

Auditor Professional Integrity Factors on Audit Quality

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Abstract.

This Study aims to determine and analyze the influence of independency, due professional care and moral reasoning on audit quality at BPK RI Representative of Bangka Belitung Province. This type of research is quantitative research with used primary research data obtained through distributing questionnaires. The population and sample of this research is all auditors at BPK RI Representative of Bangka Belitung Province. Determination of sample using saturating sampling method, which means the entire population is sample. This study uses multiple regression analysis techniques. The result of this research indicate that independency and due professional care variables have an influence on audit quality at BPK RI Representative of Bangka Belitung Province. Its shows that when the independency and due professional care getting large, the audit quality is getting high as well. Implementation with an optimal independency and due professional care will increase the realization of each part of the examination effectively and efficiently, and be able to account for the audit result properly. While, moral reasoning has not influence on audit quality at BPK RI Representative of Bangka Belitung Province. The reason is the level of moral reasoning varies depending on the understanding and perspective of each auditor so cannot be used as a determinant of the audit quality produced by an auditor

Keywords: *Independency, Due Professional Care, Moral Reasoning, Audit Quality*

I. INTRODUCTION

Auditing is the process of collecting and evaluating evidence regarding information to determine and report the degree of conformity between the information and the established criteria. Auditing must be carried out by a competent and independent person (Arens et al, 2015). According to the American Accounting Association (AAA) auditing is a systematic process of obtaining and objectively evaluating evidence relating to assertions about economic actions and events to determine the degree of correspondence between those assertions and established criteria, and communicate the results to the users of the information. Audits are divided into three main types of audit activities, namely operational audits, compliance audits and financial statement audits. Operational audits are conducted to evaluate the effectiveness and efficiency of the organization's procedures and operations in each field. Generally, upon completion of the operational audit, the auditor will provide a number of suggestions to management to improve the company's operations. Compliance audits are carried out to check whether the audited organization has

implemented procedures, rules and standards in accordance with those set by higher authorities. Audit of financial statements is an audit conducted to determine whether the financial statements of an entity as a whole have been stated in accordance with certain criteria. These criteria are generally accepted accounting principles. Generally accepted accounting principles in Indonesia are contained in the Statement of Financial Accounting Standards (PSAK) established by the Indonesian Institute of Accountants (IAI). In practice, the audit must be carried out by a competent and independent auditor. The auditor must be competent to understand each of the criteria used and know the type and amount of audit evidence that has been collected. In addition, the auditor must also uphold an independent mentality to maintain credibility in collecting and evaluating evidence and reporting on the audit. To meet the audit objectives, the auditor must obtain evidence in the form of information of sufficient quality and quantity which will eventually be reported in the form of an audit report as a form of communicating audit findings to users.

Audits are not only needed by private companies, but also by state-owned organizations and state institutions called public sector audits. Public sector audits are carried out in agencies related to the management of state assets, such as the regional government sector, BUMN, BUMD and non-profit government organizations. The public sector audit is intended as an investigation service for the public on the accountability of state financial management managed by government agencies. BPK as mandated by the 1945 Constitution, in carrying out its functions and responsibilities, has a vision and mission. The BPK's vision is to become a state financial audit institution in order to encourage the realization of accountability and transparency of state finances, and to play an active role in realizing good, clean, and transparent governance. BPK's mission is to examine the management and responsibility of state finances in order to encourage the realization of accountability and transparency of state finances, and to play an active role in realizing good, clean, and transparent governance (Ulum, 2012).

This research is a development of Falatah (2017) which examines the factors that affect audit quality. The difference lies in the variables and the period of the research. This study adds one variable, namely accountability and due professional care and still maintains the independence and moral reasoning variables to be re-examined. This research is motivated by several reasons, namely, firstly, there are still many problems in the management of government finances that receive WTP opinions, as well as corruption cases that are not detected by the BPK but by the public. Second, in several previous studies there were differences in research results (research gap). According to Putra (2012) and Hanif (2014), independence has an effect on audit quality. Meanwhile, several studies conducted by Efendy (2010) and Febriyanti (2014) show that independence has no effect on audit quality. Another factor that is no less important in ensuring audit quality is due professional care.

Due professional care is the ability, expertise, and commitment of the profession in carrying out their duties accompanied by the principle of due care, thoroughness, and accuracy, as well as guided by the standards and provisions of laws and regulations. The examiner's professional attitude is manifested by always being professional skepticism during the examination process and prioritizing the principle of professional judgment (SPKN, 2017). Audit quality is very much related to moral reasoning, Alan (2015) explains that a person's level of moral reasoning development is influenced by three things, namely age, level of education and environmental conditions. Auditors with a more mature age will be wiser in making a decision, so that the audit judgment made can be more precise and of high quality. In addition, a person's moral reasoning will also be determined by his level of education. The higher a person's level of education, the reasoning he has in solving any problems he faces will be better, so that the audits carried out can be of higher quality. The auditor's moral reasoning will also be influenced by environmental conditions. Auditors who live in a good environment, will act in accordance with the applicable code of ethics, and avoid dysfunctional auditor behavior that can reduce audit quality.

II. METHODS

This study uses quantitative methods. According to Sugiyono (2017), quantitative methods are defined as research methods based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative/statistical, with the aim of testing predetermined hypotheses. The object of research is an auditor who works at the Supreme Audit Agency of the Republic of Indonesia, Representative of the Bangka Belitung Islands Province. The population used in this study were all auditors who worked at the Supreme Audit Agency of the Republic of Indonesia, Representative of the Bangka Belitung Islands Province. In this study using a non-probability sampling technique, namely saturated sampling. According to Sugiyono (2017) saturated sampling is a sampling technique when all populations are used as samples. This is often done when the population is relatively small.

Another term for saturated sampling is census, where all members of the population are sampled. Therefore, the sample in this study is that all members of the population are sampled, namely all 35 auditors who work at the Supreme Audit Agency of the Republic of Indonesia Representative of the Bangka Belitung Islands Province. Analysis of the data used in this study was carried out with Structural Equation Modeling with Partial Least Squares (PLS) approach using SmartPLS software. According to Ghazali (2014), Partial Least Squares is a factor indeterminacy of a powerful analytical method because it does not assume the data must be with a certain scale measurement, the number of samples is small. PLS can also be used for theory confirmation. Compared to covariance based SEM, component based PLS is able to avoid two major problems faced by covariance based SEM (CBSEM), namely

inadmissible solutions. The purpose of PLS is to help researchers to get the value of latent variables for prediction purposes. The formal model defines latent variables as linear aggregates of the indicators.

Measurement Model (Outer Model)

According to Ghozali (2014), the convergent validity of the basic measurement model with reflexive indicators is assessed based on the correlation between the item score/component score and the construct score calculated by PLS. Individual reflexive measures are said to be high if they correlate more than 0.70 with the construct to be measured. However, for research in the early stages of developing a measurement scale, a loading value of 0.5 to 0.6 is considered sufficient (Ghozali, 2014). According to Ghozali (2014), the discriminant validity of the measurement model with reflexive indicators is assessed based on the crossloading of measurements with constructs.

If the construct's correlation with the measurement item is greater than the size of the other constructs, then this indicates that the latent construct predicts the size of their block better than the size of the other blocks. Another method to assess discriminant validity is to compare the value of the square root of average variance extracted (AVE) of each construct with the correlation between the construct and other constructs in the model. If the square root of the AVE for each construct is greater than the correlation value between the construct and other constructs in the model, then it is said to have a good discriminant validity value (Ghozali, 2014). According to Ghozali and Kusumadewi (2016), reliability tests were carried out to prove the accuracy, consistency and accuracy of the instrument in measuring constructs. To measure the reliability of a construct can be done with two kinds of measures, namely Cronbach's alpha and composite reliability.

Structural Model (Inner Model)

Inner model aims to predict the relationship between the hypothesized latent variables. The inner model was evaluated using R-square (R²) for the dependent construct, Stone-Geisser Q-square test for predictive relevance and t-test and significance of the coefficients of structural path parameters. In assessing the model with PLS we start by looking at the value of R² for each latent endogenous variable as the predictive power of the structural model. Changes in the value of R² can be used to explain the effect of certain exogenous latent variables on endogenous latent variables whether they have a substantive effect. The higher the value of R² means the greater the percentage of variance that can be explained. R²_{included} and R²_{excluded} is the R² of the endogenous latent variable when the latent variable predictor is used or excluded in the structural equation. The values of f² 0.02, 0.15, and 0.35 can be interpreted that the latent variable predictor has a small, medium and large influence on the structural level.

III. RESULT AND DISCUSSION

Evaluation of Measurement Model / Outer Model

Convergent Validity

Tabel 3.1. Value Loading Factor Variabel

No	Variabel dan Indikator	<i>Loading Factor</i>	Keterangan
1.	Auditor Independence (Ai)		
	Ai1	0,944	Memenuhi <i>Covergent Validity</i>
	Ai2	0,951	Memenuhi <i>Covergent Validity</i>
	Ai 3	0,895	Memenuhi <i>Covergent Validity</i>
	Ai 4	0,836	Memenuhi <i>Covergent Validity</i>
	Ai 5	0,938	Memenuhi <i>Covergent Validity</i>
	Ai 6	0,824	Memenuhi <i>Covergent Validity</i>
	Ai 7	0,913	Memenuhi <i>Covergent Validity</i>
2.	Auditor Accountability (Ac)		
	Ac1	0,834	Memenuhi <i>Covergent Validity</i>
	Ac2	0,851	Memenuhi <i>Covergent Validity</i>
	Ac3	0,767	Memenuhi <i>Covergent Validity</i>
	Ac4	0,897	Memenuhi <i>Covergent Validity</i>
	Ac5	0.707	Memenuhi <i>Covergent Validity</i>
	Ac6	0,798	Memenuhi <i>Covergent Validity</i>
2.	<i>Due Professional Care Auditor</i> (DP)		
	DP1	0,877	Memenuhi <i>Covergent Validity</i>
	DP2	0,868	Memenuhi <i>Covergent Validity</i>
	DP3	0,834	Memenuhi <i>Covergent Validity</i>
	DP4	0,870	Memenuhi <i>Covergent Validity</i>
	DP5	0,849	Memenuhi <i>Covergent Validity</i>
	DP6	0,842	Memenuhi <i>Covergent Validity</i>
3.	<i>Moral Reasoning Auditor</i> (MR)		
	MR1	0,885	Memenuhi <i>Covergent Validity</i>
	MR2	0,895	Memenuhi <i>Covergent Validity</i>
	MR3	0,931	Memenuhi <i>Covergent Validity</i>
	MR4	0,867	Memenuhi <i>Covergent Validity</i>
	MR5	0,856	Memenuhi <i>Covergent Validity</i>
	MR6	0,842	Memenuhi <i>Covergent Validity</i>
	MR7	0,810	Memenuhi <i>Covergent Validity</i>
	MR8	0,894	Memenuhi <i>Covergent Validity</i>
	MR9	0,938	Memenuhi <i>Covergent Validity</i>
	MR10	0,937	Memenuhi <i>Covergent Validity</i>
	MR11	0,913	Memenuhi <i>Covergent Validity</i>
	MR12	0,794	Memenuhi <i>Covergent Validity</i>
4.	Audit Quality (Aq)		
	Aq1	0,875	Memenuhi <i>Covergent Validity</i>
	Aq2	0,833	Memenuhi <i>Covergent Validity</i>
	Aq3	0,913	Memenuhi <i>Covergent Validity</i>
	Aq4	0,924	Memenuhi <i>Covergent Validity</i>
	Aq5	0,931	Memenuhi <i>Covergent Validity</i>

Aq6	0,909	Memenuhi <i>Covergent Validity</i>
Aq7	0,878	Memenuhi <i>Covergent Validity</i>
Aq8	0,835	Memenuhi <i>Covergent Validity</i>

Source: data processed with SmartPLS 3, 2021.

Based on Table III.1 it can be seen that there are 7 (seven) indicators in the Auditor Independence (KA) variable that meet convergent validity, the Auditor Accountability (DP) variable has 6 (six) indicators that meet convergent validity, the Due Professional Care Auditor (DP) variable) has 6 (six) indicators that meet convergent validity, the Moral Reasoning Auditor (MR) variable has 12 (twelve) indicators that meet convergent validity, and the endogenous variable Audit Quality (Aq) has 8 (eight) indicators that meet convergent validity.

Discriminant Validity Test

Table 3.2. Root Value of AVE Discriminant Validity Test Results

Variabel	Ai	Ac	DP	MR	Aq
Auditor Independence	0,901				
Auditor Accountability	0,701	0,811			
<i>Due Professional Care Auditor</i>	0,772	0,648	0,857		
<i>Moral Reasoning Auditor</i>	0,845	0,733	0,839	0,881	
Audit Quality	0,865	0,805	0,837	0,843	0,888

Source: data processed with SmartPLS 3, 2021.

Based on Table IV.7, it can be seen that the AVE root value in each variable block is higher than the correlation value between other variables in the same row.

Evaluation of Structural Model / Inner Model

Coefficient of Determination (*R*² Value)

Tabel 3.3. *R*² Value

Variabel	<i>R</i> ² Value	<i>R</i> ² Adjusted	Kategori
Audit Quality	0,868	0,847	<i>Substansial</i>

Source: data processed with SmartPLS 3, 2021.

Based on Table III.3 it can be seen that the endogenous variable of Audit Quality can be explained by the exogenous variables of Independence, Accountability, Due Professional Care and Moral Reasoning Auditor of 86.8%. This figure shows the effect of exogenous variables on endogenous variables. Audit Quality is included in the substantial category. This condition indicates that there are still 13.2% of other variables outside this research model that are able to explain the effect of the endogenous variable of Audit Quality.

Effect Size (*f*²)

Table 3.4. Effect Size (*f*²)

Variabel	Kualitas Audit	Kategori Kontribusi
Auditor Independence	0,274	Sedang
Auditor Accountability	0,330	Besar
Due Professional Care Auditor	0,223	Sedang

Moral Reasoning Auditor	0,001	Kecil
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Source: data processed with SmartPLS 3, 2021.

Based on Table III.4, it is known that the contribution of the exogenous variable of Auditor Independence to the endogenous variable of Audit Quality is included in the medium category, which is 0.274. The contribution of the exogenous variable of Auditor Accountability to the endogenous variable of Audit Quality is included in the large category, which is worth 0.330. The contribution of the exogenous Due Professional Care Auditor variable to the audit quality endogenous variable is 0.223 and is included in the medium category. The contribution of the exogenous Moral Reasoning variable to the endogenous variable of Audit Quality is included in the small category, which is worth 0.001.

Predictive Relevance (Q2 Value)

Table 3.5. Cross-Validate Communalilty Value Blindfolding Analysis

Variabel	SSO	SSE	Q ² (=1-SSE/SSO)
Auditor Independence	210,000	53.698	0,744
Auditor Accountability	180.000	87.819	0,512
Due Professional Care Auditor	180,000	69.095	0,616
Moral Reasoning Auditor	360,000	97.596	0,729
Audit Quality	240,000	66.637	0,722

Source: data processed with SmartPLS 3, 2021.

Based on Table III.5, it can be seen that the Q2 Value of each latent variable is greater than 0 (zero) so it can be said that the model in this study has met the criteria of predictive relevance. This indicates that the data is ready to proceed to the next test, namely hypothesis testing.

The Effect of Auditor Independence on Audit Quality

Based on the evaluation of the inner model and hypothesis testing, the results obtained that auditor independence has a positive and insignificant effect on audit quality, so H3 is rejected and H0 is accepted. These results indicate that independence does not have a major influence on the quality of the audit produced by the Supreme Audit Agency for the Bangka Belitung Islands Province. The results of this study are supported by Tjun (2012) who concludes that independence has no relationship with audit quality because when measuring auditor independence it is not derived from the mental attitude of the auditor.

The Effect of Auditor Accountability on Audit Quality

Based on the evaluation of the inner model and hypothesis testing, the results obtained that accountability has a positive and significant effect on audit quality, so it can be concluded that H1 is accepted and H0 is rejected. These results indicate that the higher the level of auditor accountability, the better the quality of the audit produced and will have a greater influence on the Bangka Belitung Islands Province State Audit Board. This shows that. The results of this study support the attribution theory, which explains that the auditor in carrying out his duties cannot be separated from his personal characteristics as the main reference in making an audit decision. Based on

the attribution theory, the accountability variable applies internal and external locus of control variables.

Effect of Due Professional Care Auditor on Audit Quality

Based on the evaluation of the inner model and hypothesis testing, the results obtained that the due professional care auditor has a significant positive effect on audit quality, so it can be concluded that H2 is accepted and H0 is rejected. These results indicate that the higher the level of due professional care auditors, the better the audit quality will be. Due professional care auditors have a fairly large or significant influence on the quality of the audits produced by the Supreme Audit Agency for the Bangka Belitung Islands Province. This shows that the auditor has a fairly high due professional care in carrying out his duties and functions. Due professional care is a careful and thorough attitude by thinking critically and evaluating audit evidence, being careful in assignments, not being careless in conducting examinations and having firmness in carrying out responsibilities. The use of professional skills carefully and thoroughly concerns what the auditor does and how the perfection of his work is. Auditors who apply their professional skills properly will of course carry out each stage of the examination effectively and efficiently, and can be accountable for audit results by providing adequate, accountable and timely reporting to user parties.

The Effect of Auditor Moral Reasoning on Audit Quality

Based on the evaluation of the inner model and hypothesis testing, it is obtained that the auditor's moral reasoning has a positive and insignificant effect on audit quality, so H3 is rejected and H0 is accepted. These results indicate that moral reasoning does not have a major influence on the quality of the audit produced by the State Audit Board of the Bangka Belitung Islands Province. This is because the level of moral reasoning varies depending on the understanding and point of view of each auditor so that it cannot be used as a benchmark as a determinant of the quality of the audit produced by an auditor.

IV. CONCLUSION

Independence does not have a big relationship to the audit decisions made by the auditor, because when measuring auditor independence it is not derived from the mental attitude of the auditor. The independence of an auditor is essential because it is the reason why users want to trust the resulting audit. In addition, the positive attitude of the auditor as a result of independence will increase objectivity in the examination because there is no conflict of interest by other parties. Accountability has a close relationship with audit quality. Accountability refers to the social psychological drive that individuals have to account for something that has been done to their environment or other people who support the individual, which in this case is the auditor to improve the quality of the audit he or she does.

Due professional care is one of the factors that play an important role in producing a quality audit. This means that the more optimally the auditor applies due

professional care, the better the audit quality will be. The optimal application of due professional care will improve the implementation of each stage of the examination effectively and efficiently, and be able to properly account for the audit results. Moral reasoning does not have a big relationship with the audit decisions made by the auditors. This is because there are different levels of moral reasoning depending on the understanding and point of view of each auditor in assessing the right or wrong of an action, so it cannot be used as a benchmark as a determinant of the quality of the resulting audit.

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