Influence of Supply Chain Audit Quality on Audit Results through the Auditor's Ability in Detecting Corruption

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Abstract--- **This study examines the effect of supply chain audit quality on the quality of audit results through corruption detection. The object of this study is the auditor of the State Financial Examination Agency of the Republic of Indonesia, with the subject of the study being the state financial auditor. The respondents of this study were 99 state financial auditors. The results of the study revealed that audit quality, which has a positive effect on the supply chain audit quality results and corruption detection can mediate the effect of supply chain audit quality on audit quality results. This research has succeeded in defining clearly the difference between audit quality and the quality of audit results that so far, many academics and practitioners have confused about it.**

***Keyword**: Supply chain, quality audit, ability to detect corruption, quality of audit.*

1. Introduction

Audit as a key factor for performance evaluation based on strategic planning benchmarks to achieve the vision, mission, policy direction and organizational goals intended to obtain a level of confidence in the suitability of the information presented with the underlying criteria. The audit serves to increase the credibility of the information conveyed by management. Owners want audit services to reduce agency conflict [1-3]. The role of the audit is very important for the achievement of the success and progress of the organization through comparing the existing conditions with those that should. If it turns out to be found irregularities immediately taken corrective action. Audit has a very important position in believing that the policy implementation has been as expected. Opinions issued by auditors become one of the considerations for investors in making decisions before investing. In giving an opinion, an auditor must be based on real information that occurs in the organization. Exit audit opinion is very useful for users and users of financial statements to make the right decisions in decision making and policy making. Therefore, the responsibility assumed by an auditor is very large in issuing audit opinions that are consistent with the real situation. By carrying out the obligation in

carrying out the audit, the auditor will be able to build high quality audit results to assist users in making both strategic and financial decisions.

The auditor's ability to detect errors in financial statements and report them to users of financial statements is an impact of good supply chain audit quality [4-6]. The chance of detecting errors depends on the auditor's competence, while the auditors' courage to report errors on the financial statements depends on the auditor's independence. Competence is measured by the ability of auditors. Audit results in the form of audit findings by Audit Board indicate the ability of auditors to detect errors contained in financial statements that indicate the better quality of the audit. Competence and independence have also been required in the State Financial Audit Standards (Indonesian Financial and Audit Board, 2017) which is a benchmark for examiners in conducting audits on the management and accountability of state finances. The ability to detect corruption is one of the factors that influence the quality of audit results [7]. The auditor is responsible for detecting corruption in the audited financial statements and can communicate to interested parties. Hence, this study aims to analyse the effect of supply chain audit quality on audit quality results, and on corruption detection.

2. Literature Review
2.1 Supply Chain Audit Quality and the Quality of Audit Results

The concept of supply chain audit quality in practice highlights the inherent tension between elements in audit quality. From a practical point of view, the auditor is looking for a difficult balance between the audit quality dimensions. This study shows the unintended consequences of the audit process for supply chain audit quality [8]. According to ICAEW (The Institute of Chartered Accountants in England & Wales, 2002), indicators of audit quality are good leadership, experienced judgment, technical competence, ethical values and good relations with clients, appropriate work practices and effective quality control, and monitor the review process.

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One of the indicators sof supply chain audit quality is the value of audit findings. DeAngelo [5] states that the audit findings indicate the ability of auditors to detect errors in local government financial statements. The quality of audit results is the quality of work of auditors as indicated by a reliable audit report based on established standards. Zahmatkesh and Rezazadeh [9] audit quality is built from the professional competence of an auditor.

H_1: Supply chain audit quality has a positive effect on the quality of audit results

2.2 Supply Chain Audit Quality and Corruption Detection

Fraud detection can be done in an effort to eliminate unethical management behavior and trends in accounting fraud. Although the auditor has received education, has competence, and has experience coupled with being required by various regulations including SAS 99 (AICPA, 2002) which states that auditors and auditees must brainstorm to discuss any possible frauds in the auditee's financial statements. The goal is first so that the auditor can share experience with the auditee about how fraud can be done and hidden. The second is to convey tone at the top or a general description of the audit conducted. The auditor must also collect information related to fraud risk in the financial statements. More precisely SAS 99 provides guidance for auditors on how to identify / evaluate fraud risk in financial statements. The auditor must also pay attention to areas that are at risk of fraud.

H_2: Supply chain audit quality has a positive effect on corruption detection

2.3 Corruption Detection and the Quality of Audit Results

Government auditing has the basic objective of monitoring, ensuring, and assessing government accountability. By monitoring public sector operations in particular how funds are used, government audits can increase accountability and reduce abuse of power and resources. An audit can also detect fraudulent financial statements and detect ongoing corruption. Government audits have a unique role in preventing corruption. Government audits can be an immune system that detects and prevents the spread of corruption that occurs.

Liu and Lin [10] stated that rectification after the audit process is more important than detecting the audit findings themselves because efforts to make audit corrections can increase the effectiveness of the audit process [11]. Follow-up results of the audit have a negative effect on the level of corruption meaning that more and more auditor recommendations that are followed up by local governments show a lower perception of corruption. The studies are in line with the results of the study which states that with the input from the auditor, the decision maker can stop and prevent the recurrence of mistakes, irregularities, misappropriation, and waste. By implementing what has been recommended by the auditor, the regional government has tried to correct mistakes in the accountability of state administration. The follow-up of audit results negatively affects the perception of corruption.

H_3: corruption detection has a positive effect on the quality of audit results

2.4 Corruption Detection, Supply Chain Audit Quality and Audit Results Quality

The audit report presents the audit findings and opinions as well as recommendations to be followed up by the auditee and other relevant parties. The parties that use information in the audit report include the auditee, the auditor, the house of representatives, other relevant government agencies, investors, the press, and the general public. Audit report is a report produced from inspections carried out by Indonesian Audit Board based on the mandate of Article 23E of the Constitution with a view to examining the management and responsibilities of state finances. One important indicator of state financial management is the small number of corruption cases that have occurred. The less corruption that occurs, the better the management of state finances. Audit report should be able to provide important information or signals related to the condition of state financial management and corruption. The information presented in the audit report should correlate with the real conditions of financial management that occur at the agency where the examination is conducted.

$H4$: corruption detection mediates the effect of supply chain audit quality on audit results quality.

3 Methods

The design of this study is a sequential explanatory mixture (sequential explanatory mixed method) to obtain descriptions, systematic, factual and accurate descriptions of the facts, traits and relationships between variables studied [12-14].

The sampling technique used in this study is a non-probability sampling technique by means of saturated samples from a total of auditors in the Indonesian Audit Board of the Republic of Indonesia, amounting to 1242 people. The method of sampling through saturated samples. Saturated sample is a sampling technique when a population member is used as a sample.

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This study uses primary data taken from auditors at Head Office of Indonesian Audit Board by distributing questionnaire. Measurement of the variables of this study uses a 5-point Likert scale, from 1 (strongly disagree) to 5 (strongly agree). Data analysis technique was by using Structural Equation Model (SEM) with Partial Least Squares Analysis (PLS).
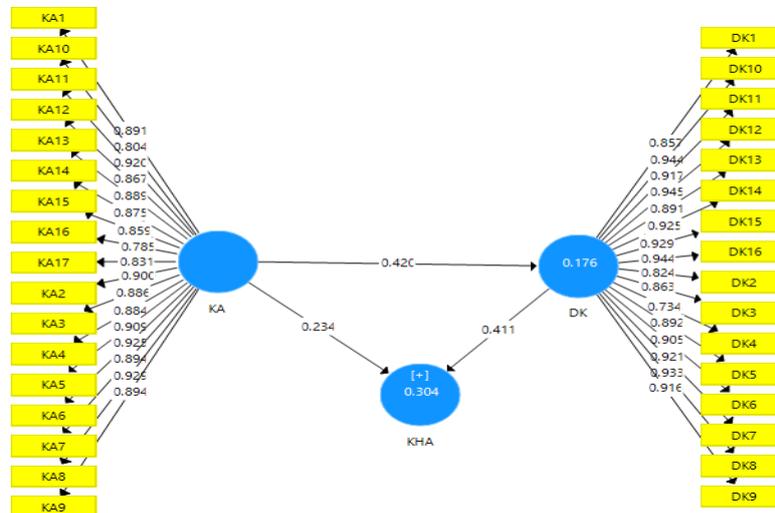
4. Results

Figure 1. Validity Test Results based on Outer Loading

The results of validity testing based on outer loading values obtained the results of all loading values nilai 0.7. This means that it has met the validity requirements based on the loading value.

Table 1. Average Variance, and Cronbach's Alpha and CompositedReliability

Indicator	Outer loading	AVE	CA	CR	indicator	Outer loading	AVE	CA	CR
AQ1	0.891	0.774	0.982	0.983	CD1	0.855	0.806	0.984	0.985
AQ2	0.899	0.774	0.982	0.983	CD 2	0.823	0.806	0.984	0.985
AQ 3	0.89	0.774	0.982	0.983	CD 3	0.863	0.806	0.984	0.985
AQ 4	0.889	0.774	0.982	0.983	CD 4	0.732	0.806	0.984	0.985
AQ 5	0.912	0.774	0.982	0.983	CD 5	0.893	0.806	0.984	0.985
AQ 6	0.926	0.774	0.982	0.983	CD 6	0.905	0.806	0.984	0.985
AQ 7	0.894	0.774	0.982	0.983	CD 7	0.922	0.806	0.984	0.985
AQ 8	0.927	0.774	0.982	0.983	CD 8	0.933	0.806	0.984	0.985
AQ 9	0.892	0.774	0.982	0.983	CD 9	0.916	0.806	0.984	0.985
AQ 10	0.798	0.774	0.982	0.983	CD 10	0.945	0.806	0.984	0.985
AQ 11	0.922	0.774	0.982	0.983	CD 11	0.918	0.806	0.984	0.985
AQ 12	0.869	0.774	0.982	0.983	CD 12	0.945	0.806	0.984	0.985
AQ 13	0.888	0.774	0.982	0.983	CD 13	0.892	0.806	0.984	0.985
AQ 14	0.878	0.774	0.982	0.983	CD 14	0.925	0.806	0.984	0.985

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AQ 15	0.856	0.774	0.982	0.983	CD 15	0.93	0.806	0.984	0.985
AQ 16	0.779	0.774	0.982	0.983	CD 16	0.944	0.806	0.984	0.985
AQ 17	0.828	0.774	0.982	0.983	AR	1.000	1.000	1.000	1.000

Figure 5.12 presents the results of testing the validity based on the Average Variance Extracted (AVE) value based on the corruption detection variable, auditor independence, supply chain audit quality, audit results quality and management commitment. For testing validity with AVE, the recommended AVE value is 0.5. All AVE values are known to be above 0.7. This means that it has met the validity requirements based on AVE.

To evaluation of cronbach's alpha value and composite reliability, reliability evaluations are assessed based on Cronbach's alpha and composite reliability. The results present the Cronbach alpha value and composite reliability for each latent variable. The recommended Cronbach alpha value is >0.7. The composite reliability limit value is >0.7.

Table 2. Construct Reliability and Validity

variable	Cronbach alpha	Rho-A	CR	AVE
DK	0.984	0.986	0.985	0.806
KA	0.982	0.985	0.983	0.774
KHA	1.000	1.000	1.000	1.000

The results showed the reliability testing based on the value of Cronbach's alpha (CA) based on the variables of corruption detection, supply chain audit quality, audit results quality. The Cronbach Alpha value is >0.7 which means that it has met the reliability requirements based on Cronbach's alpha.

The results of reliability testing based on composite reliability (CR) values based on corruption detection variables, auditor independence, supply chain audit quality, audit results quality and management commitment. The overall composite reliability (CR) value is above 0.7, which means that it has fulfilled the reliability requirements based on composite reliability.

The analysis on the effect of supply chain audit quality on corruption detection showed that

Path	Path Coefficient	T-Statistics	P-Values
AQ -> CD	0.337	2.497	0.013
AQ -> AR	0.232	2.06	0.040
CD -> AR	0.315	2.468	0.014
AQ -> CD -> AR	0.215		0,017
AQ= supply chain audit quality; CD= corruption detection; AR= audit results			

The coefficient of determination (R-Square) obtained on the corruption detection) is 0.322. This value can be interpreted as supply chain audit quality variables simultaneously affecting the audit results of 32.2%. The coefficient of determination (R-Square) on the variable quality of the audit results of 0.338. This value can be interpreted as supply chain audit quality variables, auditor independence, and simultaneous corruption detection simultaneously affecting the quality of audit results by 33.8%.

The mediation test to analyse the indirect effect is carried out to test the mediating effect detection of corruptionn in relationship between supply chain audit quality and the quality of audit results. In other words, testing whether supply chain audit quality and auditor independence indirectly significantly affects the quality of audit results, through the detection of corruption.

The indirect effect of supply chain audit quality on audit results via corruption detection is

0.215, p-value of 0.017 <0.05. This means that corruption detection significantly mediates the relationship between audit quality and audit results. In other words, audit quality indirectly significantly affects the quality of audit results, through the detection of corruption.

In terms of the relationship between supply chain audit quality and the quality of audit results, the results are consistent with research [9] which states that supply chain audit quality is built on the professionalism of an auditor who has competence and is compliant and obedient to the State Auditing Standards as indicated by the auditor's work quality. with a reliable audit report based on established standards. The results of this study support the agency theory and signaling theory which states that the task of the management performs certain tasks in accordance with the contract agreed in this case Law No. 5 of 2005 concerning the Supreme Audit Board [15]. The link with signaling theory is information produced by

the auditor in terms of opinions, findings, and recommendations to signal the government financial statements that must be followed up by auditors and other related parties in order to improve the management of state finances.

The test results state that supply chain audit quality has a positive and significant effect on the quality of audit results. This is supported by Theory of Planned Behavior which shows how an auditor should be able to be skeptical in evaluating audit evidence [16]. The results of this study support Setyaningrum's research which is based on DeAnggelo's research which states that the value of audit findings indicates the ability of auditors to detect errors in local government financial statements.

The test results state that the detection of corruption has a positive and significant effect on the quality of audit results. This shows that the government's efforts to eradicate corruption have been carried out through the ability of auditors to detect corruption that has an impact on the quality of audit results. This indicates that the auditor's ability to detect corruption is very much needed, starting from pre-planning, planning, implementing, and reporting.

5. Conclusions

This study revealed that supply chain audit quality has a positive and significant effect on the quality of audit results and on corruption detection. Moreover, corruption detection has a positive and significant effect on the quality of audit results. In terms of mediating variable analysis, the findings showed that supply chain audit quality indirectly and significantly affects the quality of audit results through corruption detection. Theoretically, the findings showed the existence of a clear definition that distinguishes between supply chain audit quality with the quality of audit results. Practically, these findings contribute to auditors to improve the quality of their audit results so that they can achieve Indonesian Audit Board's vision and mission in accordance with Law Number 15 of 2006 concerning the Supreme Audit Board. Moreover, it is suggested to improve governance and quality in the management of state finances by Ministries / Institutions, Regional Governments, and SOEs.

This study has limitations with its primary data in the form of a questionnaire which is based on the perceptions of each respondent and given the complexity and variety of the duties of auditor which includes auditing financial statements, auditing performance and examinations with specific objectives and supplementing with various auditees ranging from Ministries / Institutions in the central government, and regional governments, state-owned enterprises, and business entities

region-owned. Future researchers are expected to increase the number of auditor respondents, especially in the regions and applies the empirical examination to private auditors namely the public accounting firm.

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