzed in this study is

declared reliable, this can be seen from the value of Cronbach alpha all variables studied were greater than 0.60.

**Model Fit Result**

**Table 2: Model Fit Result**

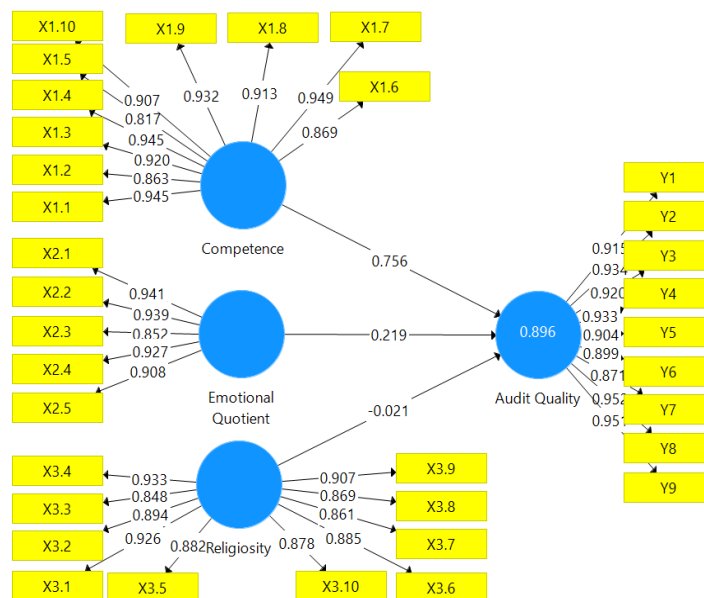
Model Fit	Value	Information
- SRMR	0,053	Fit
- NFI	0,715	Unfit
- rms THETA	0,182	Unfit

Fit model test results obtained an SRMR value of 0.053, per the statement (Henseler et al. (2014)) where if the SMRM value is less than 0.10 or 0.08 is considered suitable. The next Test that is done is whether the NFI and RMS Theta does not meet the standard for the fit model, which (Lohmöller, 1989) states

where (NFI > 0.90 and RMS Theta < 0.12) to be considered fit. However, according to the statement (Haryono). Fit models on SmartPLS can be seen in the value of the loading factor of each indicator by looking at the Outer Loading. It will be considered fit if the outer loading value is >0.7.

**Hypotheses Result**

**Image 1: Path Analysis**



**Table 3: Hypothesis Result**

Research Models:  $Y = a + (b_1 X_1) + (b_2 X_2) + (b_3 X_3) + e$

Variable	Prediction	Original Sample (O)	t	P-Values	P-values/2	Decision
Competence	+	0,725	5,048	0,000	0,000	H1 Accepted **

Emotional Quotient	+	0,219	1,499	0,135	0,066	H2 Accepted*
Religiosity	+	-0,021	0,136	0,892	0,446	H3 Rejected
Adjusted R2		0,893				
Model Fit						
- SRMR		0,053				
- NFI		0,715				
- rms THETA		0,182				

NOTE:

\*\* significant at Alpha 5%

\* significant at Alpha 10%

Source : diolah dengan SmartPLS 3.0

Based on table 5 and image 1, the Adjusted R2 value is 0,893. This means that 89,3% of the variation of the independent variable, such as competence, emotional quotient, and religiosity, can explain the independent dependent variable, audit quality. In comparison, the remaining 10,7% is influenced by other variables not included in the model. From the results of the partial t-test, it was found that only the competence of the auditor affects the quality of the audit. This can be seen from the significance value of P-values is smaller than 0.05. Meanwhile, the emotional quotient is significant at the value of P-values is smaller than 0,1 (alpha 10%).

Hypothesis 1: The effect of competence on audit quality.

The result from this study shows that the competence of an auditor affects the audit quality because the p-value result shows a value of 0,000, which is smaller than 0,05. This result is supported by the result of a path coefficient of 0.725. This means that the competence of an auditor significantly

affects the positive direction of audit quality and vice versa. Therefore, the higher competence of an auditor will increase the quality of the audit.

When performing an audit, an auditor needs to be of high character, knowledgeable, and possess specialized skills. A high-quality audit will be produced because of the auditor's knowledge and experience. In accordance with the theory of attribution (Harold Kelley, 1972), people make causal inferences to explain why other people and ourselves behave in a certain way. It is concerned with both social perception and self-perception. The results of this study support the research (Wicaksono and Mispiyanti, 2021; Pinatik, 2021 Zarefar et al., 2016) prove the competence to affect the quality of audits positively.

Hypothesis 2: The effect of Emotional Quotient on audit quality.

The testing result proves there is an influence of emotional quotient on the quality of audit. The value of p value/2 is 0,066, which is smaller than alpha 10%. The path coefficient is 0,219. This means

that the emotional quotient positively affects audit quality. The higher EQ will improve the audit quality, and vice versa, a decrease in EQ will result in a decrease in audit quality.

An individual with emotional intelligence can comprehend his or her place in society, which leads to the realization that the individual is obligated to adhere to the standards and principles prevalent in his or her environment. Attribution Theory explains internal causes that refer to aspects of individual behavior that exist within a person. If there are internal variables that affect emotional intelligence, auditors' behavior will be affected. Understanding themselves, recognizing one's own emotions, and being able to control them are characteristics of emotional intelligence (Goleman, 2015). This result was in line with (Ramadhanty et al., 2019), (Wicaksono and Mispiyanti, 2021), (Fauzan, 2017) prove that emotional quotient positively affects the quality of audits.

Hypothesis 3: The effect of Religiosity on audit quality

The result from this study testing failed to prove the effects of religiosity on audit quality. However, the p-values show that the result is more significant than 5% or 10% alpha; also, the path coefficient is -0.021 means that religiosity negatively affects the audit quality.

The result might be different for future studies. The situation of each city or country might be different, as well as

the level of religiosity of each person. Religion is essential to a culture (Hunt and Vitel, 1986). Even though Indonesia is seen as a religious country with the ideology "Ketuhanan Yang Maha Esa," written as the first point of Pancasila, in the writer's perspective, Indonesian people did not apply it to daily life or work field. They use religion as part of their identity due to Indonesia's ideology which will look strange if they do not follow one of Indonesia's approved religions.

#### **4. Conclusion**

This study examines the effects of competence, emotional quotient, and religiosity on audit quality. The data of this study were obtained using questioner in the form of google Forms and distributed through social media. The result is that 100 forms were filled out. The result of this research indicates that the religiosity of an auditor does not affect audit quality. Meanwhile, for the competence and emotional quotient of an auditor positively affect the quality of an audit.

The result of this study is helpful for the company to give attention to the auditor competence by giving them training, workshop, and mentoring by higher. For emotional quotient, it can improve an auditor's performance. It is crucial for public accounting firms to continuously improve auditor performance through training in emotional quotient because emotional quotient can be increased through



experience and training (Goleman, 2002).

Using questionnaires as a data collection instrument is one of the study's limitations. The questionnaire media has limitations in ensuring respondents' honesty and seriousness in answering questionnaire statements. There is a chance that respondents will answer incorrectly because they have different interpretations of the statement items. Future research should consider using respondents from various research locations. The interview method can then obtain better results than the questionnaire method.

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