Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 08 Issue 11 November 2025

Article DOI: 10.47191/jefms/v8-i11-13, Impact Factor: 8.317

Page No: 7252- 7265

The Effect of Transformational Leadership and Motivation on Audit Quality Moderated by Organizational Culture (an Empirical Study on Regional Inspectorates Across Lampung Province)

Muhamad Hamdi[1], Ayi Ahadiat[2], Zainnur M. Rusdi[3]
[1,2,3]Master of Management, University of Lampung

ABSTRACT: This study aims to analyze the influence of Transformational Leadership and Motivation on Audit Quality, with Organizational Culture as a moderating variable, within the Regional Inspectorate throughout Lampung Province. The research background is driven by the scarcity of studies on audit quality that utilize organizational culture as a moderator, especially in public sector internal audits, and the observed variations in financial statement opinion achievements and the Internal Audit Capability Model (IA-CM) at the Lampung Regional Inspectorate. This research employs a quantitative design using a survey approach via G-form questionnaires. The research sample consisted of 140 auditors selected through purposive sampling from a population of 447 active auditors. Data was analyzed using the Partial Least Squares Structural Equation Modelling (PLS-SEM) method with SmartPLS software, applying a second-order approach through the Embedded Two-Stage Approach method.
The results show that Transformational Leadership has a significant and positive effect on Audit Quality. Motivation was also found to have a significant and positive effect on Audit Quality. Furthermore, Organizational Culture was proven to significantly and positively moderate the influence of Transformational Leadership on Audit Quality, as well as significantly and positively moderate the influence of Motivation on Audit Quality among auditors at the Regional Inspectorate throughout Lampung Province. The implications of these findings highlight the importance for Regional Inspectorate leaders to clarify and reinforce shared goals, adopt an individualized approach in interacting with auditors, and integrate continuous career development. Additionally, leaders must actively enforce an organizational culture that upholds objectivity, independence, and meritocracy to enhance audit quality. This study contributes to a deeper understanding of the determinants of audit quality in the internal public sector and provides practical recommendations for Regional Inspectorates in their efforts to improve audit performance. For future research, it is suggested to explore other variables not examined in this study to explain audit quality with organizational culture as a moderator, particularly in the context of internal public audit.

KEYWORDS: Transformational Leadership, Motivation, Audit Quality, Organizational Culture, Regional Inspectorate.

I. INTRODUCTION

In an era of globalization and increasing demands for transparency, audit quality has become one of the important indicators for assessing the accountability and performance of public sector organizations. The Regional Inspectorate, as the Government's Internal Supervisory Apparatus (APIP), plays a crucial role in ensuring that regional financial management and development run effectively, efficiently, and in accordance with laws and regulations. However, achieving optimal audit quality cannot be separated from internal organizational factors such as leadership, motivation, and organizational culture. Transformational leadership, as a leadership style capable of inspiring and motivating subordinates, is believed to improve audit quality by creating an innovative and goal-oriented work environment. On the other hand, auditor work motivation is also a determining factor in producing quality audits, because motivated auditors tend to be more thorough, professional, and committed in carrying out their duties. However, the influence of transformational leadership and motivation on audit quality cannot be viewed separately from the encompassing organizational culture. Organizational culture, as a system of shared values and norms, can strengthen or weaken the influence of leadership and motivation on audit quality.

Audit quality is a crucial factor in maintaining the integrity of an entity's financial statements. Inaccurate financial statements can cause significant losses to various parties, be it investors, management, regulators, or other parties who rely on this information to make economic decisions. DeAngelo (1981) states that audit services are desirable as a supervisory tool due to the potential conflict of interest between owners and management and various classes of the entity's securities holders. DeAngelo (1981) further explains that the quality of audit services is defined as two inseparable things: the possibility that auditors can find deviations in the client's accounting system and report them. Xiao et al (2020) state that audit has an important role as an external corporate governance mechanism, and the governance effect of audit is directly reflected in audit quality.

The audit quality produced by auditors is a direct manifestation of the performance of those human resources. When an auditor can produce a high-quality audit, it happens because the auditor carefully and diligently follows standard procedures, explores various perspectives, makes critical decisions, and creatively sees and detects how a possible deviation or violation can occur within the audit object/auditee. Auditors bring professional capabilities, technical knowledge, and integrity which are the main foundations in carrying out their duties effectively and efficiently. Auditor performance includes their ability to meticulously carry out audit procedures, a sense of responsibility, and commitment to professional ethical standards. With good HR performance, auditors will produce accurate, transparent, and high-quality audits, thereby ensuring public trust and the sustainability of the audited organization. There have been past researchers that use audit quality as a measurement of auditor’s performance. Knechel (2013) formulates definitions, indicators, and drivers of audit quality and frames audit quality as a result at the engagement-level outcome generated by inputs and processes (human capital, supervision, methods). While DeAngelo (1981) defines audit quality and relates it to auditor attributes that affect performance and establishes audit quality as a result of auditor effort, resources, and incentives, i.e., the performance outcome of the audit process. Furthermore, DeFond & Francis (2005) reveal that audit quality is the result of auditor actions and decisions. Similar sentiments were also expressed by Nelson & Tan (2005), who say that auditor performance in decision-making mediates audit quality outcomes. Francis (2011) proposes that audit quality is a function of auditor performance input. And lastly, DeFond & Zhang (2014) also explain that proxies for general audit quality inherently reflect collective auditor performance.

II. LITERATURE REVIEW

A. Transformational Leadership

Burns (1978) explained that transformational leadership refers to a mutual process between leaders and followers, where both parties elevate each other to higher levels of morality and motivation. Transformational leaders inspire followers through vision, intellectually challenge them, and consider their individual needs, ultimately driving beneficial change for both individuals and organizations. Bass & Avolio (2000) further developed this leadership style within the framework known as the Full Range Leadership Model (FRLM), making it measurable through their model, the Multifactor Leadership Questionnaire (MLQ). Wijayanti & Saputri (2022) stated that transformational leaders are capable of inspiring and motivating team members to go beyond established expectations. Leaders using this style create an appealing vision, set high standards, and recognize and support team members for their performance. In the context of auditing, transformational leaders challenge their teams to think creatively and innovatively, seeking new ways to enhance audit efficiency and develop professional skills. They also pay clos er attention to team members’ career development and motivate them to achieve their full potential. This leadership style is highly effective in increasing team commitment to audit quality and maintaining high ethical standards.

B. Motivation

Fitriani (2019) stated that motivation plays a crucial role in determining individual performance in any profession, including the auditing profession. This motivation is particularly important in the field of auditing because motivated auditors are likely to work harder, be more meticulous, and show greater commitment when carrying out audits, ultimately producing high-quality and reliable reports. Deci & Ryan (2000) explained a theory related to motivation called Self-Determination Theory, which generally categorizes motivation into two main types: intrinsic motivation and extrinsic motivation. Intrinsic motivation comes from within the individual, such as a sense of responsibility, satisfaction from doing a good job, and the desire to make a positive contribution. In contrast, extrinsic motivation stems from external factors, such as salary, bonuses, recognition from supervisors, or job promotions. Auditor motivation influences how auditors approach their work, how they handle difficult tasks, and the extent to which they uphold professional ethics and audit quality. Motivated auditors will be more focused in performing their duties, which in turn enhances the quality of the audit results they produce.

C. Organizational Culture

According to Daft (2005), organizational culture is generally viewed as a set of core values, assumptions, understandings, an d norms shared by members of an organization and taught to new members as the correct way of thinking and behaving. Furthermore, Wicaksono (2018) explains that organizational culture is the fundamental pattern of assumptions created by a group within an organization as a way to solve external problems and to interact with internal members. In the context of auditing, organizational culture refers to the extent to which an audit firm instills high ethical and professional values in its operations. This culture shapes the mindset and behavior of auditors in carrying out their duties and guides them to maintain integrity, objectivity, and high audit quality. This culture not only functions as a system of shared values among organizational members but also shapes how they interact with one another, make decisions, and complete tasks and challenges. In the auditing context, organizational culture can influence nearly every aspect of audit performance—from how auditors collaborate and adhere to ethical standards, to how they manage risks and handle issues that arise during the audit process. A healthy and supportive organizational culture creates a conducive environment for achieving high-quality audit results. Conversely, a poor or unsupportive culture can lead to lower audit quality and reduce the effectiveness of the audit team. In the auditing world, where integrity and objectivity are key, a strong and positive organizational culture is essential to maintaining work quality and preserving the credibility of the audit organization. Wallach (1983) developed a framework to diagnose organizational work practices known as the Organizational Culture Index (OCI). Through the OCI, Wallach explained that an organization's culture can be one or a combination of three categories — bureaucratic, innovative, or supportive:

1. Bureaucratic culture emphasizes structure, formal rules, and control. This culture is characterized by clear procedures, hierarchical decision-making, and a focus on stability and predictability. Such a culture ensures consistency and reliability in operations but can lead to rigidity and resistance to change if the rules and procedures become overly restrictive.
2. Innovative culture focuses on creativity, adaptability, and risk-taking. Organizations with this type of culture encourage the generation of new ideas, experimentation, and flexibility in responding to environmental changes. This culture promotes growth, innovation, and competitive advantage, although it may lose stability if not balanced with some degree of structure.
3. Supportive culture prioritizes people, relationships, and trust. This culture fosters teamwork, collaboration, and mutual respect in a friendly and inclusive environment. Such a culture helps build strong morale and employee loyalty, although an excessive emphasis on harmony can sometimes hinder the making of difficult but necessary decisions.

D. Audit Quality

DeAngelo (1981) explains that audit quality refers to the identification and reporting of material misstatements by external auditors. The quality of audit services is defined as the market's assessment of how well a particular auditor can detect violations in a client's accounting system and report those violations. Audit quality does not depend solely on the technical aspects of the auditor's work but also on how the auditor conducts the audit while maintaining high ethical standards and reporting findings independently. In line with DeAngelo, Rahayu and Suryanawa (2020) also explain that audit quality can be described through two important aspects: auditor's ability to detect material misstatements and auditor's independence in providing opinions. High audit quality requires auditors to have the ability to identify material misstatements in financial statements that may affect economic decisions made by external parties such as investors, creditors, and regulators. This ability is driven by the auditor's technical skills, in-depth knowledge of accounting standards, and understanding of the complexity of the company's transactions. On the other hand, independence is a fundamental principle in auditing that ensures auditors are not influenced by client pressures or interests. An independent auditor can provide an objective and honest opinion regarding the audited financial statements. Rahayu and Suryanawa (2020) emphasize that without independence, auditors may not be able to provide a truthful and unbiased opinion, which can undermine audit quality. Therefore, audit quality is strongly influenced by how well auditors can maintain their independence and the extent to which they can identify material misstatements affecting a company's financial statements.

E. Theoretical Framework and Hypothesis

This study was conducted using four variables: two independent variables, one dependent variable, and one moderating variable. The independent variables used are Transformational Leadership (X1) and Motivation (X2). The dependent variable in this study is Audit Quality (Y), while the variable used as a moderator of the relationship between the independent and dependent variables is Organizational Culture (Z). Based on the literature, the study proposes the following hypotheses:

- H1: Transformational Leadership has a positive and significant effect on Audit Quality.
- H2: Motivation has a positive and significant effect on Audit Quality.
- H3: Organizational Culture positively and significantly moderates the effect of Transformational Leadership on Audit Quality.
- H4: Organizational Culture positively and significantly moderates the effect of Motivation on Audit Quality

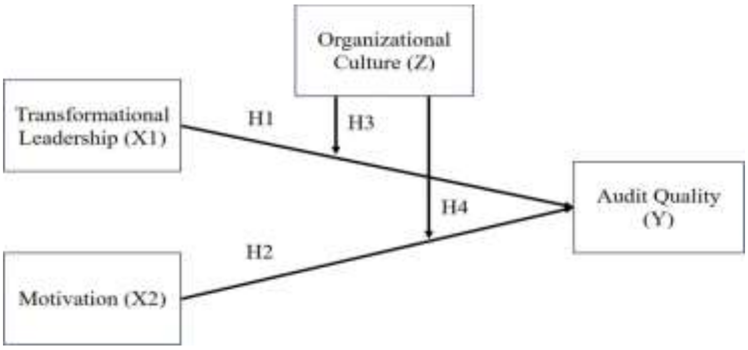

Figure 1. Conceptual Model

III. METHODOLOGY

In this study, the research type used is quantitative research with an associative approach. Sekaran and Bougie (2016) explain that quantitative research is conducted on a specific population or sample as the object of study. Associative resear ch aims to determine the relationship between two or more variables. Furthermore, Sekaran and Bougie (2016) also state that quantitative research is causal in nature, meaning it aims to determine whether there is an influence of independent variables on dependent variables. Sekaran and Bougie (2016) explain that a moderating variable is one that has a strong contingent effect on the relationship between an independent variable and a dependent variable. The presence of this third variable (the moderating variable) modifies the relationship between the independent and dependent variables.

A. **Study Design** : Quantitative research using the survey method of a questionnaire
B. **Study Location** : This study was conducted on all regional inspectorates in Lampung Province, amounting to 16 offices.
C. **Study Duration** : The study is done from August 2025 to September 2025
D. **Population and Sample Size** : With 447 population across 16 offices, GPower determines a minimum of 107 sampling size. Furthermore, the sampling is stratified to each office's total auditor so that the study can infer result accordingly and fairly. The final count of respondent answers' that came back was 140 respondents.
E. **Subject & Selection Method** : The population and sample of this study is the auditors within the 16 offices of regional inspectorates in Lampung Province. The subject is selected on the criteria of active duty and one-year minimum experience as auditor.
F. **Procedure Methodology** : The study employed survey method to collect primary data from auditors. The collection is done through the medium of Google Forms, distributed to internal communication group (WA Group) of each office. The questionnaire included 4 variables, each with their own dimension except Audit Quality. Each item of the questionnaire was measured using 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The study analysis is done using codification to substitute the description of the variables and dimensions, as shown in the following table:

Table 1. **Study Codification**

Description	**Code**
Transformational Leadership, as independent variable with following dimensions: Intellectual Stimulation (4 indicators) Idealized Influence (Behaviour) (4 indicators) Inspirational Motivation (4 indicators) Individualized Consideration (4 indicators) Idealized Influence (Attributed) (4 indicators)	X1 X1.1 X1.2 X1.3 X1.4 X1.5
Motivation, as independent variable with following dimensions: Intrinsic Motivation (7 indicators) Extrinsic Motivation (7 indicators)	X2 X2.1 X2.2
Organizational Culture, as moderating variable with following dimensions: Bureaucratic Culture (8 indicators) Innovative Culture (8 indicators)	Z Z.1

• Participative Culture (8 indicators)	Z.2 Z.3
Audit Quality, dependent variable without dimensions (12 indicators)	Y

G. Statistical Analysis

Descriptive statistics are used to provide a general overview of the research data and to summarize respondents' answer characteristics in a concise and systematic manner. According to Sekaran and Bougie (2016), descriptive statistics help researchers understand data distribution, central tendency, and variation before conducting further analysis. Common measures include the mean, which represents the average response; the median, which indicates the midpoint of the data distribution; and the standard deviation, which reflects the level of variability among responses (Hair et al., 2021). These measures reveal whether respondents tend to agree or disagree with the given statements and indicate the consistency of their perceptions toward each variable examined. The following table presents the descriptive statistical results of this study:

	Mean	Median	Skala Min	Skala Max	Std. Deviation
X1.1.01	4.043	4.000	1.000	5.000	1.027
X1.1.02	3.993	4.000	1.000	5.000	1.045
X1.1.03	4.036	4.000	1.000	5.000	1.017
X1.1.04	4.093	4.000	1.000	5.000	1.013
X1.2.01	4.021	4.000	1.000	5.000	1.079
X1.2.02	4.250	4.000	2.000	5.000	0.838
X1.2.03	4.093	4.000	1.000	5.000	1.013
X1.2.04	4.029	4.000	1.000	5.000	1.042
X1.3.01	4.057	4.000	1.000	5.000	1.027
X1.3.02	4.021	4.000	1.000	5.000	1.124
X1.3.03	4.093	4.000	1.000	5.000	0.978
X1.3.04	3.964	4.000	1.000	5.000	1.161
X1.4.01	4.114	4.000	1.000	5.000	0.942

	Mean	Median	Skala Min	Skala Max	Std. Deviation
X1.4.02	4.093	4.000	1.000	5.000	0.955
X1.4.03	4.036	4.000	1.000	5.000	1.065
X1.4.04	4.107	4.000	1.000	5.000	0.991
X1.5.01	4.029	4.000	1.000	5.000	1.055
X1.5.02	4.050	4.000	1.000	5.000	1.065
X1.5.03	4.064	4.000	1.000	5.000	1.009
X1.5.04	3.964	4.000	1.000	5.000	1.155
X2.1.01	4.114	4.000	1.000	5.000	1.008
X2.1.02	4.021	4.000	1.000	5.000	1.072
X2.1.03	4.086	4.000	1.000	5.000	1.018
X2.1.04	4.057	4.000	1.000	5.000	1.074
X2.1.05	4.036	4.000	1.000	5.000	0.989
X2.1.06	4.050	4.000	1.000	5.000	0.889
X2.1.07	4.036	4.000	1.000	5.000	0.967
X2.2.01	4.093	4.000	1.000	5.000	1.114
X2.2.02	3.964	4.000	1.000	5.000	1.058
X2.2.03	4.021	4.000	1.000	5.000	1.052
X2.2.04	3.986	4.000	1.000	5.000	1.000
X2.2.05	4.086	4.000	1.000	5.000	1.003

X2.2.06	4.079	4.000	1.000	5.000	0.972
X2.2.07	4.036	4.000	1.000	5.000	1.065
Z.1.01	3.836	4.000	1.000	5.000	1.199
Z.1.02	3.950	4.000	1.000	5.000	1.078
Z.1.03	3.857	4.000	1.000	5.000	1.199
Z.1.04	4.000	4.000	1.000	5.000	1.076
Z.1.05	3.907	4.000	1.000	5.000	1.108
Z.1.06	3.757	4.000	1.000	5.000	1.152
Z.1.07	3.886	4.000	1.000	5.000	1.103
Z.1.08	3.821	4.000	1.000	5.000	1.091
Z.2.01	3.914	4.000	1.000	5.000	1.174
Z.2.02	3.836	4.000	1.000	5.000	1.199
Z.2.03	3.914	4.000	1.000	5.000	1.105
Z.2.04	3.857	4.000	1.000	5.000	1.240
Z.2.05	3.850	4.000	1.000	5.000	1.121
Z.2.06	3.821	4.000	1.000	5.000	1.071
Z.2.07	3.886	4.000	1.000	5.000	1.141
Z.2.08	3.829	4.000	1.000	5.000	1.089
Z.3.01	3.829	4.000	1.000	5.000	1.069
Z.3.02	3.864	4.000	1.000	5.000	1.110
Z.3.03	4.000	4.000	1.000	5.000	1.115
Z.3.04	3.864	4.000	1.000	5.000	1.110
Z.3.05	3.886	4.000	1.000	5.000	1.128
Z.3.06	3.871	4.000	1.000	5.000	1.139
Z.3.07	3.914	4.000	1.000	5.000	1.099
Z.3.08	3.879	4.000	1.000	5.000	1.180
Y.01	3.814	4.000	1.000	5.000	1.011
Y.02	3.936	4.000	1.000	5.000	1.090
Y.03	3.950	4.000	1.000	5.000	1.009
Y.04	3.893	4.000	1.000	5.000	0.954
Y.05	3.964	4.000	1.000	5.000	0.944
Y.06	3.993	4.000	1.000	5.000	1.011
Y.07	3.864	4.000	1.000	5.000	1.037
Y.08	3.929	4.000	1.000	5.000	1.005
Y.09	3.929	4.000	1.000	5.000	0.990
Y.10	3.964	4.000	1.000	5.000	0.959

	Mean	**Median**	**Skala Min**	**Skala Max**	**Std. Deviation**
Y.11	3.857	4.000	1.000	5.000	0.990
Y.12	3.936	4.000	1.000	5.000	1.009
Y.01	3.814	4.000	1.000	5.000	1.011
Y.02	3.936	4.000	1.000	5.000	1.090

The Transformational Leadership (X1) variable has an average value of 4.05 with a standard deviation of 1.04, indicating that respondents generally perceive the application of transformational leadership among regional inspectorate leaders in Lampung Province as good and relatively consistent across individuals. The Motivation (X2) variable shows an average of 4.05 and a standard deviation of 1.02, suggesting that auditors within the inspectorate environment possess high work motivation and relatively homogeneous perceptions regarding motivational indicators. The Organizational Culture (Z) variable records an average of 3.87 with a standard deviation of 1.12, reflecting a moderately strong organizational culture, although with slightly greater variation in perceptions compared to other variables. Finally, the Audit Quality (Y) variable has an average of 3.91 and a standard deviation of 1.02, showing that audit quality is perceived as good and consistently evaluated by respondents. Overal l, these descriptive statistics indicate a positive tendency across all variables, meaning respondents hold favourable perceptio ns toward transformational leadership, work motivation, organizational culture, and audit quality. The relatively low standard deviations suggest that respondents' perceptions are fairly uniform, making the data stable and representative for subsequent inferential analysis.

IV. RESULT

This study uses SEM analysis with SmartPLS software and since the variables consisted of dimensions and indicators, this study is decided to be done with the embedded two-stage approach. The first stage is done to get the latent value of the low order/first order, that is to understand the interaction between indicators to its dimensions first, rather than indicators straight to variables. The results are as following:

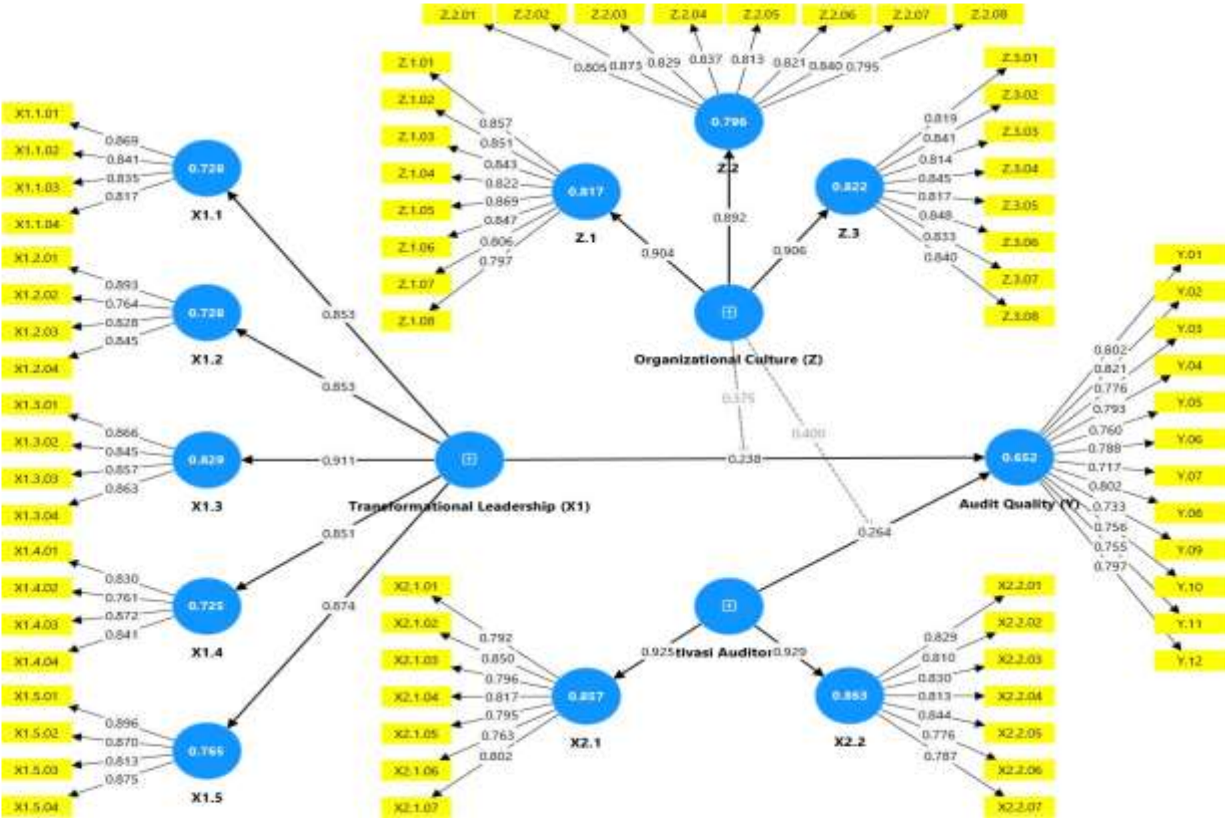

Figure 2. Stage 1 Model / Low Order

Variable	Dimension	Indicator	Loading Factor	AVE	Cronbach Alpha	Composite Reliability
Trans-formational Leadership	Intellectual Stimulation	X1.1.01	0,869	0,707	0,861	0,906
		X1.1.02	0,841			
		X1.1.03	0,835			
		X1.1.04	0,817			
	Idealized Influence (Behaviour)	X1.2.01	0,893	0,695	0,853	0,901
		X1.2.02	0,764			
		X1.2.03	0,828			
		X1.2.04	0,845			
	Inspirational Motivation	X1.3.01	0,866	0,736	0,880	0,918
		X1.3.02	0,845			
		X1.3.03	0,857			

		X1.3.04	0,863			
	Individualized Consideration	X1.4.01	0,830	0,684	0,845	0,896
		X1.4.02	0,761			
		X1.4.03	0,872			
		X1.4.04	0,841			
	Idealized Influence (Attributed)	X1.5.01	0,896	0,747	0,886	0,922
		X1.5.02	0,870			
		X1.5.03	0,813			
		X1.5.04	0,875			

Variable	Dimension	Indicator	Loading Factor	AVE	Cronbach Alpha	Composite Reliability
Motivation	Intrinsic Motivation	X2.1.01	0,792	0,644	0,908	0,927
		X2.1.02	0,850			
		X2.1.03	0,796			
		X2.1.04	0,817			
		X2.1.05	0,795			
		X2.1.06	0,763			
		X2.1.07	0,802			
	Extrinsic Motivation	X2.2.01	0,829	0,661	0,914	0,932
		X2.2.02	0,810			
		X2.2.03	0,830			
		X2.2.04	0,813			
		X2.2.05	0,844			
		X2.2.06	0,776			
		X2.2.07	0,787			

Variable	Dimension	Indicator	Loading Factor	AVE	Cronbach Alpha	Composite Reliability
Organizational Culture	Bureaucratic Culture	Z.1.01	0,857	0,700	0,939	0,949
		Z.1.02	0,851			
		Z.1.03	0,843			
		Z.1.04	0,822			
		Z.1.05	0,869			
		Z.1.06	0,847			
		Z.1.07	0,806			
		Z.1.08	0,797			
	Innovative Culture	Z.2.01	0,805	0,684	0,934	0,945
		Z.2.02	0,873			
		Z.2.03	0,829			
		Z.2.04	0,837			
		Z.2.05	0,813			
		Z.2.06	0,821			

Variable	Dimension	Indicator	Loading Factor	AVE	Cronbach Alpha	Composite Reliability
		Z.2.07	0,840			
		Z.2.08	0,795			

	Participative Culture	Z.3.01	0,819	0,692	0,937	0,947
		Z.3.02	0,841			
		Z.3.03	0,814			
		Z.3.04	0,845			
		Z.3.05	0,817			
		Z.3.06	0,848			
		Z.3.07	0,833			
		Z.3.08	0,840			

Variable	Indicator	oading Factor	AVE	ronbach Alpha	Composite Reliability
Audit Quality	Y.01	0,802	0,601	0,940	0,948
	Y.02	0,821			
	Y.03	0,776			
	Y.04	0,793			
	Y.05	0,760			
	Y.06	0,788			
	Y.07	0,717			
	Y.08	0,802			
	Y.09	0,733			
	Y.10	0,756			
	Y.11	0,755			
	Y.12	0,797			

Referring to the results above, the validity test for every indicator of every variable shows that the factor loadings are valid, as each loading value exceeds 0.7. The lowest loading is 0.717 (Y.07) and the highest is 0.821 (X1.4.02). The next evaluation, convergent validity, assessed through the Average Variance Extracted (AVE), also meets the criterion, with all AVE values greater than 0.5, indicating that all construct has good convergent validity. Furthermore, reliability testing using Composite Reliability (CR) and Cronbach's Alpha produced values of exceeding the 0.7 threshold, with X1.4's Cronbach Alpha = 0.845 and X1.4's CR = 0.896, as the lowest score. Therefore, it can be concluded that all construct demonstrates strong validity and reliability.

The second stage is conducted at the dimension level using the latent variable scores (LVS) obtained from the first stage. This process aims to evaluate the validity of the dimensions, as well as to test the validity and reliability of the constructs or variables. In addition, the results from this stage serve as the foundation for hypothesis testing in the study. The results are as following:

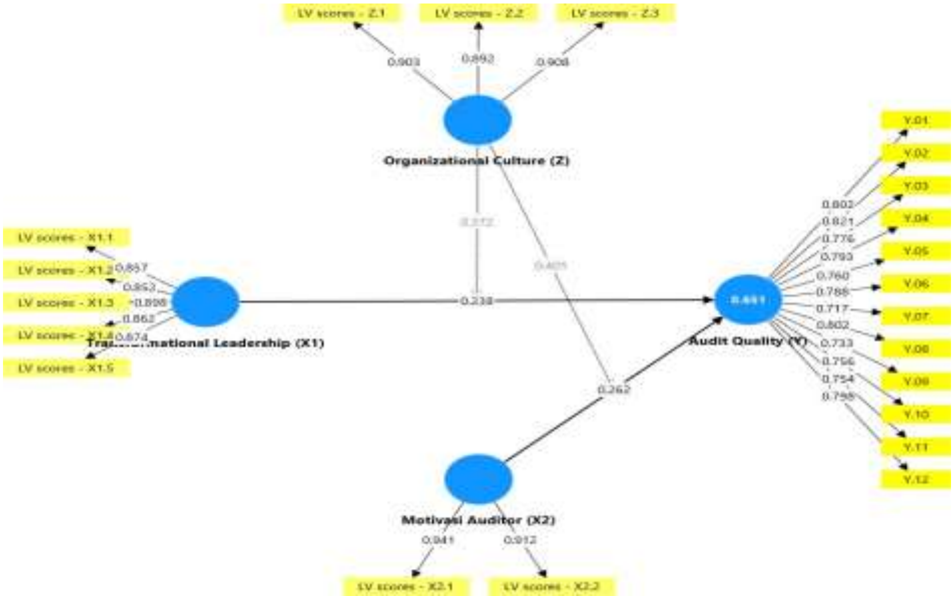

Figure 3. Stage 2 Model / High Order

Variable	Dimension/Indicators	Loading Factor	AVE	Cronbach Alpha	Composite Reliability
Trans- formational Leadership (X1)	Intellectual Stimulation (X1.1)	0,857	0,755	0,919	0,939
	Idealized Influence (Behaviour) (X1.2)	0,852			
	Inspirational Motivation (X1.3)	0,898			
	Individualized Consideration (X1.4)	0,862			
	Idealized Influence (Attributed) (X1.5)	0,874			
Motivation (X2)	Intrinsic Motivation (X2.1)	0,941	0,859	0,837	0,924
	Extrinsic Motivation X2.2	0,912			
Organizational Culture (Z)	Bureaucratic Culture (Z.1)	0,903	0,812	0,884	0,928
	Innovative Culture (Z.2)	0,892			
	Participative Culture (Z.3)	0,908			
Audit Quality (Y)	Y.01	0,802	0,601	0,940	0,948
	Y.02	0,821			
	Y.03	0,776			
	Y.04	0,793			
	Y.05	0,760			
	Y.06	0,788			
	Y.07	0,717			
	Y.08	0,802			
	Y.09	0,733			
	Y.10	0,756			
	Y.11	0,754			
	Y.12	0,798			

Referring to the results above, all dimensions of Transformational Leadership show loading factors ranging from 0.852 to 0.898, all above 0.7, indicating validity. The AVE value of 0.755 (>0.5) confirms good convergent validity, while Cronbach's Alpha (0.919) and Composite Reliability (CR = 0.939) both exceed 0.7, demonstrating strong reliability. For the Motivation variable, the two dimensions have loading factors between 0.912 and 0.941, all above 0.7, indicating validity. The AVE of 0.859 (>0.5) shows good validity, and Cronbach's Alpha (0.837) and CR (0.924) above 0.7 indicate strong reliability of the construct. The Organizational Culture variable has three dimensions with loading factors ranging from 0.892 to 0.908, confirming validity since all exceed 0.7. The AVE value of 0.812 (>0.5) indicates good validity, and Cronbach's Alpha (0.884) along with CR (0.928) both above 0.7 show high reliability. Lastly, the Audit Quality variable has indicators with loading factors between 0.717 and 0.821, all above 0.7, indicating validity. The AVE of 0.601 (>0.5) confirms convergent validity, while Cronbach's Alpha (0.940) and CR (0.948) both exceed 0.7, demonstrating that the Audit Quality construct is reliable.

After doing the two-stage outer model evaluation, comes the inner model evaluation that focuses on assessing the relationships between latent variables — that is, testing the hypotheses and predictive power of the model. The results are as following:

1. Coefficient of Determination (R^2) – Measures how much variance in the dependent variable is explained by the independent variables. Higher R^2 values indicate stronger explanatory power.

Endogen Variable	R^2	R^2 Adjusted
Audit Quality	0.651	0.638

Based on the R-square calculation results, the coefficient of determination for the endogenous variable Audit Quality is 0.651, indicating that 65.1% of the variability in Audit Quality can be explained by Auditor Motivation, Transformational Leadership, and their interaction effects with Organizational Culture. This suggests that the research variables make a significant contribution to audit quality, while the remaining 34.9% is influenced by other factors outside the model. The Adjusted R^2 value of 0.638, which is only slightly lower, indicates that the model remains stable after adjusting for the number of predictors and shows no signs of overfitting. These findings suggest the need for further research to explore additional variables that may contribute to improving audit quality.

2. Effect Size (f²) – Shows the impact of each exogenous variable on the endogenous variable; small (0.02), medium (0.15), or large (0.35) according to Cohen's rule.

Effect	***f-Square***
X1 -> Y	0,133
X2 -> Y	0,148
Z -> Y	0,215
Z x X1 -> Y	0,521
Z x X2 -> Y	0,641

The contributions to Audit Quality vary across variables: the interaction of Organizational Culture × Auditor Motivation shows a large effect size (0.641), Organizational Culture × Transformational Leadership also has a large effect (0.521), Organizational Culture alone demonstrates a medium effect (0.215), Motivation shows a near-medium effect (0.148), and Transformational Leadership exhibits a small-to-medium effect (0.133). This pattern highlights that organizational culture, both as a direct predictor and as a moderating factor, serves as the strongest lever in enhancing audit quality, while motivation and leadership continue to make meaningful contributions.

3. Collinearity (VIF) – Ensures there's no multicollinearity among predictors; VIF values should ideally be below 5.

Variable	**VIF**
X1 -> Y	1,225
X2 -> Y	1,338
Z -> Y	1,090
Z x X1 -> Y	1,149
Z x X2 -> Y	1,253

The VIF test results indicate that all variables have VIF values below the commonly accepted threshold of 5, suggesting no serious multicollinearity issues within the model. The Motivation variable's effect on Audit Quality recorded the highest VIF value of 1.338, which remains well within the safe range, while the Organizational Culture variable's effect on Audit Quality had the lowest VIF value of 1.090, indicating a very low correlation among predictor variables. Overall, these results confirm that all independent variables can be included in the model without causing multicollinearity problems, ensuring the reliability of the estimated regression coefficients.

V. DISCUSSION

Employing the embedded two-stage approach, the study firstly analyze the first or the low order scores and then using that, analyze the second or the high order. Only after that, comes the final analysis, using bootstrapping, to determine whether th e proposed hypothesis are supported or not. The result is as follows:

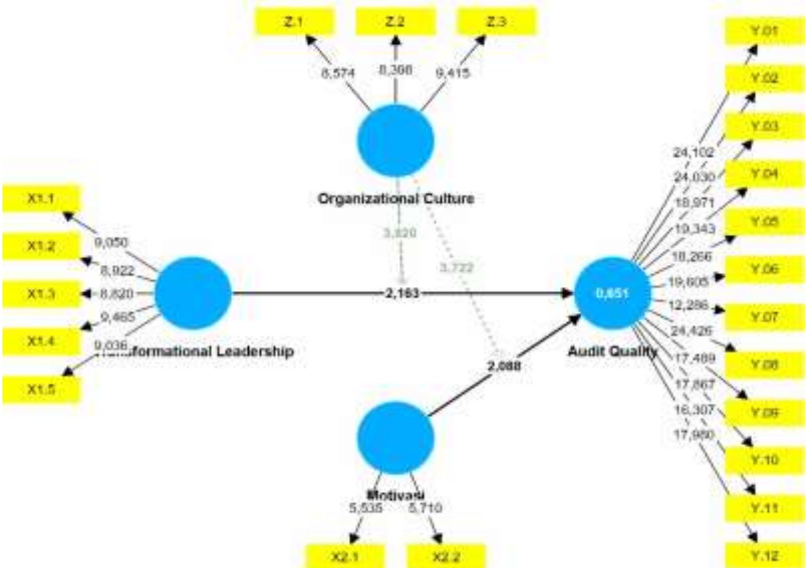

Figure 4. T Statistics

Hypothesis	Path Coefficients	T statistics	p-value
X1 -> Y	0,238	2,163	0,031
X2 -> Y	0,262	2,088	0,037
Z x X1 -> Y	0,372	3,920	0,000
Z x X2 -> Y	0,401	3,722	0,000

The first hypothesis (H1) tested in this study states that Transformational Leadership has a positive and significant effect on Audit Quality. The path coefficient value of 0.238, with a t-value of 2.163 (>1.96) and a p-value of 0.031 (<0.05), confirms that H1 is accepted. This means that the more effective transformational leadership is, the higher the resulting audit quality. This finding aligns with Bass and Avolio's (1994) theory, which emphasizes that transformational leaders inspire, motivate, and influence subordinates to improve performance and output quality. Similarly, Northouse (2021) asserts that transformational leaders instill vision, build trust, and foster professionalism—enhancing auditors' awareness of quality standards throughout the audit process. Consistent with prior studies (Mohassel et al., 2023; Dewi & Pramesti, 2021; Ahmad & Sulaiman, 2022), this research confirms that transformational leadership—particularly through idealized influence and inspirational motivation—significantly contributes to maintaining auditor independence, ethical behaviour, and overall audit quality in the public sector.

The second hypothesis (H2) tested in this study states that Auditor Motivation has a positive and significant effect on Audit Quality. The path coefficient of 0.262, with a t-value of 2.088 (>1.96) and a p-value of 0.037 (<0.05), confirms that H2 is accepted. This indicates that higher motivation leads to better audit quality. This finding aligns with Deci and Ryan's Self- Determination Theory (SDT), which explains that when auditors feel autonomous, competent, and connected to their organization, they develop stronger intrinsic motivation—driving integrity, objectivity, and adherence to professional standards. In public sector auditing, such internal motivation encourages consistent ethical behaviour and high-quality performance. These results are consistent with previous studies (Ningsih & Lestari, 2022; Yuliani et al., 2021; Aswar et al., 2021; Efendy, 2010; Malekian & Tavakolnia, 2014), all of which found that motivated auditors demonstrate greater diligence, analytical ability, and responsibility in their work. Thus, this study reinforces that motivation is a key determinant in improving audit quality, particularly within accountability-driven public organizations.

The third hypothesis (H3) states that organizational culture positively and significantly moderates the effect of transformational leadership on audit quality, supported by a path coefficient of 0.372, t-value of 3.920, and p-value of 0.000. This indicates that a strong, supportive culture amplifies the positive influence of transformational leadership on audit outcomes. Consistent with Wallach (1983) and Schein (2010), a culture that promotes innovation, participation, and integrity strengthens leaders' ability to inspire professionalism and quality-oriented behaviour among auditors, while rigid cultures weaken it. Prior studies (Yiing & Ahmad, 2009; Mohassel et al., 2023; Rasool et al., 2022; Khan et al., 2021) similarly show that participative and learning-oriented cultures enhance the impact of transformational leadership on performance. Therefore, organizational culture acts as a key reinforcing factor in linking transformational leadership to higher audit quality.

The fourth hypothesis (H4) states that organizational culture positively and significantly moderates the effect of motivation on audit quality. The path coefficient of 0.401 with a t-value of 3.722 and a p-value of 0.000 confirms this relationship, indicating that a strong organizational culture enhances the positive impact of motivation on audit quality. This finding aligns with Wa llach (1983), who emphasized that organizational culture shapes the psychological and social environment influencing how employees respond to motivational stimuli. In supportive and participative cultures, auditors feel valued and empowered, increasing their commitment and performance quality, whereas rigid or bureaucratic cultures weaken this effect. Consistent with prior studies (Jufrizen, 2021; Rasool et al., 2022; Hafeez et al., 2023; Putri & Suaryana, 2016; Wulandari, 2019; Rahmawati, 2021), the results confirm that a positive organizational culture acts as a reinforcing factor that amplifies the role of motivation in improving auditors' performance and maintaining high audit quality in the public sector.

VI. CONCLUSION

The findings of this study confirm that transformational leadership plays a pivotal role in enhancing audit quality among auditors within the Regional Inspectorates of Lampung Province. By fostering a vision, inspiring commitment, and demonstrating integrity, leaders who embody transformational qualities significantly elevate the standard of audit work. The positive and statistically significant relationship between transformational leadership and audit quality highlights the importance of leadership style in shaping professional behavior and outcomes in public auditing. Moreover, the results underscore that when leaders consistently communicate purpose and value each team member as an individual—beyond mere role fulfillment—the resulting sense of belonging and commitment directly translates into higher-caliber audits.

Motivation, both intrinsic and extrinsic, also emerges as a critical driver of audit quality. The study reveals that when auditors perceive meaningful opportunities for growth, recognition, and future career development, they are more likely to engage deeply with their responsibilities. In particular, the finding that motivation related to future career prospects outside the Inspectorate scored the lowest suggests a gap in long-term career planning within the organization. Addressing this through structured development programs, certifications, and clear advancement pathways could unlock greater dedication and innovation in audit processes. As such, motivation is not just a personal trait but a measurable organizational outcome that, when nurtured, strengthens the quality and credibility of audit findings.

Organizational culture proves to be more than a backdrop—it actively shapes the impact of leadership and motivation on audit quality. The moderating effect of culture indicates that even strong transformational leadership and high motivation may fall short if the organizational climate is not conducive to integrity, objectivity, and meritocracy. The most concerning insight in this regard is the perception that position or seniority can influence audit outcomes—an alarming signal of potential bias and weakened independence. To counter this, leadership must enforce ethical standards rigorously, ensure transparent evaluation processes, and model accountability at all levels. Only by embedding a culture rooted in fairness and professionalism can the organization sustain high audit quality and public trust.

In light of these findings, the study concludes that audit quality in public sector organizations is not solely a function of individual skill or technical competence, but a collective outcome shaped by leadership, motivation, and culture. The integration of these three elements creates a powerful synergy—where inspired leaders cultivate motivated auditors, and a supportive culture ensures that their efforts are ethically and effectively realized. As such, future research should expand beyond these variables by exploring the influence of organizational structure, technology use, and external regulatory pressures, particul arly within the unique context of internal public auditing. The path to sustainable audit excellence lies not in isolated efforts but in a holistic, culturally grounded approach to organizational leadership and development.

REFERENCES

1) Ahmad, R., & Sulaiman, N. (2022). Transformational leadership and audit quality: The mediating role of auditor commitment. Journal of Accounting and Organizational Change, 18(4), 675–692.
2) Aswar, K., Akbar, F. G., Wiguna, M., & Hariyani, E. (2021). Determinants of audit quality: Role of time budget pressure. Problems and Perspectives in Management, 19(2), 308.
3) Bass, B. M., & Avolio, B. J. (1994). Improving Organizational Effectiveness through Transformational Leadership. Sage.
4) Bass, B. and Avolio, B.J. (2000). MLQ Multifactor Leadership Questionnaire Technical Report. Sage. Thousand Oaks, CA.
5) Burns, J. M. (1978). Leadership. New York, NY: Harper & Row.
6) Daft, R.L. (2005). The Leadership Experience, 3rd ed. Thomson-Southwestern, Vancouver.
7) Deci, E. L., & Ryan, R. M. (2000). The "what" and "why" of goal pursuits: Human needs and the self-determination of behavior. Psychological Inquiry, 11(4), 227-268.
8) DeFond, M., & Francis, J. (2005). Audit Research after Sarbanes-Oxley? Auditing: A Journal of Practice and Theory, 24, 5-30.
9) DeAngelo, L.E. (1981). Auditor size and audit quality. Journal of Accounting and Economics, Vol. 3 No. 3, pp. 183-199.
10) Dewi, P. A., & Pramesti, D. (2021). Pengaruh Kepemimpinan Transformasional terhadap Kualitas Audit pada Kantor Akuntan Publik di Indonesia. Jurnal Akuntansi Multiparadigma, 12(2), 289–302.
11) Efendy, M. (2010). Pengaruh kompetensi, independensi, dan motivasi terhadap kualitas audit aparat inspektorat dalam pengawasan keuangan daerah (Studi empiris pada Pemerintah Kota Gorontalo) (Doctoral dissertation, Universitas Diponegoro).
12) Fitriani, I. (2019). Pengaruh Orientasi Etika Terhadap Komitmen Profesional Dan Implikasinya Pada Kualitas Audit. Jurnal Pendidikan Akuntansi & Keuangan, 2(2), 14.
13) Francis, J. R. (2011). A framework for understanding and researching audit quality. Auditing: A journal of practice & theory, 30(2), 125-152.
14) Hafeez, M. H., Akbar, M. U., & Rehman, S. (2023). The moderating role of organizational culture on the relationship between work motivation and employee performance: Evidence from the service sector. SAGE Open, 13(2), 1–15.
15) Hair, J.F., Hult, G.T.M., Ringle, C.M. and Sarstedt, M. (2021). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). 2nd Edition. Sage Publications Inc., Thousand Oaks, CA.
16) Jufrizen. (2021). The effect of motivation on employee performance with organizational culture as moderating variable. Journal of Business and Management Review, 2(5), 356–367.

17) Khan, A., Rehman, S. U., & Iqbal, M. (2021). The moderating role of organizational culture in the relationship between transformational leadership and employee performance. Journal of Management Development, 40(2), 127–143
18) Knechel, W.R., Krishnan, G.V., Pevzner, M., Shefchik, L.B. and Velury, U.K. (2013). Audit quality: insights from the academic literature. Auditing: A Journal of Practice and Theory, Vol. 32 No. Supplement 1, pp. 385-421.
19) Malekian, E., & Tavakolnia, E. (2014). The effect of ethical culture under budget pressure on audit quality time. Auditing: Theory and Practice, 1(1), 21-47.
20) Mohassel, A.H., Hesarzadeh, R., & Bagherpour Velashani, M. A. (2023). Leadership style, knowledge sharing and audit quality. European Journal of Management and Business Economics, 33(3), 306-323.
21) Nelson, M., & Tan, H. T. (2005). Judgment and decisionmaking research in auditing: A task, person, and interpersonal interaction perspective. Auditing: A journal of practice & theory, 24(s-1), 41-71.
22) Ningsih, R., & Lestari, W. (2022). Pengaruh Motivasi dan Kompetensi terhadap Kualitas Audit pada Auditor Pemerintah Daerah. Jurnal Akuntansi dan Keuangan Indonesia, 19(1), 55–68.
23) Northouse, P. G. (2021). Leadership: Theory and Practice Ninth Edition. SAGE Publications, Inc.
24) Putri, N. P. A. D., & Suaryana, I. G. N. A. (2016). Pengaruh motivasi kerja, kepuasan kerja, dan budaya organisasi pada kinerja auditor di Inspektorat Pemerintah Daerah Provinsi Bali. E-Jurnal Akuntansi Universitas Udayana, 16(1), 564–593.
25) Rahayu, N. K. S., & Suryanawa, I. K. (2020). Pengaruh Independensi, Profesionalisme, Skeptisme Profesional, Etika Profesi dan Gender Terhadap Kualitas Audit Pada KAP di Bali. E-Jurnal Akuntansi, 30(3), 686.
26) Rasool, S. F., Wang, M., Tang, M., & Saeed, A. (2022). Organizational culture and transformational leadership as antecedents of employee performance: The moderating role of trust. Frontiers in Psychology, 13, 857621.
27) Schein, E. H. (2010). Organizational Culture and Leadership (4th ed.). San Francisco, CA: Jossey-Bass.
28) Sekaran, U. and Bougie, R. (2016) Research Methods for Business: A Skill-Building Approach. 7th Edition, Wiley & Sons, West Sussex.
29) Wallach, E.J. (1983), Individuals and organizations: the cultural match. Training and Development Journal, Vol. 37, pp. 29-36.
30) Wicaksono, D. (2018). Pengaruh Kompetensi, Independensi, Etika Auditor, Dan Kecermatan Profesional Pada Kualitas Audit Aparat Inspektorat Jenderal Kementerian Sosial RI. Jurnal Mitra Manajemen, 2(5), 425–437.
31) Wijayanti, A., Ramlah, R., & Saputri, I. A. (2022). Pengaruh Indepedensi dan Profesionalisme Terhadap Kualitas Audit Yang Dimoderasi Oleh Etika Profesi. JESYA, 5(2), 2354–2367.
32) Xiao, T., Geng, C. and Yuan, C. (2020), "How audit effort affects audit quality: an audit process and audit output perspective", China Journal of Accounting Research, Vol. 13 No. 1, pp. 109-127.
33) Yiing, Lee & Ahmad, Kamarul. (2009). The moderating effects of organizational culture on the relationships between leadership behaviour and organizational commitment and between organizational commitment and job satisfaction and performance. Leadership & Organization Development Journal. 30. 53-86.
34) Yuliani, D., Sari, M., & Purnamasari, A. (2021). The Effect of Auditor Motivation on Audit Quality: Empirical Evidence from Indonesia. International Journal of Business, Economics and Law, 24(3), 12–20.