

Effect of Competence and Independence on Audit Quality with Auditor Ethics as Moderation Variable

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Abstract—This study aims to obtain a behavioral model of auditors working in public accounting firms in audit quality. The concept of this study is the theory of virtue. The purpose of this study was to examine the influence of competence and independence on auditor quality with auditor ethics as a moderating variable. This research method uses a quantitative approach. The variables in this study are auditor quality, auditor competence, auditor independence, and auditor ethics. The sampling technique used in this study is convenience sampling. The population in this study are auditors who work in Public Accountants in Central Java and Yogyakarta. Data analysis techniques using multiple regression. The results showed that auditor competence had a significant positive effect on audit quality. Independence has no significant negative effect on audit quality. Competence has no significant negative effect on audit quality with auditor ethics as moderating variables and independence has a significant positive effect on audit quality with auditor ethics as moderating variables.

Keywords—audit quality; competence; independence; auditor ethics

I. INTRODUCTION

Auditors are parties who are believed to act as public interest controllers related to financial statement information. The auditor has the responsibility to plan and carry out an audit to obtain reasonable assurance whether the financial statements are free from material misstatement either by mistake or fraud.

The community expects a free and impartial assessment of the information presented by the company's management in the financial statements. The auditor is responsible for raising the level of reliability of the company's financial statements, so that people obtain reliable financial statement information as a basis for decision making.

The profession of public accountants has an important role in providing reliable financial information for governments, investors, creditors, shareholders, employees, debtors, as well as for the public and other interested parties. Audit quality is all the possibilities of the audit results where the auditor when auditing the financial statements of clients can find violations that occur in the client's accounting system and report them in audited financial statements. Audit quality is the probability that the auditor will find and report violations of the client's

accounting system. The probability of finding this error depends on the competence and independence of the auditor.

Audit quality is determined by two things, namely competence and independence [1]. Audit quality is the probability that the auditor will find and report violations of the client's accounting system [2]. The probability of finding a violation depends on the auditor's technical ability and the probability of reporting a violation depends on auditor independence [3]. Most studies that have been conducted in order to evaluate audit quality, always make conclusions from the auditor's perspective [4].

Independence has a significant negative effect on audit quality [5,6]. However, the research conducted by Koyinna et al. and Sukriah states that independence has no significant negative effect on audit quality [7,8].

Research conducted by Marsellia, Ramadhani, Wardhani and Lauw concluded that competence has a significant positive effect on audit quality [5,6,9,10]. However, research conducted by Priyansari states that competency has no significant positive effect on audit quality [11].

Research conducted by Marsellia, Ramadhani and Kharismatuti concluded that competencies moderated by Auditor Ethics have a significant negative effect on audit quality [5,6,12]. However, research conducted by Alim and Dewi states that competencies moderated by Auditor Ethics have a non-significant positive effect on audit quality [13,14].

Research conducted by Marsellia and Kharismatuti concluded that independence moderated by Auditor Ethics has a significant positive effect on audit quality [5,12]. However, research conducted by Dewi states that independence moderated by Auditor Ethics has a positive and not significant effect on audit quality [14].

Based on the inconsistency of the results of research conducted by previous researchers, encouraging research needs to be re-examined the independence, competency and audit quality variables with auditor ethics as moderating.

II. METHODS

A. Data Resource

Sources of data in this study are primary data sources, namely data obtained directly from the original source (not through intermediary media). In this study the primary data obtained through questionnaires given to respondents in this case are auditors who work in public accounting firms in Semarang, Solo and Yogyakarta.

B. Population and Sample

The population taken in this study were auditors who worked in the Public Accountant Office in Semarang, Solo, and Yogyakarta. The sample used in the study was chosen with ease of consideration. This is because of limitations, not all Public Accounting Firms in Semarang, Solo and Yogyakarta can be visited and obtained data for research.

C. Variable Operational and Variable Indicators

Audit quality dimensions and indicators there are fourteen which contain: (1) compensation received, (2) reporting client errors, (3) understanding of information systems before conducting audit procedures, (4) understanding of audit reporting information systems, (5) completion commitments audit, (6) timeliness commitment, (7) audit profession standard guidelines, (8) use of general audit standards, (9) high ethical standards (10) carrying out fieldwork, (11) not easily trusting clients. (12) relevant evidence, (13) Be careful in decision making, (14) Compare audit results.

The competency dimension contains nine questions that contain: (1) formal education. (2) Ability to carry out audits, (3) understand the structure of the entity, (4) Understand the entity's program, (5) Understand the entity, (6) work period. (7) audit training, (8) Seriousness in participating in audit training. (9) Initiatives to improve auditing mastery.

The independence dimension consists of six questions which contain: (1) the client knows the auditor, (2) limits the scope of the question due to blood relations, (3) does not report errors intentionally, (4) notifies superiors if they have interference. (5) Courage reveals the findings as they are. (6) the authority to reject the consideration.

The dimensions of professional ethics as a moderating variable are thirteen questions which contain: (1) accountability of audit reports, (2) audit reports in accordance with accounting standards. (3) Responsibility when there are audit results that require improvement, (4) Do not blame others, (5) If there is an error capable of being responsible for the audit report, (6) the auditor cannot be intimidated by others. (7) consideration of audit issues, (8) consideration of prevailing legislative circumstances, (9) confidence in adversity (10) may not be impartial, (11) cooperative relations, (12) objectivity activity. (13) attitude of objectivity.

III. RESULT AND DISCUSSION

Respondents in this study were 81 auditors. Male respondents were 37 people (45.68%) and female respondents as many as 44 people (54.32%). These results can be concluded

that most auditor professions are more attractive to women where women have an interest as auditors in a public accounting firm.

The models in this study have passed the classical normality and assumption test. Regression test results can be formed as follows:

$$KUA = 1,155KOM - 0,960INDE - 1,044KOM*ETIKA + 1,599INDE*ETIKA + e$$

Based on the test data coefficient of determination, the adjusted R square value of 0.671. These results indicate that the competence and independence of auditor variables are able to explain the effect of audit quality at 67.1%. Based on the F test above it is known that F count 38.716 and a significant value smaller than 0.05 (0,000 < 0.05), it can be concluded that together auditor competence and independence have a significant effect on auditor quality and moderated ethical auditors.

A. Instrument Testing

Based on the results of the validity of all indicators in the variable has a KMO value of more than 0.5 so it can be concluded that the sample adequacy in this study is affected. Validity test results stated that all indicators in the variable had a loading factor value of more than 0.4. So that it can be said that all indicators are valid.

The reliability test results showed that all variables were declared reliable because the Cronbach alpha value was above 0.6.

1) Hypothesis testing

a) *Results of testing Hypothesis 1 (H1):* Competence has a significant effect on audit quality. Competence has a significant value of 0.001 meaning that the competency variable partially has a significant influence on audit quality.

b) *Results of testing Hypothesis 2 (H2):* Independence has a significant effect on audit quality. Independence has a significant 0.054, meaning that the independence variable partially does not significantly influence audit quality.

c) *Results of testing Hypothesis 3 (H3):* Independence has a significant effect on audit quality. Competence does not affect audit quality with auditor ethics as the moderating variable has a significant 0.093.

d) *Results of testing Hypothesis 4 (H4):* Independence has a significant effect on audit quality with auditor ethics as a moderating variable. Independence has a significant positive effect on audit quality with auditor ethics as the moderating variable has a significant 0.026.

B. Discussion

Results of testing hypothesis 1 (H1): Competence has a significant effect on audit quality.

Auditor competency has a positive and significant influence on the quality of auditors. The results of the study are the same as the results of research conducted by Widagdo, Marsellia, Wardhani and Lauw [4,5,9,10].

Results of testing hypothesis 2 (H2): Independence has a significant effect on audit quality.

Auditor independence does not have an influence on audit quality. The results of this study are in line with the results of several research [7,8].

Results of testing hypothesis 3 (H3): Competence has a significant effect on audit quality with auditor ethics as a moderating variable.

Competence has a negative effect that is not significant with auditor ethics as a moderating variable. The results of this study are in line with the results of research by Widagdo [4].

Results of testing hypothesis 4 (H4): Independence has a significant effect on audit quality with auditor ethics as a moderating variable.

Independence has a significant positive effect on auditor ethics as a moderating variable. the results of this study are the same as the results of research conducted by Widagdo and Kharismatuti [4,12].

IV. CONCLUSION

Conclusions in this study can be formulated as follows: Auditor competency has a positive and significant effect on audit quality, auditor independence does not affect audit quality, auditor competency has no influence, when auditor ethics is used in audit quality, auditor independence has a positive and significant influence on audit quality, when the auditor has ethics it will strengthen the audit quality.

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