
The Influence of Auditor Competence, Independence, and Ethics on Audit Quality (Survey in West Java Provincial Government Institutions)

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ABSTRACT

The demands of society on governance for the realization of good and clean governance are increasing which requires government officials to be competent in carrying out the internal control function. In regional government, the supervisory function is the duty of the Inspectorate of Province. The purpose of an audit process is to produce a quality audit, which can be influenced by several factors including competence, independence, and ethics of the auditors. This study is conducted on auditors in the Inspectorate of West Java Province with a total of 85 auditors with descriptive research methods and verification of quantitative approaches. Primary data collection using a questionnaire. This study used multiple linear regression analysis for the data analysis technique. The purpose of this study was to determine the influence of competence, independence, and ethics on audit quality in the Inspectorate of West Java Province. The results of this research show that competence, independence, and ethics has an influence on quality audits both partially and simultaneously. Competence, independence, and ethics each have a positive and very strong level of relationship to audit quality.

Keywords: competence, independence, ethics, audit quality.

INTRODUCTION

Contemporary society places a premium on attaining effective and transparent governance within public administration. This condition necessitates a culture of openness and transparency between the government and citizenry to forestall any potential misapprehensions. Furthermore, this necessitates that the government exhibits greater transparency and accountability in its management of state financial resources. In order to

attain this objective, it is imperative to have proficient public servants who can effectively execute dependable internal monitoring duties and institute a robust internal control mechanism to guarantee the appropriate allocation of resources for governmental execution. In addition, the literature above highlights the importance of ensuring the equitable distribution of activities across all public sectors while adhering to established policies, plans, and relevant regulations, in a manner that is both cost-effective and efficient (Chang et al., 2019; Kotb et al., 2020; Roussy & Perron, 2018).

The audit's quality is fundamental in scrutinizing the presence of evidence concerning the goals of current procedures, gauging the efficacy of executed procedures, appraising the attainment of targets, furnishing proof linked to the mitigation and eradication of problems, and functioning as a managerial instrument for ongoing enhancement within a corporation (Oussii & Boulila Taktak, 2018; Yusup & Juhara, 2020). According to Kagias et al. (2022), the efficacy of internal audits is not gauged by the number of findings but rather by the ability of auditors to furnish recommendations to the auditee aimed at enhancing the performance of their organization and implementing preemptive measures to mitigate or curtail instances of fraud, internal control deficiencies, and non-adherence to regulations and laws. According to Khelil et al. (2023), a company's performance can be significantly influenced by internal audits of high quality. Hence, internal auditors of the government must uphold the standard of their audits to reduce the number of significant discoveries made by the Supreme Audit Agency (BPK), as this may impact the evaluation of the performance of the regional government. Therefore, it is incumbent upon the audited organization to fulfill the obligation and responsibility of adhering to auditor recommendations. However, the auditor is also responsible for overseeing the implementation of examination results. This condition implies that there are subsequent unresolved measures. Therefore, it is imperative that the Inspectorate directs its attention and provides guidance to the relevant government agencies, specifically the OPD, to enhance the quality and efficacy of their supervisory activities and prevent the recurrence of previously identified issues.

The quality of an audit is influenced by various factors, including implementing audit recommendations (Nguyen & Kend, 2021). The execution of audit recommendations by the auditee is of paramount importance in promoting progress and elevating the efficacy of the scrutinized entity. Several impediments exist to enhancing audit quality within the Inspectorate of West Java Province in the field. Numerous unresolved discoveries imply the existence of internal issues within the audited entity and imply that the efficacy of internal auditors has yet to be established (Chang et al., 2019). Aslan (2021) suggests that the auditor's failure to provide recommendations could be due to their inadequate level of competence.

Apart from concerns regarding competence, the Inspectorate of West Java Province has been implicated in compromised independence, specifically related to buying and selling opinions. A recent incident involved the Regent of Bogor, Ade Yasin, who engaged in the practice of purchasing and selling opinions. Specifically, Yasin offered bribes to four Supreme Audit Agency (BPK) employees to secure an unqualified opinion. During an operation aimed at apprehending individuals in the act of corruption, the Corruption

Eradication Commission (KPK) confiscated Rp 1.024 billion in Indonesian currency. The funds are believed to have been intended to bribe four auditors from BPK. As per the KPK's assessment, the financial statement of Bogor Regency for the fiscal year 2021 was deemed unsatisfactory and may result in a disclaimer of opinion. One of the contributing factors was the identification of anomalies by auditors in the Kandang Roda - Pakansari road enhancement initiative, which was a component of the Cibonong City A Beautiful campaign (www.kompas.com, accessed on February 28, 2023, at 13:20 WIB).

It expects that each auditor adheres to the professional ethics set forth by the Indonesian Institute of Accountants (IAI) to mitigate detrimental competition. Ethics in accounting has garnered significant attention in light of numerous instances of ethical misconduct perpetrated by independent, internal company, and government accountants (Abdelhak et al., 2019).

The Summary of Examination Results by the Supreme Audit Agency of Indonesia (BPK RI) during the second half of 2016 reported a total of 5,810 findings, which encompassed 7,594 issues. Among these issues, 1,393 (18%) were identified as weaknesses in the internal control system, while the remaining 6,201 (82%) were associated with non-compliance with regulations, resulting in losses, potential losses, and revenue deficiencies. The total amount of these losses reported is Rp 12.59 trillion, as documented on the official website of BPK RI (www.bpk.go.id). The Annual Supervision Work Program (PKPT) is formulated by established supervision policies to oversee the administration of Districts/Cities annually. Therefore, the PKPT serves as a fundamental framework for auditors to oversee the management of Districts/Cities.

The quality of an audit is impacted by the competence, independence, and ethics of auditors, as noted by Albawwat (2022), Barrainkua and Espinosa-Pike (2018), and Kusumawati and Syamsuddin (2018). Auditors with strong competencies are better equipped to conduct greater effectiveness and efficiency audits. Additionally, they can enhance their analytical acumen when scrutinizing financial statements that have been audited. While auditors may exhibit varying degrees of competence, they are all held to the same standard of obligation and responsibility when conducting audits of financial statements. The acquisition of expertise commences with structured education, succeeded by practical experience and audit practice.

Maintaining objectivity and impartiality during the audit process necessitates auditors' independence, ensuring that their reporting of any findings remains unaffected. Given the crucial significance of auditors in commerce, it is incumbent upon them to uphold ethical standards of conduct vis-à-vis the entities they serve, their vocation, the larger community, and their integrity. Furthermore, the individual exhibits a set of ethical principles and values that align with the standards of their profession.

METHOD

The present study employs descriptive and verificative methods utilizing both qualitative and quantitative approaches. The present study employs a quantitative research methodology, utilizing descriptive and explorative methodological approaches. The descriptive methodology is employed to scrutinize data by presenting or depicting the gathered information in its raw form without any intention of making overarching inferences or generalizations. The descriptive analysis method examines hypotheses or addresses research inquiries and applies to correlation research.

The verificative method is a research methodology that involves the verification of hypotheses derived from descriptive research using statistical computations, which yield empirical evidence for either accepting or rejecting the hypotheses.

The study's sample size comprises 85 individuals, which falls below the threshold of 100 individuals. Thus, the present research employs a saturated sampling approach, wherein the entire population is considered the sample. In addition, the study's participant pool comprises 85 auditors employed at the Inspectorate of West Java Province.

The study's operational variables encompass competence (X1), which pertains to the aptitudes and proficiencies required to execute a given occupation or profession. Proficient individuals are capable of executing their tasks with favorable outcomes. An individual's proficiency is assessed by evaluating the three fundamental aspects of knowledge, skill, and attitude.

Independence (X2) pertains to a cognitive disposition devoid of external influence, unencumbered by external control, and not reliant on external factors. The independence assessment evaluates the two distinct dimensions of independence: fact and appearance.

Auditor Ethics (X3) can be broadly defined as a collection of ethical principles or values. Each individual possesses a set of values, although they may or may not have explicitly considered them. The assessment of auditor ethics is conducted based on the four dimensions of integrity, objectivity, confidentiality, and competence.

The concept of "audit quality" (Y) pertains to the advantages derived from the audit process, which extend beyond the mere disclosure of audit outcomes or suggestions, and encompass the efficacy of the measures implemented by the auditee. The measurement of audit quality encompasses various dimensions, including timeliness, completeness, accuracy, objectivity, persuasiveness, clarity, and conciseness.

Before utilizing the measuring tool, specifically a questionnaire, assessments pertaining to its validity and reliability are carried out. The validity assessment evaluates the precision and accuracy of the measurement outcomes obtained based on established theories. The validity of research findings is contingent upon the degree of correspondence between the data gathered and the actual data about the objects of inquiry. Consequently, the questionnaire items undergo validity testing using the Pearson product-moment correlation coefficient.

Reliability pertains to the degree of stability and consistency exhibited by respondents when responding to inquiries about a variable's constructs, which are systematically arranged in the format of a questionnaire. Reliability pertains to the degree to which an

instrument is dependable for data collection as it yields consistent and deemed credible data. If data is gathered on multiple occasions, it will produce consistent outcomes. Reliability refers to the quality of being dependable and trustworthy.

The process of regression analysis may be extended by computing the regression equation. The purpose of the regression equation is to forecast the magnitude of the dependent variable in response to alterations in the independent variable. Several independent variables influence the dependent variable in this complex phenomenon. For example, given a set of independent variables X1, X2, and X3 and a dependent variable Y, a functional relationship exists between X and Y, such that corresponding variations in Y accompany changes in X. Differently, the fluctuations observed in the dependent variable Y attribute to the independent variable X and other unidentified fluctuations. Therefore, the present investigation employs multiple regression analysis to forecast the dependent variable's direction (i.e., increase or decrease) in response to the manipulation of two or more independent variables.

RESULTS AND DISCUSSION

In order to assess the soundness and consistency of the data, statistical measures such as a correlation coefficient of 0.3 and a Cronbach's alpha coefficient of 0.7 were utilized. Table 1 displays the outcomes of the assessments conducted to determine the validity and reliability of the data.

Table 1. The findings of the validity and reliability assessments are presented

Instrument	X1	X2	X3	Y
1	0.535	0.463	0.382	0.772
2	0.326	0.723	0.750	0.793
3	0.529	0.431	0.640	0.465
4	0.479	0.575	0.437	0.379
5	0.667	0.822	0.382	0.443
6	0.571	0.518	0.675	0.328
7	0.435	0.763	0.744	0.716
8	0.593	0.831	0.754	0.785
9	0.467	0.409	0.669	0.515
10	0.598	0.728	0.572	0.519
11	0.518		0.532	
12	0.445		0.346	
13	0.579		0.371	

14	0.334		0.417	
15	0.448		0.551	
16	0.558			
17	0.384			
18	0.351			
19	0.318			
20	0.385			
Croback's Alpha	0.819	0.821	0.834	0.768

Table 1 demonstrates that the questionnaire items utilized in this study have successfully undergone a validity test, as evidenced by $r_{XY} > 0.300$, affirming the instrument's validity. In addition, the study's findings indicate that all variables in the reliable category exhibit score greater than 0.700, as evidenced by the reliability data. Stated differently, this study may be deemed reliable given that each variable exhibits consistent results.

The variable of competency comprises a total of 20 items in the form of a questionnaire that categorizes into three distinct dimensions: knowledge, skills, attitude, and behavior. Additionally, the variable also includes ten indicators. The regression model's partial t-test computations indicate that the competency variable has a significance value of 0.001, less than the alpha level of 0.050. Upon comparison of the calculated t-value (3.564) and the tabular t-value (1.989), it infers that the former exceeds the latter. Thus, the acceptance of H_{a1} suggests that competency partially impacts the quality of audits. The study's findings indicate that the impact of competency on audit quality is significant. Specifically, the results obtained from the simultaneous determination calculations suggest that competency accounts for 21.1% of the variation in audit quality. Meanwhile, the partial determination calculation reveals that the effect of competency on audit quality is even more pronounced, with a value of 68.23%.

Generally, the educational qualifications of auditors employed in the West Java Inspectorate satisfy the prescribed criteria and conform to widely recognized benchmarks, necessitating a minimum educational threshold of a Bachelor's degree (S1). In addition, the auditors undergo periodic training and seminars pertinent to their audit responsibilities. The acquisition of sufficient education and active engagement in training programs can enhance the competencies and expertise of auditors, enabling them to carry out their audit responsibilities with efficacy and efficiency. This condition can favor audit quality, making education and training crucial factors in driving audit excellence.

The term "competency" pertains to the professional aptitude of an auditor to utilize their knowledge in carrying out engagements, either as a member of a team or autonomously, by the relevant Public Accountant Professional Standards, code of ethics, and legal

regulations. The objective in this instance is to generate audit quality. The assertion above corroborates prior investigations carried out by Abdelhak et al. (2019), Aslan (2021), Nalukenge et al. (2022), and Sampet et al. (2019).

The independent variable is composed of a total of 10 questionnaire items that are divided into two dimensions: independence in actuality and independence in perception, in addition to 5 corresponding indicators. The partial t-test computations within the regression model indicate that the independent variable is statistically significant, with a significance level 0.000, less than the predetermined alpha level of 0.050. Upon comparison of the calculated t-value (5.338) with the tabular t-value (1.989), it can be inferred that the former exceeds the latter. Consequently, the acceptance of Ha2 suggests a partial impact of independence on the quality of audits. According to the results of concurrent determination computations, the extent to which audit quality is influenced by independence is 29.6%. In contrast, the outcome of partial determination analysis indicates that independence has a 69.56% effect on audit quality. The descriptive analysis of the questionnaire dissemination reinforces the study's findings, which suggests that the level of auditor independence within the West Java Inspectorate is satisfactory.

This assertion is consistent with the assertion made by Arens et al. (2017) that the efficacy of auditing is significantly contingent upon the public's perception of the independence of auditors. Stated differently, the effectiveness of an audit is contingent upon the degree to which the public perceives the auditor to be independent. Hence, in order to generate audits of high quality, auditors are required to uphold their independence. This assertion aligns with prior investigations by Mardijuwono and Subianto in 2018.

The variable of professional ethics comprises a set of 15 questionnaire items that are categorized into four dimensions, namely integrity, objectivity, confidentiality, and competence. Additionally, there are 15 indicators associated with this variable. The partial t-test is a statistical method commonly used in hypothesis testing to determine if there is a significant difference between the means of two groups.

The regression model results indicate that the ethics variable has a significance value of 0.000, which is less than the predetermined alpha level of 0.050. Upon comparison of the calculated t-value (5.862) with the tabular t-value (1.989), it can be inferred that the former exceeds the latter. Consequently, the acceptance of Ha3 suggests a partial impact of ethics on the quality of audits. The findings of the study indicate that ethics has a significant impact on audit quality. Specifically, the results obtained from the simultaneous determination calculations suggest that ethics account for 34.9% of the variation in audit quality.

On the other hand, the partial determination calculation reveals that the effect of ethics on audit quality is even more pronounced, with a value of 73.45%. The findings of the study are reinforced by the descriptive analysis of the questionnaire dissemination, which suggests that the ethical standards of auditors in the West Java Inspectorate are already satisfactory. Auditors can implement the relevant ethical principles while performing their audit responsibilities, exhibiting integrity, impartiality, and accountability.

As previously explicated, the F-test reveals that the computed F-value is 160.718. In contrast, the tabulated F-value for a sample size of 85 and three independent variables is 2.71. The results indicate that the calculated F-value surpasses the tabular F-value ($160.718 > 2.71$), thereby leading to the acceptance of H_{a4} . This condition implies that the variables of competency (X1), independence (X2), and ethics (X3) jointly exert an influence on audit quality (Y). The outcomes of this investigation are consistent with the principles of agency theory, which posit that auditors function as autonomous entities that reconcile the objectives of principals (i.e., the general public) and agents/managers (i.e., the government) in the management of financial matters. Therefore, auditors' proficiency in accounting, particularly in auditing, their ability to demonstrate impartiality in the face of external influences, and their adherence to ethical standards while carrying out their audit responsibilities are all essential requirements. By engaging in these activities, auditors can enhance their level of assurance while conducting superior-quality audits, leading to the production of audit reports that comply with the standards for high-quality audit reports. This assertion aligns with the principles of attribution theory, which posits that individuals' actions are shaped by various internal and external factors (AL Fayi, 2022).

The term "audit quality" pertains to the efficacy of an audit in identifying and disclosing significant errors or omissions in financial statements. The detection component of auditing pertains to the level of proficiency exhibited by the auditor. In contrast, the reporting component is indicative of the ethical considerations and integrity of the auditor, with a particular emphasis on independence. The statement suggests that auditors possessing the necessary skills can identify significant errors in audited entities. Additionally, auditors who adhere to ethical principles and maintain independence are more likely to report such errors with confidence, ultimately producing superior-quality audits. The idea that audit quality is influenced by competency, independence, and ethics has been supported by prior research conducted by Kalanjati et al. (2019), Kusumawati & Rahayu (2020), and Mardijuwono & Subianto (2018).

The present investigation reveals that the ethics variable of auditors exerts a greater degree of influence than other variables, namely the independent variable and the competency variable. The proposition above posits that adherence to professional ethics by auditors can facilitate the production of superior-quality audits. This condition is because such adherence entails compliance with established regulations, the execution of independent audits, and the application of professional expertise.

CONCLUSION

This research aimed to ascertain the depiction and impact of competence, autonomy, and ethical principles on the auditing standard in the Inspectorate of West Java. The auditors employed in the West Java Inspectorate exhibit a high level of competency, as they possess the requisite knowledge and skills by established standards, enabling them to perform their duties with proficiency. The level of auditor competency has been found to have a limited

impact on the quality of audits conducted by the West Java Inspectorate. Auditors possess educational qualifications that meet the standard criteria concerning their knowledge. The West Java Inspectorate's audit quality is partially influenced by independence. Ethics partially influence the West Java Inspectorate's audit quality. The combined impact of competencies, independence, and ethical considerations influences the quality of an audit.

The indicators of objectivity and freedom from pressures suggest room for improvement in achieving independence, as they have yet to reach their optimal levels. Hence, it recommends fostering a climate of tolerance among auditors and auditees to reduce reciprocal impacts and augment the impartiality of reporting. Finally, the variable of competency exhibits the lowest contribution, suggesting a requirement for technical training to aid auditors in performing their duties and enhancing their competency.

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