

The Effect of Competence on Tax Auditor's Performance: The Moderating role of Self-Efficacy and Organizational Commitment

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Abstract. Tax revenue is very important because it is the biggest contributor to Indonesian Budget. Therefore the role of the Directorate General of Taxes is needed to be able to meet these targets. The aim of this study is to investigate how the competency of tax auditors affect tax auditors performance. The study also investigated the moderating effect of self efficacy and organization commitment on the relationship between competence on tax auditors performance. A model was developed and tested by using a sample of 93 tax auditors from The Directorate General of Taxation in Riau Regional. Data were collected and analyzed by using least square regression and moderated regression analysis. The result show that competency affect tax auditors performance. The results also indicate that self efficacy and organization commitment strengtenth the effect of competence on tax auditors performance.

Keywords: Competence, tax auditors performance, self efficacy, organizational commitment

1 Introduction

Recently the government revenue derived from tax revenue plays a very important role in the administration of the state. That's because the tax revenue target for the Indonesian Budget is around 87%. Therefore the government and stakeholders need to pay attention to the order of taxpayers when carrying out their tax obligations. Good cooperation between tax authorities and taxpayers will be able to support the achievement of tax revenue targets. The tax authority performs its role properly, and is supported by compliant taxpayers in carrying out their tax obligations. The taxation system in Indonesia, which uses its own valuation system, allows taxpayers to not fulfill their tax obligations properly

For this reason, it is very necessary for the role of the tax authorities to carry out supervision of taxpayers in fulfilling their tax obligations. In the concept of authority delegation, the party who delegates the authority will of course ensure whether the party delegated with that authority has fulfilled its obligations in accordance with the authority delegated. Therefore the tax authorities need to ascertain whether the taxpayer as the party who is delegated with the authority to calculate the tax itself has implemented it in accordance with applicable regulations.

To ascertain whether the taxpayer has calculated the tax correctly as it should, randomly the tax authorities will conduct an audit of the taxpayer. To be able to explore the potential tax payments from taxpayers, competent tax auditors are needed and have sufficient expertise. Thus, when conducting an audit, the tax auditors can find the potential tax that should be paid by the taxpayer, but has not been paid. Thus the importance of the role of tax auditors to be

able to explore the potential of tax revenue, so as to achieve the targets set. But based on tax revenue data for the past three years, the tax revenue target has not been achieved as expected. In 2016, 2017 and 2018 revenue realization were around 83.4%, 91.2% and 94% respectively.

At present the performance of tax auditors is still not optimal in helping the government achieve the tax revenue targets set. This can be seen from the findings of the BPK set out in the Audit Results Summary in Semester 1 showing that tax monitoring and auditing activities have not been fully effective in supporting tax revenue targets (IHPS I BPK 2017). According to the BPK the tax audit was not yet effective, partly because the implementation of the tax audit was not in accordance with the provisions and inspection standards. Besides that, there is still an inspection process that is not in accordance with the procedure, causing the tax determination to expire. Besides that, there is still an error with the fiscal correction on the tax calculation of several taxpayers in accordance with the provisions. The BPK also found that the implementation of the tax audit was not in accordance with the provisions and inspection standards.

Competence is one of the factors that can affect the performance of tax auditors, and competence can affect optimal performance achievement. Competence is a fundamental characteristic of individuals that results in effective and superior performance in a job or situation. [1] also states that competent individuals are essential factors that support and guarantee the success of an organization. Furthermore,. Therefore it can be concluded that the competency of a tax auditors will greatly affect its performance. The findings of [2,3,4,5] show that competence influences employee performance.

One factor that can affect the effect of competencies on the tax auditor's performance is the self-efficacy. Self-efficacy can strengthen the effect of competence on tax auditor performance. The tax auditors' self-efficacy will also affect how much their competence will affect their performance. According to [6], individual self-efficacy plays an important role in its performance. Self-efficacy is self-perception of how good an individual is [7]. According to [8] self-efficacy is a person's belief in his ability to master the situation and produce something beneficial. Therefore, a tax auditor who has a high level of self-efficacy will have the confidence that he is able to complete his work successfully and better. This confidence will further motivate tax auditors to be able to optimize the completion of their work, which of course will have an impact on improving their performance. According to [7] individuals who have high self-efficacy will have better performance. This is because these individuals have strong motivation, clear goals, and stable emotions, so that it will have an impact on better performance. The better the self-efficacy of a tax auditor, the more tax auditor's competence has the role of increasing his performance.

Organizational commitment can also affect the strength of the effect of competencies on individual performance. According to [9] the achievement of individual performance is strongly influenced by organizational commitment. Individuals with high organizational commitment will produce high performance [10,11] revealed that individuals with high organizational commitment will help the organization through difficult times so as to help achieve organizational goals. [12] and [13] found that the higher the individual's organization commitment, the better his performance will be. Therefore if a tax auditor is an individual who has competency in accordance with his field of work, he will have optimal performance. Thus if the tax auditor has a high commitment to the organization where he works, hi will have effective performance.

1.1 Literature Review

The Effect of Competence on Tax Auditors Performance

Competence is an individual skill both in terms of knowledge both theoretically and in practice, in doing their work. According to [14] competence is a fundamental characteristic of every individual that is associated with criteria that are referenced to superior or effective performance in a job or situation. Competence is a fundamental characteristic of an employee that results in the creation of an effective / superior performance [15]. If an individual has very adequate skills and knowledge in accordance with his duties and work, then the individual will be able to carry out his work, in accordance with their duties and responsibilities. These conditions will certainly have an impact on improving performance.

According to [16] competence is an underlying characteristic of a person who can produce effective and / or superior performance in his work. Therefore it can be said that individuals who have very adequate competence will have very productive performance [17]. The relationship between competence and performance is very close and very important, and has a very accurate relationship. Therefore, if individuals want to improve their performance, these individuals should also have competencies that are in accordance with their work duties. Thus if an individual has sufficient competence, will have a very adequate performance as well. [1] also stated that individuals who have competence are very important factors in supporting and ensuring the success of an organization. According to [1] the higher the individual competence, the better his performance. Another researcher [18] also found that competence is a part of personality that can influence one's effectiveness and performance. Competence is an individual ability that can be associated with performance improvement by individuals or teams.

Other findings by [1] found that the higher the competency possessed by someone and in accordance with the demands of the job, the performance will also increase. This is due to the fact that someone who is competent usually has the ability and willingness to deal quickly with work problems encountered, do work calmly and full of self-confidence, view work as an obligation that must be done sincerely, and openly improve the quality of self through learning process. If a tax auditor has sufficient competence in accordance with the responsibilities of the work he has to do, it will have an impact on the adequacy of his performance. Similar finding by [19] found that the higher the competency of the individual employee, the higher his performance. Other researchers, [1,2,3,4] also found that competence had a significant effect on performance. Contrary [20], found that competence does't affect employee's performance.

H1: Competence affect tax auditor's performance
The Moderating Role of Self-Efficacy

Self-efficacy is a person's self-perception of how well he can have a function in certain situations. Self-efficacy refers to an individual's belief in his ability to succeed in doing something [7]. Individuals who have high self-efficacy believe that they are able to do something to change the events around them, whereas someone with low self-efficacy assumes that he is basically unable to do everything around him. In difficult situations, people with low self-efficacy tend to give up easily. While people with high self-efficacy will try harder to overcome the challenges that exist. According to [21] the feeling of self-efficacy plays an important role in motivating workers to complete challenging work in relation to achieving certain goals. Thus it can be concluded that a tax auditor who has very adequate competence will be able to improve its performance. With its high self-efficacy, competence will increasingly play a role in improving the performance of tax auditors. In other words, self-efficacy moderates the effect between competency and tax auditor's performance.

H2: Self-efficacy strengthen the effect of competence on tax auditor's performance
The Moderating Role of Organizational Commitment

Organizational commitment is a condition where an employee sided with an organization and its goals, and intends to maintain its membership. Organizational commitment reflects the extent to which an individual identifies the organization and its goals [22]. Organizational commitment is a psychological bond to an individual characterized by strong trust and acceptance of the goals and values of the organization, the willingness to work towards the achievement of organizational interests and the desire to maintain its position as a member of the organization. Whereas [14] states that organizational commitment is a strong desire to remain as a member of a particular organization, as well as a desire to strive in accordance with organizational desires and certain beliefs, as well as acceptance of organizational values and goals. Thus it can be interpreted that organizational commitment is an attitude that shows one's loyalty to an organization and also an ongoing process where a person expresses his concern for the organization. Organizational commitment is the level to which an employee believes and accepts organizational goals and desires to stay with the organization [23]. A tax auditor who has very adequate competence will have an impact on improving his performance. With a high commitment to the organization where he works, the competence of the tax auditor will further improve its performance. In other words, the organizational commitment of a tax auditor will affect the role of competence in influencing its performance.

H3: Oeizational commitment strengthen the effect of competence on tax auditors performance

2 Method

2.1 Research Objectives

This study has two main research objectives, that is, to determine whether competence affect the performance of tax auditors and to identify the moderating role of self-efficacy and organization commitment.

2.2 Modeling Volatility

The first hypothesis is tested using multiple regression analysis with the following equation $Perform = \alpha + \beta_1 Compt + \epsilon$.

The second and third as well as the moderating role of self-efficacy and organization commitment are tested using a moderated regression analysis (MRA) technique. Three steps are applied in the MRA to determine the role of the moderating variable [24]. Equations from the three stages are used to test the second and third hypotheses. The first stage tests the effects of the independent variable on the dependent variable. The second stage examines the influence of the moderating variable as an independent variable on a tax auditor's performance. The third stage investigates the role of the moderating variable on the effect of the independent variables on the dependent variable. If the moderating variable shows a significant effect in the second step, then its role is a quasi-moderator. However, if it demonstrates an insignificant effect, then the moderating variable is a pure moderator.

Hypothesis 3

Stage 1: $Perform = \alpha + \beta_1 Compt + \epsilon$.

Stage 2: $Perform = \alpha + \beta_1 Comt + \beta_2 SelfEf + \beta_3 OrgComm + \epsilon$.

If the test results in stage 2 show a significant LoC value, then the self-efficacy and organization commitment can be tested as a moderating variable.

Stage 3:

$$\begin{aligned}
 \text{H3: Perform} &= \alpha + \beta_1 \text{Compt} + \beta_2 \text{SelfEf} + \beta_3 \\
 &\quad \text{Compt*SelfEf} + \varepsilon \dots \dots \dots \text{ (Quasi),} \\
 \text{Perform} &= \alpha + \beta_1 \text{Compt} + \beta_2 \text{Compt*SelfEf} + \varepsilon \dots \dots \dots \text{ (pure)} \\
 \text{H4: Perform} &= \alpha + \beta_1 \text{Comp} + \beta_2 \text{OrgComm} + \beta_3 \\
 &\quad \text{Comp*OrgComm} + \varepsilon \dots \dots \text{ (quasi),} \\
 \text{Perform} &= \alpha + \beta_1 \text{Comp} + \beta_2 \text{OrgComm} + \\
 &\quad \varepsilon \dots \dots \dots \text{ (pure).}
 \end{aligned}$$

where Perform = performance, Comp t= competence, SelfEf = Self efficacy, Orgcomm=organization commitment.

2.3 Data Collection

The data are obtained from the tax auditors of the DGT in Riau, Indonesia. The data to be processed are the answers of the tax auditors, as respondents, on the distributed questionnaire. A total of 93 questionnaires is returned, which is further processed.

2.4 Definition and Variable Measurement

Individual performance denotes the work achieved by an individual in carrying out his duties in accordance with his responsibilities, and is one of the benchmarks used to determine whether a job is satisfactory [25]. Tax auditors are measured based on the Director General Circular Letter Number SE-11/PJ/2017 concerning audit planning, strategy, and tax auditor’s performance measurement. Competence is an individual’s characteristic that demonstrates a certain behavior and performance. An employee is required to have certain competencies in their job or position they occupy. According to (15) the individual’s competency is an underlying characteristic related to the effectiveness of his performance. Moreover, it is the basic characteristic of individuals who have a causal relationship as well as effective or optimal performance at work or certain situations. Competence consists of intellectual, emotional, and social competencies, which are part of the innermost personality of a person that can affect the effectiveness of individual performance. Competency is measured by a competency instrument developed by [15].

3 Results And Discussion

The following table 4.1 shows the results of the each hypothesis

Table 1. p value

Variable	p-value	Beta value	Description
Competencies	0.033	Positive	Accepted
Moderating 1	0.000	Positive	Accepted
Moderating 2	0.021	Positive	Accepted

The normality of the data should be tested, and classical assumption tests should be performed before the hypotheses are tested. The results of the data normality test show that the Kolmogorov Smirnov value is 0.200 which is greater than 0.05. Therefore, the data in this study meet the data normality requirements Tests on classical assumptions are likewise carried out, and the results show that the requirements for multicollinearity, heteroscedasticity, and autocorrelation are fulfilled.

Based on the partial SPSS output, the effects of competence on tax auditors performance value show a p value of 0.033, which smaller than 0.05. Therefore, it can be concluded that competence affects tax auditor's performance. A positive beta value indicates that the more competence a tax auditor is, the better his performance will be. Hypotheses 2 and 3 want to examine the moderating role of self-efficacy and organization commitment on the effect of competence on a tax auditor's performance. Hypothesis testing is performed by MRA. Several steps are performed to determine the moderating role of self-efficacy and organization commitment on the effect of the dependent variable on the independent variables. The test results of Hypothesis 2 shows that the p value for self- efficacy as a moderating variable is 0.000. Thus it can be concluded that self-efficacy moderates the effect of competence on tax auditor's performance. A positive beta value of interaction of competence and self-efficacy indicates that the self-efficacy strengthens the effect of competence on tax auditor's performance. The testing results of Hypothesis 3, that is, the moderating role of organization commitment on the effect of competence on tax auditor's performance, show a p value of 0.021, and have a positive beta value. Thus it can be concluded that organizational commitment moderates the effect of competence on tax auditor's performance and strengthens the effect of competence on the tax auditor's performance.

The results of this study indicate that the more appropriate the competency of tax auditor is in their field of work, the more optimal their performance. It caused by individuals who have competency generally has a stable character, good attitude, and have an ability to deal with their workplace situations. A synergy between his character, self-concept, internal motivation, and contextual knowledge capacity will develop. It will enable them to quickly overcome the work problems. Thus, they will be able to work calmly and confidently while openly improving them self-quality. According to [26] employee competence includes the suitability of an employee's knowledge and skills, which, in performing his duties, will have an impact on his performance, which is an embodiment of his achievements. In this study, the moderating variables test result that both self-efficacy and organizational commitment affect the relationship between competence on tax auditor's performance, and have a positive beta value. Thus tax auditor's self-efficacy and organization commitment will increase the role of tax auditor's competencies to improve their performance. This finding means that the more competent the tax auditor is, the better the performance will be. High self-efficacy and organizational commitment, will have an impact on increasing their performance.

4 Conclusions

The results of this research showed that competence of tax auditors affect their's performance. The results also showed that organizational commitment possessed by a tax auditor would affect how well his performance. The higher theirs organization commitment, the stronger the effect between tax auditor's competence on their's performance. In addition to organizational commitment, the tax auditor's self-efficacy also moderates the effect of competencies on the performance of tax auditors. Self-efficacy owned by a tax auditor will further strengthen the role of competencies in improving their performance

Implication

A tax auditor who has both competency, self-efficacy, and organizational commitment will demonstrate satisfactory tax auditor's performance. Based on the findings in this study, the

DGT should improve the competence of its tax auditors. In recruiting tax auditors it is better to consider self-efficacy and organizational commitment, so that performance can be optimized. Thus, if the tax auditor has sufficient competence, the performance will be optimal. Coupled with self-efficacy and high organizational commitment, the performance will be more optimal. This will have an impact on achieving performance that is as expected

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