THE INFLUENCE OF INDEPENDENCE, COMPETENCE, INTEGRITY, ACCOUNTABILITY AND DUE PROFESSIONAL CARE OF AUDITORS TOWARD AUDIT QUALITY

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DECLARATION OF AUTHENTICITY

Herein I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgment. All quotations are cited and listed in the bibliography of the thesis.

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Yogyakarta, August 22, 2013

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ABSTRACT

This study aims to determine whether independence, competence, integrity, accountability, and due care professional of auditors significantly influence toward audit quality, either partially or simultaneously. Population in this research is auditors who work in Accounting Firm or Kantor Akuntan Publik (KAP) in Yogyakarta. Numbers of questionnaires distributed were 52 questionnaires and 44 questionnaires can be processed. Data were analyzed using multiple linear regression analysis. The research results show that partially independence, competence, integrity, accountability, and due professional care significantly influence toward audit quality. And simultaneously independence, competence, integrity, accountability and due professional care significantly influence toward audit quality.

Keywords: *audit quality, independence, competence, integrity, accountability, due professional care*

ABSTRAK

Penelitian ini bertujuan untuk mengetahui apakah independensi, kompetensi, integritas, akuntabilitas, dan due professional care auditor berpengaruh signifikan terhadap kualitas audit, baik secara parsial maupun simultan. Populasi dalam penelitian ini adalah auditor yang bekerja di Kantor akuntan Publik Daerah Istimewa Yogyakarta. Jumlah kuesioner yang disebar sebanyak 52 kuesioner dan yang dapat diolah 44 kuesioner. Data dianalisis menggunakan analisis regresi linear berganda. Hasil penelitian menunjukkan bahwa secara parsial independensi, kompetensi, integritas, akuntabilitas, dan due professional care berpengaruh signifikan terhadap kualitas audit. Secara simultan independensi, kompetensi, integritas, akuntabilitas dan due professional care berpengaruh signifikan terhadap kualitas audit.

Kata Kunci: *kualitas audit, independensi, kompetensi, integritas, akuntabilitas, due professional care*

INTRODUCTION

Background of Study

Financial statements provide variety of information that is required as a basis for decision-making either used by internal or external parties of the company. To make financial statements be able to be used as the believable basis for decision making, financial statement should be audited to test whether financial statement presented by management is fair or not. According to FASB, the two most important characteristics that must exist in financial statements are relevance and reliability. To measure these two characteristics, users of the information need services from a third party who becomes the independent auditor to provide assurance that the financial statements are relevant and reliable.

Public accountants or auditors are professional accountants who sell their services to society (companies). There are two kinds of services provided by public accountants: attestation services and non-attest services. Attestation services includes audit service. Audit services are services that are the best known by public (companies) compared with other services. Audit is a process to reduce inconsistencies information exists between managers and shareholders (Ilmiyati and Suhardjo, 2012).

Profession of public accountant is a profession of public trustiness. From the profession of public accountant, a society expects free and impartial assessments to the information presented by company's management in its financial statements (Mulyadi, 2002:2). Great confidence from the users of

audited financial statements provided by public accountant is what ultimately requires the auditor to pay attention to the quality of the audit result. Audit quality becomes important because a high quality of audit will result in credible financial statements as a basis for decision making (Indah, 2010).

De Angelo (1981) in Alim et al (2007) defined audit quality as probability where auditor will find and report the existence of violation in the client's accounting system. The probability of finding violations depend on the auditor's technical capability and probability of reporting violations depends on the independence of auditor. Then to be able to improve the quality of audit the factors that exist within the auditor self that can influence audit quality needs to be identified.

From the description above, the writer is interested in testing whether the independence, competence, integrity, accountability and due professional care of auditor significantly influence to the audit quality.

Problem Identification

It is indicated that there are some factors that can influence the audit quality as a result of an auditor’s performance in conducting an audit, such as independence, competence, integrity, accountability and due professional care. So, whether there is a relationship between these factors with audit quality is to be examined in this research.

REVIEW OF RELATED LITERATURE

Previous Research

Research conducted by Alim et al (2007) about competence and independence give results that competence and independence significantly influence the audit quality. Similarly, the research by Sukriah et al (2009) which states that work experience, objectivity, and competence have positive influence on the quality of the results of examination.

Research about independence conducted by Alim et al (2007) showed that independence significantly influence the audit quality. In contrast, the research conducted by Sukriah et al (2009) stated that independence does not significantly influence the quality of examination. Alim et al (2007) stated that it is not easy to keep the degree of independence in order to be consistent in the proper track. Too long Cooperation with clients can lead to vulnerability on independence owned by auditors and facilities provided by clients for auditors during the audit engagement. It is probably the auditors that become "easily controlled" by clients because the auditor was in a dilemma position.

Research conducted by Singgih and Bawono (2010) about the effect of independence, experience, due professional care, and accountability for the quality of audit provide results that independence, due professional care and accountability partially influence the audit quality, while the experience had no influence on audit quality.

Research Hypothesis

H1: Independence of an auditor positively influences audit quality.

H2: Competence of an auditor positively influences audit quality.

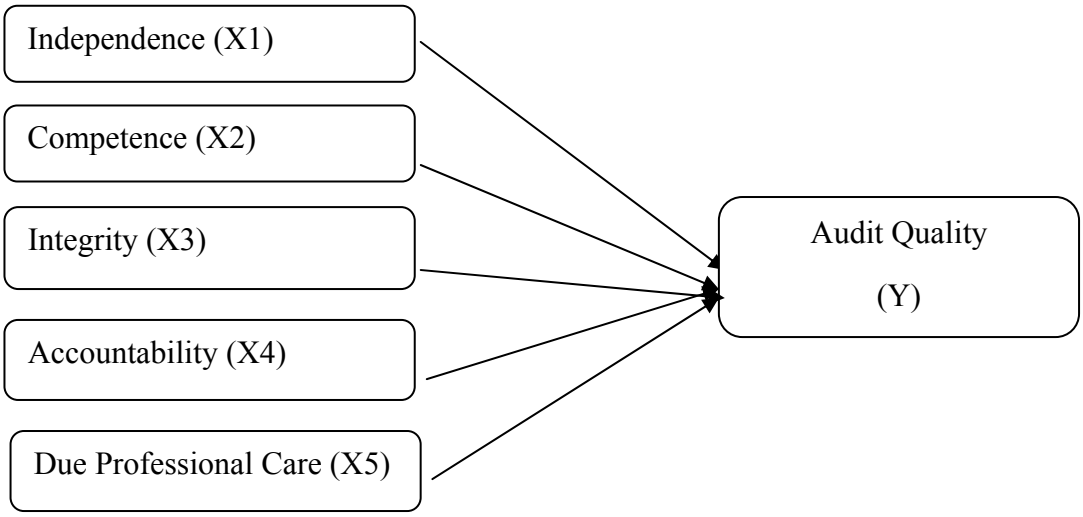
H3: Integrity of an auditor positively influences audit quality.

H4: Accountability of an auditor positively influences audit quality.

H5: Due Professional Care of an auditor positively influences audit quality.

RESEARCH METHODS

Research Framework



Source of Data

The type of data use in this research is primary data. The source of the data is from the object of study respondents. Data is collected by survey method using questionnaires distributed directly to auditors.

The population in this research is all accountants who conduct the audit process or test the financial statements. Reasons for selecting auditors as the subjects because auditors are the ones who are responsible for auditing and testing process of financial statement and provide opinion on the fairness of the financial statements so that they are involved in the determination of audit quality.

According to the draft of the analysis that has been arranged, the subjects in this research are auditors who work in Accounting Firm or Kantor Akuntan Pubik (KAP) in Yogyakarta. Samples in this study are Convinance Sampling Method (selection of samples comfortably). This method was chosen because previously the researcher does not know exactly the number of Auditors who worked on each Accounting Firm so that there is freedom in choosing sample (Jogiyanto, 2010).

Data Analysis Method

Data Quality Test

In this research data quality test will be done by two ways, they are test of validity and test of reliability.

Classical Assumption

Classical assumption test in this research include normality test, multicollinearity test, and heteroscedasticity test.

Regression Analysis

Analysis method used in this research is Multiple Regression Analysis. Then, the multiple linear regression equation is formulated as follows:

$$Y=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\varepsilon$$

Testing Model

Testing model use in this research is done by F-test and T-test. *F* test is aimed to show whether all the independent variables used can be fitted in the regression model simultaneously or together they have an influence towards dependent variable. *T* test is a statistical test that establishes a significant mean difference in a variable between two groups (Sekaran, 2003). It is used to determine the influence of independent variables (independence, competence, integrity, accountability, and due professional care) toward the dependent variable (audit quality) partially. The significance of independent variables to dependent variable shows the probability value (β) from the *T* test of each independent variable is at the significant level of 5% (α=0.05). If the probability is less than α then H0 is rejected and Ha is accepted, if the probability is greater than α then H0 is accepted and Ha is rejected.

RESEARCH RESULT

1. **First Hypothesis Testing**

   Based on the results of multiple regression analysis presented in table 4.14, t-count value is 2.175 and probability value (β) is 0.036. It can be

seen that the probability value (β) is less than α (0.05). It means that the increase of respondent's perception about independence will increase the quality of audit. To put it another word, it **proves H1, which says that independence of an auditor positively influences audit quality.**

This result gives support to the research conducted by Christiawan (2002) and Alim dkk (2007) which stated that independence significantly influence toward audit quality. According to Mulyadi (2002) independence is mental attitude that is free from the influence, not controlled by another party and do not depend on others. In performing audit task, auditors are not allowed to concern to the client's interest, so they can give actual assessment on the financial statements they examined because the result of the examination of financial statement will be used by interested parties as a basis for decision making.

2. Second Hypothesis Testing

Based on the results of multiple regression analysis presented in table 4.14, t-count value is 3.025 and probability value (β) is 0.004. It can be seen that the probability value (β) is less than α (0.05). It means that the increase of respondent's perception about competence will increase the quality of audit. To put it another word, it **proves H2, which says that competence of an auditor positively influences audit quality.**

This result supports the research conducted by Alim dkk (2007) which stated that audit quality could be reached if an auditor has good competence and the result of the research shows that competence has

positive influence toward audit quality. Auditor competence is qualification required by auditor to conduct audit properly. In conducting audit, auditor must have good personal quality, knowledge, and enough work experience. Thus, an auditor who has good knowledge and adequate experiences will understand about many kinds of problem more in depth and easier in following the development which is more complex in client's audit environment.

3. Third Hypothesis Testing

Based on the results of multiple regression analysis presented in table 4.14, t-count value is 3.150 and probability value (β) is 0.003. It can be seen that the probability value (β) is less than α (0.05). It means that the increase of respondent's perception about integrity will increase the quality of audit. To put it another word, it **proves H3, which says that integrity of an auditor positively influences audit quality.**

This result supports the research conducted by Mabruri and Winarna (2010) which stated that audit quality could be reached if an auditor has good integrity and the result of the research shows that integrity has positive influence toward audit quality. Integrity is a quality underlying public trustiness and serves as a benchmark for members to test all decisions. Integrity requires public accountant, in all respect, honestly within the limit of object examination. Service to the society and trust from society cannot be defeated for personal interest and gain.

4. Fourth Hypothesis Testing

Based on the results of multiple regression analysis presented in table 4.14, t-count value is 4.176 and probability value (β) is 0.000. It can be seen that the probability value (β) is less than α (0.05). It means that the increase of respondent's perception about accountability will increase the quality of audit. To put it another word, it **proves H4, which says that accountability of an auditor positively influences audit quality.**

This result supports the research conducted by Elisha and Icuk (2010) stated that accountability consists of motivation, dedication to the profession and social obligations have positive relationship with audit quality. Motivation in general is a condition of a person that encourages individual desire to perform specific activities to achieve the goals. The profession of auditors can be shown by how big the auditors have motivation in their duties of examining the financial statements so that the auditor may work earnestly. When someone carries out a job sincerely, then the result of the work will tend to be better than the person who is forced to do it.

5. Fifth Hypothesis Testing

Based on the results of multiple regression analysis presented in table 4.14, t-count value is 2.083 and probability value (β) is 0.044. It can be seen that the probability value (β) is less than α (0.05). It means that the increase of respondent's perception about due professional care will increase the quality of audit. To put it another word, it **proves H5, which**

says that due professional care of an auditor positively influences audit quality.

This result supports the research conducted by Rahman (2009) which shows partially variable due professional care influences significantly toward audit quality. Due Professional Care is an important thing that should be applied to every public accountant in performing their professional work in order to achieve an adequate audit quality. Due professional care includes two aspects, namely professional skepticism and sufficient confidence. An auditor should keep his professional skepticism during the process of examination, because when an auditor is unable to maintain his/her professional skepticism, the audited financial statements cannot be trusted anymore.

CONCLUSION

1. Independence of an auditor has a positive and significant influence toward the quality of audit. It means that the more independent the auditor, the more qualified the audit.
2. Competence of an auditor has a positive and significant influence toward the quality of audit. It means that the more competent the auditor, the more qualified the audit.

3. Integrity of an auditor has a positive and significant influence toward the quality of audit. It means that the more integrity the auditor, the more qualified the audit.
4. Accountability of an auditor has a positive and significant influence toward the quality of audit. It means that the more accountable the auditor, the more qualified the audit.
5. Due Professional Care of an auditor has a positive and significant influence toward the quality of audit. It means that the more professional the auditor, the more qualified the audit.

RESEARCH LIMITATION

This research sample was limited to auditors from accounting firm or Kantor Akuntan Publik (KAP) in Yogyakarta, thus the results of this research cannot be generalized to represent all auditors in Indonesia.

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