

## **The Impact of Auditor Competence and Internal Control Systems on Audit Quality at Cirebon Regional-Owned Enterprises and the Cirebon City Inspectorate**

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### **Abstract**

*This study aims to analyze the effect of Auditor Competence and Internal Control System on Audit Quality at the Regional-Owned Enterprises (BUMD) of Cirebon and the Inspectorate of Cirebon City. The population comprised 45 internal auditors and employees directly involved in the audit process, and a census sampling technique was employed so that all members of the population were included as the study sample. This research adopted an associative quantitative approach, grounded in Agency Theory. Data were collected through questionnaires using a 5-point Likert scale and analyzed using multiple linear regression with IBM SPSS. The results of the normality test produced an Asymp. Sig. value of 0.062 (>0.05), confirming that the data were normally distributed. The multicollinearity test yielded Tolerance = 0.427 and VIF = 2.339, indicating no multicollinearity among the independent variables. The regression equation was formulated as  $Y = 11.862 + 0.098X_1 + 0.508X_2$ . Auditor competence ( $X_1$ ) had a positive and significant effect on audit quality ( $t = 3.725$ ,  $sig. < 0.001$ ,  $\beta = 0.098$ ). The internal control system ( $X_2$ ) also had a positive and highly significant effect and constituted the most dominant factor ( $t = 27.921$ ,  $sig. < 0.001$ ,  $\beta = 0.508$ ). Simultaneously, both variables had a positive and significant effect on audit quality ( $F = 1112.098$ ,  $sig. < 0.001$ ), with an Adjusted  $R^2$  of 0.981, indicating that 98.1% of the variation in audit quality is explained by these two variables, while the remaining 1.9% is attributed to other factors. The conclusion of this study confirms that the Cirebon Regional-Owned Enterprise (BUMD) and the Cirebon City Inspectorate need to prioritize strengthening the internal control system and the ongoing development of auditor competencies to improve audit quality, as these two factors complement each other in supporting the realization of professional, independent, and high-quality internal audits.*

**Keywords:** Auditor Competence, Internal Control System, BUMD, Inspectorate

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## **INTRODUCTION**

Internal oversight is one of the key pillars in achieving accountable, transparent, and performance-oriented local government governance. In the Indonesian government system, the internal oversight function is carried out by the Regional Inspectorate as the Government Internal Oversight Agency (APIP), which is responsible for conducting audits, reviews, evaluations, and monitoring of all local government financial management and performance activities. The role of the Inspectorate is highly strategic because the quality of the audits it produces will determine the effectiveness of controls, the prevention of irregularities, and the improvement of overall governance quality.

One of the key areas of oversight for the Inspectorate is Regionally Owned Enterprises (BUMDs). BUMDs are business entities established and owned by local governments, with all or most of their capital derived from segregated local government assets. The existence of BUMDs is regulated by Law No. 23 of 2014 on Regional Government and Government Regulation No. 54 of 2017 on BUMDs, which stipulate that BUMDs serve as regional instruments in providing public services, promoting regional economic growth, and increasing local revenue (PAD). BUMDs can take the form of a Regional Public Enterprise (Perumda), in which the local government owns all the capital, or a Regional Corporation (Perseroda), in which the local government owns at least 51% of the shares. Thus, BUMDs play a strategic role in supporting regional development, ensuring the availability of basic public services, and maintaining business governance to ensure it remains accountable, efficient, and transparent.

As entities that manage public assets and finances, BUMDs are required to implement good corporate governance to ensure accountability and transparency in resource management (Diany & Hidayatullah, 2025). However, the implementation of effective governance in BUMDs still faces various challenges, particularly regarding internal control systems and audit quality, which remain suboptimal. This situation is reinforced by previous findings indicating that competency issues remain a major concern in the management of local public sector finances, including within the Cirebon City Government, which has implications for accountability and the quality of oversight (Rosnidah, Hidayat, et al., 2022).

In recent years, regionally owned enterprises (BUMDs) in Cirebon City have exhibited serious governance issues. Five BUMDs failed to meet their revenue targets for 2024–2025, thereby placing a burden on the local budget (Baihaqi, 2025). This failure not only reflects managerial problems but also indicates weak oversight and internal control systems. Additionally, a corruption case emerged at PDAM Tirta Giri Nata, where a finance staff member embezzled funds (Matahari, 2025). Allegations of corruption also arose at PD Pembangunan Kota Cirebon after the State Audit Agency (BPK) identified irregularities in asset management and capital contributions, leading to the case being referred to the West Java Provincial Prosecutor's Office (Kurniadi, 2025). This series of events underscores that governance and oversight mechanisms at Cirebon City's BUMDs still need to be strengthened, including the quality of audits, which play a role in ensuring accountability and transparency.

This phenomenon directly places the Cirebon City Inspectorate in a crucial position. As an Internal Audit Institution (APIP), the Inspectorate is responsible not only for ensuring compliance with laws and regulations but also for guaranteeing that the management of regional finances and assets—including those of regionally-owned enterprises (BUMD)—is carried out effectively, efficiently, and free from irregularities. In 2025, the role of the Cirebon City Inspectorate came under scrutiny from the Cirebon City Regional People's Representative Council (DPRD), which requested the agency to conduct an in-depth audit of the performance of several Regional Government Agencies, including the Youth and Sports Agency (Dispora) and the management of strategic assets such as Bima Stadium, as these were deemed to lack transparency and efficiency (Redaksi, 2025). This indicates that the public and the City Council are increasingly demanding higher-quality APIP audits—that is, audits that are not merely administrative but also capable of detecting potential irregularities early on and providing actionable recommendations for improvement.

Audit quality is defined as the combined probability that an auditor will detect and report violations in an organization's accounting system (DeAngelo, 1981). An auditor's ability to detect errors depends on their competence, while their reporting of such errors depends on their independence. Audit quality is the accuracy of the information reported by auditors in accordance with auditing standards, including the detection and reporting of accounting irregularities in a company's financial statements. Therefore, internal auditors play a crucial role in maintaining company sustainability through continuous monitoring and assessment. The quality of the resulting audit is highly dependent on the auditor's independence and professionalism in carrying out their duties (Bramasto et al., 2021). Over time, the concept of audit quality has expanded to include various factors such as the auditor's experience, technical expertise, and the effectiveness of the audited organization's internal control system (Amaliah et al., 2025). The quality of information system audits is influenced by auditor independence, auditor experience, auditor competence, audit methodology, and client support. These five factors have proven crucial in producing professional, objective, and standards-compliant audits capable of effectively identifying and reporting deviations (Alagić et al., 2021). This study uses Agency Theory as its grand theory, which explains the relationship between the principal (local government/community) and the agent (BUMD and local financial managers), where

information asymmetry can be minimized through effective oversight mechanisms, one of which is through high-quality internal audits.

Regarding the factors that influence audit quality, several studies have yielded mixed results. Some studies have found that auditor competence influences audit quality. Auditors who possess adequate knowledge, experience, professional certifications, and engage in continuing education have been shown to be better able to detect errors and produce higher-quality audits (Alsughayer, 2021). Auditor competence positively contributes to the quality of internal audits, as good knowledge and skills make audits more effective (Afzal, 2023). Auditors' professional competence has a positive and significant effect on audit quality (Khulsum et al., 2025). However, other studies have found different results, namely that auditors' competence does not significantly affect audit quality. This result is attributed to the fact that government internal auditors work within established audit guidelines and procedures, so differences in competence among auditors do not have a significant impact on audit outcomes (Wati et al., 2024).

In addition to auditor competence, internal control systems also play a crucial role in determining audit quality. The effectiveness of oversight and control processes within an organization determines the extent to which auditors are able to obtain reliable evidence and objectively assess the fairness of financial statements. Several studies have found that internal controls have a positive impact on audit quality, as organizations with strong internal controls tend to produce better audits (Lisa et al., 2023). Effective internal controls help prevent errors and fraud, improve the reliability of financial reports, and support auditors in producing higher quality and more reliable audits (Diya, 2022). Conversely, other studies state that internal controls alone do not have a significant effect on audit quality and must be accompanied by other supporting factors (Hakim & Mardijuwono, 2020). These differing findings reinforce the need for further empirical studies in the context of BUMDs and the Cirebon City Inspectorate.

Given the problems with the governance of Cirebon City-owned enterprises (BUMDs), the gaps in previous research, and the urgent need to improve the quality of internal oversight, this study aims to examine the influence of auditor competence and internal control systems on the quality of internal audits at BUMDs and the Cirebon City Inspectorate. The novelty of this study lies in the simultaneous testing of these two variables within a local government environment characterized by unique oversight and governance features, specifically within the City of Cirebon's BUMDs and Inspectorate. By focusing on internal audits in the local public sector, this study is expected to enrich the empirical evidence and expand the application of Agency Theory in explaining the role of auditor competence and internal control systems as mechanisms for reducing information asymmetry.

### **Agency Theory**

Jensen and Meckling (1976) describe the contractual relationship between the principal (owner) and the agent (management), in which the principal delegates decision-making to the agent. In the context of auditing, agency theory asserts that the agency relationship creates information asymmetry between the principal and the agent, which can trigger conflicts of interest where the agent, possessing more information, may act opportunistically at the expense of the principal's interests. Auditing then functions as a governance mechanism aimed at reducing information asymmetry and lowering the agency costs associated with management oversight.

The quality of the resulting audit reflects the effectiveness of the oversight function. Auditor competence is a key factor in determining an auditor's ability to plan audits, evaluate evidence, and formulate reliable findings and recommendations (Khulsum et al., 2025). On the other hand, the internal control system serves as a framework that supports the audit process by providing adequate procedures, policies, and control mechanisms (Christensen, 2022). Synergy between adequate auditor competence and an effective internal control system is expected to

improve audit quality in support of accountability and transparency in organizational management (Novatiani et al., 2024).

### **Audit Quality**

Audit quality is one of the primary oversight mechanisms. According to DeAngelo (1981), audit quality is determined by two core capabilities of auditors: the ability to detect misstatements and the willingness to report them. High-quality audits can reduce information asymmetry and limit opportunistic behavior by agents, as auditors can identify irregularities and provide reliable reports. High information transparency and company financial performance are highly dependent on internal audits, therefore high audit quality is the main key in creating effective corporate governance (Andreas et al., 2021). In line with this, audit quality is defined as the audit's ability to detect and report material misstatements in financial statements so that users receive reliable information. Audit quality is influenced by internal auditor factors (competence, experience, professional skepticism) and organizational/environmental factors (internal control, independence, governance) (Francis, 2024). In the development of modern auditing, the use of big data analytics as supplementary audit evidence facilitates the detection of irregularities and fraud, thereby contributing to improved audit quality (Rosnidah, Johari, et al., 2022).

### **Auditor Competence**

Auditor competence refers to the totality of capabilities an auditor possesses to perform their duties professionally and produce high-quality audits (Khulsum et al., 2025). Within the framework of Agency Theory, the auditor acts as the principal's representative tasked with verifying the accuracy and reasonableness of information reported by the agent. This critical role can only be effectively fulfilled if the auditor possesses adequate competencies; without sufficient competencies, the audit will be unable to bridge the information gap between the principal and the agent, and the agency problem will persist.

Auditors who possess adequate knowledge, experience, professional certifications, and engage in continuing education have been shown to be better able to detect errors and produce higher-quality audits (Alsughayer, 2021). Auditor competencies include the ability to identify and resolve challenges, maintain confidentiality and objectivity, possess competent risk management assessment and supervision skills, have in-depth audit knowledge, and effectively plan risk-based audits while staying abreast of technology (Novatiani et al., 2024).

H<sub>1</sub>: An auditor's competence impacts the quality of the audit

### **Internal Control System**

The Internal Control System is closely related to Agency Theory because it is a concrete manifestation of the monitoring efforts undertaken by the principal to oversee the agent. Jensen and Meckling (1976) explain that the principal must incur monitoring costs to ensure that the agent acts in the principal's best interests. In this context, the Internal Control System serves as an institutional framework that restricts the agent's scope of action to prevent deviation from the assigned mandate. This Internal Control System then directly influences the audit process. The strength or weakness of the internal control system affects the information available to auditors and the complexity of the audit work; therefore, an effective internal control system tends to enhance the efficiency and effectiveness of audit procedures and reduce the risk of material misstatement, thereby improving audit quality (Christensen, 2022). Effective internal control helps prevent errors and fraud, enhances the reliability of financial statements, and supports auditors in producing higher-quality and reliable audits (Diya, 2022). Additionally, internal control managers with strong accounting experience enhance the effectiveness of the internal control system, resulting in higher audit quality (Kim, 2023).

H<sub>2</sub>: Internal control systems impact audit quality

Auditor competence and internal control systems are two interrelated and mutually reinforcing factors that influence audit quality. From the perspective of Agency Theory,

management may act opportunistically in the absence of effective oversight mechanisms (Neiroukh & Çağlar, 2025). Competent auditors are able to assess the effectiveness of internal controls, while sound internal controls support the smooth conduct of the audit process (Pham et al., 2023). When these two factors work synergistically, the quality of internal audits will improve because auditors can optimize their competence within a conducive control environment. Research by (Novatiani et al., 2024) indicates that both variables simultaneously have a positive effect on audit quality.

H<sub>3</sub>: Auditor competence and internal control systems simultaneously impact audit quality

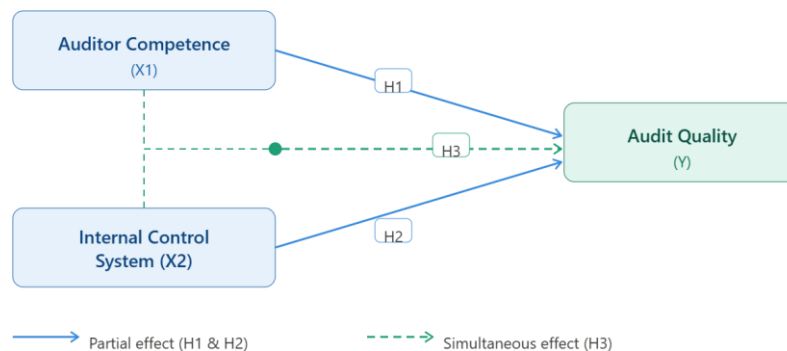


Figure 1 Conceptual Framework

Source : Data compiled by the author, 2026

## RESEARCH METHODS

This study employs an associative quantitative approach aimed at analyzing the relationships and influences among variables in a measurable and systematic manner (Sugiyono, 2023). Data were collected via a questionnaire distributed to all internal auditors and employees directly involved in the audit process and internal control activities at the Cirebon Regionally Owned Enterprise (BUMD) and the Cirebon City Inspectorate.

The population in this study consists of all internal auditors and employees directly involved in the audit process at the Cirebon BUMD and the Cirebon City Inspectorate, totaling 45 people. Given the relatively small and focused population size, the sampling technique used a census method, so that all members of the population were included as research respondents.

The data used were primary data obtained directly from respondents via a structured questionnaire. The questionnaire was designed based on the research variables using a 5-point Likert scale, ranging from 1 (Totally Disagree) to 5 (Totally Agree), and was distributed online via Google Forms as well as directly to respondents.

Data analysis employed multiple linear regression using IBM SPSS software, preceded by testing the research instruments through a series of classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests. followed by multiple linear regression analysis to measure the extent to which auditor competence and internal control systems, both jointly and partially, influence audit quality, and then statistical tests were performed.

## RESULTS AND DISCUSSION

### Results

#### Respondent Characteristics

The survey was completed by 45 participants, who are employees working at the Cirebon Regional State-Owned Enterprise and the Cirebon City Inspectorate and who play a direct role in the audit process and internal control activities.

*Table 1 Gender of Respondents*

Respondent's Gender	Total (People)	Percentage (%)
Male	23	51,1 %
Female	22	48,9 %
Total	45	100%

Source: Output IBM SPSS, Data compiled by the author, 2026

The respondents in this study consisted of 23 male auditors (51.1%) and 22 female auditors (48.9%). These results indicate that the composition of respondents by gender is relatively balanced. This reflects that the role of auditors at BUMD Cirebon and the Cirebon City Inspectorate is not dominated by a particular gender, and indicates nearly equal involvement between male and female auditors in the performance of oversight functions.

*Table 2 Respondents by Organization*

Agency	Total (People)	Percentage (%)
Male	23	71,1%
Female	22	28,9 %
Total	45	100%

Source: Output IBM SPSS, Data compiled by the author, 2026

The respondents in this study were primarily from the Cirebon Regional State-Owned Enterprises (BUMD), totaling 32 individuals (71.1%), while respondents from the Cirebon City Inspectorate numbered 13 (28.9%). This distribution of respondents indicates that the majority of the data was obtained from auditors at the Cirebon BUMD. Nevertheless, the participation of respondents from the Cirebon City Inspectorate still made an important contribution to describing the state of oversight and audit quality at the two institutions that were the subjects of this study

#### Normality Test

*Table 3 Normality Test Results*

One – Sample Kolmogorof – Smirnov Test	
	Unstandardize Residual
N	45
Test Statistic	.128
Asymp. Sig. (2-tailed)	.062

Source: Output IBM SPSS, Data compiled by the author, 2026

Based on the results of the normality test, it can be seen that the Asymp. Sig. (2-tailed) value of 0.062 is greater than 0.05. This indicates that the residual data in this study are normally distributed. Thus, the assumption of normality in the regression model has been met, making the regression model suitable for further analysis.

#### Multicollinearity Test

*Table 4 Multicollinearity Test Results*

Coefficients <sup>a</sup>			
Model		Collinearity Statistic	
		Tolerance	VIF
1	X1.1	.427	2.339
	X2.1	.427	2.339

Dependent Variable: Y.1

Source: Output IBM SPSS, Data compiled by the author, 2026

The table 4 above shows that the Tolerance value for both independent variables is greater than 0.10, specifically 0.427. Similarly, the VIF value for both variables is less than 10, specifically 2.339. This indicates that there is no multicollinearity among the independent variables in the regression model. Thus, the multicollinearity assumption has been met, and the regression model can be used for further analysis.

**Test of Heteroscedasticity**

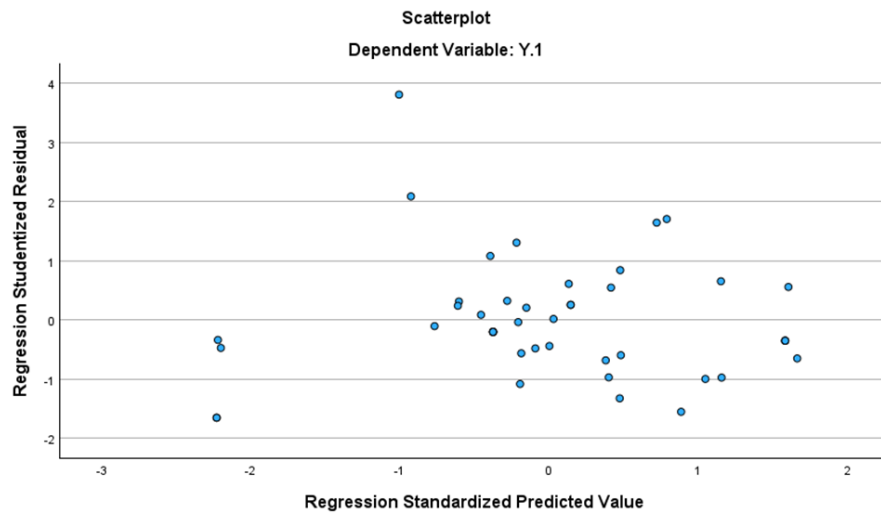


Figure 2 Heteroscedasticity Test Results

Source: Output IBM SPSS, Data compiled by the author, 2026

The figure shows that the points on the scatterplot are randomly distributed and do not form a specific pattern. Furthermore, the data points are evenly distributed above and below the 0 mark on the Y-axis. This indicates that the residual variance in the regression model is constant. Thus, it can be concluded that the regression model does not exhibit heteroscedasticity and satisfies the assumption of homoscedasticity, making it suitable for further analysis.

**Multiple Linear Regression Analysis**

Table 5 Results of Multiple Linear Regression Analysis

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.862	.825		14.384	<.001
	X1.1	.098	.026	.120	3.725	<.001
	X2.1	.508	.018	.897	27.921	<.001

Dependent Variable: Y.1

Source: Output IBM SPSS, Data compiled by the author, 2026

Based on Table 4 above, the multiple linear regression equation can be formulated as follows:

$$Y = 11,862 + 0,098 X1 + 0.508 X2$$

Description:

Y = Audit Quality

X1 = Auditor Competence

X2 = Internal Control System

The regression equation can be interpreted as follows:

The constant value of 11.862 indicates that if the Auditor Competence (X1) and Internal Control System (X2) variables are set to zero, Audit Quality (Y) will be 11.862. This positive

constant value indicates the existence of a baseline level of audit quality even in the absence of contributions from the two independent variables.

The regression coefficient of 0.098 indicates that a one-unit increase in Auditor Competence will increase Audit Quality by 0.098 units, assuming all other variables remain constant. A positive coefficient value indicates that the relationship between Auditor Competence and Audit Quality is positive, meaning that the higher the auditor's competence, the higher the resulting audit quality. However, it should be noted that the influence of auditor competence in this model is relatively small compared to that of the internal control system.

The regression coefficient of 0.508 indicates that a one-unit increase in the Internal Control System will increase Audit Quality by 0.508 units, assuming all other variables remain constant. This coefficient value is the largest in the model, indicating that the Internal Control System has a dominant and very strong influence on Audit Quality. These results show that an effective internal control system is a very important factor in producing high-quality audits.

### T-Test

Table 6 T-Test Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.862	.825		14.384	<.001
	X1.1	.098	.026	.120	3.725	<.001
	X2.1	.508	.018	.897	27.921	<.001

Dependent Variable: Y.1

Source: Output IBM SPSS, Data compiled by the author, 2026

### Testing Hypothesis 1 (H1): The Effect of Auditor Competence on Audit Quality

The first hypothesis (H1) states that auditor competence has a positive and significant effect on audit quality. Based on Table 6, the calculated t-value for the auditor competence variable is 3.725, with a significance level of <.001. This significance value is less than 0.05. This indicates that H1 is accepted, meaning that auditor competence has a positive and significant effect on audit quality.

### Testing Hypothesis 2 (H2): The Effect of the Internal Control System on Audit Quality

The second hypothesis (H2) states that the internal control system has a positive and significant effect on audit quality. Based on Table 6, the calculated t-value for the internal control system variable is 27.921, with a significance level of <0.001—well below 0.05. This indicates that H2 is accepted, meaning that the internal control system has a positive and highly significant effect on audit quality.

### F-test

Table 7 Results of the F-Test

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	867.495	2	433.748	1112.098	<.001 <sup>b</sup>
	Residual	16.381	42	.390		
	Total	883.876	44			

Dependent Variable: Y.1

Predictors: (Constant), X2.1, X1.1

Source: Output IBM SPSS, Data compiled by the author, 2026

### Hypothesis Testing 3 (H3): The Simultaneous Effect of Auditor Competence and Internal Control Systems on Audit Quality

Table 7 shows that the calculated F-value is 1112.098 with a significance level of <0.001 (well below 0.05). This indicates that auditor competence and internal control systems

simultaneously (together) have a positive and significant effect on audit quality. Thus, the regression model in this study is valid (fits) and can be used to predict audit quality

### Test of the Coefficient of Determination

Table 8 Results of the Coefficient of Determination Test

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.991 <sup>a</sup>	.981	.981	.62452	1.818
Predictors: (Constant), X2.1, X1.1					
Dependent Variable: Y.1					

Source: Output IBM SPSS, Data compiled by the author, 2026

Table 8 shows that the adjusted R-squared is 0.981, meaning that audit quality is explained by the total of auditor competence and internal control systems by 98.1%, while the remaining 1.9% is explained by other variables.

## DISCUSSION

### The Effect of Auditor Competence on Audit Quality

The results of the hypothesis testing indicate that auditor competence has a positive and significant effect on audit quality at BUMD Cirebon and the Cirebon City Inspectorate. This is evidenced by a calculated t-value of 3.725 with a significance level of <0.001, which is far below the critical threshold of 0.05. A positive regression coefficient of 0.098 indicates that a one-unit increase in auditor competence will increase audit quality by 0.098 units, assuming all other variables remain constant.

The Agency Theory (Jensen & Meckling, 1976) posits that auditors act as the principal's agent to verify information reported by the agent. Adequate auditor competence enables the oversight function to operate effectively, thereby minimizing information asymmetry and the agent's opportunistic behavior, which ultimately enhances the quality of the resulting audit.

The findings of this study are consistent with the results of previous research conducted by several researchers. (Alsughayer, 2021), in his study in Saudi Arabia, found that auditor competence—which includes knowledge, experience, and professional certification—has a positive effect on audit quality, as competent auditors are better able to detect errors and produce accurate audit reports. (Afzal, 2023), in the context of commercial banks in Pakistan, also found that internal auditors' competencies positively contribute to internal audit quality, as good knowledge and skills make the audit process more effective. (Khulsum et al., 2025) confirm that auditors' professional competence has a positive and significant impact on audit quality. (Novatiani et al., 2024) also found that internal auditors' competence influences internal audit quality and plays a role in preventing financial statement fraud

These findings have practical implications for the Cirebon Regional-Owned Enterprise (BUMD) and the Cirebon City Inspectorate to continue enhancing auditors' competencies through continuous training, professional certification, and the development of hard skills (audit techniques) and soft skills (communication, critical analysis, and professional skepticism).

### The Effect of Internal Control Systems on Audit Quality

The results of the second hypothesis test indicate that internal control systems have a positive and highly significant effect on audit quality, with a t-value of 27.921 and a significance level of < 0.001. The regression coefficient of 0.508 indicates that internal control systems have a dominant and very strong influence on audit quality.

From the perspective of Agency Theory, internal control systems function as an effective oversight mechanism to reduce information asymmetry between the principal and the agent. With a strong internal control system in place, auditors can verify and validate information more easily and accurately, thereby improving audit quality. This aligns with the COSO Framework concept, which emphasizes the five components of internal control (control environment, risk assessment,

control activities, information and communication, and monitoring) as a critical foundation for supporting organizational governance and reporting quality.

These findings are consistent with the research by (Novatiani et al., 2024). An effective internal control system provides a strong foundation for the audit process by ensuring the availability of complete documentation, clear segregation of duties, adequate authorization processes, and a reliable information system. These conditions facilitate auditors in obtaining sufficient and relevant audit evidence, thereby enhancing the accuracy and reliability of audit findings. (Lisa et al., 2023) and (Christensen, 2022) state that organizations with strong internal controls have the potential to produce higher-quality audit reports. A good internal control system reduces the risk of errors and fraud, strengthens the reliability of financial information, and facilitates a more efficient audit process

### **The Simultaneous Effect of Auditor Competence and Internal Control Systems on Audit Quality**

The results of the F-test indicate that auditor competence and internal control systems have a simultaneous, positive, and significant effect on audit quality, with a calculated F-value of 1112.098 and a significance level of  $< 0.001b$ . These results confirm that both independent variables together have a strong influence on audit quality. The Adjusted R-Square value of 0.981 indicates that 98.1% of the variation in audit quality can be explained by auditor competence and internal control systems, while the remaining 1.9% is explained by other variables not examined in this study.

The results of this study indicate that auditor competence and internal control systems have a significant effect; both are capable of making a substantial contribution to improving audit quality. This suggests a synergistic effect between auditor competence and internal control systems in producing high-quality audits.

The results of this study are consistent with the findings of (Novatiani et al., 2024) who state that auditor competence and internal control systems influence audit quality and help prevent fraud in financial statements. In the context of Cirebon's Regionally Owned Enterprises (BUMD) and the Cirebon City Inspectorate, a robust internal control system fosters a conducive work environment for auditors to maximize their competencies, thereby producing higher-quality audits.

From a practical perspective, these findings imply that efforts to improve audit quality cannot focus solely on developing auditors' competencies but must also be accompanied by strengthening the internal control system. Organizations need to ensure that the internal control structure functions effectively, documentation is sufficiently available, and information systems are easily accessible, so that auditors can perform their duties optimally.

## **CONCLUSION**

**The Effect of Auditor Competence on Audit Quality:** This study found that auditor competence has a positive and significant effect on audit quality at BUMD Cirebon and the Cirebon City Inspectorate. The higher the auditor's competence—which includes mastery of audit standards and regulations, technical skills, and professional ability in making judgments and preparing reports—the better the resulting audit quality. Competent auditors are able to carry out all stages of the audit more carefully and effectively, thereby producing findings and recommendations that are relevant and add value to the organization. Although the contribution of auditor competence is relatively smaller compared to the internal control system, competence remains a fundamental factor in improving the quality of internal audits and cannot be ignored.

**Internal Control Systems and Audit Quality:** This study found that internal control systems have a positive and highly significant effect on audit quality at BUMD Cirebon and the

Cirebon City Inspectorate. Internal control systems are the most dominant factor in determining audit quality. An effective internal control system provides a strong foundation for the audit process through the availability of complete documentation, clear segregation of duties, adequate authorization processes, a reliable information system, and well-functioning monitoring mechanisms. These conditions make it easier for auditors to obtain sufficient and relevant audit evidence, reduce the risk of errors and fraud, and improve the accuracy and reliability of the resulting audit findings. Thus, strengthening the internal control system is the key to improving the quality of internal audits at both institutions.

Auditor Competence and Internal Control Systems have a simultaneous effect on Audit Quality; the research findings indicate that these two variables together have a positive and significant effect on audit quality at the Cirebon Regional-Owned Enterprise (BUMD) and the Cirebon City Inspectorate. This finding confirms the existence of a strong synergistic effect between auditor competence and internal control systems in producing high-quality audits. Together, these two variables can make a significant contribution to improving audit quality. Within the framework of Agency Theory, the synergy between auditor competence and internal control systems strengthens the organization's oversight function, reduces information asymmetry between principals and agents, and minimizes the likelihood of opportunistic behavior. This indicates that efforts to improve audit quality cannot focus solely on developing auditor competence but must also be accompanied by a comprehensive strengthening of the internal control system. These two variables complement and reinforce one another in supporting the creation of professional, independent, and high-quality internal audits.

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