

DETERMINANTS OF AUDIT QUALITY AT PUBLIC ACCOUNTANT FIRMS IN SEMARANG CITY

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ABSTRACT

Audit quality is still widely questioned by the public because there are still various public assessments in assessing public accountant firms, this assessment can be measured by the competence of auditors who are evaluated in the audit process. Apart from problems related to auditor competence, the same is the case with auditor integrity and ethics, which are factors that determine the audit quality of a public accountant firm. This study aimed to determine the effect of independence, auditor ethics and work experience on audit quality. This study uses quantitative methods with primary data obtained from distributing questionnaires. The population in this study were all senior auditors and junior auditors at KAP in Semarang with the Convenience Sampling technique. Researchers managed to collect 30 respondents. Data analysis was performed using multiple linear regression. Based on this study, the variables of independence, auditor ethics and work experience affect audit quality.

Keywords: *independence, auditor ethic, working experience, audit quality*

INTRODUCTION

Financial statements are reports made by management in connection with the economic state of the company for a certain period. Financial reports are used to provide data about the company's financial condition that will be used by stakeholders for strategic decision-making. The company has a difference of interest with investors creditors and shareholders who want to obtain relevant and reliable financial information in responsibility for the company's finances that have been invested.

The financial statements can be said to be relevant or not, this can be avoided by looking at or examining the financial statements known as audits. Audit has a responsibility for the audit report issued so that it can be trusted by users of financial statements and avoid fraud and reduce fraud in audit reports. The auditor has no interest or obligation regarding the contents

of the organization's financial books, but is responsible for the audit results provided to the organization in connection with the fairness of the contents of the financial statements that can be trusted. However, it is not unusual for an auditor to commit an offense by manipulating the reports he provides. In developing the quality of an organization's financial statements that can be trusted, an auditor must have knowledge and a firm stance by not taking sides with anyone in auditing. An impartial attitude is called independence, which must be carried out by the auditor so that he is not influenced by any party that affects his audit report (Maulana, 2020). The philosophy of auditors who ignore regulations will reduce public confidence in the quality of an auditor in providing fairness to the reports examined, so auditors must maintain an impartial attitude to any party. Auditor ethics must accompany the decision-making process that the auditor must carry out. Ethics for auditors are used to maintain ethical behavior standards because auditors are responsible and competent to maintain their integrity and objectivity. (Arif & Cheisviyanny, 2023). Therefore, an auditor needs moral sensitivity in carrying out his duties. With the high level of violations of the audit report from cases that occurred in Indonesia, it should be a lesson for business people and auditors to be more careful in making decisions regarding audited statements so as not to cause losses. This research aims to test and analyze the impact of audit knowledge on audit quality and the impact of independence attitudes on audit quality. It can analyze the effects of moral value sensitivity responses on audit quality. Public Accountant Firm (KAP) is a business entity established based on the provisions of laws and regulations that obtain a business license based on the law. Public accountants in their profession are regulated in the Public Accountant Professional Standards (SPAP) (Tuanakotta, Theodorus M, 2015).

The public accountant profession is needed in the activities and performance of companies in providing trust to the public. Public accountant services provide an assessment of a company's performance through an examination of financial statements that are often used by parties outside the company. The basis for decision-making required by internal and external parties of the company is financial statements and information on company performance.

Auditing is a process taken by a competent and independent person to evaluate evidence regarding measurable information from a business entity to consider and report on the level of conformity of the measured information with predetermined criteria. Audits can generally be grouped into five types, namely financial statement audits, internal control audits, compliance

audits, operational audits, and forensic audits. Audits of financial statements are mainly required by companies in the form of Limited Liability Companies (PT) whose owners are shareholders. Usually once a year in the General Meeting of Shareholders (GMS) the shareholders

will hold the company's management accountable in the form of financial statements.

LITERATURE REVIEW

Auditing

The step in achieving and assessing the economic condition of the organization aims to determine the suitability between financial information and predetermined provisions to interested parties. There are various types of audits, including:

1. Financial Statement Audit, This type is carried out by the auditor on the financial records of the client in order to provide a point of view regarding the fairness of the financial statements of the client.
2. Compliance Audit, A type of audit designed to determine the outcome of a report by standards.
3. Operational Audit is carried out to assess performance, analyze for development, and make suggestions for further development or company operations. (Maisyarah, 2019)

Audit Quality

According to Tuanakotta, Theodorus M (2015) states that audit quality is when the auditor examines the client's financial records, and checks for irregularities so that he provides an audit report opinion on the findings, the auditor is required to conduct auditing based on auditing standards. So, it can be concluded that audit quality is a measuring tool used to detect material misstatements in financial statements. (Tjun, 2018) ; (Palalangan et al., 2019).

Independence

According to Wahyuni & Irwansyah (2016) states that independence is a behavior that is not easily influenced by any party. So it tends to reason that the meaning of independence is the attitude taken by the auditor in providing his perspective accompanied by a mentality that is not easily influenced, and does not favor one party with any tendency. (Aziz, 2018) ;

(Wood et al., 2017).

Ethics

There are limitations on a person to be sensitive about moral quality when providing his perspective (Istiarani, 2018). When providing an audit assessment includes determining audit options, marking evidence of errors, intentional and unintentional errors, disclosing deficiencies in the client's internal control. So that to understand and apply ethical values when carrying out professional duties, especially an auditor is called ethical sensitivity (Maulana, 2020). (Maulana, 2020).

Work Experience

Experience is the whole journey that a person learns from the events experienced in his life journey. Auditor experience is calculated based on a time or year, so auditors who have worked as auditors for a long time can be said to be experienced. Because the longer you work, it will be able to increase and expand the auditor's knowledge in the field of accountant and the field of auditing. (Anam & Sari, 2022). Experienced examining accountants make better judgments in professional duties than inexperienced examining accountants. Furthermore, he stated that the auditor's audit experience plays a role in determining the decision taken. A person's work experience shows the type of work a person has done and provides an excellent opportunity for someone to do a better job. The more extensive a person's work experience, the more skillful he is in doing the job, and the more perfect his thinking patterns and attitudes in acting to achieve the goals that have been set.

RESEARCH HYPOTHESIS

The effect of independence on audit quality

Independence can affect audit quality, because independence is an important attitude for auditors when assessing the fairness of the audited financial statement information. Independence is the foundation of the auditing profession. It means that the auditor will be neutral towards the entity, and therefore will be objective. The public can trust the audit function because auditors are impartial and recognize the obligation to be fair. Independence can be defined as a mental attitude that is free from influence, not controlled by other parties and not

dependent on others. Independence is an attitude that auditors must have in examining client financial statements. The general standards in the AICPA Auditing Standards require an auditor to have mental independence in work. So researchers can develop, that the nature of independence is essential for an auditor to have. Auditors must be free from influence, impartiality, and pressure from other parties. If the auditor is not independent, the examination made by the auditor will be biased, and of course it will affect the opinion on the audit report itself. (Sa'adah & Challen, 2022). From the researcher's hypothesis above, it can be formulated as follows.

H₁ : Independence affects auditor quality

The effect of auditor ethics on audit quality

Ethical sensitivity affects audit quality, because this attitude allows auditors to understand and apply ethical values according to the accountant's code of ethics, which can increase public trust in auditors. (Trisnaningsih, 2022). From the researcher's hypothesis above, it can be formulated as follows.

H₂ : Auditor ethics affect auditor quality

The effect of work experience on audit quality

Experienced examining accountants make better judgments than inexperienced examining accountants, because work experience shows the type of work a person has done and provides an excellent opportunity for someone to do a better job. Inexperienced auditors will make more mistakes in doing work than experienced auditors. So the researcher can conclude, the longer an auditor works, of course he has encountered many cases. This experience will undoubtedly increase the auditor's knowledge in the examination to better detect errors and fraud in the financial statements. (Yuniati, 2022). From the researcher's hypothesis above, it can be formulated as follows. :

H₃ : Work experience affects auditor quality

RESEARCH METHODS

The population in this study were auditors who worked at public accountant firms in Semarang City, both Senior Auditors and Junior Auditors. The sampling technique used Convenience Sampling technique. The type of data in this study uses primary data. Primary data is obtained directly from answers to questions in a questionnaire addressed to senior auditors and junior auditors at KAP in Semarang City. Multiple linear regression analysis tests the effect of two or more independent variables on the dependent variable. The multiple linear regression equation in this study is as follows.

$$AQ = \alpha + b_1 \text{ IND} + b_2 \text{ AE} + b_{23} \text{ WE} + e$$

RESULTS OF RESEARCH AND DISCUSSION

Validity Test

The Validity Test in this study uses Pearson correlation to measure the instrument's validity. In this study, whether an item is valid can be determined by looking for the 5% significance level table value. (Ghozali, 2018). The value in the *Pearson correlation of each instrument can be used to conclude* that all instruments in each variable are valid and can be used to conduct research.

Table 1 Validity Test

Variables	Indicator	Description
IND	IND1	Valid
	IND2	Valid
	IND3	Valid
	IND4	Valid
	IND5	Valid
	IND6	Valid
	IND7	Valid
	IND8	Valid
AE	AE1	Valid
	AE2	Valid
	AE3	Valid
	AE4	Valid
WE	WE1	Valid

Variables	Indicator	Description
	WE2	Valid
	WE3	Valid
AQ	AQ1	Valid
	AQ2	Valid
	AQ3	Valid
	AQ4	Valid
	AQ5	Valid
	AQ6	Valid
	AQ7	Valid

Source: IBM SPSS 25

Reliability Test

Reliability is an index that shows how much a measuring device can be trusted or reliable. A variable can be reliable if it has a reliability coefficient of 0.6 or more. This study shows that each variable used has a Cronbach Alpha coefficient value greater than 0.6, so the variables in this study are reliable. (Ghozali, 2018).

Table 2 Reliability Test

Variables	Cronbach's Alpha	Description
IND	0,707	Reliable
AE	0,720	Reliable
WE	0,656	Reliable
AQ	0,732	Reliable

Classical Assumption Test Results

Normality Test

The normality test aims to determine whether the dependent and independent variables have normal distribution in the regression model. Table 3 shows that the significance value of the One-Sample Kolmogorov-Smirnov Test. amounting to 0.201 which is more significant than 0.05, which means that the residual distribution is normally distributed. (Ghozali, 2018).

Table 3 Normality Test

N	30	
Normal Parameters ^{a,b}	Mean	-.0049025
	Std. Deviation	.06565201
Most Extreme Differences	Absolute	.062
	Positive	.064
	Negative	-.038
Test Statistic	.062	
Asymp. Sig. (2-tailed)	.201	

Autocorrelation Test

The autocorrelation test aims to test whether the linear regression model correlates with confounding errors in period t and period t-1 (previous). Based on the Durbin-Watson test results, if there is a correlation, it is called an autocorrelation problem. In this study, the Durbin-Watson value is 1.953, which is still in the range of $1.2138 < 1.953 < 4 - 1.2138$, which means that the regression model does not have autocorrelation.

Table 4 Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.6934	0.706	0.7062	.70889	1.953

Source: IBM SPSS 25

Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. Decision-making on the multicollinearity test can be seen by the tolerance and Variance Inflation Factor (VIF) values. If the tolerance value > 0.10 and the VIF value < 10 , it can be concluded that it is free from multicollinearity. Based on Table 5 above, it can be supposed that all VIF values of each independent variable are less than 10 with a tolerance value of more than 0.1, which means that there is no strong enough

correlation between the independent variables or there is no multicollinearity. (Ghozali, 2018).

Table 5 Multicollinearity Test

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	IND	.908	1.155
	AE	.980	1.104
	WE	.978	1.215

Source: IBM SPSS 25

Heteroskedasticity Test

The heteroscedasticity test aims to test whether the regression model has a variety (variance) of relatively the same residuals. The statistical test used in this study was the Glejser Test. Based on Table 6 above, it can be seen that the independent variable has no significant effect on the dependent variable because the significance of each independent variable is more critical than 0.05, it can be concluded that there is no heteroscedasticity or homogeneity in this regression equation.

Table 6 Heteroscedasticity Test

Model		Sig.
1	(Constant)	.000
	IND	.252
	AE	.400
	WE	.134

a. Dependent Variable: ABS_RES_AQ

Source : Source: IBM SPSS 25

Table 7 Multiple Regression Test

Table 7: Multiple Regression Test					
	Unstandardized		Standardized		
	Coefficients		Coefficients		
Model	B	Std. Error	Beta	t	Sig.

1	(Constant)	.363	.213		3.754	.000
	IND	.197	.355	.110	3.035	.012
	AE	.089	.251	.049	1.111	.032
	WE	.024	.122	.102	3.287	.007

a. Dependent Variable: AQ

Discussion of Research Results

a. The Effect of Independence on Audit Quality

The results of testing the hypothesis of the effect of independence on audit quality in this study indicate a positive and significant influence between independence and audit quality with a significance value of $0.0012 < 0.05$. This shows that if an auditor is impartial to anyone, has an objective attitude, and is independent, it will increase audit quality. (Ramadhan, 2019). Independence in this study is determined based on the time level of the relationship with the client, whether there is a special relationship, and whether the auditor is under pressure from the client. Higher independence has a positive impact on audit quality. Independent auditors provide unbiased, objective, and honest opinions and do not receive pressure from clients, so that it will improve the quality of the audit results themselves. The results of this study provide research support. Suryani et al., (2021) found that if an auditor is independent, it tends to improve the quality of the audit report.

b. The Effect of Auditor Ethics on Audit Quality

The results of testing the hypothesis of the effect of competence on audit quality in this study indicate a positive and significant influence between competence and audit quality with a significance value of $0.032 < 0.05$. An auditor must use more than one rational consideration based on understanding applicable ethics and make a fair decision. The actions taken must reflect the truth and the actual situation.... Professional accountants in carrying out their duties have binding guidelines such as a code of ethics, in this case the Indonesian Accountants Code of Ethics, so that in carrying out their activities public accountants have a clear direction and can make the right decisions and can be accounted for by the parties who use the results of the auditor's judgment. (Maulana, 2020).

c. The Effect of Work Experience on Audit Quality

The results of testing the hypothesis of the effect of work experience on audit quality in this study indicate a positive and significant influence between work experience and audit quality with a significance value of $0.007 < 0.05$. This shows that the more work experience an auditor has, the quality of the audit results themselves will improve. The audit experience in this study is measured based on how long an auditor has worked and the number of clients he has audited, so the results of this study indicate that the longer a person works as an auditor and the more clients he has audited, the more knowledge the auditor has in the field of accountant and auditing which of course will help the auditor detect, find errors in the financial statements which will improve the results of the audit quality itself. (Wahyuni & Irwansyah, 2016).

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CONCLUSIONS AND ADVICE

From the results of hypothesis testing, it can be concluded that competence, independence and work experience positively and significantly affect audit quality. The training, educational background, and certification attended by an auditor will increase the auditor's knowledge and expertise. This is very important to check whether the reports being examined are by applicable standards. Auditors with more flying hours can handle cases to detect errors and keep the messages being reviewed per applicable standards.

Suggestions for future research can use more variables to support and influence the quality of research, so that factors other than competence and independence and work experience that can affect research quality can be identified. More references and journals are used because of new studies with different results and using more variables that affect audit quality to reveal factors other than competence and independence and work experience that can affect audit quality.

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