

Factors that Influence the Quality of Audit with Professional Ethics as a Moderating Variable (Study at Public Accounting Firms in Bekasi)

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Abstract

This study aims to analyze and obtain empirical evidence regarding the factors influencing audit quality with professional ethics as a moderating variable. The variables used are auditor experience, independence, and objectivity as independent variables, while the dependent variable is audit quality and professional ethics as moderating variables—analyzed using WarpPLS 7.0 program. Sources of data in this study used primary data in the form of a questionnaire in data collection of as many as 12 Public Accounting Firms in Bekasi Regency and City. Then, this research data was given to 100 respondents. In taking the sample of this study using purposive sampling. The analytical technique used in this research is regression analysis using the WarpPLS 7.0 program. Based on the results of this study, it can be shown that the auditor's experience, independence, and objectivity have a positive effect. Then auditor ethics can strengthen the effect of auditor experience on audit quality. Meanwhile, professional ethics can weaken the influence of independence and objectivity on audit quality.

Keywords

auditor experience;
independence; objectivity; audit
quality; professional ethics



I. Introduction

The professional public accounting code is responsible for increasing the reliability of the company's financial statements, including information that can be presented as a basis for making decisions under accounting principles in Indonesia (Digdowiseiso, 2021). Financial reports provide a wealth of quantitative data and are needed in making good decisions from both external and internal parties. The Financial Accounting Standards Board (DSAK) states that there are two important features in financial statements relevant (relevance) and reliable (reliable). Good quality of audit in principle can be obtained if the auditors apply thin financial accounting standards and audit principles, free from bias, is a law-abiding and professional code of conduct. Professional standards of public accountants (SPAP) are guidelines that regulate general auditing standards for public accountants, regulate all matters relating to duties, and independence in mentality. There is a quality audit case at KAP Deloitte.

There was a case in the loan agreement between SNP Finance and creditors (banks) requiring funds to channel credit (see Digdowiseiso et al., 2022a; Digdowiseiso et al., 2022b; Digdowiseiso et al., 2022c). However, it turns out that Colombia's retail business, one of the parent companies of SNP Finance, has experienced a setback. There was falsification of data and manipulation of financial statements by the management of SNP Finance. Among them is creating fictitious receivables through fictitious sales. These receivables are pledged as collateral to creditors as an excuse that later when the receivables are collected, the money will be used to pay off debts to creditors. SNP

Finance provided a fictitious document containing Columbia customer data to support this action. And unfortunately, Deloitte, as its auditor, failed to detect any fraudulent schemes in the SNP Finance financial statements. Deloitte instead gave an unqualified opinion on SNP Finance's financial statements. Financial performance is a measuring instrument to know the process of implementing the company's financial resources (Ichsan, R. et al. 2021).

The great trust from users of audited financial statements and other services provided by public accountants ultimately requires the auditor to pay attention to the quality of the audit produced (Subiyanto et al., 2022a; Subiyanto et al., 2022b). However, the public is increasingly questioning the quality of the audits made by the auditors in line with the many cases that occur at home and abroad. The number of companies that go bankrupt due to failure is often associated with auditor failure. It can threaten the credibility of the financial statements.

Testing the impact of variables on the experience of auditors regarding audit quality (Hanjani & Rahardja, 2014) found that the experience of auditors had a significant positive effect on audit quality. Experienced auditors assess more optimal performance and can better detect and understand even the causes of fraud in less experienced auditors. The resulting audit quality will be better than the inexperienced audit quality (Sarca & Rasmini, 2019).

The second factor of an independent auditor is needed to produce a good quality audit, which is independency to examine the financial statements will make a good quality audit. An independent mental attitude is also as crucial as the competencies that auditors must need. Independent assurance itself is an independent attitude from other parties, free from any influence that the auditor must maintain so that the financial statements produced are reliable and trustworthy (Pratistha & Widhiyani, 2014). Independent assurance itself is an independent attitude from other parties, free from any influence that the auditor must maintain so that the financial statements produced are reliable and trustworthy (Suharti, Anugerah, & Rasuli, 2018).

The next factor in determining audit quality is objectivity. To produce a good audit quality, an audit must be objective in presenting financial statements or examining financial statements. The auditor must be impartial to other companies with interest. The auditor must be honest and not compromise with other parties in the audit to produce quality financial reports and not harm other parties.

This study was inspired by research conducted by Pramudytia, Dewi, & Abukosim (2014). This study uses a different subject: public accounting firms in the Regency and City of Bekasi. The reason for adding the professional ethics variable is that the researchers wanted to know whether professional ethics can strengthen or weaken the relationship between auditor experience, independence, and objectivity in audit quality. Based on the above background, the researcher wants to take the title "Factors Influencing Audit Quality With Professional Ethics as Moderating Variables (Studies at Public Accounting Firms in Bekasi)."

II. Review of Literature

2.1 Auditor Experience

Skills are not only influenced by formal education but also by many other factors, including experience. Work experience is a learning process and potential development seen in informal education and non-formal education (Pramono & Mustikawati, 2016). An auditor who has just entered an auditing career should gain professional experience by gaining supervision and reviewing his work in a more experienced field.

Experience is an essential professional element in building the knowledge and expertise of an auditor. Experience for an auditor is a crucial element for carrying out a profession other than education. Experience can be gained through training, supervision, and reviews of workers' results.

2.2 Independence

Independence is a mental attitude that the auditor must possess as an independent party that cannot be influenced by any party that can influence the audit results. In addition, the attitude of the auditor's honesty in considering facts and objective considerations does not favor the auditor in formulating his opinion.

2.3 Objectivity

Objectivity is the freedom of mental attitude that the auditor must maintain in conducting the audit, and the auditor must not allow his audit judgment to be influenced by others. Each auditor must maintain objectivity and be free from conflicts of interest in fulfilling their obligations. The objectivity of trust and quality adds value to the services of auditors and creates criteria that distinguish the accounting profession from other professions and have principles that require audits to have an impartial, honest attitude and are free from conflicts of interest (Rama & Yudowati, 2020).

2.4 Audit Quality

Audit quality means detecting audits and reporting material misstatements contained in the financial statements. The detection aspect reflects the competence of the auditor, while reporting is a reflection of ethics or auditor integrity, especially independence. Setyaningrum, Gani, Martani, & Kuntadi (2015) describes the quality of audit results as the probability or probability that the auditor finds and reports violations in his client's accounting system.

2.5 Professional Ethics

This ethical understanding expects the auditors' attitudes, behaviors, and actions to achieve better results. One of the essential elements to improve the performance of public accountants is experience, knowledge, and level of education. The more experienced the audit, the more thorough and sensitive it is to find errors in the financial statements to be filed, and the more sensitive it is to find errors in various levels of training and reports that reflect the work of the entire team to ensure accurate and adequate audit quality.

According to Dariana & Triastuti (2018), ethics are moral principles and actions that form the basis for a person's actions. What he does is seen in society as a commendable act. One's honor is included in improving audit quality.

III. Research Method

3.1 Object, Population, and Sample

In writing this thesis, the object of the research is the auditor worker who works at the Public Accounting Firm (KAP) in the Regency and City of Bekasi. The population used in this study were all auditors in the Bekasi Regency and City areas, according to the 2021 Directory of Public Accountants and Public Accountants. Respondents in this study were public accountants in the KAP, where he carried out the auditor process. In determining the sample in this research, the purposive sampling method is used to determine the sample with specific criteria (Digdowiseiso, 2017). The criteria are all auditors who have attended education and training as auditors. The formula used to determine the sample size using the Slovin formula is:

$$n = \frac{N}{1 + Ne^2}$$

Where:

- n = number of sample
- N = number of population
- e = error tolerance

The population is known to KAP in the Regency and City of Bekasi as many as 25 Accounting Firms. The researchers will use an error rate of 5%. This was done due to limited resources, time, and human resource limitations. So the calculation in determining the size of the number of samples using the Slovin formula is as follows:

$$n = \frac{125}{1 + (125 \times (0,05)^2)}$$

$$n = \frac{125}{1 + 125 \times 0,0025}$$

$$n = \frac{125}{1 + 0,0625}$$

$$n \frac{125}{1,3125} = 95,238095$$

So, the size of the number of samples taken is 95 respondents, but they add up to 100 respondents.

3.2 Data Collection

Data was collected through direct questionnaires to be filled out or answered by respondents using a list of questions prepared in writing and prepared beforehand. The questionnaire will consist of two parts. The first part will contain general information related to the respondent's condition, which includes the respondent's biodata. And the second part will contain statements related to the research topic, namely Auditor Experience, Independence, Objectivity, audit quality, and Auditor Ethics. Questionnaires were distributed and given directly to Public Accounting Firms located in Bekasi Regency and City. Measurement of variables using an instrument in the form of questions measured using a Likert scale of 1 to 5.

IV. Results and Discussion

4.1 Results

Table 1. Output Coefficient and P-Value (Moderated)

	X1	X2	X3	Z*X1	Z*X2	Z*X3
Coefficient Value	0.166	0.320	0.372	-0.163	0.152	-0.235
P Value	0.016	0.001	0.001	0.017	0.024	0.001
Total Effect	0.035	0.149	0.158	0.029	0.055	0.092

Based on the table above, it can be concluded that the results of hypothesis testing are as follows:

- Based on the WarpPLS 7.0 output given in table 1, the p-value is $0.016 < 0.05$ and has a coefficient of 0.166. The conclusion for this test is that hypothesis 1 is accepted. So the auditor experience has a significant positive effect on audit quality.
- Based on the output of WarpPLS 7.0 given in table 1, the p-value is $0.001 < 0.05$ and has a coefficient of 0.320. The conclusion for this test 2 is that hypothesis 2 is accepted. So independence has a significant positive effect on audit quality.
- Hypothesis 3 in this study is that objectivity positively affects audit quality. Based on the WarpPLS 7.0 output given in table 1, the p-value is $0.001 < 0.05$ and has a coefficient of 0.372. This test concludes that hypothesis 3 is accepted. It means that independence has a significant positive effect on audit quality.
- Based on the WarpPLS 7.0 output given in table 1, the p-value is $0.017 > 0.05$ and has a coefficient of -0.163. This test concludes that hypothesis 4 is accepted. Professional ethics weakens the relationship between auditor experience and audit quality.
- Based on the output of WarpPLS 7.0 given in table 1, the p-value is $0.024 < 0.05$ and has a coefficient of 0.152. The conclusion for this test is that hypothesis 5 is accepted. So professional ethics can moderate the relationship between independence and audit quality.
- Based on the output of WarpPLS 7.0 given in table 1, the p-value is $0.001 < 0.05$ and has a coefficient of 0.235. This test concludes that hypothesis 6 is accepted. So professional ethics weakens the relationship between objectivity and audit quality.

4.2 Discussion

- Effect of Auditor Experience on Audit Quality

This test concludes that hypothesis 1 is accepted, Auditor experience has a significant positive effect on audit quality. The results of Sarca & Rasmini (2019) show that the more experience the auditor has, the better the auditor's views and responses about the information contained in the financial statements to improve the quality of the audit that will result in an experience, the audit quality will also increase. In this theory, one factor influencing the intention to behave is the perception of behavioral control (considered behavior control). This factor refers to the perceived ease or difficulty of performing the behavior and is assumed to reflect past experiences and anticipate obstacles.

- Effect of Independence on Audit Quality

The conclusion for this test 2 is that hypothesis 2 is accepted. Independence has a significant positive effect on audit quality. With an independent attitude, a public accountant will produce an unquestionable audit quality. So that the reliability of the audited financial statements can be trusted, investors or financial statement preparers become more flexible in making decisions. Research by Murti & Firmansyah (2017)

shows that independence positively affects audit quality. This, of course, can be supported by the independence of an auditor in carrying out their duties.

c. Effect of Objectivity on Audit Quality

The conclusion for this test is that hypothesis 3 is accepted. Objectivity has a significant positive effect on audit quality. This means that objectivity can maintain positive things about the quality of the resulting audit because the auditor acts fairly without pressure or requests that certain interested parties influence the audit. Auditor objectivity can be developed by being willing to perform basic audits, generally accepted standards in Indonesia, and real situations so that auditors will be fair and not subjective in conducting audits (Sholihin & Ratmono, 2020).

d. Moderation Effect of Auditor Ethics in the Relationship Between Auditor Experience and Audit Quality

This test concludes that hypothesis 4 is accepted. Professional ethics can weaken the relationship between auditor experience and audit quality. Even though the auditors have good ethics and good experience in their profession, this cannot affect the quality of the audit that the auditor will produce. The theory explained in the third norm, namely Perceived Behavioral Control, refers to the perception of the ease or difficulty of carrying out the behavior and is assumed to reflect on past experiences and anticipate obstacles and obstacles. This means that experience will weaken the ethics of auditors because examiners who have high experience will reduce audit quality even though they are supported by good ethical behavior.

e. The Effect of Moderation of Auditor Ethics in the Relationship Between Independence and Audit Quality

This test concludes that hypothesis 5 is accepted. Auditor ethics can moderate the relationship between independence and audit quality. This is reinforced by previous research by Mariyanto (2015) and Mutiara (2018), concluding that independence moderated by auditor ethics has a significant effect on audit quality. When the provisions are inaugurated, independence will increase, and the quality of auditors will also increase.

f. The Effect of Moderation of Auditor Ethics in the Relationship Between Objectivity and Audit Quality

The conclusion for this test is that hypothesis 6 is accepted. Professional ethics weakens the influence between objectivity and audit quality. It was explained that neutrality must be maintained and maintained by a good auditor providing a good level of auditor objectivity. Still, on the contrary, if the auditor does not have objective attitudes/behaviors and does not obey and comply with professional ethics, it will result in low audit quality. Therefore, auditors who have the attitude and behavior of objectivity and comply with applicable professional ethics can affect the quality of the resulting audit.

This is in line with research Wibawa, Indraswarawati, & Nuratama (2021) that an auditor must have an attitude of objectivity behavior and comply with applicable professional ethics because it can affect the audit quality produced. The general standard in auditing standards states that with the principle of auditor objectivity, the better the quality of the examiner.

V. Conclusion

Based on the data analysis and discussion of the research results described, there are several conclusions. First, the auditor's experience has a significant positive effect on audit quality. Second, independence has a significant positive effect on audit quality. Third, objectivity has a significant positive effect on audit quality. Fourth, professional ethics can weaken the relationship between auditor experience and audit quality. Furthermore, professional ethics can moderate the relationship between independence and audit quality. Finally, professional ethics can weaken the relationship between objectivity and audit quality.

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