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Unpacking Auditor Performance: The Influence of Internal Locus of Control, Salary, and the Moderating Role of Spiritual Intelligence

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Abstract

This study aims to investigate how internal locus of control and auditor salaries influence auditor performance, with a focus on spiritual intelligence as a moderating factor. The research was conducted among auditors at a Public Accounting Firm in Indonesia. Using purposive sampling, a sample of 92 auditors was selected, and data collection was carried out through a survey. The data were analyzed through Multiple Linear Regression and Moderated Regression Analysis (MRA). The results indicate that both internal locus of control and salary positively impact auditor performance. Furthermore, the findings reveal that spiritual intelligence strengthens the link between internal locus of control and auditor performance. However, when examining the moderation of intelligence with auditor salaries, the results show that intelligence weakens the relationship between auditor salaries and performance.

Keywords: *Intelligence, Locus of Internal Control, Auditor Salary, Auditor Performance.*

Introduction

Economic downturns can adversely affect productivity and performance across various professions, including auditors. This heightened competition among auditors has driven them to improve their performance to remain competent. In Indonesia, Public Accountants (AP) have come under intense public scrutiny, with significant scandals leading to the suspension of certain Public Accounting Firms (KAP) by the Ministry of Finance. The quality and professionalism of KAPs are closely linked to the performance of APs, as demand grows for independent, professional auditing services. Thus, the auditing profession must continue enhancing its performance to provide dependable audit outcomes to stakeholders (Herawaty & Susanto, 2008).

AP refers to the actions performed by auditors to complete examination tasks within a designated timeframe (Ikhsan, 2021). Performance (or work achievement) is assessed through specific standards, including the quality, quantity, and timeliness of work produced. AP auditors are Public Accountants who objectively review a company or organization's financial statements to determine if they accurately represent its financial position and results according to accepted accounting principles (Hayes et al., 2014).

Users of auditing services expect auditors to deliver high-quality, transparent, professional, and independent work, adhering to good governance principles (Handoko et al., 2019). The Auditing Standards Board (ASB) introduced Statement on Auditing Standards (SAS) No. 82, which requires auditors to address potential material fraud, thereby enhancing their performance with clear operational guidelines.

The extent to which auditors meet organizational goals depends on individual and team performance levels. Ristio et al. (2014) suggest that an auditor's performance reflects their work quality, responsibilities, and accountability. Good performance, reflected in the quality of audits, supports effective strategies and policies implemented by management (Sulaiman & Yasin, 2018). Cavaliere et al. (2021) identify four dimensions of auditor performance: ability, professional commitment, motivation, and job satisfaction. These dimensions involve proficiency in tasks, dedication to the profession, motivation to achieve goals, and personal satisfaction with work.

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Auditor performance is influenced by individual traits, including locus of control and perceived abilities. Locus of control refers to how much a person believes they control their own outcomes (Ikhsan, 2021). Auditors with an internal locus of control tend to attribute outcomes to their actions, while those with an external locus of control view outcomes as driven by external factors like chance. Kartika & Wijayanti (2007) found that auditors with an internal locus of control tend to perform better, as they assume accountability for their choices. Mahdy (2012) further observed that such auditors are more resilient under pressure.

Beyond personal traits, compensation also plays a crucial role in motivating auditors. According to Azar & Shafighi (2013), salary is an essential factor that enhances employee productivity and performance. Organizations should ensure timely, fair compensation for employees. Research by Ldama & Nasiru (2020), Santikawati & Suprasto (2016), and Kadir et al. (2019) demonstrates a positive correlation between salary, benefits, and employee performance, with a good salary promoting motivation, job satisfaction, and higher-quality work. Mabaso & Dlamini (2018) and Mello (2002) indicate that adequate compensation can also boost job satisfaction and performance.

Auditors need appropriate incentives, like fair compensation, to perform effectively and achieve organizational goals. Thus, companies should consider both individual factors—such as locus of control and perceived abilities—and compensation in designing strategies to improve auditor performance.

Besides locus of control and salary, intelligence factors significantly influence auditor performance. Garaika (2020) highlights that competence is shaped by various forms of intelligence, including intellectual, emotional, and spiritual. These forms of intelligence enable individuals to respond wisely to different situations, emphasizing that success requires not only IQ but also EQ and SQ. Developing auditors' intellectual, emotional, and spiritual intelligence can support the objectives of public accounting firms. Studies by Choiriah (2013), Brody et al. (2020), and Dewi & Ramantha (2019) show that intelligence positively affects auditor performance, as more intelligent auditors tend to perform better. Rego et al. (2007) and Ismail (2015) found that employees perform excellently when they can fully express their potential. Ismail's (2015) research also demonstrated that intellectual, emotional, and spiritual intelligence positively impact performance. Additionally, Rahmasari (2012) stated that these intelligence forms are positively associated with employee performance.

Literature Review

Locus of Control

The concept of Locus of Control was first introduced by social learning theorist Rotter in 1966. It is considered one of the key personality traits and is defined as an individual's belief about whether they can control their own fate. Those who believe they can influence the events and outcomes in their lives are said to have an internal locus of control. In contrast, individuals who perceive that external forces control their life events or destiny are said to have an external locus of control. According to Ikhsan and Cen (2021), people with an internal locus of control are more likely to attribute their successes to their own actions, whereas those with an external locus of control tend to credit external factors for their achievements. Rotter's model also highlights that individuals with an internal locus of control see the world as predictable and believe their actions affect their environment. In contrast, those with an external locus of control view the world as unpredictable and feel that their behavior has little impact on their surroundings. People with an external locus of control tend to depend more on others and seek favorable situations, while those with an internal locus of control are more self-reliant and place greater value on their skills than on external circumstances (Ikhsan and Cen, 2021).

Locus of Internal Control Has a Positively Affects Auditor Performance

An individual's performance is shaped by their personality traits, which can be influenced by external factors and their tendency to deviate from these traits in non-work environments (Kreitner & Kinicki, 2008). In assessing performance, human resource professionals often utilize personality models such as the Big Five,

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Type A personality, core self-evaluation, Machiavellianism, narcissism, self-monitoring, risk-taking, and locus of control (Robbins & Judge, 2013).

Locus of control is a fundamental personality trait that consists of two dimensions: Internal Locus of Control (ILOC) and External Locus of Control (ELOC), as outlined by Kreitner and Kinicki (2001). Individuals with an internal locus of control believe that their successes and outcomes are the result of their own actions and behaviors, demonstrating self-assurance and the belief that they can achieve desired results through skill and effort. This perspective suggests that an individual is accountable for the outcomes of their actions (Reiss & Mitra, 1998; Mahdy, 2012).

Studies show that locus of control impacts job satisfaction, performance, and turnover intentions (Lauver & Kristof-Brown, 2001). Additionally, a student's abilities and locus of control significantly influence their performance and self-confidence (Klein & Keller, 1990). In auditing, an internal locus of control can provide auditors with the experience, knowledge, and skills necessary to perform audits efficiently, leading to high-quality results (Mahdy, 2012). However, auditors with an excessively internal locus may become overconfident, potentially leading to unethical decisions. Kusnadi (2015) found a positive correlation between an internal locus of control and auditor performance.

H_1: The locus of internal control has a positive effect on the performance of auditors.

Salary Has a Positive Effect on Auditor Performance

Performance appraisal is an essential duty of managers and leaders, as it allows them to make well-informed decisions regarding personnel and offer employees valuable feedback on their performance. One of the key factors influencing employee motivation and productivity within a company is salary. Panggabean (2002) defines salary as a regular financial reward given to employees, whereas wages refer to direct monetary compensation paid according to the number of working hours or the volume of goods and services produced. According to Mathis & John (2002), salary represents the most common form of direct compensation and employee benefits.

Research by Gardner & Schermerhorn (2004) indicates that an employee's salary size has a significant impact on their performance. Similarly, Gupta and Shaw (1998) found that higher salary levels correlate with improved employee performance, a view supported by Lawler & Jenkins (1992). Gerhart et al. (1992) argue that the literature on compensation strongly supports the notion that individual incentives, salary levels, and bonuses contribute to enhanced employee performance.

Based on this, it can be concluded that the salary level of auditors directly influences their performance, with higher salaries leading to better performance as auditors are motivated to perform at higher levels.

H2: Auditor salaries have a positive effect on auditor performance.

LOC Has a Positively Affects Auditor Performance

Duffy & Atwater (2005) argue that locus of control (LOC) is essential for shaping an individual's confidence in managing events, whether the source is internal or external. Auditors with a strong internal LOC are likely to positively impact their audit performance, viewing internal LOC as crucial for achieving success. These auditors, who can self-regulate their actions during audits, tend to demonstrate better performance. LOC reflects a person's outlook on events, shaping whether they feel in control of situations around them (Rotter, 1996). When encountering conflict at work, individuals may struggle with managing the situation, potentially reducing the quality and precision of their work. Thus, spiritual, emotional, and intellectual intelligence are vital to aid auditors in resolving such challenges, serving as valuable assets.

Spiritual intelligence (SQ) forms a foundation for both IQ and EQ, involving the ability to access deeper meanings, values, and inner aspects, which enriches one's life and promotes creativity. Individuals with high SQ display traits such as innovative thinking, humility, and the ability to connect beyond their ego and

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immediate concerns, fostering a sense of unity with oneself, others, and the universe. At work, intellectual engagement is essential, yet other factors contribute to job satisfaction. Research by Chakraborty (2004) on spiritual intelligence and leadership indicates that spirituality impacts one's leadership approach. Effective leaders with high SQ incorporate spiritual values into their leadership style, earning greater respect from subordinates and enhancing work quality.

Meyer (2004) emphasizes that EQ is as significant as technical and analytical skills combined for achieving optimal performance. EQ, or emotional intelligence, includes aspects like trust, empathy, self-awareness, emotional control, and the ability to respond thoughtfully to others' emotions. EQ involves understanding where others are emotionally, such as recognizing when it might be inappropriate to ask for a raise if someone seems distressed from a personal issue.

IQ, identified in the early 20th century and measured by the Stanford-Binet Intelligence Scales, relates to logical, rule-based problem-solving intelligence. It represents a mode of thinking that, while varied across individuals, often correlates with higher performance in work-related problem-solving. Intelligence, as described by Surakhmad (2001), enables a person to act with purpose, think rationally, and adapt effectively to their environment, engaging in a mental process of rational thought.

THREE TYPES OF INTELLIGENCE

Capital	Intelligence	Function
Material Capital	IQ = Rational Intelligence	What I Think
Social Capital	EQ = Emotional Intelligence	What I Feel
Spiritual Capital	SQ = Spiritual Intelligence	What I Am

Intelligence can be utilized most effectively when spiritual, emotional, and intellectual intelligence work together in harmony, as proposed by Ariati (2014). An auditor's spiritual intelligence may play a key role in strengthening the effect of their internal locus of control (LOC) on performance.

H_3: Spiritual, emotional and intellectual intelligence reinforce the relationship of internal LOC on auditor performance.

Intelligence Weakens the Relationship of Auditor Salaries to Auditor Performance

In today's era of global competition, it is essential for organizations to identify and retain skilled, capable, and knowledgeable employees by establishing and maintaining an effective compensation program that fosters high job performance. Akter & Husain (2016) classify compensation into three types: salaries/wages, bonuses (incentives), and special allowances (benefits). They highlight the importance of having an appropriate compensation strategy to help organizations achieve their goals. Brotoharsojo & Wungu (2003) state that salaries serve as the primary component of income directly tied to a position or direct compensation and suggest that determining suitable role weights and responsibilities within a company requires thorough job evaluations. Salary reflects the employee's perception of the reward provided by the organization for their efforts and can fulfill their basic needs (Umar, 2002). Ferris (1977) asserts that income level positively influences motivation, thereby enhancing individual performance. On the other hand, low salaries can decrease an auditor's performance. While a high salary may encourage auditors to work harder, other factors, like spiritual intelligence, are also essential for sustaining an auditor's happiness and motivation (Goleman, 1998). Goleman argues that Emotional Intelligence (EI) is twice as important as Intelligence Quotient (IQ) for effective performance, and that organizations can boost EI among employees to improve productivity and performance. Prior research in psychology, health, and performance measurement (Slaski & Cartwright, 2002; Lam & Kirby, 2002) reveals a strong positive correlation between EI and job performance. Thus, enhancing performance is not solely reliant on a high salary but is also shaped by spiritual intelligence, which encompasses the ability to understand and find meaning in each task. Therefore, if individuals seek to achieve good job performance, spiritual intelligence is a crucial factor to consider (Jacka, 2018; Fuady, 2003; Trihandini, 2005).

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H4: Intelligence weakens the relationship of auditor salaries to auditor performance.

Research Methods

This study utilized a causal associative model, with internal locus of control (LOC) and auditor salary as the independent variables. Internal LOC reflects an individual's belief that their achievements and setbacks are a result of their own actions (Nelaz et al., 2014). People with an internal LOC typically demonstrate greater independence, resistance to social pressures, ability to delay gratification, and actively seek information to gain control over their circumstances. Their internal control is evident through their employability and work-related actions, which contribute to their success or failure in fulfilling their responsibilities. Conversely, salary is the remuneration given to employees for their services, usually calculated on a fixed weekly, monthly, or annual basis. Setting an appropriate salary level is complex, as it can greatly influence employee morale and motivation. Thus, various factors affecting salary levels must be considered (Mathis & Jackson, 2011).

The dependent variable in this study is auditor performance, which involves an objective evaluation of a company's or organization's financial statements to determine whether they are fairly presented according to generally accepted accounting principles. The moderating variable in this research is spiritual intelligence, defined as the ability to tackle and resolve issues of meaning and value. Spiritual intelligence allows individuals to place human actions and life within a broader and more meaningful context, helping them assess the significance of their actions or lifestyle in relation to others. It serves to moderate the relationship between the independent and dependent variables. The research model is illustrated in Figure 1.

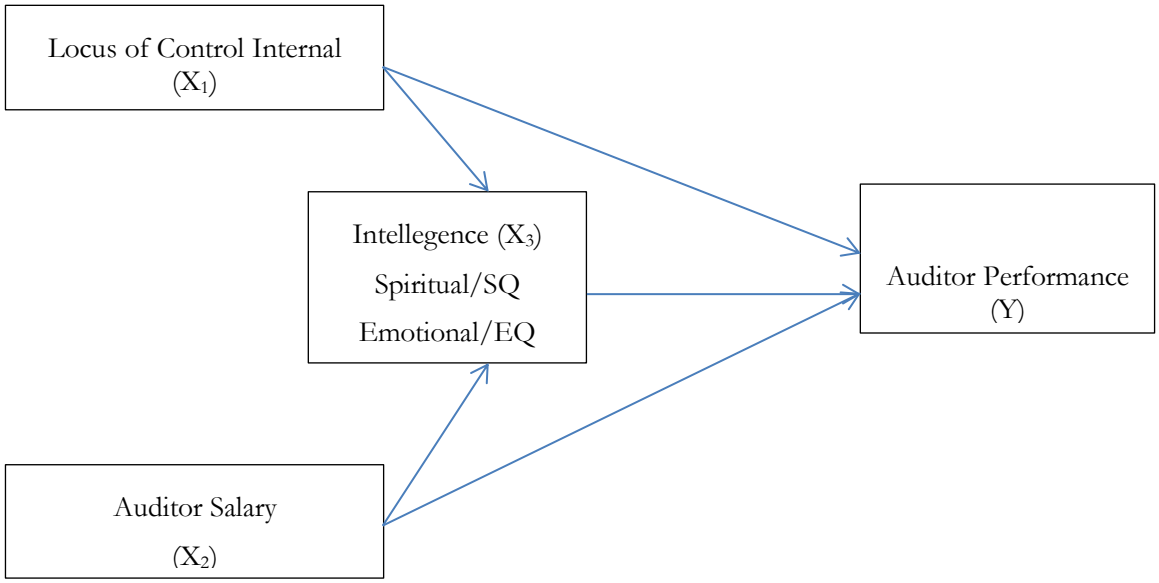

Figure 1. Research Design

The study's sample population consists of auditors in Indonesia, chosen through a simple random sampling method. The composition of the participating auditors is detailed in Table 1 as follows:

Table 1. Auditor Qualifications

No	Auditor	Totals	
1	Novice Auditor (Junior Auditor)	56	92
2	Senior Auditor	29	
3	Manager	4	
4	Partner (Colleague)	3	

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The study was conducted at public accounting firms in Indonesia, as listed in the 2023 Directory of Public Accounting Firms. Indonesian auditors were chosen as participants to improve the generalizability of the study's findings. To boost response rates, the researchers sought assistance from colleagues who are members of the Indonesian Accounting Lecturers Association, including some who work as auditors.

Data analysis was performed using multiple regression analysis with the SPSS software. Linear regression was applied to determine the relationship between internal locus of control (X1), auditor salary (X2), and auditor performance (Y). Additionally, Moderated Regression Analysis (MRA) was used to test interaction effects. This method is a specific form of multiple linear regression that includes interaction terms in the regression equation. In this study, interaction testing examined the link between internal locus of control and auditor performance, with spiritual intelligence as the moderating variable. The mathematical equations used in this analysis are shown below.

Model 1:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \ldots\ldots (1)$$

Where:

Y	= Auditor Performance
α	= Constant
β_1, β_2	= Regression Coefficient
X_1	= Locus of Control Internal
X_2	= Auditor Salary
e	= Error

Model 2:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_1 X_3 + \beta_5 X_2 X_3 + e \ldots\ldots (2)$$

Where:

Y	= Auditor Performance
α	= Constant
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$	= Regression Coefficient
X_1	= Locus of Control internal
X_2	= Auditor Salary
X3	= Intelligence
X_1X_3	= Interaction between Internal Locus of control and Intelligence
X_2X_3	= Interaction between Auditor Salary and Intelligence

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e = Error

Finding and Results

The findings of this study are presented in Tables 2 and 3, which display the results of the multiple linear regression analysis and the Moderated Regression Analysis (MRA), respectively.

Table 2. Results of Multiple Linear Regression Analysis

	Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,998	2,887		0,662	0,613
	Locus Of Control Internal (X_1)	0,621	0,185	0,411	5,655	0,000
	Auditor Salary (X_2)	1,667	0,195	0,6711	11,643	0,000
	R_{square} :	**0,727**				
	F_{Value} :	**79,844**				
	Sig. F_{value} :	**0,000**				

$Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + e$

$Y = 1{,}998 + 0{,}621\ X1 + 1{,}667\ X2 + e$

The regression coefficient analysis showed a constant value (α) of 1.998, meaning that if internal locus of control (X1) and auditor salary (X2) remain unchanged, the auditor's performance (Y) is predicted to rise by 1.998 units. Additionally, the β1 coefficient for internal locus of control is 0.621, indicating that a one-unit increase in internal locus of control (X1), with other variables held steady, leads to a 0.621-unit increase in auditor performance (Y). Similarly, the β2 coefficient for auditor salary is 1.667, showing that a one-unit increase in auditor salary (X2), while other variables remain constant, results in a 1.667-unit boost in auditor performance (Y). These positive coefficients underscore the significant influence of both internal locus of control and salary on auditor performance.

Table 3. Interaction Hypothesis Test Results (MRA)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-7,776	5,812		-1,521	0,103
Locus of Control Internal (X_1)	-0,904	0,421	-0,339	-1,900	0,021
Auditor Salary (X_2)	3,812	0,822	1,512	4,681	0,000
Intelligence (X_3)	0,511	0,312	0,412	2,323	0,001
Locus of Control Internal x Intelligence (X_1_X_3)	0,051	0,015	1,043	3,113	0,000
Auditor Salary x Intelligence (X_2_X_3)	-0,077	0,017	-1,532	-2,143	0,001
Adjusted R_{square} : 0,812					
F_{value} : 48,225					
Sig. F_{value} : 0,000					

$Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \beta 4\ X1X3 + \beta 5\ X2X3 + e$

$Y = -7{,}776 - 0{,}904\ X1 + 3{,}812\ X2 + 0{,}511\ X3 + 0{,}051\ X1X3 - 0{,}077\ X2X3 + e$

The analysis shows that the constant value (α) is -7.776, indicating that without the variables of internal locus of control (X1), auditor salary (X2), intelligence (X3), the interaction between internal locus of control

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and intelligence (X1_X3), and the interaction between auditor salary and intelligence (X2_X3), the auditor's performance (Y) would decrease.

Additionally, the β4 coefficient, which is 0.051, implies that intelligence (X3) moderates the relationship between internal locus of control (X1) and auditor performance (Y) when other factors are held constant. The β5 coefficient of -0.077 suggests that intelligence (X3) also moderates the relationship between auditor salary (X2) and performance (Y), with all other variables held constant. These results highlight the essential role of intelligence in shaping the effects of internal locus of control and salary on auditor performance.

The study's moderation model led to variations in the multiple linear regression results, categorizing it as a quasi-moderator (Ghozali, 2011). According to Ghozali (2011), adding independent variables to a regression model can either increase or reduce the error value. Consequently, to evaluate the total determination in a multiple linear regression or moderation model, the adjusted R-squared value, which accounts for the error, is used.

As shown in Table 4, the adjusted R-squared value is 0.812, or 81.2%, meaning that 81.2% of the variation in auditor performance is explained by the model, which includes internal locus of control (X1), auditor salary (X2), intelligence (X3), the interaction between internal locus of control and intelligence (X1_X3), and the interaction between auditor salary and intelligence (X2_X3). The remaining 18.8% is attributed to other factors not included in the model.

Table 4. Model Feasibility Test Results

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	5665,143	5	1144,323	47,889	0,000[b]
1	Residual	1438,911	86	19,031		
	Total	6767,054	91			

The model feasibility test results shown in Table 4 demonstrate that intelligence significantly moderates the relationship between internal locus of control and auditor salaries on auditor performance. The F-test yielded a significance level of 0.000, lower than the threshold of 0.005, confirming the model's appropriateness for further analysis and hypothesis testing.

The findings show a β1 value of 0.621, with a significance of 0.000, less than 0.05, indicating that internal locus of control positively influences auditor performance and supports the first hypothesis (H1). This suggests that auditors with a strong internal locus of control perform better, as they are confident in their abilities and take responsibility for their tasks, which enhances job satisfaction and performance. Prior research by Hyatt and Prawitt (2001) supports this positive link, aligning with Priyatno (2013) and Kusnadi (2015), though Maulana (2012) reported no significant impact of locus of control on performance.

The study also found a β2 value of 1.667, with a significance of 0.000, indicating that auditor salaries positively affect performance and supporting the second hypothesis (H2). This aligns with the work of Jenkins et al. (1998), Lawler & Jenkins (1992), and Handoko (2013), as well as Gardner & Schermerhorn (2004), who showed that salary influences employee performance.

Furthermore, analysis of intelligence's moderating effect on the link between internal locus of control and auditor performance produced a p-value of 0.000, below the 0.05 threshold, thus supporting the H3 hypothesis. The regression coefficient of 0.049 implies that intelligence strengthens the relationship between internal locus of control and performance. Auditors with both high intelligence and an internal locus of control tend to show enhanced professional responsibility, with their intelligence further fostering this sense of responsibility, driving optimal performance.

Accountability is essential for auditors, encompassing both external accountability, related to their independent reporting, and internal accountability, rooted in personal responsibility and possibly spiritual

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awareness. Such awareness can motivate auditors to meet their professional duties, improving performance. This finding echoes Kartika & Wijayanti (2007), who highlighted that individual traits like internal locus of control positively affect auditor performance, supported by factors like intelligence, emotional regulation, and spiritual awareness as seen in Choiriah (2013).

The current study reinforces Munir's (2000) theory, which suggests that employees excel when they can fully express their human potential, a process supported by intelligence, which helps them find meaning in their work and align their emotions, feelings, and cognition. Intelligence, therefore, is crucial in helping individuals give significance to their work, enhancing performance.

The results also indicate that intelligence moderates the link between salaries and performance, with a p-value of 0.001 (less than 0.05), supporting the H4 hypothesis. The regression coefficient of -0.077 suggests that intelligence weakens the dependence of performance on salary. Highly intelligent auditors are more likely to be motivated by responsibility and accountability than salary alone, leading to improved performance.

Intelligence aids individuals in addressing the purpose and significance of their work, fostering intrinsic motivation. Consequently, people with high intelligence levels are less focused solely on salary, as they understand the intrinsic value and responsibility inherent in their roles. This finding is consistent with Wiersma's (2002) research, which indicates that intelligence shapes career goals and motivation, as well as studies by Ldama & Nasiru (2020), Notoprasetio (2012), and Choiriah (2013), which confirm that salary and intelligence both affect auditor performance.

Conclusions and Suggestions

This study utilized statistical tests to explore the connection between internal locus of control and auditor performance, examining the moderating effects of auditor salaries and intelligence on this relationship. Results indicated that internal locus of control positively affected auditor performance. Auditor salaries also positively impacted performance, while intelligence moderated the connection between internal locus of control and performance, enhancing the relationship at higher intelligence levels, and between salaries and performance, where higher intelligence reduced salary dependency.

Significantly, highly intelligent auditors demonstrated that their performance improvements were driven not just by salary, but by a sense of responsibility and intrinsic motivation to excel. Based on these insights, it is recommended that top management focus on improving auditor performance by streamlining processes, providing necessary support, and recognizing intelligence as a key contributor. To achieve this, managers should enhance each auditor's capacity to be self-reflective, accept others' viewpoints openly, manage emotions, and prevent stress from impairing cognitive and emotional skills.

These findings offer valuable insights for future researchers interested in auditor performance and the influence of independent, moderating, and intervening variables on outcome variables.

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