

Investigating the Impact of Auditor Independence, Professionalism, Competence, and Ethics on Audit Quality in the Inspectorate of West Java Province

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ABSTRACT

Many government agencies currently do not adhere to applicable standards, resulting in issues such as corruption, irregular work practices, abuse of authority and position, and violations. Weak internal control in government operations leads to ineffective outcomes and financial losses for the state. The Government Internal Supervision Apparatus (APIP), specifically the Inspectorate, is responsible for internal control and audits in the government. One of the objectives of the audit process is to produce high-quality audit reports, which can be influenced by factors such as auditor independence, professionalism, competence, and ethics. This study focuses on auditors in the Inspectorate of West Java Province, involving 70 auditors and employing descriptive research methods with a quantitative approach. Primary data was collected through a questionnaire. The study aims to examine the influence of auditor independence, professionalism, and competence on audit quality in the Inspectorate of West Java Province, both before and after considering auditor ethics as a moderating variable. The study utilizes moderating regression analysis as the technical analysis method. The results indicate that auditor independence, professionalism, and competence have a significant impact on audit quality, both individually and collectively. Moreover, auditor ethics, as a moderating variable, enhances the effects of auditor independence, professionalism, and competence on audit quality.

Keywords: Independence, Professionalism, Competence of ethics auditor, Audit Quality

INTRODUCTION

Despite the need for increased transparency and accountability in local government financial management, many government agencies still fail to meet the required standards, leading to issues such as corruption, irregularities, abuse of authority, and violations. In 2021, local government agencies accounted for the highest number of reports to the Indonesian Ombudsman, reflecting governance challenges, including the effectiveness of internal control (1).

The Government internal control apparatus (APIP) is responsible for internal control in government internal audit. The purpose of this audit process is to generate high-quality audit reports, which are crucial for effective government financial management. Poor

audit quality can lead to budget deviations and mismanagement. The quality of audits is reflected in how inspectors handle examinations conducted by the Supreme Audit Agency (BPK), the government's external auditor for local financial management. In 2020, nearly all regions in West Java received favorable audit opinions, but there were cases involving the manipulation of opinions. A recent case involved Bogor Regent Ade Yasin, who allegedly bribed four BPK auditors with Rp 1.024 billion to achieve a favorable audit status. The KPK identified poor financial statements in the Bogor regency government for the 2021 fiscal year, which could affect the disclaimer conclusion. Irregularities were found in the Road Improvement Project of

Roda Pakansari under the Cibinong City Beautiful program (2). Cases of buying and selling opinions are recurring, such as the bribery case in 2017 involving the Ministry of Health and the case in 2010 with the Bekasi Mayor. These cases highlight issues of auditor independence and professionalism. It is essential for auditors to prioritize their professional responsibility and avoid personal interests. The West Java provincial government has received 11 favorable opinions, but the BPK consistently identifies findings in expenditure and asset management that need immediate correction (3). The competence of auditors is crucial for delivering high-quality audits, which requires expertise, independence, and professionalism. Auditors must be free from personal, external, and organizational influences that could affect their independence (4).

Government Regulation of the Republic of Indonesia No. 60 of 2008 mandates the development of a code of ethics for government internal control apparatus to ensure ethical behavior and enhance the quality of audit results (5). The Agency Theory is employed as the Grand Theory in this study, highlighting the need for independent auditors as intermediaries between the principal (people represented by the legislature) and the agent (local

government) to address conflicts of interest. Attribution theory examines the influence of individual attitudes and characteristics on auditor behavior, while compliance theory emphasizes adherence to professional ethics and regulations to achieve high-quality audits.

METHODS

The research method employed in this study is descriptive verification. Descriptive research aims to provide an accurate and systematic depiction of facts, characteristics, and relationships between subjects and phenomena (6). Verification research, on the other hand, involves testing theories through hypothesis testing (7). Data for this study was gathered through direct observation, including observations and interviews, as well as through literature sources. The population consisted of 85 auditors working in the Inspectorate of West Java province, with a sample size of 70 determined using Slovin's formula. The data analysis utilized Moderating Regression Analysis (MRA), a statistical technique that incorporates interaction effects between independent variables, such as independence, professionalism, and competence, with ethics serving as the moderator. The aim of MRA was to examine the impact of these variables on audit quality (8).

RESULTS AND DISCUSSION

Data Normality Test Result

Table 1: Data Normality Test Results

		Unstandardized Residual
N		70
Normal Parameter ^{a,b}	Mean	.0000000
	Std. Deviation	3.43143057
Most Extreme Differences	Absolute	.101
	Positive	.080
	Negative	-.101
Test Statistic		.101
Asymp. Sig. (2-tailed)		.074 ^c

Source: SPSS Data Processing, 2022

Asym Sig in this study showed a value of 0.074 which means that the value is greater than the significant level of 0.050 so that the data of this study is declared normally distributed.

Heteroscedasticity Test Result

Table 2: Heteroscedasticity Test Results

Model Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
Independence (X1)	-.010	.137	.942
Professionalism (X2)	-.055	.076	.465
Auditor Competence (X3)	.043	.078	.584
Ethics Auditor (Z)	.012	.052	.814

Source: SPSS Data Processing, 2022

Heteroskedasticity test used in this study is the glejser test. The results of Table 2 show significant levels of all variables > 0.05 so that the data in this study do not have heteroskedasticity problems.

Multicollinearity Test Result

Table 3: Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
Independence (X1)	.146	6.827
Professionalism (X2)	.127	7.848
Auditor Competence (X3)	.136	7.331
Ethics Auditor (Z)	.890	1.124

Source: SPSS Data Processing, 2022

In Table 3 above shows that the data in this study does not have a multicollinearity problem because the tolerance value is above 0.10 and the VIF value is below 10.

Statistical Test Result

Moderating Regression Analysis

Table 4: Regression test results variable Independence, professionalism, and competence of Auditors on Audit Quality

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.003	2.686		2.979	.004
	Independence	.789	.216	.530	3.645	.001
	Professionalism	.600	.119	.782	5.041	.000
	Auditor Competence	.359	.123	.437	2.916	.005
2	(Constant)	3.906	2.706		1.443	.154
	Independence	.943	.128	.633	7.369	.000
	Ethics Auditor	.415	.120	.297	3.461	.001
	Independence.Ethics Auditor	.025	.002	.864	14.131	.000
3	(Constant)	3.293	2.689		1.225	.225
	Professionalism	.535	.070	.698	7.613	.000
	Ethics Auditor	.302	.128	.216	2.361	.021
	Professionalism.Ethics Auditor	.013	.001	.865	14.246	.000
4	(Constant)	3.884	3.563		1.090	.280
	Auditor Competence	.356	.092	.433	3.857	.000
	Ethics Auditor	.587	.157	.420	3.740	.000
	Competence Of The Auditor.Ethics Auditor	.012	.001	.800	10.987	.000

Source: SPSS Data Processing, 2022

Based on Table 4 above, the analysis is as follows:

1. Model 1

$$Y=8.003+0.789X_1+0.600X_2+0.359X_3+e$$

Positive constant value shows the positive influence of independent variables (independence, professionalism, and competence of the auditor) on the dependent variable (audit quality). The constant value of 8,003 means that audit quality will increase by 8,003 if the independent variable is considered constant or zero. The regression coefficient of the independence variable shows 0.789, meaning that if the independence variable increases by one unit, the audit quality will increase by 0.789 with a

record of other variables considered constant.

The regression coefficient of the professionalism variable shows 0.600, meaning that if the professionalism variable increases by one unit, the audit quality will increase by 0.600 with a record of other variables considered constant. Regression coefficient of auditor competency variable shows 0.359, meaning that if the auditor competency variable increases by one unit, the audit quality will increase by 0.359 with a record of other variables considered constant.

2. Model 2

Sig Value. the interaction of independence and ethics of Auditors is equal to 0,000. The value is smaller than the degree of error

($\alpha=0.050$) or ($0.000 < 0.050$) then the ethics of auditors strengthen the influence of independence on the quality of auditors.

3. Model 3

Sig Value. the interaction of professionalism and ethics of Auditors is equal to 0,000. The value is smaller than the degree of error ($\alpha=0.050$) or ($0.000 < 0.050$) then the ethics of auditors strengthen the influence of

professionalism on the quality of auditors.

4. Model 4

Sig Value. the interaction of auditor competence and auditor ethics is equal to 0,000. The value is smaller than the degree of error ($\alpha=0.050$) or ($0.000 < 0.050$) then the ethics of auditors strengthen the influence of the competence of auditors on the quality of auditors.

Determination Coefficient Test Result

Table 5: Determination Test Results

Variabel	<i>R Square</i>	Category
$X_1, X_2, X_3 \rightarrow Y$	0.793	Strong
$X_1 \rightarrow Y$	0.714	Strong
$X_1Z \rightarrow Y$	0.746	Strong
$X_2 \rightarrow Y$	0.745	Strong
$X_2Z \rightarrow Y$	0.764	Strong
$X_3 \rightarrow Y$	0.565	Medium
$X_3Z \rightarrow Y$	0.640	Strong

Source: Data Processing Results, 2022

The results of the determination test in Table 5, shows that the value of the coefficient of determination (R square) indicates that the variability of the dependent variable (audit quality) can be explained by the independent variable (independence, professionalism, and competence) in this study amounted to 79.3%, while the remaining 20.7% ($100\% - 79.3\%$) influenced by other variables that are not studied. It can also be seen that before the existence of the variable moderation (auditor ethics) the influence of independence on

audit Quality was 71.4% and after the existence of the auditor ethics variable rose to 74.6% in the strong Category. Similarly, the professionalism variable that affects audit quality is 74.5%, after the audit ethics variable rises to 76.4% in the strong Category. Similarly, the auditor competency variables where before there was an influential moderating variable of 56.5% with the medium category, after the existence of auditor ethics as a moderating variable increased to 64.0% in the strong Category.

Hypothesis Test Result Simultaneous Test Result

Table 6: Simultaneous Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3362.802	3	1120.934	84.499	.000 ^b
Residual	875.529	66	13.266		
Total	4238.330	69			

Source: Data Processing Results, 2022

The basis for decision-making simultaneous testing is as follows:

- If $F_{count} > F_{table}$, then H_a is accepted.
- If $F_{count} < F_{table}$, then H_a is rejected.

Hypothesis 1

Large F_{table} for the number of samples 70 with the number of independent variables as many as three variables obtained a number of 2.74.

In Table 6 above, obtained F_{hitung} value of 84,499 with F_{table} of 2.74. From these results, it can be seen that $F_{hitung} > F_{table}$ is $84.499 > 2.74$ then H_{a1} is accepted, which means accepting the assumption that the variables independence (X1), professionalism (X2), and auditor competence (X3) affect simultaneously on audit Quality (Y).

Partial Test Result

Table 7: Partial Test Results

Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Independence	.943	.128	.633	7.369	.000
Professionalism	.535	.070	.698	7.613	.000
Auditor Competence	.356	.092	.433	3.857	.000
Independence.Ethics Auditor	.025	.002	.864	14.131	.000
Professionalism.Ethics Auditor	.013	.001	.865	14.246	.000
Competence Of The Auditor.Ethics Auditor	.012	.001	.800	10.987	.000

Source: Data Processing Results, 2022

The basis for decision-making is as follows:

- If $t_{count} > t_{table}$, then H_a is accepted.
- If $t_{count} < t_{table}$, then H_a is rejected.

The t_{table} value for the study with a sample size of 70 and a real level of 5% with $df = N - 2$ is 1.997 ($t_{table} = 1.997$).

t-test for independence variables obtained t_{hitung} value = 7,369 and t_{table} value = 1,997 so $t_{hitung} > t_{table}$ ($7,369 > 1,997$) then H_{a2} is accepted, meaning to accept the assumption that states that the independence variable (X1) effect on audit Quality (Y).

Hypothesis 2

Hypothesis 3

t-test for professionalism variables obtained t_{hitung} value = 7,613 and t_{table} value = 1,997 so that $t_{hitung} > t_{table}$ ($7,613 > 1,997$) then H_{a3} is accepted, meaning to accept the assumption that states that the variable professionalism (X2) effect on audit Quality (Y).

Hypothesis 4

t-test for auditor competency variables obtained t_{hitung} value = 3,857 and t_{table} value = 1,997 so that $t_{hitung} > t_{table}$ ($3,857 > 1,997$) then H_{a4} is accepted, meaning to accept the assumption that states that the auditor competence variable (X3) effect on audit Quality (Y).

Hypothesis 5

t-test for auditor ethics variable moderating independence obtained t_{hitung} = 14.131 and t_{table} = 1.997 so that $t_{hitung} > t_{table}$ ($14.131 > 1.997$) then H_{a5} is accepted, it means accepting the assumption that the auditor ethics variable (Z) affects the size of the influence of independence (X1) on audit Quality (Y).

Hypothesis 6

t-test for auditor ethics variable moderating professionalism obtained t_{hitung} value = 14,246 and t_{table} value = 1,997 so that $t_{hitung} > t_{table}$ ($14,246 > 1,997$) then H_{a6} is accepted, it means accepting the assumption that the auditor ethics variable (Z) affects the size of the influence of professionalism (X2) on audit Quality (Y).

Hypothesis 7

t-test for auditor ethics variable moderating auditor competence obtained t_{hitung} value = 10,987 and t_{table} value = 1,997 so that $t_{hitung} > t_{table}$ ($10,987 > 1,997$) then H_{a7} is accepted, it means accepting the assumption that the auditor ethics variable (Z) affects the size of the influence of auditor competence (X3) on audit Quality (Y).

Descriptive Analysis Result

Variable Description of Independence:

Auditors in the West Java provincial Inspectorate already have a fairly good independence, with this attitude the auditors are able to work honestly and objectively in the implementation of the examination. Auditors in the West Java provincial Inspectorate already have an independent attitude, but sometimes the pressure from superiors or kinship relationships that exist because the object of examination is always the same in a long time can affect the attitude of Independence owned.

Variable Description of Professionalism:

Auditors in the West Java provincial Inspectorate demonstrate a professional attitude in carrying out their duties. They adhere to the applicable code of ethics, maintain the profession's reputation, contribute to society, and establish good relationships within the profession.

Variable Description of Competence:

Auditors in the West Java provincial Inspectorate possess knowledge and educational backgrounds that align with established criteria standards. They have a

willingness to enhance their skills and keep up with relevant technological advancements.

Variable Description of Ethics:

In carrying out its duties, auditor has complied with standardized auditor ethics. They have good integrity, are responsible for the reports they produce. Have an independent and professional attitude so that they are able to perform their duties honestly and objectively and always maintain the good name of their profession.

Variable Description of Audit Quality:

In carrying out inspection duties, auditors always disclose things that according to their beliefs need to be done and always apply skepticism such as questioning and evaluating the evidence received. The resulting audit report can be understood by the auditee because it is communicated in clear language and contains what should be reported according to applicable standards. The auditor always provides recommendations on the shortcomings of the auditee's report and the auditor will continue to monitor the results of the recommendations given whether or not it has been implemented by the auditee.

Verification Analysis Result

The Impact of Independence, professionalism, and Competence on Audit Quality:

Independence, professionalism, and Competence simultaneously have an impact on audit quality. Audit quality means how to

tell an audit detect and report material misstatement in a financial statement. The detection aspect is a reflection of auditor competence, while reporting is a reflection of ethic or auditor integrity, particular independence (9). The possibility of detecting violations can be done if the auditor is supported by good competence, and reporting errors will depend on the independence of the auditor and his professionalism.

The Impact of Independence on Audit Quality

Partial independence have an impact on audit quality. Audit quality means how to report material misstatement in a financial statement. Reporting is a reflection of ethic or auditor integrity, particular independence (9). This reporting can be done if the auditor applies an attitude of independence so that it will work honestly and objectively because it is not influenced by others. The results of previous research stated that independence affects audit quality (10–14) Independence is a neutral attitude that auditors have to take sides in carrying out audits (5). However, there are also previous studies that reveal that independence has no effect on audit quality (15–17)

The Impact of professionalism on Audit Quality:

Professionalism partially has an impact on audit Quality.

Audit quality is the probability of an auditor finding and reporting a breach in his client's

accounting system (18). The auditor's ability to find and report auditee errors can be done if the auditor applies professionalism. In conducting audits and preparing reports, auditors are required to use their professional skills carefully (19). The results of previous research stated that professionalism affects audit quality (11,20). The higher of professional attitude applied by the auditor, the better of audit quality. However, there are also previous studies that reveal that professionalism has no effect on audit quality (16).

The Impact of Competence on Audit Quality:
Auditor competence partially has an impact on audit quality. A competent person means a person who can carry out his work with good quality results (21). Audit quality means how to tell an audit detect. The detection aspect is a reflection of auditor competence(9). Auditors will be able to detect errors or violations if they have good competence. The results of previous research stated that competence affects audit quality (13,22). The better competence of the auditor, the better quality of the audit. However, there are also previous studies that reveal that competence has no effect on audit quality (17).

Ethics moderates the impact of independence on audit Quality:

One of the ethics that must be upheld by the Member of the State Audit is Independence which is the attitude and action in carrying out the Audit to be impartial to anyone and

not influenced by anyone (4). The principle of objectivity that requires members to maintain their objectivity and be free from conflicts of interest in the fulfillment of their professional obligations (23). Auditor ethics are able to strengthen the influence of independence on audit quality. An auditor to maintain good audit quality must behave independently, because independence is an absolute requirement that an auditor must have and independence is one of the principles of the code of ethics that must be owned by auditors.

Ethics moderates the impact of professionalism on audit Quality:

The quality of auditors is influenced by compliance with the code of ethics (24). The principle of professional ethics states that if the principle of professional conduct is one of the principles that must be obeyed by auditors, this requires members to behave in a manner consistent with a good professional reputation and avoid actions that discredit the profession. Audit quality can be achieved when auditors perform their duties in compliance with professional ethics so that they will be able to behave professionally in doing their work.

Ethics moderates the impact of competence on audit Quality:

The competence of auditors is listed in the principles of professional ethics, namely the principles of professional competence and prudence which require members to always maintain and maintain professional

competence and diligence in carrying out their professional services in accordance with their abilities (23). Audit quality can be achieved when auditors have qualified competencies that are in accordance with professional ethics. The awareness of auditor ethics at work will increase the competence of an auditor in doing his job, so that it will produce a good quality audit.

CONCLUSION

After conducting research and analyzing data on Independence, professionalism, competence, Ethics, and Audit Quality obtained from the Inspectorate of West Java province, the researchers reached the following conclusions:

Auditors at the West Java provincial Inspectorate exhibit a high level of independence and professionalism, allowing them to work honestly, objectively, and understand the significance of their profession in contributing to society. In terms of competence, auditors possess the knowledge and skills that align with standardized requirements, enabling them to perform their duties effectively. Ethically, auditors consistently demonstrate independence, integrity, and professionalism in their work.

The audit reports produced by the auditors are of good quality and adhere to the code of ethics established by the Inspectorate of West Java province. While there are occasional challenges in meeting reporting deadlines, the overall audit quality remains satisfactory.

The study revealed that Independence, professionalism, and auditor competence collectively influence the audit quality at the West Java provincial Inspectorate. Specifically, Independence has a partial effect on audit quality, as does professionalism. Auditor competence also partially affects the audit quality. Furthermore, in the context of ethics research, auditor ethics moderates the influence of independence and professionalism on audit quality.

Overall, the findings indicate that auditors at the Inspectorate of West Java province possess the necessary qualities and competencies to deliver quality audits. The presence of auditor ethics serves as a moderating factor, reinforcing the impact of independence, professionalism, and auditor competence on audit quality.

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