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Quality Of Audit In Public Sector Organizations: Trends And Article Analysis

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ABSTRACT

This study purpose to explore and analysis the "characteristics of audit quality" through two questions: 1. what are the publication trends of audit quality-themed articles based on research contributors, and 2. what are the developments in research related to audit quality up to the present. The study employs a systematic literature review using keywords that describe the article topic coverage to identify trends in audit quality characteristics. The sample consists of 26 articles from the database SCOPUS from 2011 to 2020 on audit quality. The results indicate that University Utara Malaysia's contributions dominate among institutional contributors to the articles, article contributions are predominantly from Indonesia by country, and contributions are dominated by the International Journal of Economics Research based on journal source. The final results related to audit quality show variability with appropriate testing. This research provides guidance for academics to identify trends in audit quality-related studies and helps practitioners and policymakers understand the aspects that have been widely examined. The findings also highlight dominant regional contributions, which may present opportunities for further research in underrepresented areas.

INTRODUCTION

Several studies, for example Hikam et al. (2021); Kusumawati and Sundari (2017); Mustapha et al. (2019); Pamungkas et al. (2018) discuss audit quality, evaluating determinant factors and their relationship with the realization of accountability and transparency in the public sector. Audit quality is also referred to as a substitute for audit opinions (Guarrieri, 2018; Utami et al., 2020), which then becomes the subject of this research. Audit quality can be understood as a tool for management to evaluate and verify quality-related activities through an independent and systematic testing process. Research on audit quality in the public sector indeed lags far behind issues in the private sector.

In Indonesia, the audit results of the Supreme Audit Agency (BPK RI) from 2012-2017 outlined the issue of account disparities with SAP and the BPK audit results revealed weaknesses in the Internal Control System (SPI). Therefore, this issue leaves doubts about the credibility and accountability of the

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organization by the public (Naviantia, 2020). According to Brown and Raghunandan (1995), audits in the public sector have lower quality due to the low litigation risk. Some studies try to examine the characterization of professional auditors associated with the commitment to prioritize public interest and maintain their professionalism. It is hoped that the quality of auditors can be achieved along with transparency and accountability.

Another issue that occurs is the understanding of good governance, but often in practice, independence is not well implemented (Mat Ludin et al., 2017). The duty of an independent auditor here is not only about being obliged to uphold the facts but also to maintain their independence. Based on research conducted by Kusumawati and Syamsuddin (2018) the success of audit performance depends on the following auditor criteria: 1) comprehensive and thorough knowledge by the auditor, 2) knowledge of laws and various regulations must be possessed by the auditor, 3) deep knowledge of audit techniques and their development, 4) knowledge of systems and technology, as well as automation, 5) knowledge of law, regulations, and taxation, 6) understanding of economic principles and laws, 7) knowledge of statistics and mathematics, and other knowledge and understanding that complement the needs and assist the audit process.

Due to the interesting findings in this public sector research, this study is interested in knowing and analysing the "characteristics of audit quality" in two questions. This study aims to identify the trends in the publication of articles themed around audit quality based on research contributors and to analyse how research related to audit quality has developed up to the present. The novelty of this research lies in its focus on systematically exploring trends and developments in audit quality research, particularly within the context of the public sector, which has been relatively underexplored compared to the private sector. This study highlights not only the dominant contributors, regions, and journals in audit quality research but also identifies gaps in public sector auditing practices, especially regarding accountability, transparency, and the role of professional auditors. The research gap addressed here is the lack of comprehensive analysis of audit quality determinants and trends in the public sector, especially in regions like Indonesia, where audit issues persist despite legal frameworks. By identifying these gaps, this study contributes new insights into improving audit quality and guiding future research in underrepresented areas.

MATERIALS AND RESEARCH METHODS

This study uses a systematic literature review with the aim of identifying trends in the characteristics of audit quality. The study determines keywords that describe the scope of the topic of articles to be studied. We use the SCOPUS database to obtain high-quality and reputable articles. We use several interchangeable keywords in the title selection, namely "Audit Quality," "Financial Statement Quality," "Financial Reporting Quality," and "Opinion." We also use Scival to visualize our findings. The results filter topics with a very broad scope, not limited to public sector organizations.

To implement purposive sampling, we limited our findings by focusing on the selection criteria outlined below (see Table 1). Therefore, we then limit our findings by focusing on the selection of "article title, abstract, and keywords" containing "public sector," "local government," "NGO," or "Non-Governmental Organization." Our findings resulted in 256 articles. Next, we only selected studies with 1) publication stage, "final," 2) document type "article," 3) Subject area "business, management and accounting," and "economics, econometrics, and finance." The results matched our expectations to represent the objective of this study, which is 26 articles. For more details, here is Table 1. Article selection process

Table 1
Article Selection Process

Selection criteria	Total Articles
Title "audit quality" or "financial statement quality" or "financial reporting quality" or "opinion"	47.211
Article title, Abstract and keyword use "public sector" or "local government" or "NGO" or "Non-Government Organization"	256
Publication stage, "final"	195

<i>Document type "article"</i>	254
Subject area <i>"business, management and accounting"</i>	52
Subject area <i>"economics, econometrics, and finance"</i>	42
Excluding: articles that are incomplete and inaccessible	(16)
Final total articles	26

Source: Processed Data, 2022

Table 2. Shows the distribution of articles by year, where it can be seen that out of the total 26 sample articles, there are two years with the most articles published (n=6), namely in 2017 and 2019. Followed by the years 2016 and 2018 with sample articles (n=4) discussing audit quality. In 2018, for example, the study by Gamayuni (2018) aimed to examine the influence of internal auditor (inspectorate) competence on the quality of internal audits in all regencies/cities of Lampung Province, and local government accountability. The results are robust in showing that the intended competence has an impact on the quality of internal audits. This means that auditors who have competence will help increase the disclosure of more audit findings.

Table 2
Distribution of Articles by Year

Year	Freq.	Percent	Cum.
2011	1	0,184028	0,184
2012	2	0,339583	11.54
2013	0	0	11.54
2014	0	0	11.54
2015	0	0	11.54
2016	4	15.38	26.92
2017	6	23.08	50.00
2018	4	15.38	65.38
2019	6	23.08	88.46
2020	3	11.54	100.00
Total	26	100.00.00	

Source: Processed Data, 2022

RESULTS AND DISCUSSION

Figure 1. shows the 5 active contributors based on institutions. University Utara Malaysia has 3 articles published in SCOPUS-indexed journals. Malaysia contributes new discussions in examining the relationship between auditor independence, auditor competence, and auditor workload in the Public Sector with the resulting audit quality. These results also confirm that public sector audits can strengthen governance and provide accountable reports while protecting the core values of the entity. In second place, Hasanuddin University and the University of Bath each have two articles. Unlike Malaysia, Hasanuddin University represents Indonesia by bringing the perspective of the issue of professional skepticism that arises in auditors and is related to high (low) audit quality.

The results are also no less interesting. The study by Kusumawati and Syamsuddin (2018) shows that both audit quality and auditor quality are directly related to the professional scepticism of auditors. In Indonesia, BPK RI auditors have implemented professional scepticisms as a critical attitude that influences thinking and questions the quality of audits.

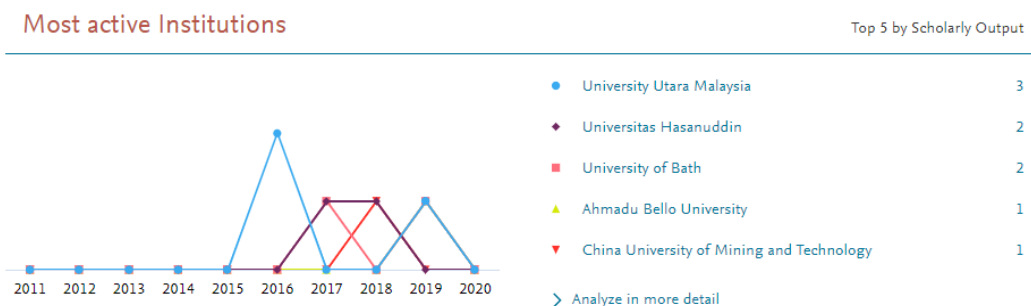


Figure 1. Top 5 Contributors based on Institutions

Figure 2 shows the 5 active contributors in articles from the period 2011–2020 based on countries. Indonesia dominates ($n=11$) based on individual authors affiliated in Indonesia. The United Kingdom appears ($n=4$) just after Malaysia ($n=5$) following Indonesia. In this sample, (Giroux & Jones, 2011) examined the audit quality provided to local governments in England and Wales. The results showed that: 1) the audit process at that time (the majority) was carried out by district auditors (public sector employees and audit committees). 2) $\frac{1}{4}$ of local governments at that time had already improved by being audited by one of the 6 private sector auditors. 3) There were differences in audit quality results related to the number of government audit clients and the type of local government. This study provides a broader review by considering the region or location and the satisfaction of audit clients.

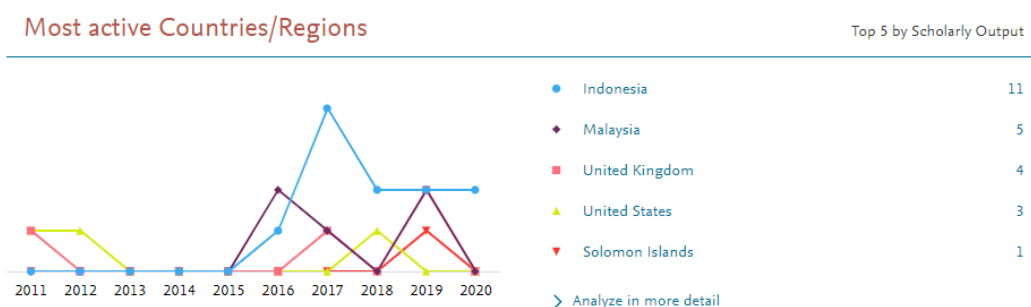


Figure 2. Top 5 Article Contributors based on Country

Figure 3 displays 5 active contributors based on Scopus journal sources. Our findings are not specific to any particular journal or specific to the public sector area. Therefore, it can be seen that the top 5 contributors are represented by the International Journal of Economic Research ($n=3$), International Journal of Financial Research ($n=2$), followed by 3 other journal sources as shown in Figure 3. Research Setyaningrum (2017) examines the influence of auditor quality and legislative oversight on the follow-up of audit recommendations and their indirect influence on audit opinions. This occurs because auditors with high quality can produce quality recommendations that serve as the basis for audited entities. The role of legislative oversight also promotes more committed financial management in local governments. The higher the follow-up of audit recommendations, the higher the likelihood of achieving an unqualified audit opinion.

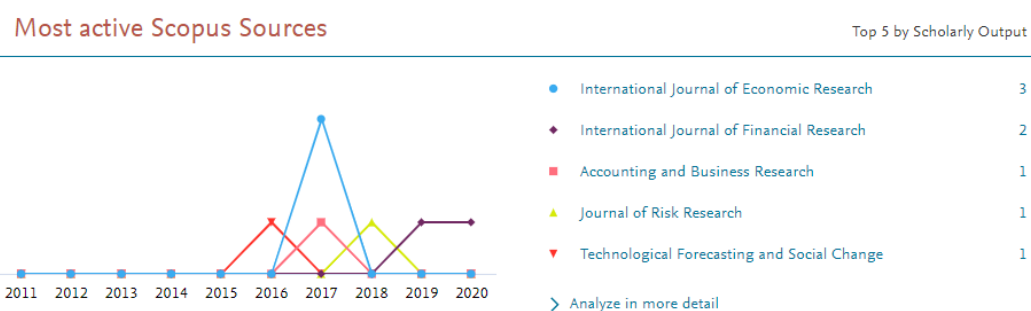


Figure 3. Top 5 Article Contributors based on Journal Source

This research analyzes and explores 26 sample articles from 2011 to 2020 that have been previously selected or meet the criteria. Our findings indicate that audit quality is closely related to and influenced by company characteristics, auditor characteristics, and auditor personal traits. The study Giroux and Jones (2011) pays particular attention to auditor competence, suggesting that audits always depend on how auditors detect, correct, and disclose errors or misstatements in their clients' financial reports. For example, government audit expertise is positively associated with financial reporting quality (Greenwood et al., 2017), auditor rotation (Corazon et al., 2020), organizations under local government, political institutions, and audited by local auditors (Johnson et al., 2012). When identified, this occurs due to a tendency to avoid delisting (Chan et al., 2012), and reluctance to incur losses, thereby aiming to demonstrate competence and greater efficiency (Greenwood et al., 2017).

Li and Wang (2018) explain that organizations also rely on more effective and dynamic governance structures, enabling accountability, responsibility, benefits, and risks among stakeholders, as well as addressing conflict costs that may arise in specific economic and political environments. In contrast, Malau and Badr (2018) investigate practitioners' interpretations of fraud issues with recurring audit disclaimer opinions (DAO) in the public sector of the Solomon Islands (SIPS). Their findings suggest the need for strong monitoring, continuous training, and oversight roles from the SIPS ministry and OAGSI to curb unresolved issues.

Several studies on audit quality are also discussed in the internal realm, where one study in Nigeria Usang et al. (2020) explains that internal audit quality is crucial in providing primary assurance over the state of local governments, limiting disruptions while enhancing performance. The quality of the internal audit function is positively related to the level of risk management implementation (Mat Ludin et al., 2017), conducive environmental functions in enhancing competency, work quality, career and development, independence and support, and political influence (Usang et al., 2020). Thus, audit quality should be an added value and a valuable tool for improving internal organizational situations.

In Indonesia itself, local governments need to continuously improve the quality of their financial reports, especially in enhancing compliance with Indonesian Government Accounting Standards (IGAS) and government regulations, adequate disclosure, and the effectiveness of internal controls to achieve better audit opinions from the Supreme Audit Agency (BPK). Development outcomes also indicate improved performance as evidenced by the higher attainment of Unqualified Audit Opinions, reflecting their commitment (Utami et al., 2020).

CONCLUSIONS AND SUGGESTIONS

This research provides a comprehensive analysis of 26 selected articles focused on audit quality, highlighting significant trends based on contributors from various institutions and countries. The findings reveal that University Utara Malaysia leads in institutional contributions, showcasing Malaysia's active role in exploring the dynamics between auditor independence, competence, and workload, which directly influence audit quality in the public sector. Additionally, Indonesia emerges as the dominant country in terms of article contributions, indicating a robust engagement with audit quality issues within its local context. The active involvement of researchers from Indonesian universities emphasizes the growing focus on professional scepticism and its correlation with audit quality, underscoring the importance of maintaining high standards in public sector audits.

Furthermore, the analysis of journal sources indicates that the International Journal of Economic Research is a significant platform for disseminating research on audit quality. The variety of journals contributing to this discourse highlights the multidisciplinary nature of the topic, as it encompasses elements from economics, management, and accounting. The studies reviewed emphasize the crucial relationship between auditor characteristics, company traits, and audit quality outcomes. Notably, they reveal how auditor competence and legislative oversight play pivotal roles in ensuring high-quality audits and promoting transparency in financial reporting, particularly within local government frameworks.

In conclusion, this study not only sheds light on the evolving landscape of audit quality research but also offers valuable insights into the implications for practice and policy. The findings suggest that enhancing auditor training and establishing effective governance structures can significantly improve audit quality in the public sector. As the field continues to develop, future research should consider exploring additional variables and employing diverse methodologies to deepen the understanding of

audit quality dynamics and their broader impact on governance and accountability. This will be essential for addressing ongoing challenges and ensuring that audit practices effectively safeguard the integrity of financial reporting across various sectors.

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