

The Effect of Auditor Competence and Work Experience on Auditor Performance Through Human Capital Management Implementation: Evidence from the Inspectorate General of Indonesia's Ministry of Manpower

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Abstract

This study examines the effects of auditor competence and work experience on auditor performance and tests the mediating role of Human Capital Management (HCM) implementation. The context is the Inspectorate General of Indonesia's Ministry of Manpower, where timeliness and quality of audit outputs remain strategic concerns. A quantitative explanatory design was employed using saturated sampling of 70 respondents (66 auditors and 4 supervisory officials/assistant inspectors). Data were collected through a 1–5 Likert-scale questionnaire and analyzed using PLS-SEM (SmartPLS). The measurement model met convergent validity criteria (outer loadings > 0.70; AVE > 0.50) and demonstrated strong reliability (Cronbach's alpha 0.845–0.934; composite reliability 0.886–0.944). Structural results show that competence positively and significantly affects auditor performance ($\beta = 0.343$; $p = 0.001$), while work experience has no significant direct effect ($\beta = 0.059$; $p = 0.673$). HCM implementation significantly improves auditor performance ($\beta = 0.529$; $p < 0.001$) and is significantly predicted by competence ($\beta = 0.479$; $p < 0.001$) and work experience ($\beta = 0.595$; $p < 0.001$). Mediation tests confirm that HCM implementation significantly mediates the effects of competence ($\beta = 0.253$; $p < 0.001$) and work experience ($\beta = 0.315$; $p < 0.001$) on auditor performance. These findings imply that experience contributes to performance primarily when it is translated into organizational HCM practices (e.g., development, placement, and performance management).

Keywords: Auditor Competence; Work Experience; Human Capital Management; Auditor Performance; PLS-SEM; Public Sector Audit

Abstrak

Studi ini meneliti pengaruh kompetensi auditor dan pengalaman kerja terhadap kinerja auditor serta menguji peran mediasi implementasi Manajemen Sumber Daya Manusia (SDM). Konteksnya adalah Inspektorat Jenderal Kementerian Ketenagakerjaan Indonesia, di mana ketepatan waktu dan kualitas hasil audit tetap menjadi perhatian strategis.

Desain eksploratif kuantitatif digunakan dengan menggunakan pengambilan sampel jenuh sebanyak 70 responden (66 auditor dan 4 petugas pengawas/asisten inspektur). Data dikumpulkan melalui kuesioner skala Likert 1–5 dan dianalisis menggunakan PLS-SEM (SmartPLS). Model pengukuran memenuhi kriteria validitas konvergen (outer loadings > 0,70; AVE > 0,50) dan menunjukkan reliabilitas yang kuat (Cronbach's alpha 0,845–0,934; reliabilitas komposit 0,886–0,944). Hasil struktural menunjukkan bahwa kompetensi secara positif dan signifikan memengaruhi kinerja auditor ($\beta = 0,343$; $p = 0,001$), sedangkan pengalaman kerja tidak memiliki pengaruh langsung yang signifikan ($\beta = 0,059$; $p = 0,673$). Implementasi HCM secara signifikan meningkatkan kinerja auditor ($\beta = 0,529$; $p < 0,001$) dan secara signifikan diprediksi oleh kompetensi ($\beta = 0,479$; $p < 0,001$) dan pengalaman kerja ($\beta = 0,595$; $p < 0,001$). Uji mediasi mengkonfirmasi bahwa implementasi HCM secara signifikan memediasi pengaruh kompetensi ($\beta = 0,253$; $p < 0,001$) dan pengalaman kerja ($\beta = 0,315$; $p < 0,001$) terhadap kinerja auditor. Temuan ini menyiratkan bahwa pengalaman berkontribusi pada kinerja terutama ketika diterjemahkan ke dalam praktik HCM organisasi (misalnya, pengembangan, penempatan, dan manajemen kinerja).

Kata kunci: *Kompetensi Auditor; Pengalaman Kerja; Manajemen Modal Manusia; Kinerja Auditor; PLS-SEM; Audit Sektor Public*

Introduction

Inspectorates in the public sector are expected to deliver timely, evidence-based, and reliable audit reports to support accountability and risk management. Performance gaps may appear when audit assignments are delayed or when reports require repeated revisions due to weak analysis, insufficient evidence, or inconsistent adherence to audit standards. In such settings, auditor performance is not only shaped by individual attributes (e.g., competence and experience) but also by organizational systems that manage human resources as strategic assets. This study focuses on auditor performance within the Inspectorate General of Indonesia's Ministry of Manpower and proposes that Human Capital Management (HCM) implementation acts as an enabling mechanism that channels competence and experience into consistent performance outcomes.

Research Questions

1. Does auditor competence have a significant effect on auditor performance?
2. Does work experience have a significant effect on auditor performance?
3. Does HCM implementation have a significant effect on auditor performance?
4. Does auditor competence have a significant effect on HCM implementation?
5. Does work experience have a significant effect on HCM implementation?
6. Does HCM implementation mediate the relationship between auditor competence and auditor performance?
7. Does HCM implementation mediate the relationship between work experience and auditor performance?

Literature Review

1. Main Theory

This study is grounded in Human Capital Theory, which views knowledge and skills as assets that can be invested in to increase productivity and performance. In auditing organizations, competence and accumulated experience represent forms of human capital. However, the conversion of human capital into performance often depends on organizational management practices—such as development, placement, and performance management—captured in this study as Human Capital Management (HCM) implementation.

2. Auditor Competence

Auditor competence reflects the knowledge, technical skills, analytical ability, and professional attitudes required to plan, execute, and report audits effectively. Competent auditors are expected to comply with audit standards, apply appropriate procedures, and produce higher-quality findings and recommendations, leading to improved audit performance.

3. Work Experience

Work experience refers to accumulated exposure to audit assignments and organizational contexts that may shape professional judgment, efficiency, and problem-solving ability. Experience may improve auditors' ability to detect issues and handle complex cases; however, its impact on performance can be contingent on whether organizations institutionalize learning and deploy experienced auditors effectively.

4. Human Capital Management (HCM) Implementation

HCM implementation refers to organizational practices that manage people as strategic assets, including competency development, training, mentoring, placement, career pathways, and performance management. In inspectorates, effective HCM can align competencies and experience with audit tasks, reduce execution errors, and strengthen timeliness and quality of outputs.

5. Auditor Performance

Auditor performance captures the extent to which auditors complete assignments effectively, efficiently, and on time while meeting expected quality and compliance standards. Performance indicators typically reflect quality of audit work, adherence to procedures, timeliness, and usefulness of audit reports.

6. Conceptual Framework and Hypotheses

Based on the proposed relationships, the hypotheses of this study are formulated as follows:

1. H1: Auditor competence has a significant positive effect on auditor

- performance.
2. H2: Work experience has a significant positive effect on auditor performance.
 3. H3: HCM implementation has a significant positive effect on auditor performance.
 4. H4: Auditor competence has a significant positive effect on HCM implementation.
 5. H5: Work experience has a significant positive effect on HCM implementation.
 6. H6: HCM implementation mediates the relationship between auditor competence and auditor performance.
 7. H7: HCM implementation mediates the relationship between work experience and auditor performance.

Research Methods

This study employs a quantitative explanatory research design. The population consists of auditors and supervisory officials within the Inspectorate General of Indonesia's Ministry of Manpower. A saturated sampling technique was applied, resulting in 70 respondents. Data were collected using a structured questionnaire on a 1–5 Likert scale (strongly disagree to strongly agree). Data analysis used PLS-SEM with SmartPLS software, including measurement model evaluation (convergent validity, discriminant validity via cross-loadings, and reliability) and structural model evaluation (multicollinearity via VIF, R^2 , Q^2 , and hypothesis testing using bootstrapping, including mediation testing).

Research Findings and Discussion

1. Research Findings

In assessing the outer model, the indicators met convergent validity criteria. Outer loadings exceeded 0.70 across constructs and Average Variance Extracted (AVE) values were above 0.50: competence (AVE = 0.621), work experience (AVE = 0.654), HCM implementation (AVE = 0.671), and auditor performance (AVE = 0.564; 6 indicators retained after validity testing). Reliability results were strong, with Cronbach's alpha ranging from 0.845 to 0.934 and composite reliability from 0.886 to 0.944, indicating internal consistency.

Discriminant validity was supported based on cross-loading patterns, where each indicator loaded higher on its intended construct than on other constructs. Overall, the measurement instrument is considered valid and reliable to measure competence, work experience, HCM implementation, and auditor performance.

Structural model evaluation indicates no multicollinearity concerns (VIF values between 1.020 and 2.016). The R^2 values show that competence and work experience explain 50.4% of the variance in HCM implementation ($R^2 = 0.504$), and competence, work experience, and HCM implementation explain 57.2% of the variance in auditor performance ($R^2 = 0.572$). Predictive relevance was positive for both endogenous constructs ($Q^2 = 0.488$ for HCM implementation; $Q^2 = 0.551$ for

auditor performance).

Path coefficient significance in the PLS-SEM model was evaluated using the bootstrapping procedure to examine the direction and strength of relationships among variables. At a 5% significance level, a hypothesis is accepted if the t-statistic is ≥ 1.96 or if the p-value is ≤ 0.05 .

Based on bootstrapping results, hypothesis testing is summarized as follows:

- Auditor Competence (X1) \rightarrow Auditor Performance (Y): The path coefficient is 0.343, with a t-statistic of 3.317 and a p-value of 0.001 (95% CI: 0.144 to 0.561). Thus, auditor competence has a positive and significant effect on auditor performance. H1 is accepted.
- Work Experience (X2) \rightarrow Auditor Performance (Y): The path coefficient is 0.059, with a t-statistic of 0.146 and a p-value of 0.673 (95% CI: -0.217 to 0.337). Thus, work experience does not have a significant direct effect on auditor performance. H2 is rejected.
- HCM Implementation (Z) \rightarrow Auditor Performance (Y): The path coefficient is 0.529, with a t-statistic of 4.218 and a p-value < 0.001 (95% CI: 0.302 to 0.756). Thus, HCM implementation has a positive and significant effect on auditor performance. H3 is accepted.
- Auditor Competence (X1) \rightarrow HCM Implementation (Z): The path coefficient is 0.479, with a t-statistic of 4.459 and a p-value < 0.001 (95% CI: 0.281 to 0.640). Thus, auditor competence has a positive and significant effect on HCM implementation. H4 is accepted.
- Work Experience (X2) \rightarrow HCM Implementation (Z): The path coefficient is 0.595, with a t-statistic of 6.200 and a p-value < 0.001 (95% CI: 0.440 to 0.741). Thus, work experience has a positive and significant effect on HCM implementation. H5 is accepted.
- Competence (X1) \rightarrow HCM Implementation (Z) \rightarrow Auditor Performance (Y): The indirect effect coefficient is 0.253, with a t-statistic of 3.272 and a p-value < 0.001 (95% CI: 0.117 to 0.389). Thus, HCM implementation significantly mediates the relationship between competence and auditor performance. H6 is accepted.
- Work Experience (X2) \rightarrow HCM Implementation (Z) \rightarrow Auditor Performance (Y): The indirect effect coefficient is 0.315, with a t-statistic of 3.316 and a p-value < 0.001 (95% CI: 0.169 to 0.506). Thus, HCM implementation significantly mediates the relationship between work experience and auditor performance. H7 is accepted.

2. Discussion

This study investigates how competence and work experience influence auditor performance and whether HCM implementation functions as a mediating mechanism within a public-sector inspectorate. The discussion below interprets empirical findings in light of human capital and HRM/HCM perspectives, emphasizing how organizational systems translate individual capabilities into performance.

- **Auditor competence has a positive and significant effect on auditor performance.** This result indicates that stronger technical and analytical competence contributes directly to higher-quality and more timely audit work. Competence enables auditors to apply standards consistently, evaluate evidence more rigorously, and communicate findings more effectively, which supports performance outcomes.
- **Work experience does not have a significant direct effect on auditor performance.** The non-significant direct path suggests that experience alone is insufficient to guarantee better performance. In inspectorate environments, performance may depend on how experience is utilized—such as assignment quality, knowledge sharing, supervision, and standardized work procedures—rather than on tenure or exposure alone.
- **HCM implementation has a positive and significant effect on auditor performance.** This finding highlights that organizational HCM practices—training, mentoring, placement, and performance management—create an enabling environment that improves auditors' effectiveness and reduces variability in execution quality.
- **Auditor competence positively and significantly affects HCM implementation.** Competent auditors may be more receptive to structured development systems and are better positioned to engage with competency frameworks, training programs, and performance feedback processes, strengthening HCM implementation.
- **Work experience positively and significantly affects HCM implementation.** Experienced auditors contribute to HCM implementation by providing practical knowledge that supports mentoring, standard setting, and learning processes. Experience becomes an organizational resource when it is embedded in systems.
- **HCM implementation mediates the relationship between competence and auditor performance (partial mediation).** Because competence has both a significant direct effect on performance and a significant indirect effect through HCM, the mediation can be interpreted as partial: competence

improves performance directly and is further amplified by strong HCM practices.

- **HCM implementation mediates the relationship between work experience and auditor performance (indirect-only/full mediation).** Because the direct effect of experience on performance is not significant while the indirect effect through HCM is significant, experience contributes to performance primarily by strengthening HCM implementation (i.e., experience is converted into performance through organizational practices).

Conclusion

Based on the findings of this study, the following conclusions can be drawn:

1. Auditor competence has a significant positive effect on auditor performance.
2. Work experience does not have a significant direct effect on auditor performance.
3. HCM implementation has a significant positive effect on auditor performance.
4. Auditor competence has a significant positive effect on HCM implementation.
5. Work experience has a significant positive effect on HCM implementation.
6. HCM implementation significantly mediates the relationship between auditor competence and auditor performance (partial mediation).
7. HCM implementation significantly mediates the relationship between work experience and auditor performance (indirect-only/full mediation).

Recommendation

To strengthen audit performance in inspectorate settings, the organization should: (1) institutionalize competency-based development through targeted technical training and certification pathways; (2) strengthen structured mentoring and knowledge transfer mechanisms to leverage senior auditors' experience; (3) align assignment planning and auditor placement with competency profiles and task complexity; (4) enhance performance management, feedback, and quality assurance processes to improve timeliness and report quality; and (5) document lessons learned and standardize best practices to ensure experience is embedded into organizational routines.

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