

## THE ANALYSIS OF THE EFFECT OF INDEPENDENCE, DUE PROFESSIONAL CARE AND AUDITOR ETHICS ON THE QUALITY OF AUDIT RESULTS

Arum Ardianingsih\*<sup>1</sup>, Amalia Ilmiani<sup>2</sup>, Khaerul Umam<sup>3</sup>

Universitas Pekalongan, Indonesia

[arumbundavina@gmail.com](mailto:arumbundavina@gmail.com)

**Abstract:** Examination of financial statements is a gradual process of activities that begin from planning, carrying out fieldwork audits and reporting quality of audit results. This study examines the dimensions of audit quality from the point of view of independence, due professional care and ethics of auditors on the quality of internal auditors of local governments in the ex Pekalongan residency. The analysis technique uses data quality test, classic assumption test and multiple linear regression analysis. Sampling technique with purposive sampling. Based on the analysis test, it was found that the independence, due professional care and ethics of auditors had a significant positive effect on the quality of audit results from internal auditors of the local government in the ex Pekalongan residency.

**Keywords:** Internal Government Auditors, Quality of Audit results, Ex Pekalongan Residency

### INTRODUCTION

The auditor conducts an assessment of the reasonableness of the financial statements of private companies and government-owned companies, especially the accountability report from government agencies. The public expect the auditors to provide quality audits with an objective assessment of the information presented in the accountability reports of government agencies. Audit Standards for Government Internal Supervisory Apparatus (Indonesian: APIP) are regulated in PERMENPAN Number PER / 05 / M.PAN / 03/2008. The general audit standard requires government internal auditors to always be independent and objective in every process of carrying out audit duties.

Mulyadi (2002) defines independence as an auditor's condition and attitude that is not under the control of any party when carrying out an audit of accountability reports from government agencies including in terms of providing audit opinion. Independence makes sure that the

auditor's performance provides quality audits. Indriyanti Linting (2013), found that the auditor's independent attitude will provide adequate confidence in conducting and reporting the results of the audit based on the findings. Thus increasing the quality of audit results.

Audit quality can also be seen from auditor competence. According to Suraida (2005) auditor competence is the result of the reconstruction of audit knowledge and expertise obtained from formal and non-formal education such as training, workshops, and seminars. The APIP code of ethics regulate competence is contained in the Regulation of the Minister of State for Administrative Reform (Permenpan) No. PER / 05 / M.PAN / 03/2008. This regulation contains the dimensions of auditor competence. Auditors are also required to have a firm attitude to carry out audits in accordance with their knowledge, skills and dare to refuse audit assignments if they are not in accordance with their knowledge, expertise and skills. Taufiq Efendy's research (2010), provides empirical evidence that the collaboration of audit

knowledge, expertise and skills will ultimately effect the audit results of the Inspectorate or government auditor.

Audit quality also requires due professional care. The auditor in carrying out audit activities, requires critical skills and attitudes, always questions unusual conditions and bases his decisions on evaluating adequate audit evidence, recognizes significant risks in the audit and is responsible for carrying out the audit to completion. With a careful attitude, the auditor will be able to recognize and identify various kinds of fraud that may be present in the financial statements quickly and accurately. At the evaluation stage of audit evidence, adequate auditor confidence is needed to produce a quality audit.

Conducting an audit also requires ethics as a guide to behave for the auditor. Ethics can be seen in terms of practical and reflection. Practically, ethics can be interpreted as moral values or norms that underlie human behavior. Ethics as a reflection is thought related to values, beliefs and norms about right or wrong attitudes. Ethics aims to help humans to act freely and responsibly. Ethics is a moral principle that guides auditors in conducting audits so that get quality audit. The implementation of ethics is in the form of a code of ethics for the Government Internal Supervisory Apparatus (Indonesian: APIP). This code of ethics aims to prevent unethical behavior and maintain the work of auditors to be accountable for the results of their audits.

Basuki and Krisna (2006) state that determining audit quality is a complex phenomenon. Because of the diversity of measurements of audit quality that touches on the dimensions of the attitude, behavior and ability of auditors. The description above provides a basis for the authors to formulate the problem as follows: (1) How does the relationship of

independence influence on audit quality ?, (2) How does the relationship of due professional care influence on audit quality?, (3) How does the relationship of the professional ethics influence on audit quality ?. The purpose of this study is to provide empirical evidence of independence, due professional care and professional ethics influence the audit quality of internal government auditors in the ex Pekalongan residence.

Independence Independence is an impartial attitude and free from conflicts of interest in the audited work, the auditing organizations and the organizations they audited (SPKN, 2017). Independence is the attitude of the auditor who does not take sides in conducting an audit of the accountability report from the audited agency and reports the results of the audit based on the findings. Government internal auditors are required to carry out their professional responsibilities by continuously maintaining and defending an attitude of independence both independence in thought and independence in appearance. Because auditor independence is one of the attitudes that can increase stakeholder confidence in the quality of audit results.

Due Professional Care The auditor in carrying out the audit assignment must prioritize a critical attitude, always questioning and based on evidence of audit findings. Accuracy of an auditor will provide an adequate basis in considering the adequacy of audit evidence and evaluating the evidence of findings to report the results of audits. Due professional care from the auditor is shown by the attitude of the auditor to exert all abilities, skills, knowledge in carrying out audit assignment, so that quality audits can be produced.

Auditor Ethics Ethics is the study of values, beliefs, norms and rules of attitude and behavior. The auditor's ethics implementation is a code of ethics which includes ethical principles, ethical rules and ethical interpretations. Auditors' ethical principles include integrity, objectivity, prudence and professional behavior, confidentiality and competence. The auditor's code of ethics is set by a professional association, the Indonesian Institute of Certified Public Accountants ( Indonesian: IAPI). While the code of ethics for government internal auditors is stipulated through the applicable permenpan binding regulation for APIP. This auditor code of ethics is the basis for the auditor to behave and act during the audit of financial statements prepared by government agencies. The code of ethics provides confidence for users who base their economic decisions on audit results that the audit has been carried out in a quality manner.

Audit and Audit Quality Audit is an inspection activity on the accountability report of government agencies which includes collecting audit data, evaluating and determining the level of conformity of audit findings with generally accepted criteria and reporting the results to users who base economic decisions on audit results. When an auditor carries out audits, the user community will demand high quality on the audit results. Audit quality is the result of the auditor's audit of the financial statements and the auditor's willingness to report the amount of misstatement contained in the client's financial statements. Audit quality is defined as the willingness of an auditor to find violations of both errors and fraud that may exist in the accounting system of the company or agency that is being audited, DeAngelo (1981).

Audit quality at government agencies usually refers to the results of the audits of accountability reports

prepared by government agencies. The auditor must assess the reasonableness of the effectiveness of the internal control function, conduct an audit of the accountability report prepared by the agency and provide an opportunity for the agency to respond to the results of the audit before reporting the results of its final audit. An audit is said to be of quality if it fulfills the elements of evaluating the quality of financial information such as being on time, complete, free from misstatements, brief and clear according to the audit reporting standards contained in Permenpan No. PER / 05 / M.PAN / 03/2008. From the explanation of audit quality, it can be concluded that Audit Quality is an act where an auditor reports the results of an audit based on the evidence of findings and reports to interested parties according to the auditing standards set for the Government Internal Supervisory Apparatus (Indonesian: APIP).

The Effect of independence on audit quality Independence is the auditor's idealism regarding the accountability report of the agency or organization that is the object of his assessment (Pusdiklatwas BPKP, 2008). Independence has two dimensions, namely practical and professional. Practitioner independence is the real independence obtained when the auditor has conducted audit activities in accordance with audit procedures, audit standards and adheres to the auditor's code of ethics in various stages of audit work. While the independence of the profession is the image of the auditor from the view of the public or the general public of the auditor in charge as free from conflict of interest with the organization he is auditing. Independence according to this review is often called independence in appearance. Indriyanti Linting's research results (2013) found that the attitude to conduct financial statement

audits according to standards, free from the interests of any party and followed by a willingness to report findings of violations, will result in better audit quality. So the first hypothesis is proposed, namely:

H1 : Independence has a significant positive effect on audit quality.

The Effect of due professional care on audit quality Due Professional Care means careful and thorough professional skills. Accuracy and thoroughness in the use of professional skills requires auditors to carry out professional skepticism, which is an attitude of the auditor who thinks critically of adequate belief that the audit evidence obtained is sufficient and appropriate, so that it supports to draw conclusions from the audit results. The auditor uses professional skills critically and logically to obtain adequate confidence that financial statements are free from material misstatements, whether caused by errors or fraud (Singgih and Bawono, 2010). The better the use of the auditor's due professional care, thus enabling better and higher quality of audit results.

Singgih and Bawono (2010) used research respondents with KAP Big Four in Indonesia. The results showed simultaneously independence, due professional care, and accountability have an influence on audit quality. So the researcher proposes a second hypothesis, namely:  
H2 : Due Professional Care has a significant positive effect on audit quality.

The Effect of Auditor Ethics on audit quality Ethics can be broadly defined as logical reasoning for morality, values, and norms both written and unwritten. Professional ethics involve the standards of attitude of members of the profession that are designed to be practical and realistic, but as far as possible idealistic. The demand for professional ethics must be

above the law but below the ideal (absolute) standard so that the ethics has the meaning and function as it should be. Research conducted by Maryani and Ludigdo (2001) aims to find out the factors that are considered to influence the attitudes and ethical behavior of accountants and the factors that are considered to be the most dominant influence on the attitudes and unethical behavior of accountants.

Auditor is the profession who is required to be able to build public trust so that the dignity and quality of his professional services can be maintained. The auditor's professional ethics maintains that the quality of audit work results can be accounted for. The professional ethics of auditors is a strong encouragement for auditors to improve audit quality. Based on the description above, then the hypothesis can be formulated as follows:

H3 : The Auditor Ethics significantly positive effect on audit quality

## METHODS

The independent variables in this study are independence, due professional care and auditor ethics. The Independence variable (X1), measured using indicators (1) internal interference and (2) external interference. The due professional care variable (X2), measured using indicators (1) due professional care attitude, (2) due professional care techniques. The auditor ethics variable (X3), measured using indicators (1) Responsibility, (2) Integrity, (3) Objectivity. While the dependent variable in this study is audit quality (Y) measured using indicators (1) accuracy of audit findings, (2) skepticism, (3) Value of recommendations, (4) Report clarity, (5) Audit benefits, (6) Follow up on audit results. The research data was taken using a questionnaire. The object of research is the government internal auditors who are in the ex

Pekalongan residency. The research sample was taken using purposive sampling technique. The research sampling criteria are as follows: (1) Auditors work in the Pekalongan Residency Inspectorate, (2) Auditors who carry out work in the field of auditing, (3) Have worked at least 2 years in the Inspectorate, (4) Minimum education of bachelor degree. The analysis technique in this study uses the classic assumption test consisting of normality test, multicollinity test and heterokedacity test. Data validity and

reliability test, hypothesis test and multiple linear regression test.

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Description :  
 Y : Audit quality  
 A : A constant  
 $\beta_1$ -  $\beta_3$ : Regression coefficient  
 X1 : *Independence*  
 X2 : *Due Profesional Care*  
 X3 : Auditor Ethics  
 e: Error

## RESULTS AND DISCUSSION

### Research Object

The object of this study was the auditor respondents from the Pekalongan Residency Inspectorate office in this case represented by

several Pekalongan Residency Inspectorate offices namely Pekalongan City, Batang Regency, Pemalang Regency and Brebes Regency.

**Table 1. List of Auditors in the Pekalongan Residency Inspectorate**

| No | Kuesioner                     | Number |
|----|-------------------------------|--------|
| 1. | Pekalongan City Inspectorate  | 3      |
| 2. | Batang Regency Inspectorate   | 8      |
| 3. | Pemalang Regency Inspectorate | 16     |
| 4. | Brebes Regency Inspectorate   | 10     |
|    | Total                         | 37     |

Source: Primary data processed 2019.

### Validity And Reliability Tests

The validity test in this study is intended to measure the extent of the accuracy of research measuring equipments about the content or the

actual meaning measured (Ghozali, 2009). A question item is said to be valid if the item correlation value with a total score is significant at the 0.05 significance level.

**Table 2. Testing Variable Validity**

| No | Variable Name                    | Question item | Significant Level | Description |
|----|----------------------------------|---------------|-------------------|-------------|
| 1. | <i>Independence</i> (X1)         | X1_1          | 0.000             | Valid       |
|    |                                  | X1_2          | 0.000             | Valid       |
|    |                                  | X1_3          | 0.002             | Valid       |
|    |                                  | X1_4          | 0.000             | Valid       |
|    |                                  | X1_5          | 0.000             | Valid       |
|    |                                  | X1_6          | 0.000             | Valid       |
| 2. | <i>Due profesional care</i> (X2) | X2_1          | 0.000             | Valid       |
|    |                                  | X2_2          | 0.000             | Valid       |
|    |                                  | X2_3          | 0.000             | Valid       |
|    |                                  | X2_4          | 0.000             | Valid       |
|    |                                  | X2_5          | 0.000             | Valid       |
|    |                                  | X2_6          | 0.000             | Valid       |
| 3. | Auditor Ethics (X3)              | X3_1          | 0.000             | Valid       |
|    |                                  | X3_2          | 0.000             | Valid       |
|    |                                  | X3_3          | 0.000             | Valid       |
|    |                                  | X3_4          | 0.000             | Valid       |
|    |                                  | X3_5          | 0.000             | Valid       |
|    |                                  | X3_6          | 0.000             | Valid       |
|    |                                  | X3_7          | 0.000             | Valid       |
|    |                                  | X3_8          | 0.000             | Valid       |
|    |                                  | X3_9          | 0.000             | Valid       |
|    |                                  | X3_10         | 0.000             | Valid       |
| 4. | Audit Quality (Y)                | X3_11         | 0.000             | Valid       |
|    |                                  | X3_12         | 0.000             | Valid       |
|    |                                  | X3_13         | 0.000             | Valid       |
|    |                                  | Y1            | 0.000             | Valid       |
|    |                                  | Y2            | 0.000             | Valid       |
|    |                                  | Y3            | 0.008             | Valid       |
|    |                                  | Y4            | 0.000             | Valid       |
|    |                                  | Y5            | 0.000             | Valid       |
| Y6 | 0.000                            | Valid         |                   |             |
| Y7 | 0.000                            | Valid         |                   |             |
| Y8 | 0.007                            | Valid         |                   |             |

Source: SPSS output processed 2019.

Based on table 2 above shows that the results of testing the validity of the correlation between each score item questions to the total score of the variables can be concluded that not all of the questions on the research construct variables are valid.

The reliability test is intended to test the consistency of the

questionnaire in measuring the same contract or the stability of the questionnaire. The reliability of research instruments in this study was tested using Cronbach's Alpha coefficients. If the alpha coefficient value is greater than 0.60, it is concluded that the research instrument is reliable (Ghozali; 2009).

**Table 3. Reliability Test Results**

| No | Variable Name               | Cronbach Alpha | Nunally | Description |
|----|-----------------------------|----------------|---------|-------------|
| 1. | <i>Independence</i>         | 0,756          | 0.60    | Reliable    |
| 2. | <i>Due profesional care</i> | 0,619          | 0.60    | Reliable    |
| 3  | Auditor ethics              | 0,947          | 0.60    | Reliable    |
| 3. | Audit quality               | 0,728          | 0.60    | Reliable    |

Source: SPSS output processed 2019

based on table 3 shows that the results of reliability testing in this study all of the variables used were reliable.

### Classic assumption test

Classic assumption test is done to test the data fulfill the BLUE criteria (Blue Linear Unbias Estimate), (Ghozali, 2013). The classic assumption test in this study consists of tests of normality, multicollinearity and heterokedacity. Normality test is performed to determine whether in the regression model, the dependent and the independent variables both have normal distribution or not. Normality test results using the K-S test obtained sig (2-tailed) value of 0.200 above 0.05, which means the data are normally distributed.

Multicollinearity test using VIF and Tolerance values. The independence variable has a tolerance value of 0.150, due professional care with a tolerance value of 0.150 and auditor ethics with a tolerance value of 0.233. While the VIF value of the independence variable is 6,665, the due professional care variable has a VIF value of 6,675, and the professional ethics variable has a VIF value of 4,287. This means that the tolerance value > 0.10 and VIF value < 10 so that it is free from the correlation between independent variables.

Heterokedacity test is performed using the Glesjer test. The data processing results show that independence has a sig value of 0.813, due professional care has a sig value of

0.383 and an auditor ethics has a sig value of 0.531 so that it can be concluded that there are no phenomenon of heterokedasticity.

### The Effect Of Independence On Audit Quality

Independence is a strong behavior in principle and opinion by giving everything proportionally in the audit planning stage to the audit result reporting stage. An auditor is said to be independent if he has conducted an audit in accordance with auditing standards and is free from conflicts of interest with the agency he is auditing.

From the test results show that the independence using the t test obtained a value of 2.264 with a significant level of 0.031. Because the significance level is less than 0.05 ( $\alpha = 5\%$ ), so independence has a significant positive effect on Audit Quality. It means that the auditors who conduct audit procedures in accordance with auditing standards and report audit results in accordance with the evidence of the available findings will produce a quality audit. The inspectorate apparatus made as respondents had independence at the time of their professional duty, as indicated by the implementation of the audit until the reporting of the results of the audit was carried out based on findings without being influenced by any party.

The results of this study are in line with research conducted by Indriyanti Linting (2013) which states

that independence has a positive effect on audit quality. This research is not in line with research conducted by Taufik Effendy (2010) which states that Independence has no effect on Audit Quality.

### **The Effect Of Due Professional Care On Audit Quality**

Due professional care is the auditor's critical attitude and sincerity in carrying out his profession as an auditor in order to produce quality audit reports. From the test results show that Due Professional Care (X2) using the t test was obtained a value of 2.740 with a significant level of 0.010.

This means that the Auditor requires adequate care in his work to produce good audit quality and to avoid material misstatement in his report. The attitude of auditors who think critically of audit evidence is to always question and evaluate audit evidence. Inspectorate officials have used their professional expertise carefully and critically (due professional care) in each duty. The application of accuracy and thoroughness is realized by conducting critical reviews at each level of supervision of the implementation of the audit so as to provide good and quality audit results. This research is in line with research conducted by Rahman (2009), which states that Due Professional Care directly effects on Audit Quality.

### **The Effect Of Auditor Ethics On Audit Quality**

Auditor ethics is a moral principle, values and studies of norms as a reference for auditors in carrying out their duties and responsibilities. From the test results show that the Auditor Ethics (X3) on audit quality has a significant positive effect on audit quality with a value of 2.215 and a significant level of 0.034.

This means that the inspectorate apparatus has firmly

adhered to professional ethics and is not easy to be influenced by other parties and carry out their duties in accordance with ethical principles that apply to auditors. The auditor ethics provides guidance for the auditor to be responsible for completing audit duty and reports the audit results based on the findings and audit evidence. So that the more auditors adhere to professional ethics, the higher the quality of audits and vice versa.

### **CONCLUSION**

Based on the results of testing and discussion, some conclusions from this study are as follows: Independence variable (X1) has a significant positive effect on Audit Quality (Y). This means that with an impartial attitude in carrying out the audit process of the financial statements and reporting the results of the audit based on audit findings, it will have an impact on audit quality that is getting better. Due Professional Care variable (X2) has a significant positive effect on Audit Quality (Y). This means that auditors who use professional skills in the field of audits carefully on sufficient and appropriate audit evidence can provide better audit quality. Auditor Ethics (X3) has a significant positive effect on audit quality with a significance of 0.034. This means that when the auditor is fully responsible in carrying out audit assignments, maintaining his integrity and being objective in providing opinion on the financial statements, so the audit quality will always be maintained properly.

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