

## Professionalism, Leadership Style, Understanding of Governance and Role of Supervision in Affecting Auditor Performance

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**Abstract;** *Auditors' performance in general is the result of an objective audit assignment towards the financial statements of a company or other organization in order to determine whether the financial statements have been fairly presented in accordance with generally accepted accounting principles. This study aims to determine the effect of professionalism, leadership style, understanding of governance, and the role of supervision of auditor performance. This study uses a questionnaire filled out by BPKP government auditors in East Java Province. Data analysis from this study uses multiple linear regression test using SPSS 23 program. This study found that only professionalism influences auditor performance. This result implies the importance of professionalism of the auditors because it can affect performance. The results of the study also imply that external factors such as leadership style, understanding of governance, and the role of supervision are not important factors in influencing auditor performance.*

**Abstrak;** Kinerja auditor secara umum adalah hasil dari penugasan audit objektif atas laporan keuangan suatu perusahaan atau organisasi lain, dengan tujuan menentukan apakah laporan keuangan telah disajikan secara wajar sesuai dengan prinsip akuntansi yang berlaku umum. Penelitian ini bertujuan untuk mengetahui pengaruh profesionalisme, gaya kepemimpinan, pemahaman tata kelola, dan peran pengawasan terhadap kinerja auditor. Penelitian ini menggunakan kuesioner yang diisi oleh auditor pemerintah BPKP di Provinsi Jawa Timur. Analisis data dari penelitian ini menggunakan uji regresi linier berganda menggunakan program SPSS 23. Studi ini menemukan bahwa hanya profesionalisme yang mempengaruhi kinerja auditor. Hasil ini menyiratkan pentingnya profesionalisme yang berasal dari dalam auditor karena dapat mempengaruhi kinerja. Hasil penelitian ini juga menyiratkan bahwa faktor-faktor eksternal seperti gaya kepemimpinan, pemahaman tata kelola, dan peran pengawasan bukan faktor penting dalam mempengaruhi kinerja auditor.

## INTRODUCTION

Public trust the strength of a report is one of the things that makes it necessary to examine the report. This report is a form of accountability for an event that has already taken place. High public expectations for good governance and the implementation of public sector organizations, which is effective, efficient, transparent, accountable, and clean and free from corruption, collusion, and nepotism, require improving in the role of internal supervision (Ariani & Badera, 2015).

The financial reports must be in accordance with the actual condition. Hence, the expectations of the wider community for a clean-from-corruption governance are not wrong. By conducting this examination, it can be seen that whether implementation of activities has been in accordance or not with the policies and plans that have been previously determined. Furthermore, it will ensure whether the achievement of the activity goals is in accordance or not with the established policies and plans to ensure the economical, efficient, and effective achievement of the activity goals.

Professionalism refers to behavior, goal, or quality that characterizes a profession or professional person (Prabhawa, Herawati, & Putra, 2014). Professionalism of auditor is determined by the auditor performance in carrying out the duties from the superiors in accordance with organizational goals and auditor's code of ethics. Moreover, professionalism will result in a good internal control system and government oversight function; so that the implementation of activities is directional and in accordance with the established plans (Alfianto & Suryandari, 2015). If it is in accordance with an established plan, it shows a better auditor performance.

Situational factor affecting auditor performance improvement based on theoretical studies and previous empirical research is leadership style. Based on attribution theory, leadership style has a role to maintain harmony in the team, provides opportunities in arguing, gives confidence, and produce better communication. Accordingly, the existence of a good leadership style in an organization will affect subordinate performance.

According to Mardiasmo (2018), governance can be interpreted as a way of managing public affairs. In the context of audit, understanding good governance correctly will affect the auditors' behavior in carrying out their work with the orientation of obtaining good results, or in short their performance will improve (Fembriani and Budiarta, 2016). This concept underlies the importance of the role of understanding of governance in affecting auditor performance.

According to the research performed by Indriani & Darmawan (2014), the main goal of supervision is to guarantee the implementation of various activities that have been planned correctly and appropriately, in the sense of more effective and efficient; so, the goals established by the organization can be achieved satisfactorily. Supervision in each audit team must be carried out in accordance with the standards applicable to an auditor. However, it might be depend on the field conditions, such as the lack of experience and competence of people assigned as supervisors. The importance of the role of supervision in improving the auditor performance is to assure that the work is carried out in accordance with the applicable standards.

This research aims to obtain empirical evidence about factors that may affect the performance of BPKP (Financial and Development Supervisory Agency) government auditors of East Java Province. The factors examined including: professionalism, leadership style, understanding of governance, and role of supervision.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Attribution Theory

This research used attribution theory as the basic theory since this theory assumes that a person's behavior is determined by a combination of internal and external factors. Internal factors including: ability, knowledge, or effort, while external factors including luck, opportunity, and environment (Heider, 1958).

### Auditor Performance

Performance can be measured through certain standards where quality will be related to the quality of work produced. Meanwhile, quantity is the amount of work

produced in a certain period of time, and timeliness is the suitability of the planned time (Trisnaningsih, 2007). According to Mulyadi (2010), auditor performance is measured through an objective examination of the financial statements to determine whether it is presented fairly in accordance with generally accepted accounting principles, in all material respects, financial position, and the results of company operations. It is the result of an auditor's work in accordance with the applicable standards. It is seen based on the results of the audit process, the ability of an auditor to complete his work and good understanding related to the applicable rules and codes of ethics.

### **Effect of Professionalism on Auditor Performance**

Professionalism refers to a behavior, goal, or quality that characterizes or marks a professional person by recognizing the responsibility to place the public interest above personal interests (Messier et al, 2014). Prabhawa et al., (2014) reveals that professionalism refers to behavior, goal, or quality that characterizes or marks a profession. Auditors are said to be professional if they have fulfilled and obeyed the code of ethics established by Institute of Indonesia Chartered Accountants (IAI). As a professional, the accountants must also acknowledge the responsibility to the public, clients, and professional colleagues to behave respectfully.

The findings of the research done by Prabhawa et al., (2014) unveil that professionalism has a positive effect on the performance of BPKP auditors of Bali Province representative. Auditors who have a high professionalism view will make contributions that can be trusted by decision makers both the internal and external parties of the company. The results of other research carried out by Alfianto and Alfianto & Suryandari (2015) support the research performed by Prabhawa et al., (2014), where the attitude of professionalism has a positive effect on the performance of auditors working in KAP (public accounting firm) in Semarang. High professionalism can produce audit products that are reliable and trusted by those who need professional services.

H1: Professionalism Affects Auditor Performance.

### **Effect of Leadership Style on Auditor Performance**

Leadership is the ability to affect a group to achieve an established vision or goal (Robbins & Judge., 2015). Leadership style can be further grouped into four different categories of directive and supportive behaviors as follows: (1) high directive-low supportive, or directing style, (2) high directive-high supportive or coaching style, (3) supportive approach, (4) low supportive-low directive or delegating style (Northouse, 2013).

Some research results reveal inconsistent results including (Fembriani & Budiarta, 2016; Hanna & Firnanti, 2013), find that a person's leadership style can affect auditors to carry out their duties better, in order to improve the performance of an auditor. Leadership style can directly or indirectly affect the subordinate performance. If the leadership style can make a change by implementing situational leadership such as when the employees feel that their leader cares for them, their performance is expected to improve. In addition, Fembriani & Budiarta, (2016) find that leadership style does not affect the performance of BPK RI (Financial Supervisory Agency of the Republic of Indonesia) auditors. This happens because no matter how good the leadership style is, if it is not supported by hard work and efforts of the auditors themselves, satisfactory performance will not be achieved.

H2: Leadership Style Affects Auditor Performance

### **Effect of Governance on Auditor Performance**

According to Mardiasmo, (2018), governance can be interpreted as a way of managing public affairs. Fembriani & Budiarta, (2016) reveals that understanding good governance correctly will affect the auditors' behavior in carrying out their work with the orientation of obtaining good results in order to improve the performance. Governance is a mechanism demanded to be applied in a government to create a balanced government between government and community.

H3: Governance Affects Auditor Performance

### Effect of Role of Supervision on Auditor Performance

Supervision should not be carried out to find any mistakes, but should be regarded as an element of coaching; so that, the irregularities can be identified and the corrective action could be taken on the working conditions being supervised (Jelantik, 2015). Tobing (2011) explains that supervisors should motivate their subordinates to learn from their mistakes and provide constructive criticism. Motivating employees is highly important since naturally a less motivated person will be unable to compete with highly motivated person.

Supervision has the role of supervising and controlling the work of subordinates. It also has the role of examining work, providing advice and guidance as feedback for subordinates, and providing mental support for subordinates. Supervision activities are in accordance with the attitude and behavior of the auditor being monitored. According to the research conducted by Prabhawa et al., (2014), the role of supervision of government auditors is similar to KAP auditors in which the government auditor is a budget auditor based on the established general standards. So, it will have an impact on the performance of government auditors.

H4: Role of Supervision Affects Auditor Performance

## RESEARCH METHODOLOGY

### Sampling

Data analysis from this study uses multiple linear regression test using SPSS 23 program. The data used in this research were primary data collected by distributing questionnaires to be filled out by government auditors working at BPKP of East Java Province. Fifty questionnaires were directly distributed in 2019 to BPKP office of East Java Province. The sample selection method used in this research was random sampling method.

Table 1. Research Sample

Description	Total	Percentage
Questionnaire distributed	50	100%
Questionnaire that did not return	2	4%
Questionnaire returned	48	96%
Questionnaire that could not be used	0	0%
Questionnaire that could be used	48	96%

Source: Edited, 2019

### Operational Definition and Variable Measurement

The auditor performance is the result achieved by an auditor in carrying out the tasks that have been given to him, on the basis of experience, ability, and time that has been measured by considering the quantity, quality, and timeliness of audit (Beton, 2015). In this research, it was measured by using Rizzo et al (1970) instrument with a total of seven questions.

Professionalism refers to a person's behavior, goal, or quality that characterizes or marks a professional person by recognizing the responsibility to place the public interest above personal interests (Messier et al., 2014). Professional auditors will make a decision based on professional considerations reflected in their devotion to the profession, social obligations, relationship with fellow professionals, confidence in the profession, and independence. The higher the auditors' professional behavior, the more it will form their personal characteristics. In this research, it was measured by using Hall & Singleton (2007) instrument with a total of twenty six questions.

Leadership style is a way for leaders to affect a group to achieve an established vision or goal. In this research, it was measured by using Gibson (1996) instrument with a total of twenty six questions.

Understanding of governance is the understanding of auditors regarding the implementation of solid and responsible management in line with democratic and efficient principles, avoiding misallocation of funds, and preventing corruption both politically and administratively, and carrying out budget discipline. Based on empirical evidence and theoretical studies above, it is indicated that an auditor who understands governance will perform better. In this research, it was measured by using Rosidi (2001) instrument with a total of twenty six questions.

The role of supervision is effort to supervise and control the work of subordinates through job inspection, providing advice and guidance as feedback to subordinates, and providing mental support to subordinates. Supervision activities are in accordance with the attitude and behavior of the auditor being monitored. In this research, it was measured by using Ruslan (2009) instrument with a total of twenty six questions.

## **FINDINGS AND DISCUSSION**

### **Validity and Reliability Tests**

Validity test was carried out on each question from each of the existing variables. It used Pearson correlations sig (2-tailed) statistical test with a significance level of 0.05. The results indicated that each question from Professionalism, Leadership Style, Understanding of Governance, Role of Supervision, and Auditor Performance variables had a significance value of less than 0.05, meaning that each question was valid.

Reliability test was carried out by calculating Cronbach's Alpha value of each construct in a variable. A construct was said to be reliable if the value was more than 0.7 (rule of thumb). The results showed that auditor performance variable had a Cronbach's Alpha value by 0.799, Professionalism by 0.893, Leadership Style by 0.924, Understanding of Governance by 0.917, and Role of Supervision by 0.921, so all variables were declared reliable.

### **Hypothesis Testing Results**

Based on Table 2 it can be seen that only Professionalism variable significantly affected auditor performance. This could be seen from its significance value of 0.033 that was less than 0.05. The other three variables (Leadership Style, Understanding of Governance, and Role of Supervision) did not affect auditor performance.

Table 2. t-Test Results

Variable	B	Sig
Professionalism	0,137	0,033
Leadership Style	0,095	0,433
Understanding of Governance	-0,026	0,845
Role of Supervision	0,033	0,755

Source: Edited, 2019

### **Effect of Professionalism on Auditor Performance**

The result of this research indicated that professionalism affected auditor performance. It supported the attribution theory, where in doing the task, the attitude of professionalism will affect performance. The attitude of professionalism will have influence in producing better performance, creating independence, responsibility and transparency in work and the results of one's performance, especially in this case is auditors. In addition, they will also acknowledge that the interests of the public are more important than their personal interests. Professionalism is an internal factor that has crucial role in improving auditor performance. The importance of internal factors was also the result of empirical research conducted by Hasanuddin & Sjahruddin (2017), in which both of them found that the auditor performance was affected by emotional intelligence.

The result of this research was consistent with research conducted by Alfianto & Suryandari (2015); Johannes (2014); Prabhawa et al., (2014) which stated that Professionalism affected Auditor Performance. Conversely, the result of this research was not in line with Putra (2012) research arguing that professionalism had no effect on auditor performance. Putra (2012) used a sample of auditors working at BPK RI of Bali Province Representative, who had different auditor characteristics from those in the auditors involved in this research who worked at BPKP of East Java Province.

### **Effect of Leadership Style on Auditor Performance**

The result showed that leadership style had no effect on auditor performance in BPKP of East Java Province. It supported the concept explaining that the actions of each person basically aimed to pursue personal interests and advance themselves. If the leader gave direction to the subordinate auditors, but the auditors did not work hard and still pursued their personal interests, their performance would not be affected.

The result of this research was consistent with previous research conducted by Fembriani & Budiarta (2016); Widhi & Setyawati (2015) stating that leadership style had no effect on auditor performance. This condition could occur because no matter how good the leadership style was if it was not supported by the hard work and efforts of the auditors themselves, satisfactory performance would not be achieved. Leaders in an organization were only limited to provide policies, guidelines, direction, and encouragement at work. Nonetheless, the success of a job was largely determined by the ability of the auditors themselves, so the leadership style in this research had not been proven to affect the performance of BPKP auditors of East Java Province.

The result of this research was not in line with the research conducted by Nalendra et al (2016) and Hanna & Firnanti (2013) who found that leadership style could affect auditor performance. Nalendra et al., (2016) used a sample of all auditors working at KAP in Central Java, while Hanna & Firnanti (2013) used a sample of all auditors working at KAP in Jakarta. The differences between the respondents of the three previous research and the current research gave contradictory results due to the differences in the leadership style between KAP and government auditors.

### **Effect of Understanding of Governance on Auditor Performance**

The result of this research showed that understanding of governance did not affect performance of BPKP auditors of East Java Province. It supported another theory, namely the theory of differentiation relations, where someone who understood theory or concept would not necessarily produce better performance since what he did not match what he understood. This condition was caused by social interaction between an individual and other people who had deviant behavior. From this explanation, if an auditor understood the governance system but there were irregularities in completing his task, then it would not make his performance better.

The result of this research was consistent with research performed by Hanna & Firnanti (2013), stating that the existence of a governance system had no effect on auditor performance. This showed that the auditor performance would not be affected of only understood the governance, but did not uphold the code of ethics and good governance in conducting the audit. In contrast, the result of this research was not in line with the research performed by Fembriani & Budiarta (2016); Nalendra et al (2016) who found the effect of governance on auditor performance. Nalendra et al (2016) used a sample of auditors working in Public Accountant Firm while Fembriani & Budiarta (2016) used a sample of auditors working in BPK RI office.

### **Effect of Role of Supervision on Auditor Performance**

The result of this research indicated that the role of supervision did not affect the performance of BPKP auditors of East Java Province to be better. It supported another theory, which was the theory of ethical egoism, where the actions of each person basically aimed to pursue personal interests and advance themselves. In the context of this research, no matter how far the role of supervision worked to provide supervision, direction, and motivation to subordinates, if the subordinates only pursued their personal interests, it would not have correlation in improving their performance to be better.

The result of this research was consistent with Wiguna, Angga, & Saputra (2019) research stating that the role of supervision had no effect on auditor performance. This condition could occur because no matter how good the supervision was if it was not supported by hard work, knowledge, and effort of the auditors themselves, satisfactory performance would not be achieved. Supervision in an organization was limited to provide supervision, direction, and encouragement at work. Nonetheless, the success of a work was largely determined by the auditors themselves. On the other hand, the result of this research was not in line with research carried out by Indriani & Darmawan (2014); Prabhawa et al (2014) stating that the role of supervision could affect auditor performance. Prabhawa et al (2014) used a sample of auditors working at BPKP of Bali Province and Indriani & Darmawan (2014) used a sample of auditors working at PT. Bank Negara Indonesia Tbk in Palembang.

## CONCLUSION AND SUGGESTIONS

Results of hypothesis testing in this research indicate that professionalism affects auditor performance. Otherwise, leadership style, understanding of governance, and role of supervision do not affect auditor performance. The results of this research imply the importance of internal factor of the auditors, which is professionalism, since this internal factor affects the auditor performance. Institutions can focus more seriously on efforts to increase auditor professionalism. By contrast, the external factors of the auditor such as leadership style, understanding of governance, and role of supervision do not affect the auditor performance. These imply that no matter how good the leadership style, governance, and supervision are, if the auditors do not have a high attitude of professionalism, the external factors cannot effectively improve the auditor performance.

This research has several limitations. The first one is in the questionnaire distribution that obtained a small number of samples. In addition, this research is in the field of behavior or attitude accounting; so it will be more appropriate to use qualitative research rather than quantitative research to obtain better results. It is suggested for the further research to use qualitative method, provide more appropriate questions items for government auditors, and consider the important criteria of respondents such as their experience at work.

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