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The Effect of Auditor Quality and Remote Audit on Audit Quality in Indonesia: Moderating Role of Information Technology

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Abstract

Purposes: This study aims to analyze the effect of audit quality and remote audit on audit quality. In addition, this study will also consider the moderating effect of information technology on the effect of auditor quality and remote audit on audit quality.

Methods: The population of this study were auditors of the Supreme Audit Agency of the Republic of Indonesia Representative of Riau Province. The sample of this research is all auditors in the agency because it uses a saturated sample technique, with 68 respondents. The hypothesis testing used is partial least square (PLS).

Findings: The results of this study found that professional scepticism, auditor competence, and remote auditing have a significant positive effect on audit quality. Furthermore, information technology strengthens the effect of auditor professional scepticism on audit quality. However, there is no evidence information technology can strengthen the effect of competence and remote audit on audit quality.

Novelty: This study broadens the literature discussing the effect of auditor and remote auditor qualifications and audit quality by considering the moderating role of information technology. This study will provide a new perspective, especially on remote audits, which are still rarely discussed.

Keywords*: Auditor Quality, Remote Audit, Audit Quality, Information Technology, Indonesia.*

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INTRODUCTION

Technological advances have shifted the way of doing business including auditing. Technology is in the spotlight as it has a significant impact on organizations with the convenience it provides. Furthermore, in the field of auditing, remote auditing is a topic getting more attention due to COVID-19 outbreak that make it impossible to carry out audit activities in the field (Farghaly et al., 2023; Goodell, 2020; Levy, 2020; Dong et al., 2018). Auditors are required to conduct remote audits and use information technology more than in previous years (Crucean & Hategan, 2023; Goodell, 2020). Even though it is not done directly in the field, audit quality is an absolute thing to be achieved during the auditing process. A quality audit will have a significant impact on the company's going concern ability in the next period by reducing various adverse risk impacts on the company and maintaining investor confidence (DeAngelo, 1981; Farghaly et al., 2023; Rompotis

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& Balios, 2023; Gerged et al., 2020). In addition, although the current pandemic has subsided, technological advances and the experience of using remote audits during the pandemic do not make audit activities fully use conventional methods anymore. Technology provides convenience to the audit process such as in audit planning and risk assessment (Crucean & Hategan, 2023). Remote audits provide auditors a challenge because this is not usually done before (Appelbaum et al., 2020; Baatwah et al., 2023; Sharma et al., 2022). Auditors who were previously accustomed to using conventional methods such as determining samples using spreadsheets, analyzing evidence obtained directly from the field, and interacting directly with clients, must be able to adjust by understanding and utilizing technology (Sharma et al., 2022). Therefore, auditor quality, such as professional scepticism and competence in using information technology, is important in achieving quality audits (Nguyen et al., 2023).

There is limited literature discussing the relationship between information technology and audit quality. Currently, Crucean & Hategan (2023) discussed the effect of information technology on corporate financial statements as a Key Audit Matter (KAM). They found that the UK, the Netherlands and Norway were the countries publishing the most KAMs related to information technology and the least in Austria, the Czech Republic, Hungary and Italy. They concluded information technology and its impact on audit quality is a topic that will continue to evolve. Furthermore, interesting findings from Gong et al., (2022) stated audits that are restricted or conducted remotely will reduce audit quality. Baatwah et al. (2023) analyzed remote auditing on audit quality from the auditor's perspective. They found auditors' quality improved their performance in auditing. In addition, remote auditing also has an important role in enhancing audit effectiveness during the COVID-19 pandemic. Subsequently, related to remote auditing, Eulerich et al. (2022) discovered there is no difference in the efficiency and effectiveness of remote audit compared to face-to-face. Furthermore, they also mentioned the more experienced auditors are with the remote audit system, the level of effectiveness and efficiency will also increase. It means from several recent studies, the results cannot be concluded and have areas that are still very much to be explored and studied more deeply from various perspectives.

Although information technology, remote audit and its influence on audit quality are topics that attract the attention of academics and practitioners around the world. However, until now, the literature discussing the relationship between these variables is still very limited, especially in government external accountants in developing countries. In addition, no current research has discussed the relationship between these variables during the COVID-19 post-pandemic. Therefore, this study was conducted to fill the gap of previous research. This study aims to examine the effect of auditor quality and remote audit on audit quality by considering the moderating role of information technology on government auditors, namely the Audit Board of the Republic of Indonesia.

Indonesia was chosen due to its uniqueness in government and economic system. In Indonesia, economic resources that affect the lives of many people are controlled by the state, therefore business entities owned by the government will greatly affect the sustainability of Indonesia's economy. This study contributes in several ways: first, this study will address the research gap in previous studies. Second, this study is the first to use a research model like this so that it will expand the literature examining factors affecting audit quality. Third, in practice, this study will also provide good input for standard setters in Indonesia in formulating policies related to remote audits and the use of technology so as to improve audit quality.

Article 33 paragraph 2, economic resources that are important to the state and greatly affect the lives of the public are controlled by the state. The logical consequence of this regulation is that state-owned enterprises (SOEs) are very important in driving the Indonesian economy. Therefore, to maintain the reliability of financial statements by SOEs and other government organizations, BPK takes a vital role. As stipulated in Article 23E, the BPK performs its function in examining and being responsible for state finances. In Indonesia, the Audit Board of the Republic of Indonesia submits audited financial statements to the House of Representatives (DPR) as a principal

(Zainudin et al., 2021). Furthermore, the Audit Board of the Republic of Indonesia is required to uphold professional values, independence, and integrity to produce quality audits. The three types of audits conducted by the Audit Board of the Republic of Indonesia are financial statement audits, audits with specific objectives, and performance audits.

Currently, the Audit Board of the Republic of Indonesia RI has developed and uses a continuous audit system in conducting auditing. Therefore, they encourage the use of remote audit systems, the use of technology, and e-audit. By using remote audit system and massive utilization of technology, government auditors find it easy during the auditing process. The Audit Board of the Republic of Indonesia uses technology such as CCTV, drones to review the situation in the field. In addition, they use virtual applications for meetings with clients (Sookhak et al., 2017; Zainudin et al., 2021).

Agency theory believes that there is always a potential conflict between agents and principals due to information asymmetry between the two (Afifa et al., 2023; Eldyasty & Elamer, 2023; Risanti et al., 2021). The potential conflict will be directly proportional to increase agency costs. Therefore, a quality audit is needed to reduce this information asymmetry. One of the important components that determine the quality of auditors is their professional skepticism to achieve a quality audit (Ta et al., 2022; Popova, 2013). Professional skepticism is required in the auditing process, especially in the process of examining and evaluating audit evidence (Blix et al., 2021; Hurtt, 2010; Hussin & Iskandar, 2015; Quadackers et al., 2012). An auditor's skeptical attitude will be very beneficial to achieving the reliability of the audit report by increasing the ability to identify mathematical errors in the financial statements. In addition, auditors with good professional skepticism will tend to request more additional evidence (Blix et al., 2021; Hurtt, 2010; Quadackers et al., 2012). Thus, the audit process carried out by auditors with good professional skepticism will be more reliable, thereby improving audit quality. If the audit is of good quality, it is expected to reduce information asymmetry which in turn will eliminate potential conflicts between agents and principals, as well as reduce agency costs due to this.

H_1. Professional scepticism has a positive effect on audit quality.

According to the view of agency theory, potential conflicts that occur between principals and agents due to information asymmetry lead to high agency costs (Afifa et al., 2023; Eldyasty & Elamer, 2023; Risanti et al., 2021). Agency costs will be reduced by a quality audit. To achieve a quality audit, auditors must have good competence to carry out the audit process (Chouhan & Srivastava, 2014; Hecklau et al., 2016). An auditor's competence will increase with increasing experience in the audit world. This competence also includes how the knowledge possessed by the auditor can be used to produce good audit quality (Watkins et al., 2004; Abbott et al., 2016). Auditor competence will be very important from planning to reporting and communicating audit results to clients. They will be able to plan, sample, identify risks, and make better decisions. In other words, the audit process carried out by competent auditors will be more effective (Ab Wahid & Tan, 2022).

H_2. Competence has a positive effect on audit quality.

Remote auditing is now the latest buzz in the field of auditing. Currently auditors have used remote audit systems in assisting many audit jobs. Although it has many challenges (Appelbaum et al., 2020; Baatwah et al., 2023; Sharma et al., 2022), however, remote auditing can provide advantages and conveniences for auditors (Baatwah et al., 2023). By using remote auditing, audits can be conducted effectively and efficiently. This refers to the reduction of travel costs and the use of auditor time. As a result, auditors may be able to conduct more audits in a relatively small amount of time compared to conventional audits. Furthermore, remote audit will provide wider opportunities for auditors. In other words, remote audit is considered more effective and provides good audit quality (Baatwah et al., 2023). In addition, agency costs due to information inequality between the principal and agent will also be reduced as the audit quality is improved by the remote audit.

H_3. Remote audit has a positive effect on audit quality.

Agency theory considers the solution to the possibility of fraud between principal and agent to be qualified audits (DeAngelo, 1981; Hendijani Zadeh, 2022; Kusumawati & Syamsuddin, 2018). The logical consequence of achieving a quality audit is to meet all aspects or factors determining the quality of the audit. Some of them are audit quality and other factors supporting the implementation of audits, in this case information technology.

Information technology will offer many conveniences such as access to more and faster information, more sophisticated data analysis, increased efficiency, better data security, better monitoring, reduced bias, and errors (Crucean & Hategan, 2023). In the auditing process, auditors who have professional skepticism will be greatly helped by the existence of more and faster information technology. Professional skepticism is needed in the auditing process, especially in the process of examining and evaluating audit evidence (Blix et al., 2021; Hurtt, 2010; Hussin & Iskandar, 2015; Quadackers et al., 2012). The professional skepticism possessed by an auditor will encourage the auditor to tend to request additional audit evidence. With the help of information technology, the process of examining and evaluating audit evidence can be carried out more effectively and efficiently. Thus, an increasingly effective and efficient audit process can improve audit quality.

H_4. Technology strengthens the effect of professional scepticism on audit quality.

According to agency theory, a quality audit is needed to minimize the conflict of interest between the agent and the principal (DeAngelo, 1981;Kusumawati & Syamsuddin, 2018). Competent auditors will improve audit quality with their knowledge, skills, and experience (Abbott et al., 2016; Watkins et al., 2004). It will be even stronger with information technology. The existence of information technology will assist auditors in obtaining data quickly and in large quantities. In addition, monitoring and supervision during the auditing process will be better with information technology. Information technology allows the use of more sophisticated monitoring and supervision systems in the audit process. Auditors can better track each audit step and ensuring each step is done in accordance with standards.

Not to mention, bias and human error will also be reduced due to the use of information technology. Audit software can perform calculations and analysis in a consistent, objective manner and reduce subjective bias in audits and human error. Thus, it can help competent auditors improve audit quality.

H_5. Information technology strengthens the influence of competence on audit quality.

Agency theory requires a quality audit to minimize the negative impact of the conflict of interest between the agent and the principal (Eldyasty & Elamer, 2023; Afifa et al., 2023). Conducting audits remotely offers auditors several advantages and conveniences. Remote audits will undoubtedly present difficulties, but if they are used effectively, they can yield higher-quality audits. Additionally, the availability of technology will support remote audits' efforts to increase audit quality. It will undoubtedly be simpler for auditors to conduct audits remotely if they are proficient with technological information. Information technology can free up auditors' time to focus on other potentially more important tasks, such risk assessment and improved audit strategies, by reducing repetitive tasks like testing.

In addition, information technology will provide auditors better data security, which is very important. Furthermore, the level of collaboration between auditors and audit teams will also increase. Auditors can share information, notes, and findings more readily, which will ensure all audit teams have a common and better understanding of the audit.

H_6. Information technology strengthens the influence of remote audit on audit quality.

METHODS

The Structure Equation Model (SEM) is used to test the hypothesis of this study. The empirical model used in this study is as follows.

$$AQ = \alpha + \beta 1\ SKP + \beta 2\ COM + \beta 3RA + \beta 4SKP*TI + \beta 5COM*TI + \beta 6RA*TI + \epsilon \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

AQ is audit quality, SKP is professional scepticism, COM is competence, RA is remote audit, IT is information technology.

Data collection was performed by distributing hardcopy questionnaires to the Audit Board of the Republic of Indonesia Representative of Riau Province. Researchers first submitted a cover letter from the campus addressed to the Audit Board of the Republic of Indonesia. Afterwards, researchers applied for permission to conduct research at the agency. After obtaining permission, the researcher distributed questionnaires to auditors to obtain the required data. The population of this study were auditors of the Audit Board of the Republic of Indonesia Representative of Riau Province. The sample of this research is all auditors in the agency because it used a saturated sample technique. The respondents were 68 people with the level of data that could be processed was 100 percent. The selection of the Supreme Audit Agency of the Republic of Indonesia Representative of Riau Province as a research locus is because several times the BPK Riau Province has received the highest title as an Informative Agency. This may indicate the better quality of audits conducted by the Supreme Audit Agency of the Republic of Indonesia Representative of Riau Province

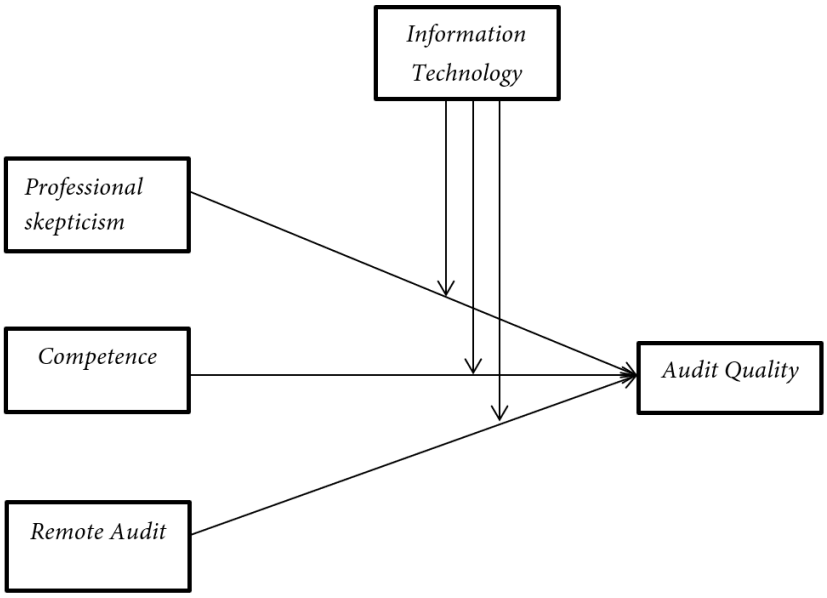

Figure 1. Research Model

The dependent variable in this study is audit quality. The definition of audit quality in this study refers to DeAngelo (1981), namely the auditor's ability to disclose fraud contained in the accounting system of his client. This study measures audit quality with 11 questions, using a 5-point Likert scale. 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, and 5 for strongly agree. Professional scepticism in this study refers to Bowlin et al. (2015) and Safarzadeh & Mohammadian (2023), defined auditor professional scepticism as the auditor's attitude to examine representative audit evidence by maintaining a question mind and critical reasoning. Professional scepticism is measured by 5 questions, using a 5-point Likert scale. 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, and 5 is strongly agree.

The definition of auditor competence in this study refers to (Abbott et al., 2016). Auditor competence is the skill, knowledge, experience, and attitude possessed by the auditor so that the audit can be conducted effectively and efficiently. Competence is measured by 5 questions, using a 5-point Likert scale. 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, and 5 is strongly agree.

Remote audit addresses audit activities that are conducted remotely or without fieldwork while still adhering to audit principles (Eulerich et al., 2022). Remote audit is measured by 11 questions using a 5-point Likert scale. 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, and 5 is strongly agree. Information technology is the auditor's ability to understand and utilize information technology in the audit process (Crucean & Hategan, 2023). Information technology is measured by 5 questions, using a 5-point Likert scale from 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, and 5 is strongly agree.

RESULTS AND DISCUSSION

According to table 1. it is known the audit quality variable has an average of above 4, it means the respondents responded that they conducted the audit process by producing good audit quality. These results give us the fact that the Audit Board of the Republic of Indonesia auditors produce relatively good audit quality because they comply with and follow audit standards during the audit process. The variables of professional scepticism, competence, remote audit all have a fairly good average. The Audit Board of the Republic of Indonesia representing Riau Province's auditors have a fairly high professional scepticism, competence, and use of remote audits characterized by an average of more than 3. The information technology variable indicates an average that is also above 4. Lastly, all variables have an average above the standard deviation, indicating the data has a good level of spread.

Table 1. Descriptive statistic

Variable	Mean	SD	Max	Min
Audit Quality	4,458	0,595	5	2
Professional Scepticism	4,329	0,621	5	2
Auditor Competence	4,021	0,736	5	2
Remote Audit	3,777	0,798	5	1
Information Technology	4,276	0,635	5	3

The construct internal reliability test is conducted by looking at the Cronbach's alpha and Composite reliability values (table 1). All constructs used in this study have met the requirements, namely having Cronbach's alpha and Composite reliability above 0.7 (Hair et al., 2018). In addition, to test construct validity, it is done by examining the average variance extracted (AVE) value. The validity test passes when the construct has an average variance extracted (AVE) value of more than 0.5. Based on table 2, all constructs have met the validity test requirements. Thus, all constructs in this study have succeeded in explaining their constructs.

In table 3, the Simpson's Paradox Ratio (SPR) value owned by this model is 0.833, passing the fit model test. The research model test with Sympson's paradox ratio is used to measure the level of the model can be free from Simpson's Paradox, so this research model has been free from Simpson's Paradox. In addition, the R-squared Contribution Ratio (RSCR) value is 0.939, it means the model used is free from negative R-squared contribution. Furthermore, the results in table 2 indicate the Nonlinear bivariate causality direction ratio (NLBCDR) value is 0.833, indicating that 83.3% or more of the associated paths in the model support the hypothesis of weak causality. Thus, it can be concluded the overall model is eligible and can continue to be analyzed.

Acording to table 4 and figure 1. the regression results indicate the audit professional scepticism has a positive effect on audit quality. Thus, H1 is accepted. This finding implies the importance of auditor professional scepticism in achieving audit quality. This finding supports agency theory which states a quality audit is nee ded to minimize conflicts of interest (DeAngelo, 1981). One way to achieve this quality audit is by having auditor professional scepticism. Auditors with a good professional scepticism will be able to examine audit evidence more carefully. They will not easily and immediately believe the information provided by their clients. They tend to ask for additional audit evidence to be examined using a critical mind (Blix et al., 2021; Hurtt, 2010; Quadackers et al., 2012). Furthermore, this finding is in line with researches by Mardijuwono & Subianto (2018) and Kusumawati & Syamsuddin (2018) also found out that professional scepticism improves audit quality.

In the application process, auditors with good professional scepticism will try to critically question and continuously evaluate the evidences (Mardijuwono & Subianto, 2018). Auditors are not easily satisfied with the information provided by their clients, especially when the responses are not convincing enough (Kim et al., 2018). Therefore, this attitude will suppress information that may lead to errors when auditing the auditee's financial statements (Salem et al., 2023; Kusumawati & Syamsuddin, 2018). Furthermore, professional scepticism possessed by auditors will reduce audit risk and increase the trust of users of financial statements (Hamshari et al., 2021). Puthukulam et al., (2021) argue the auditors with professional scepticism will perform auditing with an effective process. Therefore, professional scepticism of auditors will improve audit quality.

Tabel 2. Validity and Reliability

Indicator	Loading	Composite reliability	Cronbach's alpha	AVE
AQ1	0.787			
AQ2	0.692			
AQ3	0.711			
AQ4	0.758			
AQ5	0.857			
AQ6	0.821	0.941	0.931	0.595
AQ7	0.851			
AQ8	0.755			
AQ9	0.712			
AQ10	0.712			
AQ11	0.808			
IT1	0.905			
IT2	0.933			
IT3	0.917	0.971	0.962	0.869
IT4	0.962			
IT5	0.943			
SKP1	0.856			
SKP2	0.906			
SKP3	0.915	0.935	0.912	0.742
SKP4	0.810			
SKP5	0.814			
COM1	0.761			
COM2	0.888			
COM3	0.899	0.894	0.850	0.633
COM4	0.783			
COM5	0.613			
RA1	0.816			
RA2	0.781			
RA3	0.758			
RA4	0.764			
RA5	0.683	0.915	0.895	0.522
RA6	0.680			
RA7	0.524			
RA8	0.617			
RA9	0.710			
RA10	0.831			

Table 3. Evaluation of the measurement model

Index	Value	Assessment
Simpson's Paradox Ratio (SPR)	0.833	Acceptable if >= 0.7 , ideally = 1
R-squared contribution ratio (RSCR)	0.939	Acceptable if >= 0.7 , ideally = 1
Nonlinear bivariate causality direction ratio (NLBCDR)	0.833	Acceptable if >= 0.7 , ideally = 1

The second regression result indicates that competence has a significant positive effect on audit quality, H_2 is accepted. This finding confirms the importance of auditor competence is needed to achieve a quality audit. This finding is in line with research by Zainudin et al., (2021) and (Nguyen et al., 2023) which found that competence improves audit quality. In addition, this finding also supports agency theory by showing the importance of improving audit quality to minimize agency costs with auditor competence.

Qualified competencies auditors will perform audits more effectively and efficiently. They are better able to develop audit plans, determine samples, identify material risks, and communicate their audit results to clients. In addition, their collaboration with their team will also be better due to their communication soft skills. Furthermore, the way teams filled with competent auditors work together to achieve good audit quality will be much different from incompetent auditors. They are able to share information properly and make all team members more aware of the audit process they are handling.

The third regression result indicates remote has a significant positive effect on audit quality, H_3 is accepted. This finding implies that remote audit provides a better level of audit quality. Remote audits provide many conveniences as they are conducted at a distance which does not require large costs for auditor travel and accommodation. In terms of time, remote audits also require a relatively short time since auditors do not need to visit the location. In other words, remote audits provide a higher level of effectiveness and efficiency. This finding strengthens the results of prior research, i.e. Baatwah et al. (2023) and (Eulerich et al., 2022) who found remote audit to obtain better audit quality.

Information technology enhances the significant positive effect of professional scepticism on audit quality. Thus, H_4 is accepted. This finding provides empirical evidence that information technology will strengthen the effect of professional scepticism on audit quality with the convenience it brings. Auditors can use information technology to access data quickly and in large quantities (Crucean & Hategan, 2023). Auditors can also access reliable evidence from various sources available in a number of trusted sources. Once the data required by the auditor is sufficient, an auditor with professional scepticism will analyze it critically to produce a quality audit. Furthermore, auditors can also use sophisticated software tools to deepen and cross-check audit evidences and findings before compiling and expressing opinions. It means the existence of information technology will allow audits to be conducted comprehensively.

Table 4. Regression results

Direct Effect	β Coefficient	Probability	Decision
SKP --> AQ	0.411	<0.001	H_1 supported
COM --> AQ	0.305	0.004	H_2 supported
RA --> AQ	0.293	0.005	H_3 supported
SKP*TI --> AQ	0.173	0.068	H_4 supported
COM*TI --> AQ	-0.178	0.062	H_5 not supported
RA*TI --> AQ	0.127	0.140	H_6 not supported

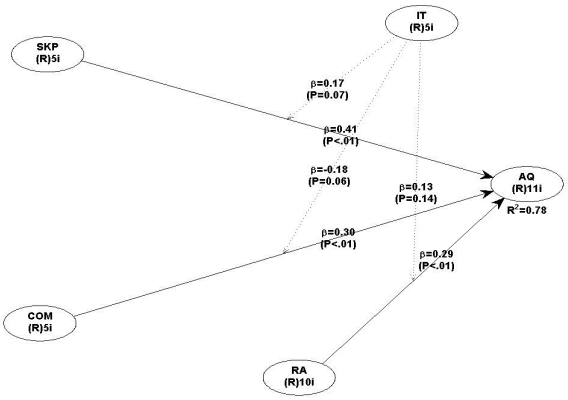

Figure 2. Regression result

However, the results of this study do not provide empirical support for the claim that information technology has a favorable impact on audit quality through competence and remote auditing. H_4 and H_5 are thus disproved. This research raises an intriguing point: because technology is so convenient, it should ideally increase the impact of competence and remote auditing on audit quality. It turns out, nevertheless, that not every auditor across different organizations is proficient in using information technology. This could happen even though auditors are skilled in both finance and auditing, but less so in utilizing IT to help with the audit process. This is true for putting the remote audit procedure into practice as well. Auditors may be able to perform remote audits through remote inspections, however this capability is quite restricted and shallow.

Furthermore, another interesting thing that can happen is that the audit team has not conducted sufficient training to use information technology, which results in its use being less effective. In addition, remote audit systems also pose various challenges to auditors. Thus, when auditors are unable to overcome it, the convenience provided by information technology is also less than optimal in improving audit quality.

CONCLUSIONS

Recently, information technology has developed rapidly and brought many changes to every line of human life, including business. The auditing field is one that also experiences the impact of advances in information technology. Information technology provides many conveniences in the audit process so that it can be conducted more effectively and efficiently. Lately, a new terminology in the field of auditing has become a phenomenon that is interesting to study due to the transition from conventional to remote-based auditing, or at least the implementation of audits is currently carried out with a combination of both.

The purpose of this study is to examine the moderating role of information technology on the effect of auditor quality and remote audit on audit quality. The 6 hypotheses in this study are tested using PLS. The findings of this study indicate the professional scepticism, competence, and remote audit improve audit quality. This finding suggests that auditor quality and remote audit are important in achieving good audit quality. In addition, information technology strengthens the relationship between professional scepticism and audit quality. However, it is interesting to find no empirical evidence showing information technology does not strengthen the relationship between audit competence and remote audit, which occurs due to the lack of expertise of government auditors in using information technology optimally. By taking into account the moderating function of information technology, this study expands on the literature examining the relationship between audit quality and the credentials of auditors and remote auditors. This research will offer a fresh viewpoint, particularly on remote audits, which are currently not often discussed.

This study has several limitations, namely the sample size used is relatively small. We recommend further research to use a wider sample and also be conducted on internal auditors. In addition, this study is limited to two auditor qualities, further research can analyze other auditor qualities, such as independence and professional judgment. This study also provides space for future research to use the remote audit moderation variable in certain research models discussing audit quality.

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