



The Effect of Auditor Independence, Competence, Moral Reasoning, and Professionalism on Audit Quality at a Public Accounting Firm (KAP) in Medan City

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ABSTRACT

This research aims to find out the impact of independence, competence, moral reasoning, and professionalism of auditors on audit excellence at the Public Accounting Firm (KAP) in the city of Medan. The questionnaire is a technique used in data collection in this study. The technique used was purposive sampling in sampling and the samples obtained were 76 respondents. The analysis tip is to use SPSS software to perform multiple linear analysis. Several tests show that the independence, competence, moral reasoning, and professionalism of auditors have a positive and significant impact on audit excellence. The simultaneous test results indicate that the independent variables of independence, competence, moral reasoning, and professionalism have an impact on the dependent variable on audit excellence.

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1. Introduction

Audit excellence is needed by public accounting firms, auditors and users of audit services because the results of their research can identify the causes that affect audit excellence and can also determine whether consistency in maintaining the excellence of audit services is carried out. According to Sukrisno Agoes (2012:33), public trust in auditor independence in public accountants needs to be considered. Public trust can decrease if the independence of an auditor is declared reduced so that an auditor is required to be independent (recognized by other parties), intellectually and honestly.

The independence of an auditor greatly affects the audit excellence it produces because an auditor who has an independent attitude can understand the problems that arise between the owner and manager of the company and can also complete the audit of his client's financial statements on time regardless of how long the collaboration between an auditor and his client has been. auditing services).

Competence must also be owned by the auditor. Auditors who have proper credibility can understand specific issues and can keep abreast of the increasingly complex audit environment of their clients.

Moral reasoning is a variable that can provide a positive and significant independence of audit excellence. Auditors who have a moral reasoning attitude and conduct audits in accordance with moral standards will be more focused in providing audit assessments which lead to better audit excellence.

The professional attitude of an auditor is shown based on performance in carrying out its functions and duties. If an auditor examines his client's financial statements objectively with the aim of producing a good quality audit, it can have a negative impact on the public's view of trusting the financial statements and also on the quality of the audit.

Audit excellence is the findings obtained by the auditor as well as the probability of finding and reporting an error in the client's accounting system. Audit quality is a sensitive matter for individual actors and is very difficult to measure because there are many aspects that can affect it, the views of each party. Auditors are expected to do their job well because the higher the value of audit excellence, the user will also have high confidence in the audit report he uses.

In June 2019, the Ministry of Finance through P2PK imposed a license suspension on Public Accountant Kasner Sirumpea for 12 months for the 2018 Annual Financial Report from PT Garuda Indonesia Tbk due to a misrepresentation of the 2018 LKT related to the cooperation contract in providing liaison



services with PT Mahata Aero Technology. In addition, KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan, were sentenced in the form of a written order to carry out improvements to procedures and policies. The value of the agreement mentioned reached US\$ 239.94 million. The error resulted in the entity being able to write down a profit of US\$ 809.946 million which initially lost US\$ 216.58 million. Hadiyanto as Secretary General of the Ministry of Finance informed that the auditors did not implement the quality management system during the examination of the Garuda Indonesia report. (source:https://www.cnbcindonesia.com/market/20190809123549-17-90910/gara-gara-lapkeu-deretan-kap- ini-malah-kena-sanksi-ojk).

2. Literature Review

2.1 Understanding and Theory of the Effect of Auditor Independence (X1)

According to Nila (2014), finding auditors who have an independent attitude can provide a good advantage for the results of their audit reports. This result is proven by the research conducted by Hamzah Faid Falatah (2018), which explains that an auditor must be independent to increase his quality.

H1 : Independence has an impact on Audit Quality

2.2 Understanding and Theory of Competence Influence (X2)

According to research conducted by Novianti (2014) found the ability of auditors to carry out the effectiveness of the implementation stages in finding violations. This result is proven by the research researched by Hamzah Faid Falatah (2018), which explains that the competence possessed by the auditor in carrying out a task is able to provide good and accurate results.

H2: Competence has an impact on Audit Quality

2.3 Understanding and Theory of the Effect of Moral Reasoning (X3)

Research Ceacilia et al. (2015), auditors will be more focused in providing audit assessments, so the resulting audit excellence will be better if they have moral reasoning. This result is proven by the research researched by Hamzah Faid Falatah (2018), which argues that auditors who have good morals and attitudes are able to give a good impression to their clients.

H3 : Moral Reasoning has an impact on Audit Quality

2.4 Understanding and Theory of Professionalism Influence (X4)

Based on the testing of Arens et al (2012), professionalism is the must behave of an auditor which is not just a necessity to undergo the rules and regulations in society. An expert auditor has a mindset that always questions the financial statements audited by him and will acknowledge his responsibilities to the organization and management of clients and colleagues even in behavior. This research is in line with research conducted by Susilawati, Maya R Atmawinata

(2014), which states that the professional nature of an auditor is very necessary in carrying out his duties and work in order to improve the quality of his work.

H4 : Professionalism has an impact on audit quality

2.5 Understanding and Theory of the Effect of Audit Quality (Y)

Agusti (2013:3), audit excellence is all violations found by auditors contained in consumer accounting procedures & submitted to the audit financial information method that is guided by auditing provisions and must be in accordance with audit conditions and findings. Angga (2017), audit quality is based on determining the audit results of an auditor that are in accordance with the reasonableness or not of the adequacy of the existing evidence.

2.6 conceptual framework

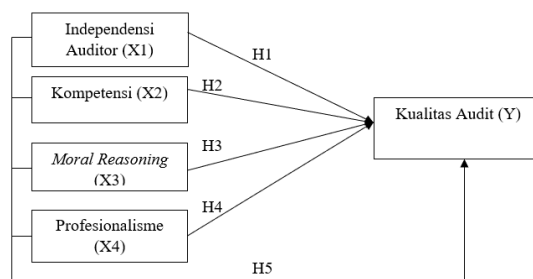


Fig 1 conceptual framework



3. Research methods

The type used is descriptive research, the research approach we use is quantitative, the nature of the research we use is causal comparative research. Based on the Directory 2020 book, there are 23 Public Accounting Firms in the city of Medan. A total of 7 KAPs were willing to answer the questionnaire that was used as the research sample. KAPs who are willing to become respondents include;

- a. KAP Drs. Syamsul Bahri, MM, Ak & Partners
- b. KAP Johannes Champion & Partner (Branch)
- c. KAP Drs. Albert Silalahi & Partners (Branch)
- d. KAP Drs. Congratulations Sinuraya & Partners (Center)
- e. KAP Arthawan Edward (Branch)
- f. KAP Fachruddin & Mahyuddin
- g. KAP Kanaka Puradiredja, Suhartono

The analytical tool we use is the Statistical Program for Social (SPSS) software.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where :

Y: Quality audit

A: Constant

b₁b₂b₃b₄ : Coefficient X₁,X₂,X₃,X₄

X₁ : Auditor independence

X₂ : Auditor competence

X₃ : *Moral reasoning*

X₄ : Auditor professionalism

E: Error Rate

4. Results and Discussion

Table 1
Reliability Test

No.	Variable	Reliability Value	Information
1.	Auditor Independence (X1)	0.938	Reliable
2.	Competence (X2)	0.909	Reliable
3.	Moral Reasoning(X3)	0.677	Reliable
4.	Professionalism (X4)	0.883	Reliable
5.	Audit Quality (Y)	0.946	Reliable

Table 2
Description of Respondents Characteristics Based on Gender

Gender	Frequency	Percentage (%)
Man	24	52.17%
girl	22	47.83%
Total is known	46	100%

Based on table 2, the total frequency is 46 people (100%) of which 24 people (52.17%) are men and 22 people (47.83%) are women.

Table 3
Description of Respondents Characteristics Based on Age

Age	Frequency	Percentage (%)
21-30 years old	35	76.09%
31-40 years old	3	6.52%
41-50 years old	5	10.87%
>51 years old	3	6.52%
Total	46	100%

Based on table 3 above, the total frequency is 46 people (100%), where 21-30 years old there are 35 people (76.09%), 31-40 years old there are 3 people (6.52%), 41-50 years old there are 5 people (10.87%). , more than 51 there are 3 people (6.52%).

Table 4
Description of Respondents Characteristics Based on Education Level

Educational level	Frequency	Percentage (%)
D3	5	10.87%
S1	34	73.91%
S2	7	15.22%
Total	46	100%

Based on table 4 above, the total frequency is 46 people (100%), where D3 is 5 people (10.87%), S1 is 34 people (73.91%), S2 is 7 people (15.22%).

Table 5
Description of Respondents Characteristics Based on Position

Position	Frequency	Percentage (%)
Supervisor	2	4.35%
Senior Auditor	23	50%
Junior Auditor	21	45.65%
Total	46	100%

Based on table 5 above, the total frequency is 46 people (100%), where Supervisor is 2 people (4.35%), Senior Auditor is 23 people (50%), Junior Auditor is 21 people (45.65%).

Table 6
Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation
INDEPENDENCE_AUDITOR	46	24.00	30.00	28.0217	1.55619
COMPETENCE	46	24.00	30.00	27.9348	1.61110
MORAL_REASONING	46	36.00	50.00	41.6522	3.01269
PROFESSIONALISM	46	40.00	50.00	47.0870	2.67354
QUALITY_AUDIT	46	48.00	60.00	56.6522	3.02006
Valid N (listwise)	46				

Descriptive statistical analysis functions to find the minimum, maximum, mean and standard deviation values. Based on table 6 above, it can be seen that the Auditor Independence variable with 46 respondents got a minimum value of 24, a maximum of 30, a mean of 28.30, and a standard deviation of 1.556. Moral Reasoning variable with 46 respondents getting a minimum value of 36, a maximum of 50, mean 41,652, and standard deviation of 3,013. Variable Professionalism with 46 respondents getting a minimum value of 40, a maximum of 50, and a mean of 47,087, and a standard deviation of 2,673. The audit quality variable with 46 respondents got a minimum score of 48, a maximum of 60, a mean 56,652, and a standard deviation of 3,020.



4.1 Classic assumption test

a. Normality test

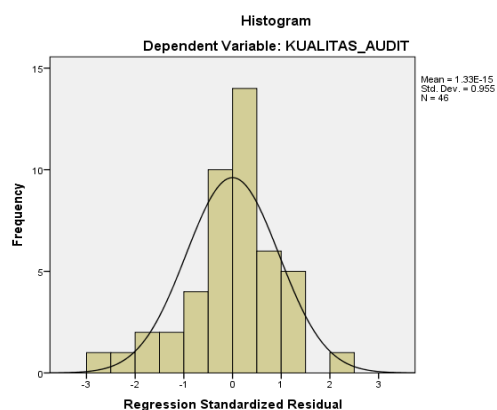


Fig 2 Histogram Graph

Based on Figure 2 above, it is explained that the data is normally distributed and forms a bell. It can be interpreted that the data is normally distributed.

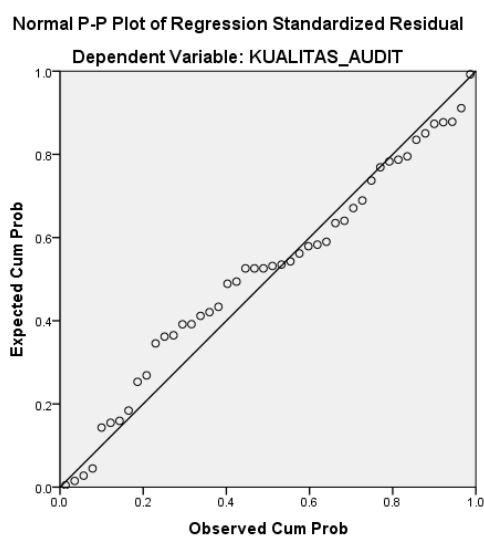


Fig 3 P-Plot Chart

Based on Figure 3 above, it can be seen that the data (rounded) are scattered around the diagonal line and in the same direction as the line, therefore the data is stated to be normally distributed.

In statistical calculations to determine normality using the One-Sample Kolmogorov Test.

Table 7

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		46
Normal Parameters, b	mean	0.00E+00
	Std. Deviation	162,586,901
	Absolute Positive	.067
Most Extreme Differences	negative	-.121
Kolmogorov-Smirnov Z		.823

	Unstandardized Residual
asypm. Sig. (2-tailed)	.507
a. Test distribution is Normal.	
b. Calculated from data.	

Based on the table, the Asymp value is obtained. Sig (2-tailed) 0.507 which explains that the data is normally distributed, which is above more than 0.05.

Table 8
Multicorrelation Test Results

Model	Coefficients ^a						Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF	
	B	Std. Error	Beta					
(Constant)	1,647	5,600		.294	.770			
INDEPENDENCE_AUDITOR	.540	.222	.278	2.429	.020	.539	1,855	
COMPETENCE	.405	.194	.216	2.082	.044	.658	1.521	
MORAL_REASONING	.238	.105	.238	2.269	.029	.644	1.553	
PROFESSIONALISM	.396	.114	.351	3,483	.001	.698	1.433	

a. Dependent Variable: KUALITAS_AUDIT

Based on table 8, it is known that the Tolerance values for the variables of Auditor Independence, Competence, Moral Reasoning, Professionalism are 0.539, 0.658, 0.644, 0.698, which are more than 0.10 (Tolerance > 0.10). And the value of VIF on the variables of Independence, Competence, Moral Reasoning, Professionalism are 1,855, 1,521, 1,553, 1,433, respectively, which is smaller than 10 (VIF < 10).

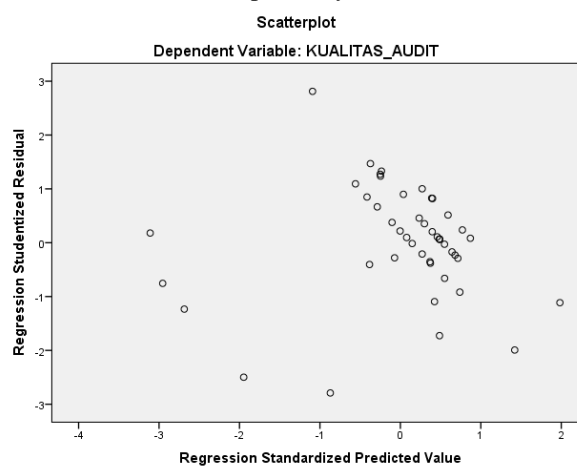


Fig 4 Heteroscedasticity Graph

Figure 4 above illustrates that the scattering data points above are below 0, do not converge below or above and the point division without causing a certain pattern can be stated that there is no heteroscedasticity.

In the heteroscedasticity test, the significant value (Sig.) is more than 0.05, so it can be concluded that there is no sign of heteroscedasticity and if it is less than 0.05, it can be concluded that there are symptoms of heteroscedasticity.

Table 9
Glejser Test Results

Model	Coefficients ^a		Standardized Coefficients Beta	t	Sig.
	Unstandardized Coefficients				
	B	Std. Error			
(Constant)	6.798	3.498		1,944	.059
INDEPENDENCE_AUDITOR	-.266	.139	-.374	-1.915	.063
COMPETENCE	.189	.121	.275	1.553	.128
MORAL_REASONING	-.007	.066	-.019	-.105	.917
PROFESSIONALISM	-.067	.071	-.162	-.942	.352

a. Dependent Variable: ABS_RES

Based on table 9 above, it shows that the variables of Independence, Competence, Morale, Professionalism are 0.063, 0.128, 0.917, 0.352, which are more than 0.05, which means that there are no symptoms of Heteroscedasticity.

Table 10
Multiple Linear Regression Analysis Test Results

Model	Coefficients ^a		Standardized Coefficients Beta	t	Sig.
	Unstandardized Coefficients				
	B	Std. Error			
(Constant)	1,647	5,600		.294	.770
INDEPENDENCE_AUDITOR	.540	.222	.278	2.429	.020
COMPETENCE	.405	.194	.216	2.082	.044
MORAL_REASONING	.238	.105	.238	2.269	.029
PROFESSIONALISM	.396	.114	.351	3,483	.001

a. Dependent Variable: QUALITAS_AUDIT

Sourced in table 10 shows the multiple linear regression equation in the study that:

$$\text{Audit Quality} = 1.647 + 0.540 \text{ Auditor Independence} + 0.405 \text{ Competence} + 0.238 \text{ Moral Reasoning} + 0.396 \text{ Professionalism}$$

Explanation:

Y = Audit Quality X1 = Auditor Independence

X2 = Competence

X3 = Moral Reasoning

X4 = Professionalism

The explanation of the multiple linear regression equation above:

- The equation shows that the constant is 1,647, this result shows that the variables of Independence, Competence, Moral Reasoning, are considered zero, then the Audit Quality variable is 1,647 units.
- The coefficient of the Auditor Independence variable (X1) has a positive effect on the Audit Quality variable. If every additional unit of the coefficient of Independence will increase by 0.540 units in Audit Quality.
- The coefficient of competence variable (X2) has a positive effect on the audit quality variable. If every increase of one unit of the Competency coefficient, there will be an increase of 0.405 units in Audit Quality.
- The coefficient of the Moral Reasoning variable has a positive effect on the Audit Quality variable. Where every one unit increase in the Moral Resoning coefficient will increase by 0.238 units in Audit Quality.
- The coefficient of the Professionalism variable has a positive effect on the Audit Quality variable. If the increase in the coefficient of Professionalism will increase by 0.396 units of Audit Quality.

Table 11
Hypothesis Determination Coefficient Test Results (R2)

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843a	.710	.682	1.70333

a. Predictors: (Constant), PROFESSIONALISM, COMPETENCE, MORAL_REASONING, INDEPENDENCE_AUDITOR
b. Dependent Variable: QUALITAS_AUDIT

Based on table 11 above, it is known that the Adjusted R Square value of 0.682 states that 68.2% of the Audit Quality variable (Y) can be explained by variations in the variables of Auditor Independence (X1), Competence (X2), Moral Reasoning (X3) and Professionalism (X4). 31.8% will be explained through untested external causes.

Table 12
Simultaneous Hypothesis Test Results (F Test)

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	291.480	4	72.870	25.116	.000b
	Residual	118,955	41	2,901		
	Total	410.435	45			

a. Dependent Variable: QUALITAS_AUDIT
b. Predictors: (Constant), PROFESSIONALISM, COMPETENCE, MORAL_REASONING, INDEPENDENCE_AUDITOR

Based on table 12, it can be seen that the value of $F_{count} > F_{table}$ is $25,116 > 2,600$ at 0.05, which means H_a is accepted and H_0 is rejected, and determines the variables of Auditor Independence, Competence, Moral Reasoning, and Professionalism that have a joint impact on the quality of auditing at KAP in Medan city.

Table 13
Simultaneous Hypothesis Test Results (T Test)

Model	Coefficients^a				t	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
(Constant)	1,647	5,600			.294	.770
INDEPENDENCE_AUDITOR	.540	.222	.278		2.429	.020
COMPETENCE	.405	.194	.216		2.082	.044
MORAL_REASONING	.238	.105	.238		2.269	.029
PROFESSIONALISM	.396	.114	.351		3,483	.001

a. Dependent Variable: QUALITAS_AUDIT

Based on table 13 it can be seen that;

- a. Auditor Independence Variable (H1) has an impact on Audit Quality. Where the value of $T_{count} > T_{table}$ is $2.429 > 2.020$, then H1 is accepted which indicates Auditor Independence partially affects Audit Quality. This result is proven by the research conducted by Hamzah Faid Falatah (2018), which explains that an auditor must be independent to increase his quality. The researcher concludes that auditor independence has a positive impact on audit quality. If an auditor works independently in carrying out his duties, the audit excellence obtained will be better.
- b. Competency variable (H2) has an effect on Audit Quality. Where the value of $T_{count} > T_{table}$ is $2.082 > 2.020$ then H2 is accepted which shows that Competence partially affects Audit Quality. This result is



proven by the research researched by Hamzah Faid Falatah (2018), which explains that the competence possessed by the auditor in carrying out a task is able to provide good and accurate results.

The researcher concludes that ability has a positive impact on audit quality. Auditors who have more ability than others will be more competent than others.

- c. Moral Reasoning (H3) variable has an impact on Audit Quality. Where the value of $T_{count} > T_{table}$ is $2.269 > 2.020$ then H3 is accepted which shows that Moral Reasoning partially affects Audit Quality. This result is proven by the research researched by Hamzah Faid Falatah (2018), which argues that auditors who have good morals and attitudes are able to give a good impression to their clients. The researcher concludes that Moral Reasoning has a positive impact on Audit Quality. An auditor must be able to maintain morale and attitude in his work in order to give a good impression to the client.
- d. Professionalism variable (H4) has an effect on Audit Quality. Where the value of $T_{count} > T_{table}$ is $3.483 > 2.020$ then H4 is accepted which shows that Professionalism partially has an impact on Audit Quality. This research is in line with research conducted by Susilawati, Maya R Atmawinata (2014), which states that the professional nature of an auditor is very necessary in carrying out his duties and work in order to improve the quality of his work. The researcher concludes that Professionalism has a positive effect on Audit Quality. Auditors must be professional in carrying out their work in order to improve their quality and achieve their goals.

5. Conclusion

The conclusions of this study are based on the results of hypothesis analysis, namely:

- a. Auditor independence, has a positive and significant impact on audit excellence at the Public Accounting Firm in Medan, so that an auditor who has a good level of independence and skills will be able to share accurate and good opinions.
- b. Competence, has a positive and significant impact on audit excellence at the Public Accounting Firm in the city of Medan, so that the competence possessed by an auditor in carrying out his duties is able to provide good and accurate results.
- c. *moral reasoning*, have a positive and significant impact on audit excellence at the Public Accounting Firm in Medan, so that auditors who have good morals, attitudes and skills will be able to give a good impression on clients as well.
- d. Professionalism, has a positive and significant impact on audit excellence at the Public Accounting Firm in Medan, because the professional nature of an auditor greatly affects the performance of an auditor.
- e. Audit Independence, Competence, Moral Reasoning and Professionalism have an impact on audit excellence at the Public Accounting Firm in Medan.

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