

Analysis Of Factors Affecting The Audit Quality Of Auditors in Indonesia

Sударlan, Omar Dhanny, Irmanita Yuliaty

Abstract: The aim of the research is to identify the most determinant elements affecting the quality of audit in East Kalimantan, Indonesia. The variables are used to influence the quality of audit in this paper such as independence, competence, integrity, objectivity and work experience. This study used questionnaires to obtain the data from the auditors who live in Balikpapan dan Samarinda cities with five likert scales to express the respondent's opinions. In processing it, used SPSS Package to check the validity and the reliability test and EvIEWS softwares to check the impact of the independence to dependence variables. The new interesting finding in this paper that only two variables have positive impact and statistically significant on the quality of the audits that are the integrity and objectivity variables. Otherwise the three other variables are not significant such as independence, competence and work experience. The value of the research is as a reference for the future related topic to a quality of the audit.

Keywords: quality of audit, independence, competence, integrity, objectivity and work experience

A. INTRODUCTION

Along with the times that the competition of the business activities in the world have been changed very rapidly especially Indonesia. According to the Indonesia Stock Exchange (IDX) shown that by the end of 2019 there were more than 650 companies that listed their shares on the capital market. This condition mean that the investment for funds were needed to make the companies growing for bigger and bigger, this requires companies to present the latest information to measure the performance of a company. It is not only needed by private companies but also government companies, as a form of compliance with Law Number 15 of 2004 concerning State Financial Management and Responsibility Audit which stated that in order to realize the management of state finances, it is necessary to carry out an inspection based on audit standards by the Supreme Audit Agency (BPK/BPKP), which is free and independent. If a decision that has been taken, it would be generally based on the information contained in the audited financial statements or reports. This is one of the tools used by top management in communicating with external parties such as shareholders, investors, creditors, and other interested parties. The private companies use the financial reports to increase the integrity of their financial reports so that the reports can be trusted by outsiders, while government companies need audit financial reports in order to ensure that financial management and accountability have been carried out according to the established criteria.

Auditors are required to be independent parties in order to provide an opinion in the feasibility of presenting financial statements with regard to the financial position, the outcome of the operations and flow of funds in accordance with generally accepted in the accounting principles. This is a profession of the public trust, which means that the public expects to the auditors to provide a free and impartial assessment of the information that management has provided in the financial accountability report. This is what causes the number of auditors increasing. The General Chairperson of the IAPI (Indonesian Institute of Public Accountants) stated that in January 2019, there were 4,000 IAPI members but only 1,416 people who had a Public Accountant license practice while the need for audits was increasing. As a result of this deficiency, state institutions such as the Supreme Audit Agency (BPK) must cooperate with the Public Accounting Firm (KAP) where there are about 50 KAPs involved in assisting audit activities. The number of agency requests for audit activities requires auditors to pay attention to the quality of the audited financial statements. The quality of audit can be defined as a condition how good or not an audit has been conducted by the auditor. This means that the audit quality can be defined as a condition of how good or not an audit has been carried out by the auditor [1]. Based on the Public Accountant Professional Standards (SPAP) audits carried out by the auditors are said to be of the quality, if they meet the auditing requirements or standards. Auditing standards include professional quality, independent auditors, judgments used in conducting audits and preparing audit reports.

B. The Research Method

B.1. The Sample Used

The sample used in this research are the auditors who live in Balikpapan and Samarinda cities.

B.2. The Research Model

The research model used in this study can be formulated in Figure 1 as follows:

- Sudarlan, Accounting Department, Politeknik Negeri Samarinda, Indonesia, PH (+62)81319420207, sudarlan@polnes.ac.id
- Omar Dhanny, Accounting Department, Politeknik Negeri Samarinda, Indonesia, PH (+62)82156811111, odhanny@gmail.com
- Irmanita Yuliaty, Accounting Department, Politeknik Negeri Samarinda, Indonesia, irmanita350@gmail.com

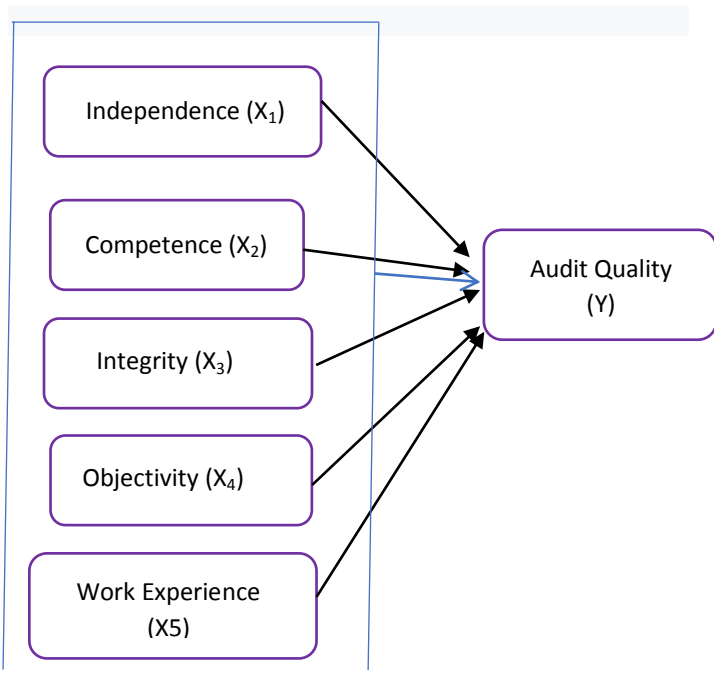


Figure 1 The Research Method

C. Hipotesis Test

C.1. t Test

The t test is used to partially see the effect of the independence variable in individually to the audit quality, competence on audit quality, integrity on audit quality, objectivity on audit quality and work experience on audit quality. The following table shows the results of the t test using the SPSS version 20 application:

Table 1. The t-test result

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
		Std. Error	Beta		
(Constant)	7,342	3,049		2,408	,019
Independence (X ₁)	,290	,171	,210	1,690	,097
Competence (X ₂)	-,323	,166	-,286	-1,945	,057
Integrity (X ₃)	,233	,110	,349	2,128	,038
Objectivity (X ₄)	,273	,121	,378	2,266	,027
Work Experience (X ₅)	,102	,113	,109	,910	,367

Source: data processed

To prove the hypothesis statements, by using the t test, where the t-table value is 2.005 ($df = n - k - 1 = 60 - 5 - 1 = 54$). By using a significance level of 5%, based on the data table 1, the explanation of the t test results is as follows:

1. The independent significance value on the quality of the auditor's work is 0.097 so it is significant above 0.05. The value of $t_{count} < t_{table} = 1.690 < 2.005$, it means that the independent variable does not any significant effect on the quality of the audit.
2. The significance value of competence on the quality of the auditor's work is 0.057, so it is significant above 0.05. The value of $t_{count} < t_{table} = -1.945 < 2.005$, as similar to the independent variable that the competency variable does not have any significant effect on it.
3. The significance value of integrity on the quality of the work of auditors is 0.038, so it is significant below 0.05. The value of $t_{count} > t_{table} = 2.128 > 2.005$, it means that the integrity variable has a significant effect on audit quality.

4. The significance value of objectivity to the quality of the auditor's work is 0.027, so it is significant below 0.05. The value of $t_{count} > t_{table} = 2.266 > 2.005$, it means that the objectivity variable has a significant effect on audit quality.
5. The significance value of work experience on the quality of the auditor's work is 0.367 so it is significant above 0.05. The value of $t_{count} < t_{table} = 910 < 2.005$, it means that the work experience variable has no effect on the quality of the audit.

C.2. The F Test

The F test is used to determine how much influence the independent variables together have effect on the dependent variable. To find the value of F_table by the formula : namely $df1 = k = 5$ and $df2 = n-k (60-5 = 55)$ of 2.38. The results of the calculation of the F test for the independent variable together on the dependent variable are obtained in table 2.

Table 2. F Test Result

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	212,655	5	42,531	9,982	,000 ^b
1 Residual	230,079	54	4,261		
Total	442,733	59			

Source: data processed

From the results of the table 2, that can be seen that the value of $F_{count} > F_{table} = 9.982 > 2.38$ with a probability value that is a significance of $0.000 < 0.05$, it could be concluded that all of the independent variables have significant effect on the audit quality.

C.3. The Determination Coefficient

The coefficient of determination (R^2) aim is to measure the ability of the model to explain the variation in the dependent

variable. The value of the determinant coefficient is determined by the value of Adjusted R^2 . If the value of R^2 is greater, it indicates that the stronger of the independent variable influence to the dependent variable. Otherwise if the value of R^2 is smaller or closed to zero value, it can be said that the smaller the effect of the independent variables on the dependent variable.

Table 3 The result of determination coefficients

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	,693 ^a	,480	,432		2,064

Source: data processed

Based on the results of the regression calculations in table 3, it can be seen that the coefficient of determination (Adjusted R Square) obtained is 0.432. This means that 43.2% of the Audit Quality variable can be explained by the variables of Independence, Competence, Integrity, Objectivity and Work Experience and the remaining 56.8% is influenced by other factors that are not included in this study.

D. Discussion

This study examined the independent variables, namely independence, competence, integrity, objectivity and work experience and the dependent is the audit quality.

D.1. The effect of the independence variable on the audit quality

The result of the research that the independence variable does not have any significant effect on the audit quality, this is interesting finding because that most of the researchers found that this variable has a positive impact on it. The independence has become the basis of an auditor's attitude and the auditor's difficulty in maintaining the principle of independence against the interests of various parties, seeing that most respondents are junior auditors and first auditors. The result is supported by the researchers of [2], [3] that this variable has no affect on the quality of audit. Otherwise in the different researches that the independence variable has a significant and positive effect on audit quality [4], [5], [6], [7], [8], [1], [9], [10], [11], [12], [13], [14], and [15].

D.2. The effect of the competence variable on the audit quality.

Similarly to the independence variable, that the competence does not have any significant effect on audit quality. This

happens because most of the respondents served as junior auditors and the first auditors who were still under the supervision and control of their superiors. Another factor is that the presence of neutral answers and respondents' disagreement regarding the knowledge and expertise that must be mastered by the auditors as well as the condition of the majority of respondents who have an S1 or bachelor degree where audit science has not been studied in detail, especially in the field of practice. This opinion is supported by the research of [12] that competence does not have a significant effect on audit quality. Difference to the opinion of [4], [6], [7], [16], [10], [17], [13], [18], [3], [14], [19], [20] and [21] that the competence variable has a significant effect on audit quality.

D.3. The effect of the integrity variable on the audit quality

The research found that that the integrity variable has a significant and positive effect on the audit quality. In other words that the higher of integrity of the auditor would have impact on the higher the quality of audit. Integrity required an auditor to be honest and transparent, brave, wise and responsible in carrying out an audit. The result is supported by the opinion of [15], [19], [22], [23] and [16] that the integrity variable has a significant and positive effect on audit quality.

D.4. The effect of the objectivity variable on the audit quality

The objectivity variable has a significant and positive effect on the audit quality. It mean that by the objective view of the auditors with influence the objectivity to do auditing in a firm or institution. This result was supported by the opinion of [20] and [21] that the objectivity variable has a positive and significant effect on the audit quality.

D.5. The effect of the work experience variable on the audit quality

The research found that the work experience of the auditor did not have any effect on the audit quality. This is due to the lack of learning obtained by auditors due to busy audits and most of the respondents who have worked for no more than 10 years and attended training less than 5 times so that work experience does not affect the quality of the resulting audit. This is similiarly to the resesearch's done by [4], and [16] that the work experience variable did not have a significant effect on the audit quality. Different result of conducting researches by [10], [12], [17], [24] and [19] that the work experience variable has a significant and effect on the audit quality.

E. Conclusion

The research conclude that :

1. The independence variable did not have any significant effect on the audit quality.
2. The competence variable did not have a significant effect on the quality of the audit.
3. The integrity variable had a significant positive effect on the audit quality.
4. The objectivity variable had a significant positive effect on the audit quality.
5. The work experience variable did not have a significant effect on the audit quality.
6. Overall that all independence variables had a significant positive effect on the audit quality.

F. Reference

- [1] Pritama, Y., Supriana, T., & Torong, Z. B. (2018). The Factors of The Infuence on Audit Quality at The Inspectorate General of Ministry of Environment and Forestry. 46(Ebic 2017), 249–252. <https://doi.org/10.2991/ebic-17.2018.38>
- [2] Kertarajasa, Astro Yudha., Taufiq Marwa and Tertiaro Wahyudi. (2019). The Effect of Competence, Experience, Independence, Due Professional Care, And Auditor Integrity On Audit Quality With Auditor Ethics As Moderating Variable. *Journal of Accounting, Finance and Auditing Studies* 5/1 (2019) 80-99
- [3] Sumito, Ngali et. Al (2019), Influence of Internal Audit and Internal Control System on Quality of the Financial Statement, *Advances in Economics, Business and Management Research*, volume (6), Atlantis Press.
- [4] Dewi et al (2020), Factors Affecting Audit Quality (Empirical Study of Public Accounting Firms in the City of Surakarta and Yogyakarta), *Journal of Business, Management, and Accounting*, Volume 2 Issue 1.
- [5] Ghadhab, Amjed Kareem., Matrood, Adnan Kadhum and Hameed, Ali Mahdi (2019). Factors Affecting The Quality OF External Auditor Performance: An Analytical Study Of The Opinions Of Auditors Working In Iraqi Audit Firms And Companies, *Academy of Strategic Management Journal*, Volume 18, Issue 1, 2019.
- [6] Halim, Abdul., Rosidi, Sutrisno T. and Achsin, M. (2014). Effect of Competence and Auditor Independence on Audit Quality with Audit Time Budget and Professional Commitment as a Moderation Variable, *International Journal of Business and Management Invention*, Volume 3, Issue 6, June. 2014, PP. 64-74
- [7] Kartika, Dewi and Pramuka, Bambang Agus. (2019). The Influence Of Competency, Independency, And Professionalism On Audit Quality (Empirical Study in Accounting Firms in Central Java). *Journal of Accounting and Strategic Finance* Vol.2 No.2 November 2019, pp. 157-169
- [8] Ndubuisi, Amahalu Nestor., Okeke, Moses Nnoruga and Chinyere, Obi Juliet. (2017). Audit Quality Determinants: Evidence from Quoted Health Care Firms in Nigeria. *International Journal of Academic Research in Accounting, Finance and Management Sciences* Vol. 7, No. 4, October 2017, pp. 216–231
- [9] Rahmina, Listya Yuniastuti and Agoes, Sukrisno. (2014). Influence of auditor independence, audit tenure, and audit fee on audit quality of members of capital market accountant forum in Indonesia. *International Conference on Accounting Studies 2014, ICAS 2014*, 18-19 August 2014, Kuala Lumpur, Malaysia
- [10] Suyono, Eko. (2012). Determinant Factors Affecting The Audit Quality: An Indonesian Perspective Global Review of Accounting and Finance Determinant Factors Affecting The Audit Quality: An Indonesian Perspective Eko Suyono * Field Research: Auditing and Assurance. 3, 42–57.
- [11] Wakil, Gana Kafiya., Mohd Norfian Alifiah and Alhaji Ali Tijjani, (2019). Auditor Independence Threats and Factors Affecting Independence. *International Journal of Recent Technology and Engineering (IJRTE)* ISSN: 2277-3878, Volume-8 Issue-3S2, October 2019
- [12] Welay, Piter Arson., Rosidi and Nurkholis (2019). Analysis of Factors Affecting Internal Audit Quality: Study at the Inspectorate of Maluku Province, Ambon City and West Seram District. *International Journal of Multicultural and Multireligious Understanding*. ISSN 2364-5369 Volume 6, Issue 6 December, 2019 Pages: 116-126
- [13] Zamzami, Faiz., Sakina Nusarifa Tantri and Rudi Prasetya Timur (2017). Effects of Auditor Independence and Experience, Size of Client's Financial Health and Audit Fee on Audit Quality: An Empirical Study on Public Accounting Firms in Indonesia. *Journal of Economics, Business and Management*, Vol. 5, No. 1, January 2017
- [14] Iryani, Lia Dahlia, 2017. The Effect of Competence, Independence, and Professional Auditors to Audit Quality. *Journal Of Humanities And Social Studies*. Volume 01, Number 01, September 2017
- [15] Prabowo, Diza Dianeke Budi and Dwi Suhartini, 2021. The Effect of Independence and Integrity on Audit Quality: Is There A Moderating Role for E-Audit, *Journal of Economics, Business, and Accountancy Ventura* Vol. 23 No. 3, December 2020 - March 2021, pages 305 – 319.
- [16] Kertarajasa, Astro Yudha., Taufiq Marwa and Tertiaro Wahyudi. (2019). The Effect of Competence, Experience, Independence, Due Professional Care, And Auditor Integrity On Audit Quality With Auditor Ethics As Moderating Variable. *Journal of Accounting, Finance and Auditing Studies* 5/1 (2019) 80-99
- [17] Yazid, H., & Suryanto, T. (2016). An Investigation of Factors Influencing Audit Quality According to Islamic Audit: A Study for the Jakarta Islamic Index.

International Journal of Economics & Business Administration (IJEBA), IV(1), 20–38.

- [18] Ramlah, St., Arzal Syah and Muh. Arif Dara, (2018). The Effect Of Competence And Independence To Audit Quality With Auditor Ethics As A Modernation Variable, International Journal Of Scientific & Technology Research Volume 7, Issue 9, September 2018.
- [19] Bouhawia, Mohammed. S., Gugus Irianto and Zaki Baridwan, 2015. The Effect of Working Experience, Integrity, Competence, and Organizational Commitment on Audit Quality (Survey State Owned Companies In Libya), IOSR Journal of Economics and Finance, Volume 6, Issue 4. Ver. II (Jul. - Aug. 2015), PP 60-67
- [20] Furiady, Olivia and Ratnwati Kurnia, 2015. The Effect Of Work Experience, Competency, Motivation, Accountability and Objectivity towards Audit Quality. 2nd Global Conference Business and Social Science 2015, 17 – 18 September 2015 Bali Indonesia.
- [21] Habibi, , Ridwan Ibrahim and Heru Fahlevi (2020), Competence, Objectivity, Auditor Ethics, and Quality of Audit in the Inspectorate Agency of Pidie and Pidie Jaya Districts, Province of Aceh, Indonesia, East African Scholars Journal of Economics, Business and Management, y East African Scholars Publisher, Kenya, Volume-3, Issue-5, pp 450 – 458.
- [22] Dasmaran and Lukman (2018), Effect Of Competence And Auditor Integrity To The Audit Quality In The Inspectorate Regency Of Serang (Inspektorat Kabupaten Serang), Jurnal Akuntansi Berkelanjutan Indonesia, Vol.1, No.3, Sept 2018
- [23] Hikmayah, and Nofiaty Khoirul Aswar. (2019). The Impact of Factors on the Audit Quality in Indonesia: The Moderating Effect of Professional Commitments, International Journal of Academic Research in Accounting, Finance and Management Sciences Vol. 9, No.4, October 2019, pp. 285–293.
- [24] Kuntari, Yeni., Anis Chariri and Nurdhiana, 2017. The Effect of Auditor Ethics, Auditor Experience, Audit Fees and Auditor Motivation on Audit Quality. Sriwijaya International Journal Of Dynamic Economic And Business, Vol 1(2), 2017, 203-218