



Moderation Internal Control: PSAK Adoption IFRS, Dysfunctional Behavior on Audit Quality

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ABSTRACT

This study aims to empirically illustrate the influence of PSAK adoption IFRS, with its interaction with dysfunctional audit behavior, on audit quality, utilizing the internal control system as the moderation variable. The data collection comes from Indonesia's state-owned enterprises (SOE) employees located in Jakarta with criteria gender, level of education, age, and length of service. The survey on questionnaires and the analysis were executed through the Smart PLS 3.0. The pivotal discovery reveals a noteworthy impact of IFRS Adoption on audit quality. These findings align cohesively with agency theory, suggesting that interactions within agency relationships frequently give rise to knowledge inequality, manifesting as information asymmetry. Highlighting the imperative of transparency, it is emphasized that financial reports crafted with transparency possess the potential to shape the quality of resultant financial statements. Intriguingly, this study concludes with the unexpected revelation that there is no moderation (predictor moderation) of the internal control system on the influence of applying IFRS Adoption on audit quality. This underscores the assertion that situational leadership attains greater efficacy when supported by conducive leadership tailored to specific circumstances. Regarding theoretical and practical implications, no direct interaction is discerned between the internal control system, IFRS Adoption, and Dysfunction Audit Behavior. The moderator test findings in this study serve as moderation predictors and unveil how the internal control system variable functions solely as a predictor in the established research model, thereby contributing novelty to the existing literature.

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1. INTRODUCTION

Issues regarding audit quality arose during the 2018 financial report audit of PT. Garuda Indonesia. The financial statements for the 2018 period, belonging to the issuer Garuda, deviated from the guidelines set by the Statement of Financial Accounting Standards (PSAK) number 23. This deviation was explicitly related to the recognition and measurement of income, resulting from violations of PSAK Number 23. These violations stemmed from including the value of a cooperation agreement for providing connectivity services (wifi) with PT. Mahata Aero Technology, amounting to US\$ 239.94 Million. Consequently, there was a notable surge in the company's profits, increasing by US \$ 809,946 from a previous loss of US \$ 216.58 million (Lase et al., 2021). In response to this incident, through the Financial Professional Development Center (P2PK), the Ministry of Finance suspended Kasner Sirumpea's public accountant license for one year (Pangastuti, 2019). These sanctions were imposed due to Kasner Sirumpea's breach of public accountant professional accounting standards (SA-SPAP), specifically SA 315, 500, 560, and 700. Hadiyanto, the Secretary General of the Ministry of Finance, highlighted that Kasner Sirumpea needed to implement a quality control system while examining PT Garuda Indonesia's financial reports. Furthermore, the Ministry of Finance issued letter No. S-210/MK.1PPPK/2019 on June 26, 2019, imposing sanctions on KAP Tanubrata, Suranto, Fahmi, Bambang and Partners. The letter instructed them to enhance their policies and procedures in response to the audit discrepancies (Hidayati, 2019).

A theory about human behavior clarifies the connection between attitudes, behavior, and personal traits, as well as the method of identifying the reasons and sources of behavior. According to attribution theory, a person's behavior in specific contexts can be analyzed and predicted. (Newcomb and Heider, 1958). There are two potential causes of behavioral changes in individuals: internal and external attributions. Internal attribution originates with the individual. On the other hand, external attributions originate from specific contexts, events, and circumstances. Both factors, such as how leaders treat their subordinates and how they affect each person's attitudes and level of job satisfaction, can impact an individual's performance rating. If internal characteristics outweigh exterior characteristics, behavioral changes may be necessary. Behavior in social perception, also known as dispositional attributions and situational attributions, is influenced by the thoughts an individual forms about other people and the circumstances around them. (Luthans, 2005: 183). Internal causes of individual behavior, including personality, ability, motivation, and self-perception, are referred to as dispositional attributions. On the other hand, situational attributions, also known as external causes, are predicated on the external environment, which includes social circumstances, communal beliefs, and societal norms. Both an individual's internal and exterior environment will have an impact on every decision or action they make. Harold Kelly, a psychologist, claims that because individual cognitive processes perceive the connection between action and an important aspect of the environment, they are connected to attribution theory. Human reason encourages people to recognize and comprehend the causes of the events in their surroundings.

Audit Quality plays an essential role in terms of consideration for making decisions on audit results. Audit quality is measured by how well the auditor detects and reports material misstatements (Arens et al., 2015). A quality audit is conducted by the professional standards, code of ethics, and any applicable laws (Indonesian Institute of Public Accountants). (IAPI, 2018). According to (Johnstone-Zehms et al., 2016, p. 14), (Saputro and Mappanyukki, 2022) defines audit quality as an audit that complies with audit principles to ensure the results of audited financial reports comply with guidelines and are free from material errors. Good audit

quality is measured through the auditor's ability to find and report violations in the client's accounting system and material misstatements (DeAngelo, 1981). Audit quality is very important because, with good audit quality, the resulting financial reports can be trusted as a basis for decision-making. The auditor's ability to detect and report material misstatements in sample examination during the audit process, the auditor can only provide an audit opinion if it is in line with the facts that meet the specified auditing standards (Arens *et al.*, 2019). Audit quality is important to ensure that audit procedures are conducted according to the standards and regulations. Audit quality is influenced by several factors, both internal and external, and audit fees, audit rotation, and audit reputation are considered factors that influence audit quality (Sihombing *et al.*, 2022).

IASB is a global standard for the compilation of financial reporting for public corporations produced by a set of accounting principles known as IFRS. Because consistency of financial reports produced thanks to IFRS, the financial records audit findings will be of the highest caliber. IFRS was developed to establish a common accounting language for businesses and their financial statements. Companies can employ IFRS's characteristics, such as the use of estimates and professional judgment, the application of fair value, adherence to principles, and disclosure, to produce financial reports that are of high quality (Kartikahadi, 2020). The purpose of IFRS is to improve the quality of financial statements, which have an impact on the audit results of these financial statements. According to Jaworski and Young (1992), dysfunctional audit conduct is focused on transgressions of the control system's policies and procedures. Dysfunctional behavior is a response to controls and procedures that can be logical. Control can be used as a measuring tool to see how it affects performance, assessment, and incentives are also thought to affect management stress and tension, perhaps resulting in dysfunctional behavior (Hartmann, 2000). Dysfunctional audit behavior is audit deviant behavior that violates the laws and the code of ethics when implementing audit programs, and it either directly or indirectly lowers the audit quality (Supriyono, 2018). Decision-making based on audit results, in which an auditor must make moral judgments, is one factor that contributes to dysfunctional audit behavior. Even in situations where an auditor must make moral decisions, he must avoid doing so since audit results are interpreted unethically. lowers the audit's quality (Indriasih and Sulistyowati, 2021), (Sukmana, 2011). The dysfunctional attitude of the auditor is also at odds with the objectives of the firm. Of course, the auditor will rigorously adhere to audit requirements and will influence opinions (Unaradjan, 2019). Internal control is an organizational plan and all the methods used in business that aim to protect the assets and reliability of the company's financial data. According to D. D. Kieso *et al.* (2015:330), what is meant by internal control: "Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives related to operations, reporting, and compliance."

Arfan (2013) states that the application of IFRS-based SAK does not affect audit quality. (Perwati and Sutapa, 2016) Concluded that dysfunctional audit behavior has no effect on audit quality, in line with research (Sari *et al.*, 2015) which stated that the application of dysfunctional (Dysfunctional audit behavior) hurt audit quality, but different results were presented (Tianingsih *et al.*, 2022), (Purnamasari and Hernawati, 2013), (Hanifah, 2017) which states that dysfunctional audit behavior has a positive effect on audit quality. (Noch and Glory, 2021), (Tandilangi and Rura, 2022), (Handoko, 2022) with the results of the study stating that the implementation of the internal control system has a positive effect on audit quality. Based on some of the results of previous studies, it was found that several studies gave different results. The reason may be that there are research gaps and new variables that are rarely

studied are exciting topics to be studied more deeply. This research is a type of quantitative research. The data used are primarily in the form of questionnaires. The questionnaires used in this study contained four questionnaires, namely variable audit quality (Y), adoption of IFRS PSAK (X1), internal control systems (Moderation), and implementation of dysfunctional audit behavior (X2). This research aims to prove empirically the effect of implementing PSAK Adoption of IFRS and the application of Dysfunctional Audit Behavior on audit quality with the internal control system as a moderating variable. Apart from that, it is hoped that it can make a scientific contribution to the development of accounting science in companies, especially the application of PSAK adoption of IFRS, Dysfunctional Audit Behavior, Implementation of Internal Control Systems, and Audit Quality. It is hoped that the results of this research can be used as a reference for further research.

2. METHODS

The research sample for this study consists of state-owned enterprises located in the DKI Jakarta area and its proximate environs. These entities possess distinctive legal status, an indeterminate operational tenure, and the prerogative to secure state authorization for specific business undertakings and responsibilities. They are indemnified for business losses, a cap determined by the nominal shares held. A total of 80 surveys were processed for this research, utilizing primary data in the form of questionnaires. Engaging in a quantitative research methodology, the study enlisted 80 respondents from the aforementioned areas. The research primarily draws upon primary data sources, wherein information is directly provided to data collectors for variable measurement (Sugiyono, 2017, p. 137). Employing the Likert scale, a tool for gauging attitudes through respondents' agreement or disagreement with specified topics, objects, or events, the questionnaire statements in this study were scored on a scale ranging from one to five (Wati, 2018, p. 87). The demographic profile of respondents was examined based on gender, level of education, age, and length of service (see **Table 1**). Notably, the female respondents constituted the majority, totaling 45 individuals. Concerning the level of education, a preponderance held a bachelor's degree, comprising 58 respondents. The age distribution indicated that the largest segment fell within the 31–35 years bracket, encompassing 38 respondents. Moreover, in terms of the length of service, the majority of respondents had a tenure ranging from 2 to 5 years, constituting 40 individuals.

Table 1. Characteristics of respondents

Criteria	Sub criteria	Total Respondents
Gender	Female	45
	Male	35
	Total	80
Level of Education	Bachelor Degree	58
	Master Degree	22
	Total	80
Age	31 – 35 Years	38
	36 – 50 Years	37
	51 – 55 Years	5
	Total	80
Length of Service	0 – 1 Years	15
	2 – 5 Years	40
	5 – 10 Years	15
	>10 Years	10
	Total	80

The validity and reliability tests were used to check the accuracy of the data. The partial least squares test tested the outer and inner models, and bootstrapping was used for hypothesis testing. Smart PLS 3.0 served as the study's analysis instrument. This tool was used by researchers because the sample used was small (80 samples) and consisted of 3 latent exogenous variables. Besides that, Smart PLS can explain the relationship between research variables and valid/invalid indicators used in research.

Based on the conceptual framework (see **Figure 1**), a hypothesis can be prepared as follows:

- (i) H₁ Application PSAK adopted IFRS affects audit quality.
- (ii) H₂ Implementation of Dysfunction Audit Behavior affects audit quality.
- (iii) H₃ Application Internal Control System moderates affect IFRS adoption of PSAK on audit quality.
- (iv) H₄ Application Internal Control System moderates affect dysfunctional audit behavior to audit quality.

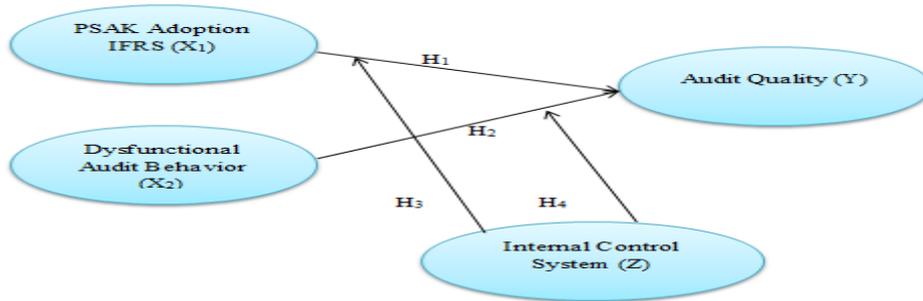


Figure 1. Conceptual framework

3. RESULTS AND DISCUSSION

3.1. Statistical Result

3.1.1. Validity Test

The validity test (see **Figure 2**) measures each research questionnaire statement. The questionnaire statement is declared valid if the value loading factor of each indicator is > 0.5. If the indicator value loading factor < 0.5, If the indicator indicates a faulty indicator, it must be dropped. (Wati, 2018:242).

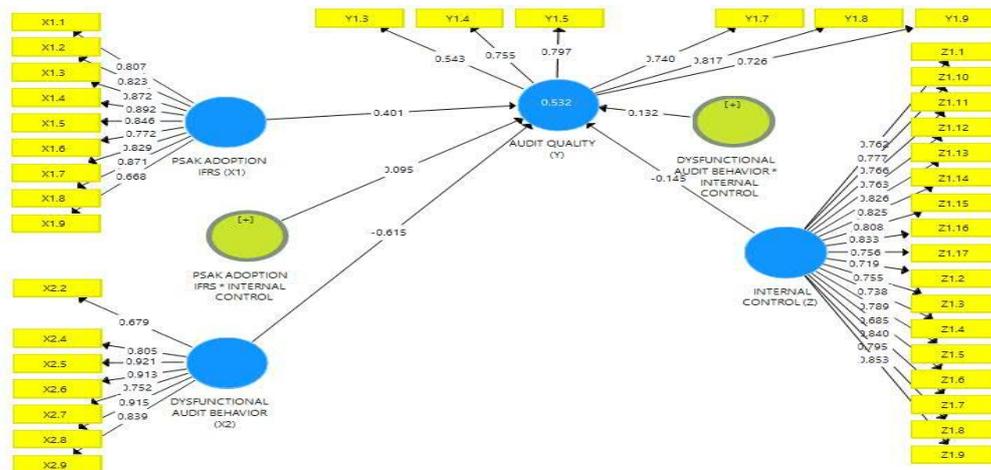


Figure 2. Output outer model

The **Table 2** below shows each variable's loading factor value:

Table 2. Convergent validity test results audit quality variable

Variable	Code Indicator	Loading Factor Value		Description
		Before the indicator dropped	After the indicator dropped	
Audit Quality (Y)	1.1	0,406	-	Not credible
	1.2	0,414	-	Not credible
	1.3	0,607	0,543	Credible
	1.4	0,774	0,755	Credible
	1.5	0,790	0,797	Credible
	1.6	0,018	-	Not credible
	1.7	0,713	0,740	Credible
	1.8	0,779	0,817	Credible
	1.9	0,695	0,726	Credible

Source: Smart PLS 3.0 output result

Results of the factor loading of the audit quality variable have a value of > 0.5 except for the loading factors Y1.1, Y1.2, and Y1.6, which have a value of < 0.5 because they have a loading factor value of < 0.5 . The indicator must drop. The factor loading value of all audit quality variable indicators is > 0.5 after three indications are removed. This finding suggests that either all indicators are legitimate or all indicators match the convergence validity requirement.

Variable loading factor value of PSAK Adopted IFRS after an indicator is dropped has a loading factor value of > 0.5 (see **Table 3**). This result can be interpreted as whether all indicators have met the convergence validity criteria or all indicators are valid.

Table 3. Convergent validity test results in PSAK adoption IFRS variable

Variable	Code Indicator	Loading Factor Value		Description
		Before the indicator dropped	After the indicator dropped	
PSAK Adoption IFRS (X ₁)	1.1	0,811	0,807	Credible
	1.2	0,823	0,823	Credible
	1.3	0,874	0,872	Credible
	1.4	0,892	0,892	Credible
	1.5	0,844	0,846	Credible
	1.6	0,768	0,772	Credible
	1.7	0,824	0,829	Credible
	1.8	0,869	0,871	Credible
	1.9	0,672	0,668	Credible

Source: Smart PLS 3.0 output result

Value of the Dysfunctional Audit Behavior variable has a loading factor value > 0.5 except for the factor loading values of indicators X2.1 and X2.3, which have a factor value of < 0.5 , so these indicators must be dropped (see **Table 4**). After indicators X2.1 and X2.3, the Dysfunctional Audit Behavior variable has a loading factor value > 0.5 . This result can be interpreted as whether all indicators of Dysfunctional Audit Behavior variables have met the convergence validity criteria or all indicators are valid.

Table 4. Convergent validity test results in dysfunctional audit behavior variable

Variable	Code Indicator	Loading Factor Value		Description
		Before the indicator dropped	After the indicator dropped	
Dysfunctional Audit Behavior (X ₂)	2.1	0,344	-	Not credible
	2.2	0,696	0,679	Credible
	2.3	0,441	-	Not credible
	2.4	0,816	0,806	Credible
	2.5	0,911	0,921	Credible
	2.6	0,904	0,904	Credible
	2.7	0,756	0,752	Credible
	2.8	0,902	0,915	Credible
	2.9	0,836	0,839	Credible

Source: Smart pls 3.0 output result

Table 5 Internal Control System variable's factor loading value before and after the indicator is dropped is more than 0.5. This outcome indicates that all indicators have either satisfied the convergence validity criterion or are all valid.

Table 5. Convergent validity test results in internal control system variable

Variable	Code Indicator	Loading Factor Value		Description
		Before the indicator dropped	After the indicator dropped	
Dysfunctional Audit Behavior (X ₂)	1.1	0,764	0,762	Credible
	1.2	0,776	0,777	Credible
	1.3	0,762	0,766	Credible
	1.4	0,764	0,763	Credible
	1.5	0,831	0,826	Credible
	1.6	0,823	0,825	Credible
	1.7	0,800	0,808	Credible
	1.8	0,828	0,833	Credible
	1.9	0,744	0,756	Credible
	1.10	0,712	0,719	Credible
	1.11	0,748	0,755	Credible
	1.12	0,726	0,738	Credible
	1.13	0,789	0,789	Credible
	1.14	0,696	0,685	Credible
	1.15	0,845	0,840	Credible
	1.16	0,791	0,795	Credible
	1.17	0,847	0,853	Credible

Source: Smart pls 3.0 output result

3.1.2. Testing Discriminant Validity

The discriminant validity test is demonstrated by the AVE value. If the AVE > 0.5, then it is declared valid. The discriminant validity test for each variable is shown below, both before and after the indicators X₂.1, X₂.3, Y₁.1, Y₁.2, and Y₁.6 are removed.

Table 6 Each construct's AVE value before and after the indicator is dropped is more significant than 0.5, meaning that all of the study's indicators meet the requirements for discriminant validity.

Table 6. Discriminant validity test result

No	Construct	AVE		Description
		Before the indicator dropped	After the indicator dropped	
1	Audit Quality (Y)	0,392	0,540	Valid
2	PSAK Adoption IFRS (X ₁)	0,676	0,676	Valid
3	Dysfunctional Audit Behavior (X ₂)	0,577	0,700	Valid
4	Internal Control System (Z)	0,609	0,613	Valid

Source: Smart pls 3.0 output result

3.1.3. Testing Reliability

The purpose of the reliability test is to establish whether the research instrument is dependable. If Cronbach's alpha and composite reliability are both more than 0.7, the research instrument is deemed reliable. (Ghozali and Latan, 2015:41). **Table 7** displays the reliability test's outcomes. The results of the reliability test before and after the indicator is dropped can be seen in the following table.

Table 7. Cronbach's alpha test results and composite reliability

Construct	Cronbach's Alpha		Composite Reliability		Description
	Before the indicator dropped	After the indicator dropped	Before the indicator dropped	After the indicator dropped	
Audit Quality (Y)	0,810	0,827	0,832	0,874	Reliable
PSAK Adoption IFRS (X ₁)	0,941	0,941	0,949	0,949	Reliable
Dysfunctional Audit Behavior (X ₂)	0,901	0,926	0,920	0,942	Reliable
Internal Control System (Z)	0,962	0,962	0,964	0,964	Reliable

Source: Smart pls 3.0 output result

According to **Table 7**, every construct has a composite reliability value of more than 0.70 and a Cronbach's alpha. These findings suggest that all of the study's constructs have high dependability.

3.1.4. Testing Hypotheses

Testing the hypothesis in this study can be seen from the results of the bootstrapping output by looking at the t-statistical values generated from the output of Smart Pls 3.0 (see **Table 8**) and then compared with the t-table values, with a significant level of 5%. The criteria for testing the hypothesis in this study are as follows (**Figure 3**):

- (i) If $t\text{-count} > t\text{-table}$ (1.96) and the P-value < 0.05 , then the hypothesis is accepted.
- (ii) If the $t\text{-count} < t\text{-table}$ (1.96) and the P-value > 0.05 , then the hypothesis is rejected.

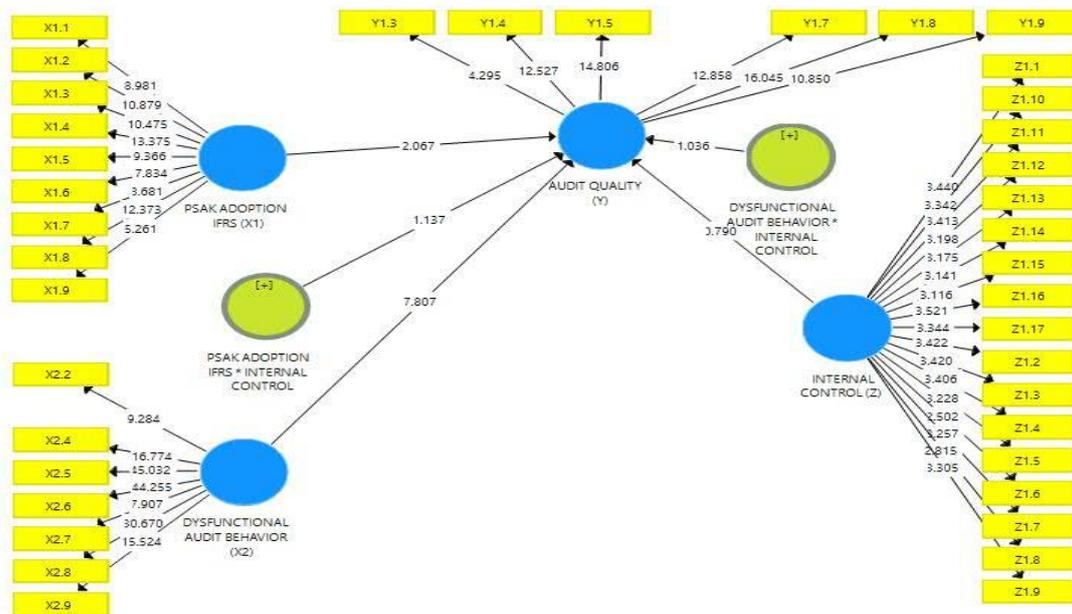


Figure 3. Structural model output (inner model)

Table 8. Results output bootstrapping path coefficients

Path Analysis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STD)	T-Statistics	P-Value	Description
PSAK Adoption IFRS (X ₁) -> Audit Quality (Y)	0,401	0,062	0,194	2,067	0,039	Accepted
Dysfunctional Audit Behavior (X ₂) -> Audit Quality (Y)	-0,615	-0,632	0,079	7,807	0,000	Accepted
Internal Control System (Z) -> Audit Quality (Y)	-0,145	-0,088	0,184	0,790	0,430	Rejected
PSAK Adoption IFRS * Internal Control System -> Audit Quality	0,095	0,062	0,083	1,137	0,256	Rejected
Dysfunctional Audit Behavior * Internal Control System -> Audit Quality	0,132	0,094	0,127	1,036	0,301	Rejected

Source: Smart pls 3.0 output result

3.1.5. The Effect of IFRS Adoption PSAK on Audit Quality.

The results of this study PSAK adoption of IFRS significantly and favorably impacts audit quality. The findings of this study are consistent with agency theory, which proposes that

agency interactions frequently result in issues of knowledge inequality (information asymmetry). Financial reports created transparently have the potential to have an impact on the financial statements produced, which will also have an impact on the outcomes of the financial statement audit. According to the study's findings, the historical cost principle, disclosure, revenue recognition, fair value, and principle base in financial statements are all well-applied components of the PSAK that IFRS adopted. Financial records will produce good-quality audit results. The findings of this research, however, differ from research (Arfan, 2013) that claims PSAK adoption IFRS has no impact on audit quality. IFRS is an accounting standard issued by the IASB which aims to make it easier for users of financial reports to understand all the information contained in financial reports. Apart from that, IFRS is an accounting standard that is established as a guide for financial reporting globally so that the financial reports produced do not only apply locally but also internationally. Implementing good IFRS in companies is hoped that it can improve the quality of financial reports, which has an impact on audit quality.

To improve the audit quality of financial reports, the financial reports presented must be understandable (financial reports can be understood by users of the information), comparable (financial reports must be able to be compared from one period to another), relevant (financial reports have no material errors and the presentation is honest), reliable (the information contained in the financial statements is not misleading) in addition to the transparency of the financial reports and their preparation based on PSAK standards.

3.1.6. The Influence of Dysfunctional Audit Behavior on Audit Quality

According to the study's findings, adopting dysfunctional audit behavior has a significant impact on audit quality. The findings of this research are consistent with the attribution theory. This theory can study and anticipate a person's conduct in a variety of scenarios. It explains a person's behavior and the relationship between behavior, attitudes, and individual characteristics, as well as the process of discovering causes and motives related to this behavior. Both internal and external influences, also referred to as internal and external attributions, can contribute to changes in behavior. For example, how superiors treat their subordinates, the impact on attitudes and employee satisfaction with work, and other situations and circumstances are examples of internal attribution, which comes from within the individual, while external attribution comes from the environment. If internal attribution is stronger than external attribution, behavior adjustments can be made. Attribution theory can explain the causes of changes in a person's behavior and the motives underlying these changes.

From the research results, it can also be concluded that the application of audit standards and the professional and independent attitude of auditors, a professional accountant must always maintain an independent mental attitude, even though accountants are experts, if they do not have an independent attitude in collecting information it will be useless because the information used to make a decision. Therefore, an attitude of independence is something that must always be pursued because, with independence, the trust of users of the auditor's report can be achieved. The results of a financial report audit provide added value to the company because the public accountant, as an expert and independent party at the end of the audit, will provide an opinion regarding the fairness of the financial position, business results, changes in equity, and cash flow. (Dharmawan, 2015).

The results of this study are in line with research (Hanifah, 2017), (Purnamasari and Hernawati, 2013), (Tianingsih et al., 2022), which states that the application of dysfunctional audit behavior affects audit quality but differs from the results of research (Perwati and Sutapa,

2016), (Rohman, 2019), (Sari *et al.*, 2015) with the conclusion of the results of his research that the application of dysfunctional audit behavior does not affect audit quality.

3.1.7. The Effect of the Internal Control System Moderating IFRS Adoption PSAK on Audit Quality

This study concludes that there is no moderation of the internal control system on the effect of applying the IFRS-adopted PSAK on audit quality. In line with situational leadership theory (Fiedler, 1967), (Graeff, 1983) reveals that the best successful leadership style is determined by situational determinants, where the performance and success of the leader do not only depend on the quality and method but depends on the situation where the leadership style is by situation at hand.

In a company, this situation can be related to group characteristics such as the level of experience of subordinates and the nature of the group task, for example, whether it is structured or not. The implementation of an internal control system will be more effective if it is supported by conducive leadership and is appropriate to the situation faced by the company. Implementing an effective internal control system will play a role in financial performance and the quality of financial reports, which will have an impact on the results of the financial report audit. However, the research results state that SPI has yet to have an impact on the quality of financial report audits, so with these results, companies still have to improve the implementation of SPI and supervision of the SPI that is carried out.

Implementation of an internal control system will be more effective if it is supported by conducive leadership and by the situation at hand. (Ghufron, 2020) states that a situational leadership style in a company is very important because a leader is the spearhead that determines success in a company. However, a leader needs to remember this so that the company's performance is not optimal, with not optimal company performance including those related to performance of internal auditors (SPI) so that, it has an impact on the resulting audit quality. The results of this study differ from studies (Handoko, 2022), (Tandilangi and Rura, 2022), (Noch and Glory, 2021) with the conclusion of the results of his research that the internal control system has a positive effect on audit quality.

Based on the type of moderating variable between the application of the internal control system, the application of IFRS adoption PSAK, and audit quality, it is included in the potential moderation type (moderation homologized) because the internal control system does not moderate the application of IFRS adoption PSAK on audit quality and the SPI variable (moderation) has no significant effect on audit quality so that the SPI variable has the potential to be a moderating variable. (Ghozali, 2018).

3.1.8. The Influence of the Internal Control System in Moderating Dysfunctional Audit Behavior on Audit Quality

This study concludes that there is no moderation of the internal control system on the effect of implementing dysfunctional audit behavior on audit quality. Situational leadership theory reveals that a successful leadership style is best determined by situational determinants, where the performance and success of a leader do not only depend on the quality and method but also on the situation where the leadership style is appropriate to the situation at hand. The implementation of an internal control system will be more effective if it is supported by conducive leadership and by the situation at hand. The situational leadership style in a company is very important because a leader is a spearhead that determines success in a company. However, a leader needs to remember this so that the company's performance is not

optimal, with not optimal company performance including those related to the performance of internal auditors, hence affecting the audit's final quality. The results of this study differ from studies (Handoko, 2022), (Tandilangi and Rura, 2022), (Noch and Glory, 2021) with the conclusion of the results of his research that the internal control system has a positive effect on audit quality.

The internal control system is an integral process of actions and activities carried out continuously by management and all employees to provide adequate confidence in achieving organizational goals through effective and efficient activities, reliability of financial reports, asset security, and compliance with regulations from research results. Which states that the internal control system does not moderate/strengthen the application of dysfunctional audit behavior to the audit quality of financial reports. It can be concluded that the implementation of the existing internal control system in the company has not functioned as it should, while the aim of building an internal control system is to protect the company's assets, accuracy and reliability of accounting records and information, increasing efficiency in company operations, and measuring compliance with policies and procedures determined by management. (Supriatna and Fridayani, 2012)

Dysfunctional audit behavior is an auditor's deviant behavior that will affect the quality of the financial report audit. This behavior is carried out by not following applicable audit procedures and standards. Audit quality will result in satisfaction and doubt regarding the information contained in the resulting audit report, decreasing the confidence of users of financial statements and reducing public trust. If the internal control system does not function as it should, the opportunity for irregularities or dysfunctional behavior to occur will be greater, so this will have an impact on the company's performance, which will also affect financial performance.

Based on the type of moderating variable between the application of the internal control system, the application of IFRS adoption PSAK, and audit quality, it is included in the potential moderation type (moderation homologized) because the internal control system does not moderate the application of IFRS adoption PSAK on audit quality and the SPI variable (moderation) has no significant effect on audit quality so that the SPI variable has the potential to be a moderating variable. (Ghozali, 2018).

4. CONCLUSION

With the SPI serving as the moderator variable, the purpose of this study is to ascertain how the use of Adospi IFRS and dysfunctional behavior affect audit quality. The implementation of Dysfunctional Behavior considerably impacts audit quality, according to the framing of the problem, hypothesis testing, and debate. The adoption of IFRS also has positive and significant effects on audit quality. The application of the IFRS and the application of dysfunctional behavior are not moderated by the deployment SPI, which is also not effective in reducing the impact of either on audit quality. Financial reports are presented by IFRS, and the development of good and effective SPI to get quality audit results of financial reports.

To obtain quality financial report audit results, the financial reports must be presented by IFRS, namely that the financial reports presented must be understandable to users of the information, comparable, relevant, reliable, and the implementation of a good and effective SPI. Apart from that, it is important to rotate the public accounting firm that audits the financial reports regularly. This research is expected to make a scientific contribution to the development of accounting and management science in companies, especially the implementation of IFRS, Dysfunctional Behavior, Implementation of SPI, and Audit Quality. It is

hoped that the results of this research can be used as a reference for further research. For further research, if the same variables are still used, dimensions and indicators can be added to the audit quality variables that are more updated and relevant, for example, sustainability reports and audit standards. There are limitations to research using primary data answers, namely provided by respondents, which do not necessarily indicate the conditions. In fact, a small sample number of variables were used, affecting limited audit quality, namely three variables: IFRS, Dysfunctional behavior, and SPI.

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