

The Effect Of Auditor Competence And Auditor Independence On Audit Quality With Auditor Ethics As A Moderating Variable

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Abstract

Financial statements that have been audited by a public accountant are more trustworthy than unaudited or unaudited financial statements. However, in recent years the quality of audits produced by public accountants has been under scrutiny by the public because there are differences in the auditor's opinion with the actual condition of the company. Auditor competence, auditor independence and auditor ethics have an important role in ensuring audit quality. This research is a quantitative study, using a survey method using purposive sampling with the respondent criteria for each KAP being 1 auditor. Data was collected using a questionnaire instrument which was measured using a Likert scale. The population of this study were auditors working at the Public Accounting Firm (KAP) in South Jakarta with active status at the OJK, totaling 76 KAPs and receiving 55 respondents to a questionnaire. The data analysis used was using the partial least squares (PLS) with the help of the SmartPLS program. The results of data analysis prove that: (1) auditor competence has a significant positive effect on audit quality with an original sample estimate of 0.369, a statistic of 3.594 and a significance <0.05, (2) auditor independence has a significant positive effect on audit quality with an original sample estimate value of 0.567, t-statistic 3.191 and significance <0.05, (3) auditor ethics can positively moderate the influence of auditor competence on audit quality with an original sample estimate value of 0.288, t-statistic 2.445 and significance <0.05, (4) and auditor ethics not can moderate the influence of auditor independence on audit quality with an original sample estimate value of -0.251, a t-statistic of 1.584 and a significance > 0.05. The practical implication of this research is to produce high audit quality, auditors must improve the competence, independence and ethics of their auditors so that the resulting audit report can be the basis for making the right decision.

Keywords : Auditor Competency, Auditor Independence, Auditor Ethics and Audit Quality

INTRODUCTION

Company financial reports those that have been audited by public auditors are more reliable than unaudited financial statements . The user of the audit report requires that the financial statements those that have been audited by a public accountant will be spared from material error, can be trusted i validity , and in accordance with the standards applicable accounting n.

Outsiders use the work of the auditor as a reference in making decisions. The auditor's responsibility is to provide an opinion based on the results of his audit work in the field (Prasetyawati et al., 2018). Audit quality plays a crucial role because superior audit quality will create financial reports that can be trusted and used as a basis for making decisions. An auditor in presenting audited financial statements must comply with generally accepted principles and standards in order to produce a reliable audit quality. (Fitrianti & Su'un, 2018). Nonetheless, in recent years the quality of audits carried out by public auditors has been under scrutiny due to differences in the auditor's opinion with the actual condition of the company.

Several major cases dragged well-known public accounting firms. First, CNBC Indonesia reported that Deloitte did not apply the precautionary principle (professional skepticism) so that it failed to detect fraud in SNP Finance's financial reports. Second, AP Kasner Sirumapea recognizes revenue for an inappropriate period without sufficient audit evidence to support its recognition according to conformity with the substance of the agreement and facts after the date

of the financial statements . Third, KAP RSM Amir Abadi Jusuf, Aryanto, Mawar, and Partners did not include an opinion on the reliability of information in auditing the financial statements, and many irregularities were found in the investigative documents that needed to be questioned. Fourth, PT Hanson International is known carried out manipulation in its annual financial reporting presentation for 2016 with manipulation relating to the sale and purchase of ready-to-build plots (Kasiba) with a value of IDR 732 billion, which resulted in The company's profit has increased significantly. Furthermore, Sherly Jokom, accountant from KAP Purwantono, Sungkoro and Surja, members of Ernst & Young Global Limited (EY), were given a penalty in the form of having their Certificate of Registration (STTD) suspended for one year (www.cnbcindonesia.com).

The four cases above show that the Auditor must be able to disclose these violations in the audited financial statements in order to maintain their independence (Siahaan & Simanjuntak, 2019). Professional public accountants or independent auditors hold a vital position as third party entities in conducting audits of customer companies . They act on the duties and responsibilities of the company's management to examine the company's financial statements . Audit quality provides an opportunity for the auditor to find fraud in the accounting system and record it in the financial reports presented to management.

Research on the impact of competence on audit quality has been carried out by many other researchers. Oktari et al. (2020) concluded that competence has a substantial effect on the quality of audit results. However, a study conducted by Andi Hardianti et al. (2022) found that the competency variable from a partial perspective does not have a substantial effect on audit quality, so high auditor competence is not a guarantee there will be an increase in audit quality obtained

Likewise, studies on the impact of independence on audit quality have also been carried out by many other researchers. Dahner Andreinal et al (2021) stated that independence has a substantial effect on audit quality, while the study conducted by Sarwenda Biduri et al. (2021) find that independence does not have a partial impact on audit quality.

Due to some differences in the results of these studies, researchers are interested in reviewing this study by utilizing updated indicators to measure competence, accounting ethics, independence, and auditing quality . This study also involved accountants with offices in South Jakarta KAP as respondents with the provision of 1 KAP 1 auditor, because the population of KAP in South Jakarta has the highest number compared to other areas in Jakarta, as shown in the following graph .

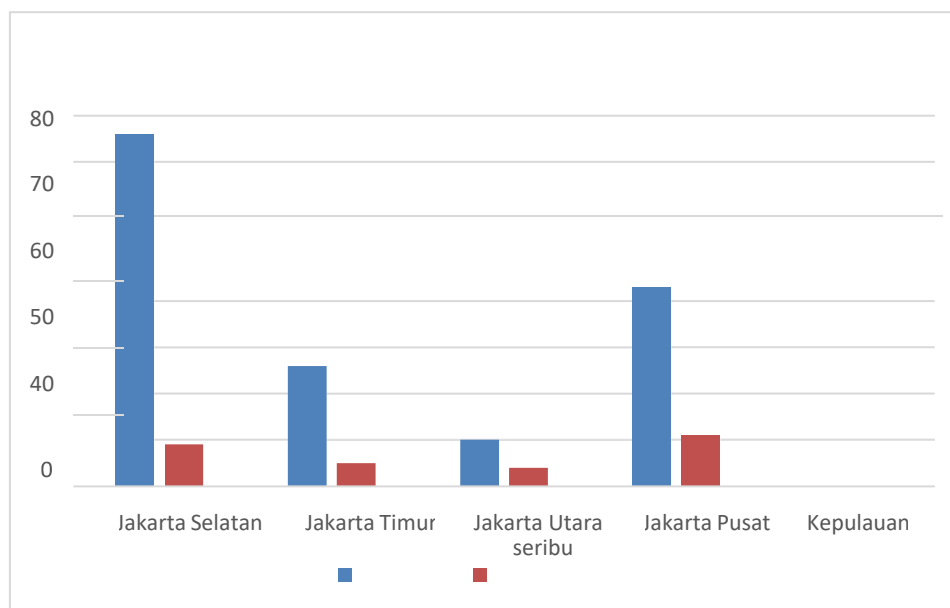


Figure 1. Population of KAP in Jakarta

Based on the context of the problems described earlier and the differences in the results of previous studies, the authors are motivated to investigate how the competence of accountants and their independence affect auditing quality by considering the role of accountant ethics as a variable that moderates the results.

RESEARCH METHODS

Study adopts a quantitative approach using the survey method as its analytical tool. Data collection was carried out through the use of *the Partial Least Square (PLS)* technique . The population for this research is accountants at KAP in the South Jakarta area. *Purposive sampling* technique was used to select respondents, with the criteria of one auditor from each KAP. Data was collected through a questionnaire which was measured by a Likert scale. In 2022, according to the OJK website, there are 76 KAPs in South Jakarta that are active, and as many as 55 respondents responded to the questionnaire given.

RESULT AND DISCUSSION

a. Validity test

Table 1 Average Variance Extracted

Variable	AVE	Information
Auditor Competency	0.608	Valid
Auditor Independence	0.753	Valid
Audit Quality	0.738	Valid
Auditor Ethics	0.642	Valid

Source: Data processing with *Smart PLS 3*

In Table 1 there are important indicators, namely AVE values for competency, accountant ethics , independence, and auditing quality . Each construct displays an AVE number that exceeds the threshold of 0.5 . This confirms that the validity is very satisfactory in terms of the indicators and questionnaires that are utilized to measure the impact of competence, independence and auditing quality .

b. Reliability Test

Table 2 Composite Reliability

Variable	Composite Reliability	Information
Auditor Competency	0.925	Reliable
Auditor Independence	0.965	Reliable
Audit Quality	0.966	Reliable
Auditor Ethics	0.935	Reliable

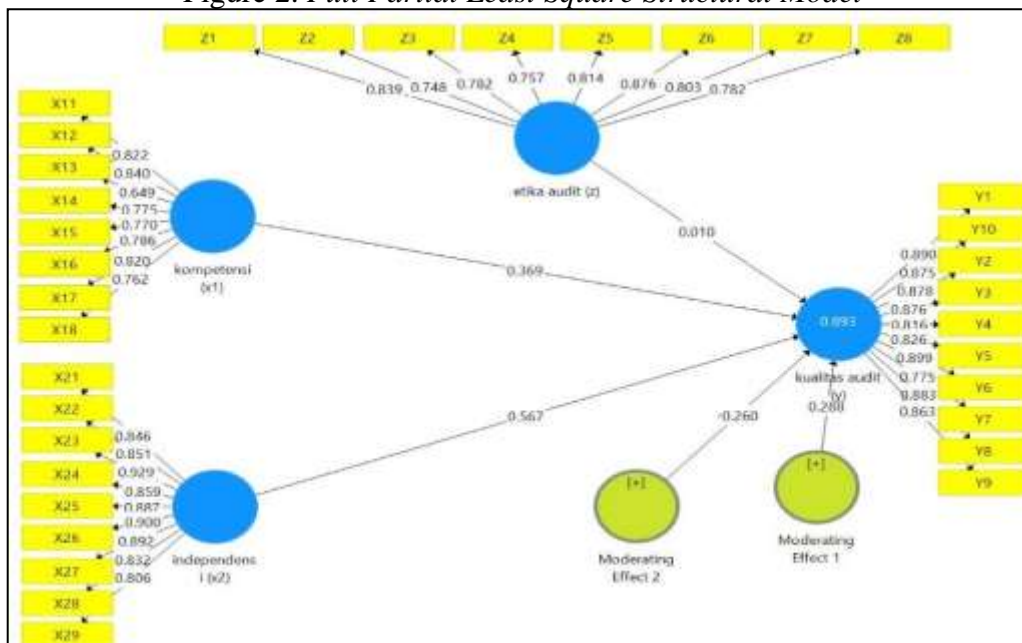
Source: Data processing with Smart PLS 3

Analysis from Table 4.2 shows that each construct or latent variable has a *composite reliability* value exceeding 0.7. This indicates that the reliability of the internal alignment between these variables is very good. Therefore , it can be trusted that the results of measuring the variables in this research are consistent and reliable .

c. Outer Model

measurement models carried out for testing linkage (*loading value*) between the indicator and its construct (latent variable).

Figure 2. Full Partial Least Square Structural Model



Source: Data processing with Smart PLS

The outer loading test aims to see the correlation between the item or indicator score and the construct score. An indicator is considered reliable if it has a correlation value above 0.7. However, in the development stage, a correlation of 0.5 is still acceptable (Ghozali, 2008). Looking at the test results, it can be seen that the outer loading value of the auditor's independence variable, competence, audit quality, and ethics has exceeded or at least reached 0.5. Therefore, it can be concluded that the variables of auditor independence and their competence, audit quality, and ethics fulfill the requirements of the adequacy model or convergent validity criteria.

d. inner Model

Testing of the inner model or structural model is carried out to see the relationship between constructs, significant values, and R-square of the research model. The structural model is evaluated using R-square for the dependent construct (Ghozali, 2008:26). In order to determine the success or failure of the proposed hypothesis, the limit used is ± 1.96 . If the t-statistic value exceeds the t-table (1.96), then the hypothesis can be accepted. On the contrary, if the value of the t-statistic less than the t-table (1.96), then the hypothesis is declared not accepted. In this process, it will be revealed more clearly the strength and significance of the relationship between constructs in the research model.

Table 3 Result For Inner Model

	Original sample estimate	Mean of sub samples	Standard deviation	T statistics	hypothesis
Auditor Competency → Audit Quality	0.369	0.344	0.103	3,594	Accepted
Auditor Independence → Audit Quality	0.567	0.504	0.178	3,191	Accepted
Moderation Auditor Ethics					
Auditor Competency → Audit Quality	0.288	0.226	0.118	2,445	Accepted
Moderation Auditor Ethics					
Auditor Independence → Audit Quality	-0.260	-0.251	0.164	1,584	Rejected

Source: Data processing with Smart PLS

In the process of assessing the structural model using SmartPLS software, we can see the R-square value of each latent variable. Below this is the R-square value obtained through the results of this research data processing:

Table 4 R-Square

	R-Square	Adjusted R-square
Audit Quality	0.893	0.882

Source: Data processing with *SmartPLS 3*

In this research, the audit quality variable shows an R-square level of 0.893. This means that around 89.3% of the variation in audit quality can be described through the variables of

competency, accountant ethics and independence. On the other hand, some 10.7% remains triggered by a variable others which were not included in this study . These findings confirm that the competence, independence, and ethics of accountants play a crucial role in determining the quality of the resulting audit .

e. Hypothesis test

1) Hypothesis 1

Table 5. Results for Inner Weight Hypothesis 1

	Original sample Estimate	Mean of sub Samples	Standard deviation	T statistics	P Values	Hypothesis
Auditor Competency → Audit Quality	0.369	0.344	0.103	3,594	0.000	Accepted

Source: Data processing with Smart PLS

The results of data processing recorded in table 4.5 reveal that Auditor Competence has a positive influence and has a substantial impact on audit quality, *the original sample estimate* value is 0.369 and the t-statistic is 3.594 (exceeding t-table 1.96). Through this value , the first hypothesis (H1) which states that auditor competence has an impact on audit quality can be accepted. This finding emphasizes the importance of an accountant's expertise when carrying out their duties to carry out client financial reporting audits and produce quality research results.

In the context of cognitive theory, competence is closely related to sufficient understanding and experience possessed by public auditors . An accountant must have high expertise in carrying out their duties . As an expert, accountants must always update their knowledge and understand the latest developments regarding the rules and regulations that apply in their field of profession. The more competent an auditor is, the better the quality of the audit that can be made .

2) hypothesis 2

Table 6 Result for Inner Weight Hypothesis 2

	Original sample Estimate	Mean of sub Samples	Standard deviation	T statistics	P Values	Hypothesis
Auditor Independence → Audit Quality	0.567	0.504	0.178	3,191	0.002	Accepted

Source: Data Processing With SmartPLS (2023)

The results of data processing recorded in table 4.6 reveal that auditor independence has a positive and substantial impact on audit quality, as evidenced by *the original sample estimate* value of 0.567 and the t-statistic of 3.191 (exceeding t-table of 1.96). Therefore , the conclusion can be formulated that the 2nd hypothesis (H2) which assumes that Auditor Independence has an impact on Audit quality is acceptable. If an accountant truly show independence, they will not be influenced by clients and are willing to disclose and report any violations of the accounting system.

In the perspective of agency theory, independence is an important assumption. When an auditor is independent, the evaluation given to the financial statements under investigation will reflect the actual situation of the company being audited. So that financial reporting that has been audited becomes more trustworthy by all parties involved . With increased independence, the quality of audit inspection findings will also be higher . This fact shows how important independence is for an auditor in producing a quality audit.

3) hypothesis 3

Table 7 *Result for Inner Weight Hypothesis 3*

	Original sample Estimate	Mean of sub Samples	Standard deviation	T statistics	P Values
Auditor Ethics moderating Competency Audit → audits Quality	0.288	0.226	0.118	2,445	0.015 Accepted

Source: Data Processing With SmartPLS (2023)

The results of the analysis of the collected data, presented in table 4.7, reveal that auditor ethics have a positive impact and are able to moderate the impact of competence on audit quality. This is indicated by *the original sample estimate value* of 0.288 and the t-statistic of 2.445 (exceeding the t-table of 1.96). Through this value , the 3rd hypothesis (H3) which states that auditor ethics can moderate the impact auditor competence to audit quality, acceptable. These findings indicate that in order to develop audit quality, it is not only necessary to have a high level of knowledge , but also to uphold professional ethics. An auditor with strong ethics will be more objective and have high integrity in producing quality audits.

In the perspective of cognitive theory, it is assumed that if the accountant's ethics are good and in accordance with the determined provisions , the auditor will maximize the examination of the audit report by using the competence and experience he has . In conclusion , the quality of auditing done will be better . This shows how important the role of ethics is in helping optimize the quality of audits carried out by an accountant .

4) hypothesis 4

Table 8 *Result for Inner Weight Hypothesis 4*

	Original sample Estimate	Mean of sub Samples	Standard deviation	T statistics	P Values
Auditors Ethics moderating Auditor Independence → audits Quality	-0.260	-0.251	0.164	1,584	0.114 Rejected

Source: Data Processing With SmartPLS (2023)

The results of the analysis of the collected data, which are listed in table 4.8, reveal that ethical auditors do not have the ability to moderate the impact of independence on audit quality.

This finding can be seen from the *original sample estimate value* of -0.260 and the t-statistic of 1.584 (under the t-table of 1.96). Therefore, it can be concluded that the fourth hypothesis (H4), which states that Auditor Ethics can moderate the impact of Auditor Independence on Audit Quality, must be rejected.

Agency theory states that an auditor as a third party must be able to understand conflicts of interest that arise between principals and agents . However, the findings of this study indicate that auditor ethics cannot have an impact on the relationship between independence and audit quality. This fact is because the auditor faces a conflict of interest, by worrying about losing the client company being audited. So that the relationship between accountant ethics is more related to relationships with customers than has an impact on the quality of audits carried out . These findings indicate that in some cases, ethical factors cannot moderate the relationship between independence and audit quality in the context of this research .

CONCLUSION

of this research discussion provide evidence that auditor competence has a positive and substantial impact on audit quality , in accordance with auditing principles which require auditors to have competence to carry out audit tasks and provide optimal audit quality . Auditor independence also has a positive and substantial impact on audit quality. An accountant who can put forward an independent attitude will get audit findings that can be trusted and have high quality .

Furthermore, auditor ethics can moderate the impact of auditor competence on audit quality . These findings show that in order to improve audit quality, it is not only necessary to have high knowledge , but also to uphold professional ethics. An accountant with strong ethics will be more objective and have high integrity, which contributes to better audit quality.

However, it is unfortunate that auditor ethics cannot moderate the impact of auditor independence on audit quality . This indicates that the accountant may face a conflict of interest, with the fear of losing the audited firm's clients. So that the auditor's ethical relationship is more related to client relations than having an impact on the quality of the audit done .

Overall, this research provides valuable insights about the importance of auditor competence, auditor independence and auditor ethics in improving audit quality. auditors _ competent and independent, with good ethics, will be able to provide high quality and reliable audit results . The results of this research also emphasize the need to maintain auditor independence and encourage improvement in professional ethics to improve audit integrity and quality in an increasingly dynamic and complex business environment

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