

# The Influence of Independence, Due Professional Care, and Its Influence on Audit Quality (Studies at 6 Public Accounting Offices in South Jakarta)

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## ABSTRACT

Independence and professional due care is a form of a person's obligation to be accountable for managing the authority entrusted to him to achieve the stated goals. This research seeks to collect empirical data on the effect of auditor independence, audit experience and auditors' ethics on audit efficiency. The research collected data from independent auditors at six public accounting companies in South Jakarta. Data collection was carried out through a questionnaire. The method of determining the data used is convenience sampling. There are 100 questionnaires distributed to auditors. The number of questionnaires returned was 90 questionnaires. In order to evaluate outcomes, with the independent auditor and due professional care as independent variables and audit quality as the dependent vary, multiple regression analyzes were used. The study's findings indicate that auditor independence and due professional consideration have a substantial impact on audit efficiency.

**Keywords:** *Auditor Independence, Auditor Experience, Auditor Ethics, Audit Quality*

## 1. INTRODUCTION

Public accountants are needed to foster public trust in company activities and performance. Outsiders often use public accountant services to assess the company's performance through auditing financial statements. Financial reports provide descriptions and information on company performance needed by internal and external parties to make decisions. External to the firm (Deis & Gireoux, 1996). And according to FASB, relevance and reliability are the two main features of financial reports. The measurement of these two features is difficult. The users of information need a third party, namely an independent auditor, to ensure that the financial are relevant and credible in order to improve the trust of all parties involved in the business (Francis, 2004).

Increasingly, the company will be able to operate its business (Handoko, Widuri, Andrian & Darmasaputra, 2019). However, in an era of intense competition like today, companies and the auditor profession are both faced with tough challenges (Hosseinnikani, Inacio & Mota, 2014). They both have to maintain their existence on the competitive map with competing companies or colleagues (Iryani, 2017). The Business wants the audit report to include unqualified opinions so that it can operate

smoothly and effectively in the public eyes (Khasarmeh & Desoky, 2018).

Auditors must be independent of the interests of all the parties concerned in giving an impression on the reliability of the accounts. The auditor must be open to the internal and external parties who have confidence in the financial reports (Knechel & Vanstraelen, 2007). Auditor independence is essential to maintain because the interested parties do not believe in the auditing results from the auditors; the client and third parties will no longer request the auditor's services (Knechel, Krishnan, Pavzner & Velury, 2013). Users of financial statements will always carry out checks and seek Company's financial statements reliability information. (Kusumawati & Syamsuddin, 2018). An independent audit is required to ensure comprehensive, correct and biased data for decisions are a common way of obtaining reliable information. Without using the services of an independent auditor, company management will not be able to convince outside parties, Because from an external perspective, management also has economic and other interests (Lin & Hwang, 2010). Usually, management will ask auditors to assure users that financial reports are reliable (Mardijuwono & Subianto, 2018).

In an audit of financial statements, auditors must interact and establish professional relationships with management and the board of commissioners and audit committee, internal auditors, and shareholders. Auditors must frequently interact or interact with management (Pritama, Supriyatna & Torong, 2018). To obtain the necessary evidence and usually, the auditor will ask for confidential company data. The auditor's attitude acknowledges the need for an objective assessment of the conditions under investigation and the evidence obtained during the audit (Puspitasari, Mafela & Melani, 2019). The auditor ensures that the audited financial statements of the business are accurate and that management also gains trust and confidence between external partners that the management has fulfilled its responsibility appropriately (Quick, 2012).

Competence can be gained through training and experience, skills that allow high professionalism to be achieved by the quality of the audit services. A public accountant must be an accounting and auditing specialist when conducting an audit. Independence is not an easy-to-understand behavior and takes no side with others. There is no right of public accountants to side with anyone's interests. Public accountability must be transparent with managers, corporate owners and creditors, and all parties who trust public accountants (Ruiz & Garcia, 2004). Auditors should also have ethical values including jurisdiction, independence and responsibility (Samelson, Lowenshon & Johnson, 2006).

The auditor faces a dilemma; the auditor, first, must be independent in expressing his opinion on the fairness of the financial statements with respect to many parties' interests, but, secondly, he must be also able to comply with the requirements desired

by customers, whose services are paid to satisfy the needs of their clients and to continue to serve them. The auditor faces a challenge that could affect the consistency of the audit. Other needs of an auditor include experience and due care, besides independence. However, the concept of audit competence is also measured by experience (Tapalagul & Lin, 2015)

A cautious and comprehensive attitude can be interpreted by critically thinking and assessing audit data, careful handling of tasks, inspections and determination to fulfill responsibilities (Watkins, Hillison & Morecroft, 2004). The auditor must be alert to major risks with due care. In the presentation of financial statements, auditors can discover different types of fraud quickly and easily with a careful approach. Consequently, auditors must have ample trust in the assessment of audit facts (Zahmatkesh & Rezazadeh, 2017).

**2. METHOD**

This study uses qualitative methods with a descriptive analysis approach. The sample used in this study was taken from a population of all independent auditors in six PAF in South Jakarta. A convenience sampling approach was used in the sampling technique. Data in primary and secondary form obtained.

**3. RESULT AND DISCUSSION**

The results in this analysis were based on primary data sent to PAF staff in South Jakarta as questionnaires. The PAF in South Jakarta is used as a research location that permits to conduct of research. The following is the PAF data used as the research sample:

**Table 1.** Six Public Accounting Firms in South Jakarta

No.	Name of Public Accounting Firm	Number of employees
1.	Achsin Handoko Tomo	33
2.	RSM Indonesia	300
3.	Y. Santosa	67
4.	Doli, Bambang, Sulistiyanto, Dadang & Ali	19
5.	Hertanto Grace Karunawan	30
6.	Purwanto, Sungkoro & Surja	1900

*Source: Data processed by the author, 2021*

Determining the sample using the Slovin formula, the authors distributed 100 questionnaires, 90 returned questionnaires, ten questionnaires were not returned, and ten questionnaires were returned but could not be used. The data is presented in table 2 below:

**Table 2.** Questionnaire Description

Questionnaire	Amount	Percentage
Distributed questionnaire	100	100%
Questionnaire that can be used	90	90%

Source: Data processed by the author, 2021

Based on 75 processable questionnaires, information was obtained about the demographics of the respondents as a reference in seeing the characteristics of the respondents who were the sample of the study. The demographics of respondents can be seen in Table 3 below:

**Table 3.** Characteristics of Respondents

No.	characteristics	Number of people	Percentage (%)
1.	Age:		
	24 - 29 years	37	41.1%
	30 - 35 years	28	31.1%
	>35 years	25	27.8%
	Total	90	100%
2.	Gender:		
	Male	59	65%
	Female	31	35%
	Total	90	100%
3.	Education		
	Bachelor degree	54	60%
	Magister	32	35.6%
	Doctor	4	4.4%
	Total	90	100%
4.	Length of work		
	1 - 5 years	30	33.3%
	6 - 10 years	43	47.7%
	> 10 years	17	19%
	Total	90	100%

Source: Data processed by the author, 2021

From table 3 above, it can be seen that the age group of respondents is mainly included in the 24-29 age group, namely with a percentage of 41.1%, as many as 37 people. An overview of the research variables in this study such as Independence,

Auditor Experience, Auditor Ethics and Audit Quality, then a descriptive statistical table is used which shows the theoretical range, actual range, median, a mean and standard deviation which can be presented in table 4 below:

**Table 4.** Descriptive statistics

	Theoretical			Actual			
	Min	Max	Mean	Min	Max	Mean	Std. Deviation
Independence	8	40	24	10	40	30.17	6.35
Due Professional Care	8	40	24	10	40	29.76	6.38
Audit Quality	6	30	18	8	30	24.17	4.94

Source: Data processed by the author, 2021

From table 4, based on the questions from the questionnaire designed using the Likert scale, the theoretical range of the Independent variable has an instrument with eight questions, the resulting

academic data is 8 for the lowest amount of data obtained from respondents, 75 for the highest amount of data obtained from respondents, and 24 for the

number if the respondent answers all questions occasionally or neutral.

### **The Effect of Due Professional Care on Quality Of Audit**

Table 4 above shows the positive effects on audit results of the auditors' due professional treatment. This is shown by the importance of std deviation from 6.38, which means that the due competent care auditor has a direct relationship with the standard of the audit. Public accountants need adequate accuracy in their work to produce good audit quality and avoid material misstatement in their reports. An auditor must always use due professional care in engagements by being aware of the possibility of fraud, intentional errors, errors and omissions, inefficiencies, ineffectiveness and conflicts of interest, and other conditions and activities where deviations are likely to occur to minimize the occurrence of misstatements—material financial statements submitted by management to those concerned.

### **Effect on audit quality of the auditor's independence**

Table 4 above demonstrates a significant positive impact on audit quality on auditor independence. This is shown by the value of std. The disparity in the independent variable was 6.35, meaning that the independence of the auditor and the efficiency of the audit norm are one-way. In doing the best possible job for society and the career the occupation as public accountable is responsible. The duties of an auditor include the obligation to report fraud, mistakes and irregularities, maintain an attitude of independence, find illegal actions from clients and communicate helpful information about the results of the audit.

## **4. CONCLUSION**

The inference can be drawn as follows, based upon the results of the data analysis as mentioned above: The auditor's independence variable has more independent an auditor is, the higher it results in the auditing standard and the variable professional care needed to increase audit quality are the positive effects on the quality of the audit it produces.

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