

The Effect of Competence and Independence on Audit Quality with Auditor's Ethics as a Moderating Variable

(Study On BPKP Representative of East Nusa Tenggara Province)

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Abstract— The public accounting profession has an important role in auditing financial statements in a good organization and is a profession of public trust. The public accounting profession is responsible for increasing the level of reliability of the company's financial statements so that the information can be used as the basis for making the right decisions. Competence and independence are two characteristics at the same time that the auditor must possess. Both of these things directly affect the quality of the audit. To have competence, an auditor must undergo sufficient technical training. Achievement starts with formal education which is further expanded through audit experience and practice. An independent mental attitude is as important as expertise in accounting practices and audit procedures that every auditor must possess. In order to support professionalism as a public accountant, the auditor in carrying out audit duties must be guided by the audit standards set by the Indonesian Institute of Accountants (IAI). BPKP (Financial and Development Supervisory Agency) as an internal auditor at the central government also has a big responsibility, namely creating a good governance process, free of corruption, collusion and nepotism and the implementation of a management control system. Given the importance of the role of BPKP in the survival of the Indonesian government, a study was conducted on the audit quality in it. This study aims to analyze empirically the effect of competence and independence on audit quality and empirically analyze the effect of competence and independence on audit quality moderated by auditor ethics, especially internal auditors working at BPKP East Nusa Tenggara Province.

Keywords: *Competence, Independence, Auditor Ethics, Audit Quality.*

I. INTRODUCTION

The public puts considerable trust in the accounting profession, in this case public accountants. The public expects an independent and impartial assessment of the financial statements presented by the organization in the financial statements (Mulyadi and Puradireja, 1998). According to Christiawan (2002), audit quality is determined by him, namely competence and independence. Both of these things directly affect the quality of the audit.

An independent mental attitude is as important as expertise in accounting practices and audit procedures that every auditor must possess. Auditors are not only obliged to maintain an independent mental attitude but also must avoid things that can cause public doubts about their independence. This independent mental attitude of the auditor according to the community is not easy to obtain.

BPKP (Financial and Development Supervisory Agency) as an internal auditor at the central government also has a big responsibility, namely creating a good governance process, free of corruption, collusion and nepotism as well as implementing a management control system (Pradita, 2010).

Internal auditing is an independent assessment function that is carried out within an organization to test and evaluate the organization's internal control system. According to Adams (1994) in Putri (2011), the internal quality that is carried out will be related to the competence and objectivity of the internal auditor's staff.

Given the importance of the role of BPKP in the survival of the Indonesian government, a study was carried out on the quality of the audit in it. This study examines the effect of competence and

independence on audit quality with auditor ethics as a moderating variable.

II. LITERATURE REVIEW

2.1 Agency Theory

Agency theory according to Jensen and Meckling (1976) is "a contract under one or more that involves agents to perform some services for them by delegating decision-making authority to agents". Both agents and agents are assumed to be rational economists and motivated solely by self-interest. delegating decision-making about the company to managers or agents. However, managers do not always act in the interests of shareholders. The main purpose of agency theory is to explain how the parties to a contractual relationship can design contracts with the aim of minimizing costs as a result of asymmetric information and conditions of uncertainty.

Agency theory seeks to answer agency problems that occur because the parties working together have different goals. Agency theory (agency theory) is emphasized to overcome two problems that can occur in agency relationships (Eisenhardt, 1989 in Ernati 2009). The first is the agency problem that arises when the desires or goals of the principal and agent conflict with each other and it is difficult for the principal to verify whether the agent has done something right. Second, the problem of sharing the risk that arises where the principal and agent have different attitudes towards risk. The essence of the agency relationship is that in the agency relationship there is a separation between ownership (principal) namely the shareholders and the controlling party (agent), namely the manager who manages the company.

2.2 Audit Quality

Audit quality is defined as the probability that the auditor will properly and correctly find reports of material errors, errors or omissions in the client's material financial statements (De Angelo, 1981 in Kusharyanti, 2009).

SPAP (Standard Professional Public Accountant), issued by IAI in 1994 states that the criteria or quality measures include the professional quality of auditors. auditor's professional quality criteria as regulated by general auditing standards include independence, integrity and objectivity. From this statement it can be concluded that audit quality aims to ensure that the profession is responsible to clients and the general public which also includes the professional quality of auditors.

2.3 Auditor Ethics

Auditor ethics is concerned with the question of how people will behave towards each other (Kell et al, 2002 in Alim, et al, 2007). Meanwhile, according to Maryani and Ludgolo (2001), defines ethics as a set of rules or guidelines that. The auditor's code of ethics is the auditor's code of conduct in accordance with the demands of the profession and organization as well as audit standards which are a minimum quality measure that must be achieved by the auditor in carrying out his audit duties. , 2008 in Sari, 2011). Devis (1984) in Anitaria (2011) suggests that adherence to the code of ethics only results from a self-regulating planned education program to improve understanding of the code of ethics.

2.4 Competence

Competence according to De Angelo (1981) in Kusharyanti (2002) can be seen from various perspectives, namely the individual auditor's point of view, the audit team and the Public Accounting Firm (KAP).

Lee and Stone (1995) in Efendy (2010) define competence as sufficient expertise that can explicitly be used to conduct an audit objectively. Meanwhile, according to the LOMA Competency Dictionary (1998) in Alim, et al (2007) competence is defined as the personal aspects of a worker that enable him to achieve superior performance. These personal aspects include traits, motives, value systems, attitudes,

2.5 Independent

Independent means that public accountants are not easily influenced. Public accountants are not allowed to side with anyone's interests. Public accountants are obliged to be dishonest not only to management and company owners, but also to creditors and other parties who place their trust in the work of public accountants (Christiawan, 2002). The Code of Ethics for Public Accountants states that independence is the attitude expected of a public accountant not to have a personal interest in carrying out his duties, which is contrary to the principles of integrity and objectivity.

2.6 Thinking Framework and Hypothesis Development

Thinking Framework:

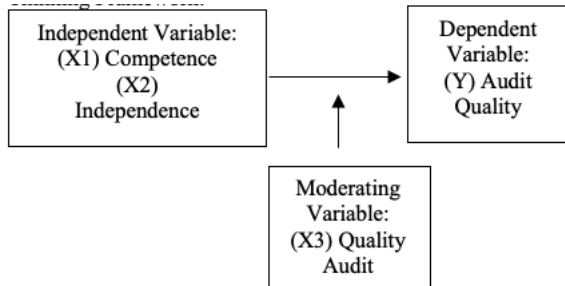


Figure 1. Thinking framework

2.7 Hypothesis Development

- H1: Competence has a positive effect on audit quality
- H2: Interaction of Competence and Auditor Ethics has a positive effect on audit quality
- H3: Independence has a positive effect on audit quality.
- H4: Interaction of Auditor Independence and Ethics has a positive effect on audit quality.

III. METHOD

3.1 Population and Sample

The population in this study were auditors at the BPKP Representative for East Nusa Tenggara. The sample is part of the population that is judged to represent its characteristics. Sampling in this study using purposive sampling method, namely taking samples using certain criteria. Sampling in this study using purposive sampling method, namely taking samples using certain criteria.

Data Research uses primary data obtained from observations, questionnaires and interviews with interested parties. The questionnaire contains questions that must be answered by each respondent, where the assessment is on a Likert scale of 1-5 with the following details: 1=strongly disagree (STS), 2=disagree (TS), 3=undecided (R), 4 = agree (S), 5 = strongly agree (SS). While the secondary data obtained from the BPKP Auditor Performance Report.

3.2 Data Analysis Technique

Data analysis techniques used in this study with the following stages:

1. Validity Test and Reliability Test

Validity test is used to determine the extent of the accuracy and accuracy of a measuring instrument in carrying out its measuring function. The minimum

requirement to be considered valid is if $r \geq r_{table}$ is greater than the coefficient in the critical value table r , which is at a significant level of 5% or 1%.

Reliability testing is carried out to test the degree of freedom of measurement from random error and therefore produces a constant form, or in other words it is carried out to see whether the measuring instrument used is consistent or not. An instrument is said to be reliable if it has a Cronbach Alpha value greater than 0.6.

2. Normality Test

Assumption Normality is a requirement of most statistical procedures inferential. The purpose of the normality test is to test whether in a regression model, the independent variable, the independent variable or both have a normal distribution or not. A good regression model is a normal distribution or close to normal. Normality detection is done by looking at the sig value in each statement. The basis for making the decision is as follows:

- a. If the sig value is below 0.005 then the test is not normal, then the hypothesis testing uses the Mann Whitney U-Test.
- b. If the value is above 0.005 then the test is normal, then the hypothesis testing uses the Independent sample T-test.

3. Different Test

To determine the difference between the independent variables and the dependent variable, the Independent sample T-test was calculated. This consideration is done because the data is in ordinal form, the sample data is large and for two samples of unequal size. Decision making criteria, if the value is significant > 0.05 then the hypothesis is rejected, and if the significant value < 0.05 then the hypothesis is accepted.

IV. RESULT AND DISCUSSION

Researchers distributed questionnaires to 81 auditors who were sample in this study. Of the 81 questionnaires, there are 30 questionnaires which was not returned by the respondent.

Tabel 1. Profile of Respondent

Information	Criteria	Number of respondent	Prosentase
Sex	a. Male	23	54,5%
	b. Female	28	45,5%

Age	a. < 25 years	22 26	43,13% 50,98%
	b. 26-35 years	3	5,89%
Level Of Position	a. Junior Auditor	31	60,78%
	b. Senior Auditor	14	17,45%
	c. Supervisor	5 1	9,80% 1,97%
	d. Partner		
Years Of Service	a. 1-3 years	2 14	3,93% 27,45%
	b. 3-5 years	35	68,62%
	c. > 5 years		

4.1 Descriptive Statistical Analysis

The independent variable has a value of a minimum of 30.00 and a maximum value of 45.00 and an average value of 37.49 with a standard deviation of 4.46, competence has a minimum value of 30.00 and a value of a maximum of 50.00 and an average value of 41.71 with a standard deviation of 4.18, audit quality has a minimum score of 16.00 and a maximum value of 25.00 and the average value is 20.35 with a standard deviation of 2.52, the audit ethical has a value of a minimum of 23.00 and a maximum value of 35.00 and an average value of 29.45 with a standard deviation of 2.89.

Validity Test

Validity testing for all four variables is valid because r count is greater than r table.

Reliable Test

The research variable instrument is reliable, because Cronbach's alpha count > 0.6. On the competence variable the auditor has a Cronbach Alpha value of 0.927, the independence variable the auditor has a Cronbach Alpha value of 0.920, the variable quality audit has a Cronbach Alpha 0.783, and the auditor ethical variable has Cronbach Alpha value is 0.896.

Normality Test

From the results of the Kolmogorov-Smirnov test, the resulting variable auditor competence has an Asymp value. Sig. (2-tailed) of 0.0091, auditor independence variable has an Asymp value. Sig. (2-tailed) of 0.068,

the audit quality variable has an Asymp value. Sig. (2-tailed) of 45 0.053, and the auditor ethical variable has an Asymp value. Sig. (2-tailed) of 0.064. These results can be concluded that the residual data in the regression it is normally distributed because of the Asymp value. Sig. (2-tailed) above 0.05 and in the regression model can be used for analysis next.

Heteroscedasticity test

Based on the scatterplot graph, it can be seen that the distribution of the data is close to the point 0 (zero) and the distribution is not form a pattern, here it means that there is no relationship between variables independent. So the regression model that has been made can be said to be good because the independent variables are not related to each other. regression model what is good is the correlation between the independent and dependent variables.

4.2 Hypothesis testing

1. The value of the constant intercept is 5.314. This result can be interpreted that if the value of all independent variables is 0, then the magnitude of the audit quality will be 5,314.

2. The regression coefficient value of the auditor's competence variable is 0.580. This result can be interpreted that if the competence variable auditor increases by one unit, the audit quality will increase by 0.580 assuming all other independent variables are constant.

3. The regression coefficient value of the auditor's independence variable is 0.389. This result can be interpreted that if the auditor independence variable increases by one unit, the audit quality will increase by 0.389 assuming all other independent variables are constant.

4. Regression coefficient value of auditor independence interaction variable and auditor ethical is equal to 0.459. This result can be interpreted that if the interaction variable of auditor independence and audit fee increased by one unit, then the audit quality will increase by .459 assuming all other independent variables are constant.

5. Regression coefficient value of auditor competence interaction variable and auditor ethical is 0.649. This result can be interpreted that if the interaction variable of auditor competence and auditor ethical increased by one unit, then audit quality will increase by 0.649 assuming all other independent variables are constant.

F Test

From the results of statistical calculations using SPSS obtained F count of 8.609 with a significance level of 0.000 (level significance is less than 0.05). This means that the hypothesis that states that at least one variables of the auditor competence and independent auditor have a significant effect on audit quality.

T Test

Based on the t statistical test, it can be concluded that the variable auditor competence and auditor independence have a positive influence significant effect on audit quality. This is because the coefficient value (b) which is positive and the p-value (sig.) which is less than 0.05.

Testing the Effect of Auditor Competency on Quality Audit

From the results of the t test, H1 is the variable auditor competence has a positive effect on audit quality.

This shows that H1 is accepted so it can be said that auditor competence has a significant positive effect on audit quality in the process of auditing financial statements, which indicated by the coefficient value (B) of 0.580 sig value of $0.001 < 0.05$ level of significance. Thus H1 is accepted

Testing the Effect of Auditor Independence on Quality Audit

From the results of the t test, H2 is the variable auditor independence has a positive effect on audit quality. This shows that H2 is accepted so it can be said that auditor independence has a significant positive effect on audit quality in the process of auditing reports finance, which is indicated by the coefficient value (B) of 0.389 sig value of $0.0003 < 0.05$ significant level. With Thus H2 is accepted.

Auditor Independence Interaction Test with Auditor Ethical On Audit Quality

From the results of the t test, H3 is the variable the interaction of auditor independence and audit or etical has a positive effect. This shows that H3 is accepted so that it can be said that the interaction of auditor independence and auditor ethical significantly positive effect on audit quality in the process of auditing financial statements, which is indicated by the value of coefficient (B) of 0.459 sig value of $0.002 < \text{level significant } 0.05$. The coefficient value (B) in the first regression is 0.389 or 38.9% while after there is a second regression equation the value of

the coefficient (B) becomes. 0.459 or 45.9%. Thus H3 is accepted.

1. Auditor competence has significant positive effect on audit quality 0.580 0.001 H1 supported
2. Moderate auditor ethical the effect of auditor independence positively significant on audit quality 0.459 0.002 H2 supported
3. Auditor independence has significant positive effect on audit quality 0.389 0.003 H3 supported
4. Moderate auditor ethical influence of auditor competence positively significant on audit quality 0.649 0.002 H4 supported.

V. CONCLUSION

The conclusions of this research are:

Based on the results of the analysis that has been done, it can be taken conclusion that auditor competence and auditor independence have an effect significantly positive on audit quality where auditors who maintain integrity will act honestly and decisively in considering facts regardless of personal interest, auditors whom have the qualifications to understand the criteria or who are competent know the type and amount of evidence to be collected in order to achieve right conclusion. With the existence of auditor ethics, it will also strengthen the relationship between auditor competence and auditor independence on audit quality where audit ethics are increasingly understood and practiced by auditors. This means that the integrity of an auditor in carrying out his duties and responsibilities will have an impact on audit quality.

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