

Auditor's Independence and Experience on Inspectorate Quality with Auditor's Professional Ethics as a Moderation Variable

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Abstract:

Purpose:

This research empirically tests the influence of auditor independence and experience on the audit quality of the Badung Regency Government Inspectorate with auditor professional ethics as a moderating variable.

Methodology:

The type of data used in this research is quantitative data. The 36 samples used in this research were obtained using non-probability sampling with the Saturated Sampling method. The primary data source in this research is obtained by distributing questionnaires directly. The data analysis technique used in this research is PLS-SEM (Partial et al. Equation Modeling) analysis with the help of SmartPLS version 3.0 software.

Findings:

The results of this research show that (1) Auditor independence has a positive effect on the audit quality of the Badung Regency Government Inspectorate, (2) Auditor experience has a positive effect on the audit quality of the Badung Regency Government Inspectorate.

Implication:

(3) The auditor's professional ethics can moderate the influence of auditor independence on the audit quality of the Badung Regency Government Inspectorate, and (4) The auditor's professional ethics are not able to moderate the influence of the auditor's experience on the audit quality of the Badung Regency Government Inspectorate.

INTRODUCTION

Audit quality reports weaknesses in internal control and compliance with regulations, responses from responsible parties, transfer of audit results reports, and follow-up of auditors' directions by established rules and standards (Erpan & Hernadianto, 2023). The auditor profession within the scope of government consists of two types, namely external government auditors, the Financial Audit Agency (BPK) and government internal auditors, better known as Government Internal Supervisory Apparatus (APIP), one of which is the Provincial/Regency/City Inspectorate, such as the Inspectorate Badung Regency Government.

In the inspection carried out by the Badung Regency Government Inspectorate, there were several audit findings, such as the diversity of scientific disciplines or skills in the Inspectorate apparatus, which was still low and needed to implement risk-based audits fully. The findings of this audit indicate that the experience of internal auditors and P2UPD in auditing financial reports is still low, so there is a need for further training so that auditors become more expert in auditing, especially by implementing risk-based audits, which will later be able to convince principals and agents of audit quality. In addition to that, another phenomenon was discovered. In November 2022, the Badung Regency Government Inspectorate did not want to be accused of being slow in carrying out audit inspection assistance related to alleged corruption at the Sangeh Village Credit Institution (LPD). In this case, the inspector's role is to carry out additional duties to conduct another audit examination where the Badung District Prosecutor's Office had previously examined this case.

Of course, the cases that occur influence the auditor in conducting an audit of financial reports, so the auditor needs to uphold independence, where independence can influence the auditor to provide good audit quality (Saputra et al., 2019). Independence means a mental attitude free from influence, not controlled or dependent on other parties (Kertarajasa et al., 2019). The higher the independence of an auditor, the higher the audit quality of the financial reports produced.

Besides independence, audit quality is also influenced by the auditor's experience (Saputra et al., 2020). Auditor experience is a characteristic that can influence audit quality because auditors who have more experience tend to be able to detect or discover fraud that occurs in financial reports (Hernadianto & Larasakti, 2023). The longer the work period and experience an auditor has, the more skilled he is in auditing financial reports, especially in providing an opinion on the financial reports.

These two factors influence audit quality, influenced by the auditor's professional ethics. Professional ethics are defined as specific professional criteria that differentiate a profession from other professions and direct the activities carried out by its members (Sabirin et al., 2023). The professional ethics that an auditor has been able to apply by his code of ethics will support the auditor in producing good audit quality.

This research is a further development of previous research conducted by Puspita (2019) with several differences, including the use and development of variables, research objects, analytical test tools, and research instruments. This research empirically tests the influence of auditor independence and experience on the audit quality of the Badung Regency Government Inspectorate with auditor professional ethics as a moderating variable. This research is also expected to support the development of the theory used, namely agency theory, to become a means of review that produces valuable information as input and consideration for the Badung Regency Government Inspectorate regarding the results of the influence of independence, auditor experience and auditor ethics on audit quality. , and can provide insight and additional information to future researchers so they can develop this research more widely.

Audit Quality. According to De Angelo (1981), audit quality is the possibility of an auditor finding and reporting a violation that occurred in his client's accounting system. Audit quality must be seen from two sides, namely demand (input) or related to the client and supply (output) or related to the auditor.

Auditor Independence. According to Mulyadi (2015:26), independence means a mental attitude free from influence, not controlled by other parties, and not dependent on other people. Independence is also defined as the existence of honesty in the auditor in considering facts and objective considerations that do not take sides in the auditor in formulating and expressing his opinion.

Auditor Experience. According to William et al. (2023), auditor experience is a technical skill that an experienced person obtains through their tasks. The more tasks they do, the more honed their ability to analyze the various characteristics faced in auditing.

Auditor Professional Ethics. According to Alsaeedi & Kamyabi (2023), ethics is a collection of moral standards or rules or behavioral values adopted by professional organizations to defend the interests of their members and the public as service customers.

METHODS

This research is quantitative, namely a research method based on data in the form of numbers, which will be measured using statistics as a calculation test tool related to the problem being studied to produce a conclusion. This research uses primary data, namely data obtained directly based on answers to questionnaires distributed to all respondents who work at the Badung Regency Government Inspectorate. The population in this study consisted of 50 respondents using a sample determination method or procedure, namely non-probability sampling using the saturated sampling technique. However, the samples were returned and could be processed in this

research were 36 samples. The data analysis technique used in this research is PLS-SEM (Partial et al. Equation Modeling) analysis with the help of SmartPLS version 3.0 software.

RESULTS AND DISCUSSION

PLS-SEM (Partial Least Square-Structural Equation Modeling) Analysis Results. The test results for the measurement model test and structural model test using PLS-SEM can be seen in Figure 1 and Table 1 as follows:

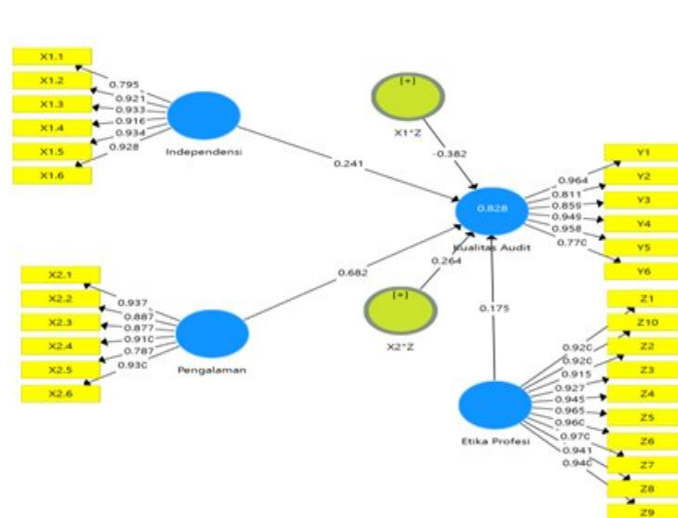


Figure 1. Research Structural Equation Model

Table 1. Results of the Discriminant Validity Test and Reliability Test

Research Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Auditor Professional Ethics	0.986	0.987	0.884
Auditor Independence	0.956	0.965	0.820
Audit Quality	0.945	0.957	0.790
Auditor Experience	0.947	0.958	0.791

Source: Processed data (2024)

Based on Figure 1 above, all indicators for each variable used in this research have loading factors or outer loading values of more than 0.70, so they can be valid.

Based on Figure 1, all indicators in each variable are valid because they show a cross-loading value of more than 0.70 for each indicator. Likewise, in Table 1, the variables in this study have an AVE value greater than 0.70, so the measurement model is good. Based on Table 1 above, all variables have values above 0.70, so they have good reliability.

Based on Figure 1 above, it can be seen that audit quality has an R2 value of 0.828, which indicates that 82.8% of audit quality is influenced by the variables auditor independence, auditor experience, and the interaction

between the auditor's professional ethics variable and auditor independence as well as the interaction between the professional ethics variables. Auditor with auditor experience. Meanwhile, other variables outside the research model influence the remaining 17.2% of audit quality.

Hypothesis testing is a temporary answer to a research problem formulation, where the problem formulation is explained in the form of a question sentence. This study tests the moderation hypothesis using path coefficients estimated with PLS-SEM.

Table 2. Hypothesis Testing

Hypothesis	Correlation coefficient	T Statistics (O/STDEV)	P Values
Auditor Independence-> Audit Quality	0.241	2.679	0.011
Auditor Experience-> Audit Quality	0.682	8.199	0.000
X1*Z-> Audit Quality	-0.382	2.831	0.008
X2*Z-> Audit Quality	0.264	1.747	0.089

Source: Processed data (2024)

Based on the results of the path coefficients analysis in the table above, hypothesis testing in this research can be described as follows:

The results of testing the first hypothesis in this research regarding the influence of auditor independence on audit quality have a correlation coefficient value of 0.241 with a t-statistics value of 2,679 > 1.96 and a p-value of 0.011 < 0.05, thus indicating that the results of H1 are accepted.

The results of testing the second hypothesis in this research regarding the influence of auditor experience on audit quality have a correlation coefficient value of 0.682 with a t-statistics value of 8,199 > 1.96 and a p-value of 0.000 < 0.05, thus indicating that the H2 results are accepted.

The results of testing the third hypothesis in this study regarding the influence of auditor professional ethics in moderating the influence of auditor independence on audit quality have a correlation coefficient value of -0.382 with a t-statistics value of 2,831 > 1.96 and a p-value of 0.008 < 0.05, thus indicating that the results of H3 are accepted.

The results of testing the fourth hypothesis in this study regarding the influence of auditor professional ethics in moderating the influence of auditor experience on audit quality have a correlation coefficient value of 0.264 with a t-statistics value of 1.747 < 1.96 and a p-value of 0.089 > 0.05, thus indicating that the results of H4 are rejected.

The Influence of Auditor Independence on the Audit Quality of the Badung Regency Government Inspectorate. Accepting the first hypothesis, which states that auditor independence has a positive effect on audit quality, means that the higher the independence of an auditor, the higher the resulting audit quality. It can be seen from agency theory, which shows that a neutral party or third person is needed to mediate problems between the principal and the agent, where that person is an auditor. The results of this research align with previous research conducted by Azhari et al. (2020) and Zulfi (2023), which stated that independence has a significant positive effect on audit quality.

The Influence of Auditor Experience on the Audit Quality of the Badung Regency Government Inspectorate. Accepting the second hypothesis, which states that auditor experience positively affects audit

quality, means that the more experience an auditor has, the more skilled they are in auditing financial statements, thereby supporting good audit quality. In agency theory, auditors who have more experience are, of course, more expert and more thorough in carrying out the process of auditing financial reports, for example, in providing opinions regarding financial reports and finding misstatements in reporting so that they can increase the sense of trust between the principal and agent regarding the quality of the audit produced. The results of this research align with previous research conducted by Prasanti (2019) and William et al. (2023), which shows that auditor experience has a positive effect on audit quality.

The Influence of Auditor Professional Ethics in Moderating the Influence of Auditor Independence on the Audit Quality of the Badung Regency Government Inspectorate. Accepting the third hypothesis, which states that the auditor's professional ethics can moderate the influence of auditor independence on audit quality, shows a moderating effect or influence that is generated, namely weakening the influence of auditor independence on audit quality. This effect means that even if an auditor has high independence if his professional ethics are not good, it will give rise to doubts from the principal and agent regarding the quality of the audit produced by the auditor, which can affect the quality of the financial report audit. The results of this research are in line with previous research conducted by Risandy et al. (2019), Azhari et al. (2020), Fayza et al. (2023), Gloria & Hermi (2023), and Zulfi (2023), which shows that professional ethics auditors can moderate the influence of auditor independence on audit quality.

The Influence of Auditor Professional Ethics in Moderating the Influence of Auditor Experience on Audit Quality of the Badung Regency Government Inspectorate. By rejecting the fourth hypothesis, which states that the auditor's professional ethics can moderate the influence of the auditor's experience on audit quality, the auditor's professional ethics do not have any influence or effect on the auditor's experience. It means that even if an auditor's professional ethics are good or bad, it does not affect his experience or expertise. The results of this research can also be seen in previous research conducted by Kertarajasa et al. (2019), which showed that auditors' professional ethics could not moderate the influence of auditor experience on audit quality.

CONCLUSION

Based on the results of the analysis and discussion described above, the following are the conclusions of the results of this research:

1. Auditor independence positively affects audit quality at the Badung Regency Government Inspectorate.
2. Auditor experience positively affects audit quality at the Badung Regency Government Inspectorate.
3. Auditor professional ethics can moderate the influence of auditor independence on audit quality at the Badung Regency Government Inspectorate, and the effect or influence is to weaken the relationship.
4. Auditor professional ethics cannot moderate the influence of auditor experience on audit quality at the Badung Regency Government Inspectorate.

Suggestion.

1. It is hoped that the Badung Regency Government Inspectorate will continue to maintain an attitude of independence and honesty and not deviate from the auditor's professional code of ethics, improve the abilities and knowledge of auditors through training to deepen the experience of auditors, uphold the existing professional code of ethics and apply it in daily life, as well as in the implementation of supervision and inspections to maintain the quality of the audits produced in order to prevent conflicts of interest.
2. For further research to be able to use more research variables that can measure audit quality better, use other theories that are relevant to this research topic so that it is the latest development of this and previous research, and expand the research objects that have respondents according to the sample used so that they are better able to provide a view and implement or apply it in general.

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