

THE INFLUENCE OF COMPETENCY, AUDITOR ETHICS, AND INDEPENDENCE ON AUDIT QUALITY

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ABSTRACT

The concept of accounting and corporate financial reporting is an important aspect that has also been widely recognized by various parties, including the government, investors, creditors, and the public. The existence of the public accounting profession that was born and raised from the demands of the community to have an independent and competent accountant in examining the financial statements of a company. This study aims to determine the influence of auditor competence, ethics and independence on audit quality. The data used in this study is primary data in the form of questionnaires filled out by auditors working at Public Accounting Firms in the West Jakarta and South Tangerang areas. The population of this study is auditors working at Public Accounting Firms in West Jakarta & South Tangerang. The sample in this study was 100 respondents. Sampling using non-probability sampling method, namely convenience sampling and using multiple linear regression analysis using SPSS21. The results showed that competence had a significant effect on audit quality, auditor ethics had a significant effect on audit quality and independence did not have a significant effect on audit quality.

INTRODUCTION

Public accounting as the art (skill) and science of processing transactions or events that can at least be measured in money into financial reports needed by parties with an interest in the government which will later be used in the public decision-making process is a definition that is commonly used in the world of accounting. The concept that corporate accounting and financial reporting is an important aspect has also been widely recognized by various parties, including the government, investors, creditors, and the

public. Likewise with the existence of a public accounting profession that was born and big from the public's demand to have accountants who are independent and competent in examining the financial statements of a company. This definition has long been part of practice and education in the field of public accounting.

Conducting an audit, an auditor must have good personal qualities, adequate knowledge, and special expertise in their field. Competence with professional expertise possessed by auditors as a result of formal

education, professional examinations and participation in training, seminars, symposiums. Competence as an expertise that is sufficient and explicitly can be used to carry out audits objectively, a measure of expertise or competence is not enough just experience but other considerations are needed in making a good decision because basically humans have a number of other elements besides experience, namely knowledge (Feni Ilmiyati and Yohanes Suhardjo, 2012).

The profession of a public accountant can be regarded as a profession of public trust. From this profession, the wider community expects the public accounting profession to be able to make a free and impartial assessment of the information that has been presented by company management in financial reports. Financial reports that have been audited for fairness are more trustworthy when compared to financial reports that have not been audited (Tjun, et al. 2012).

The existence of great trust from users of audited financial statements and other services provided by public accountants by requiring public accountants to pay attention to the quality of the audits they produce. So that high quality information is important when managers, investors, and company owners make decisions. De Angelo in Irawati (2011) defines audit quality as the possibility (joint probability) where an auditor will find and report violations in his client's accounting system. The possibility that the auditor will find misstatements depends on the quality of the auditor's understanding (competence), while the act of reporting misstatements depends on the independence of the auditor. In other words, competence and independence can affect audit quality.

Auditor competence is the qualification required by the auditor to carry out the audit properly. In carrying out an audit, an auditor must have good personal qualities, adequate knowledge, and special expertise in their field. According to Tubbs (1992) in Ayuningtyas and Pamudji (2012) states that in detecting an error, an auditor must be supported by knowledge of what and how the error occurred. According to Queena and

Rohman (2012) ethics is defined as behavioral values or rules of behavior that are accepted and used by a particular group or individual. Ethics is basically closely related to morals which are the crystallization of teachings, standards, a collection of rules and regulations both oral and written. Ethics that are stated in writing or formally are referred to as a code of ethics. Auditors in carrying out their professional practice must comply with a professional code of ethics that governs auditor behavior. Independence according to Arens, et al. (2012) can be interpreted as taking an unusual point of view. The auditor must not only have independence in fact if the auditor is truly able to maintain an unusual attitude throughout the audit, while independence in appearance is the result of another interpretation of this independence (Rosalina, 2014).

Research on audit quality is important so that they can find out the factors that influence the quality of audit results and can improve the quality of the resulting audit. It is not easy to maintain the competence and ethics of an auditor that must be possessed by an auditor. An independent auditor also influences the results of the audit.

The purpose of this research is to prove empirically regarding: (1) Meanalyze the effect of competence on audit quality.; (2) Meanalyze the influence of ethics on audit quality; (3) Meanalyze the effect of independence on audit quality

This research is expected to contribute to the development of theory, especially relating to auditing and behavioral accounting on empirical testing of the influence of Competence, Ethics, and Independence on audit quality.

LITERATURE REVIEW

Audit Quality

Audit quality as stated by De Angelo (1981) in Netty, et al (2012), namely as a possibility (joint probability) where an auditor finds and reports violations in his client's accounting system. Singgih and Bawono (2010) cite the opinion of Financial Reporting (2006: 16) audit quality is measured by 4 aspects, namely: culture within KAP, expertise and personal quality of colleagues and audit staff, audit process

effectiveness, and reliability and benefits of audit reports.

Based on measuring audit quality, the culture applied by KAP is used to create a professional KAP culture in carrying out its duties. For the expertise and personal quality of partners and audit staff it is very useful in making decisions related to audit sampling and review results that have been carried out during audit assignments. The effectiveness of the audit process is carried out in order to be able to carry out special audits and as evidence of competence in audit situations. In terms of audit quality, reliability and usefulness of audit reports in any problems that occur when audit assignments are discussed with clients and also with their superiors, besides that the reliability and usefulness of audit reports are also able to provide a "going concern" opinion in the audit report to be published (Singgih and Bawono 2010).

And the ability to find material misstatements in the company's financial statements depends on the competence of the auditor, while the willingness to report findings of such misstatements depends on independence. From the understanding of audit quality above, it can be concluded that audit quality is all possibilities (probability) where the auditor when auditing the client's financial statements can find violations that occur in the client's accounting system and report them in the audited financial statements, where in carrying out their duties the auditor is guided by auditing standards.

Competence

Tjun, et al. (2012), Ilmiyati and Suhardjo (2012) and Sari (2012) state that knowledge has a significant influence on audit quality. Knowledge is measured by how high the education of an auditor is because by doing so the auditor will have more knowledge (views) about the field he is involved in so that he can know various problems in more depth, besides that the auditor will find it easier to follow increasingly complex developments (Rosalina, 2014).

Tjun, et al (2012) found that knowledge will affect audit expertise which in turn will determine audit quality. In general, there are

knowledge that must be possessed by an auditor (Ekanovia, 2015), namely (1) general auditing knowledge, (2) functional area knowledge, (3) knowledge of the most recent accounting issues, (4) knowledge regarding specific industries, (5) general business knowledge and problem solving. General auditing knowledge such as audit risk, audit procedures, etc. is mostly obtained in universities, partly from training and experience. Likewise with accounting issues, auditors can get it from professional training that is held on an ongoing basis.

Based on Rosalina (2014) there are two views regarding expertise. The first is a behavioral view of expertise based on the Einhorn paradigm. View aims to use more objective criteria in defining an expert. Second, the cognitive view that explains expertise from a knowledge point of view. Knowledge is acquired through direct experience (judgments made in the past and feedback on performance) and indirect experience (education). Wiwik Utami (2007) explains the findings of Gul's research (1989) showing empirical evidence that public accounting firms operating in a competitive environment are more profitable than public accounting firms operating in an uncompetitive environment.

Audit demands high expertise and professionalism. This expertise is not only Eko (2012) and Herawaty (2012) provide empirical evidence that someone who is experienced in a substantive field has more things stored in his memory. This is in line with Hanifah's research (2013) which shows that the more experience a person has, the more accurate their work results are and the more memory they have about complex category structures. Rosalina (2014) found that experienced auditors have a better understanding. They are also better able to provide reasonable explanations for errors in financial statements and can classify errors based on audit objectives and the structure of the underlying accounting system.

Auditor Ethics

Ethics comes from the Greek ethos, which means "character". Another word for ethics is morality, which comes from the Latin *mores*, meaning "custom". Morality

centers on "right" and "wrong" in human behavior. Therefore, ethics is concerned with the question of how people will behave towards each other. (Boynton: 2011).

Ethics is a rule or norm or guideline that regulates human behavior, both what must be done and what must be abandoned, adopted by a group or class of people or society or profession. Professional in professional ethics implies pride, commitment to quality, dedication to the interests of clients and a sincere desire to help clients with problems so that the profession can become a public trust (Purba, 2009).

Ratna Mappanyuki (2017) explains the results of behavioral research showing that ethical behavior and auditor responsibilities have an effect on audit quality (Luthans 1998, Yusnaini 2017). Robin (1996) explains that auditor behavior is influenced by internal or external factors. Internal causes tend to refer to aspects of individual behavior.

According to Don W. Finn et. Al., (1998) in Anitaria (2011) identified the most difficult ethical issues as client requests to change financial statements, professional problems, and committing fraud. Nugrahiningsih (2005) in Abdul Rohman (2012) states that the ability to be able to identify ethical and unethical behavior is very useful for all professions including auditors. One of the things that distinguishes the public accounting profession from other professions is the responsibility of the public accounting profession to protect the public interest. Therefore, the responsibility of the public accounting profession is not only limited to the interests of clients or employers. When acting in the public interest, every practitioner must comply with and apply all the basic principles and professional code of ethics set out in the SPAP Code of Ethics (IAPI: 2011).

Independence

According to Arens (2011: 74), the notion of independence is: Independence in an audit means taking an unbiased viewpoint in conducting audit testing, evaluating the results of testing and issuing audit reports. Independence is one of the

most important characteristics for the auditor and is the basic principle of integrity and objectivity.

Singgih and Bawono (2010) state that three indicators can be used to measure independence, namely program development independence, investigative independence, and reporting independence.

Saputra (2015) stated that in measuring independence, the auditor uses an attitude of independence in preparing programs such as being free to determine and modify reporting, free to determine the audit procedure chosen, and free to determine the subject in the audit examination procedure. In addition, the auditor also uses investigative independence in determining the activities to be examined, accessing information in conducting verification, and there is good cooperation from the client's management. In presenting reports, the auditor must have good reporting independence, such as not being influenced by any party, being able to report facts, opinions and recommendations in the auditor's interpretation, and being free to use judgment regarding facts and opinions (Saputra, 2015).

Independence is the main thing that must be owned by an auditor. Auditors who are independent will provide an actual assessment of the financial statements, so that the assessment produces actual conditions for the client being examined (Saputra, 2015). Thus the guarantee for the reliability of the financial statements provided by the auditor can be trusted by all interested parties (Nirmala 2013). In line with the statement of Arens (2012) in Novie (2013) which states that the independence of the auditor from the company means that an audit is one of the basic requirements to maintain public confidence in the reliability of audit reports.

Framework for Thinking and Preliminary Studies

The framework in this study is to describe the influence between the independent variables and the dependent variable as follows:

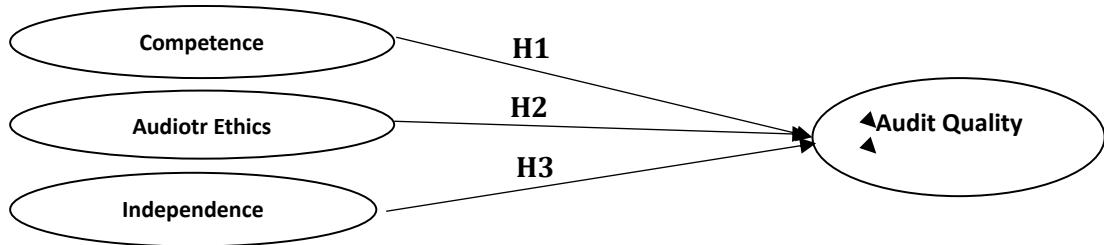


Figure 1. Research Conceptual Framework

Some preliminary studies include: Research conducted by Asrianingtiyas Yulianti (2015) Effects of Competence, Independence, Work Experience, Ethics and Professional Skepticism on Audit Quality. In this study, the independent variables were competence, independence, work experience, ethics and professional skepticism, while the dependent variable was audit quality. The results of this study are competence, independence, work experience and professional skepticism affect audit quality while auditor ethics have no influence on audit quality. Dityatama (2015) The Influence of Internal Auditor's Competency and Independence to the Internal Auditor's Due Professional Care and the Implication to the Internal Audit Quality. Hasil Research shows that the competence and independence of internal auditors have a positive influence on *Due Professional Care* due to internal auditors. Furthermore, competence, independence, and *Due Professional Care* because both internal auditors have a positive influence on internal audit quality. In other words, *Due Professional Care* because internal auditors mediate the relationship between internal auditor competence and independence on internal audit quality.

To improve *Due Professional Care* because internal auditors in order to improve the quality of internal audit, can be done by increasing the competence of internal auditors and independence and also supported by more adequate quality control. Usman (2016) Effect Of Experience And Accountability On The Quality Of Internal Audit. Hasil This research shows that experience and accountability have a very strong role in determining the quality of internal audit, and if someone does the same job repeatedly or continuously, it will be

faster and work more professionally in completing internal audit too, this is because the auditor must really understand the technique or how to complete the audit correctly and be careful in completing the audit as expected, therefore the experience of the auditor and internal auditor to conduct an audit can improve the quality of the internal audit. Tjun, et al. (2012) The Effect of Auditor Competence and Independence on Audit Quality. Based on the results of the research, it shows that there is a significant influence between auditor competence and audit quality, while the auditor independence variable does not have a significant effect on audit quality.

HYPOTHESIS

The Effect of Competence on Audit Quality

Anggun (2017) explained the opinion of the LOMA Competency Dictionary (1998) competence is defined as the personal aspects of a worker that enable him to achieve superior performance. These personal aspects include traits, motives, value systems, attitudes, knowledge and skills where Several previous studies stated that competence directly influences audit quality. Such as research conducted by Nungky Nurmala Sari (2011) which shows that competence has a positive effect on audit quality. Because the higher the level of competence possessed by the auditor, the higher the level of the auditor in producing an accurate audit quality. Competence will direct behavior, while behavior will result in performance. Anggun (2017) states that competence has a direct effect on audit quality. Competence and independence have a significant effect on audit quality. The interaction between competence and independence with moderating auditor ethics has a positive effect on audit quality.

Unlike the research conducted by Handoyo (2012), this study states that knowledge competence has no significant effect on audit quality. In this study it was stated that competence is not important in conducting examinations. The results of this study explain that the higher the level of experience and knowledge possessed by an auditor does not guarantee that the resulting audit quality will be good.

H1 : Competence has a significant effect on audit quality

The Influence of Ethics on Audit Quality

According to Queena and Rohman (2012), ethics are rules or norms or guidelines that govern human behavior, both what must be done and what must be abandoned, which is adhered to by a group or class of people or society or profession. In order to improve the auditor's performance, the auditor is required to always maintain ethical behavior standards. The obligation to maintain standards of ethical behavior is related to the existence of public demands for the role of the accounting profession, especially for the performance of public accountants. Society as users of professional services requires professional accountants. Therefore, it is necessary to have auditor ethics in accordance with the principles of professional ethics and a code of ethics to support auditor performance. If an auditor has bad ethics, this will undermine public trust in the auditor profession.

H2 : Ethics has a significant effect on audit quality

Influence of Independence on Audit Quality

Independence means not easily influenced, because the auditor carries out his work in the public interest. The auditor is not justified in favoring the interests of anyone. Because of the importance of independence in producing audit quality, the auditor must have and maintain this attitude in carrying out his professional duties, so that if the auditor is not independent, the resulting audit quality is not good (Nirmala, 2013).

Peresearch conducted by Gosh and Moon (2003) in Kusharyanti (2003) found that

audit quality increases with the length of the tenure audit. Indah (2010) found that the longer the tenure audit, the audit quality will decrease. A long relationship between the auditor and the client has the potential to make the auditor satisfied with what has been done, perform audit procedures that are less strict and always depend on management's statements.

H3: Auditor independence has no significant effect on audit quality

METHOD

Research Methods

This research uses **causal research methods** which aims to test the effect, between a variable (Independent / Xn) with other variables (Dependent Variable / Yn). In this case it consists of: X1=Competence, X2=Auditor Ethics, and X3=Independence as the Independent variable and Y = Audit Quality as the Dependent variable. This research requires hypothesis testing with statistical tests.

Variable Definition and Operations

Variable is everything that will be the object of observation in research in the form of a concept that has a variety of values. In this study, the independent variables and the dependent variables will be revealed. These independent variables are: (a) Competence (X1) as an independent variable; (b) *Auditor Ethics*(X2) as the Independent variable; (c) *Independence* (X3) as the Independent variable; (d) Audit Quality (Y) as the Dependent Variable

Definition operational variable is a definition given to a variable by giving meaning, or providing an operation needed to measure that variable. The Operational Definition of the Variables used by the author in preparing the research are:

Auditor Competency (X1)

According to Tjun, et al. (2012) define competence as sufficient expertise that can be explicitly used to conduct audits objectively. This definition was redeveloped by Pertiwi, et al. (2013) stated that auditor competence is an auditor who, with sufficient and explicit knowledge and experience, can conduct an audit objectively,

carefully and thoroughly. Highly educated auditors will have a lot of knowledge about the field they are involved in, so that they can find out various problems in more depth. In addition, with sufficient knowledge, auditors will find it easier to keep up with increasingly complex developments. That way the auditor will be able to produce a high quality audit. Meanwhile, Lastanti (2005) in Febriyanti (2014) defines competence as someone who has extensive procedural knowledge and skills that are shown in audit experience. Based on the description above, competency will be proxied by 2 sub-variables, namely knowledge and experience.

Auditor Ethics (X2)

Ethics is the auditor's behavioral value to foster public trust in the organization by always behaving ethically and upholding good ethical principles (Abdul Rohman, 2012). The indicators used to measure audit ethics are: (a) Personality of the auditor; (b) Implementation of the code of ethics.

Independence (X3)

Independence is the process of compiling a program that is free from interference and influence from both the leadership and other parties. Auditors who are independent in carrying out audits will be free from managerial efforts in determining activities, able to cooperate and not prioritize personal interests (Nungky 2011). Independent reporting means reporting that is not influenced by other parties, does not give rise to multiple interpretations and discloses according to facts. The dimensions used to measure auditor independence describe the independence of programming, investigative independence, reporting independence.

MyAuditability (Y)

Audit quality is a possibility where an auditor who has competence and professionalism is able to find fraud or fraud related to the client's accounting system and report it in an independent and responsible manner. The dimensions used to measure audit quality describe the culture of the KAP, the expertise and personal qualities of

colleagues and audit staff, the effectiveness of the audit process, the reliability and usefulness of audit reports. The instrument used to measure audit quality was adopted from Singgih and Bawono's research (2010) with a Likert of 5 points, where point 1 is given for the answer which means the lowest audit quality and so on 5 points are given for the answer which means the highest audit quality. Summary of operational definitions

Population and Research Sample

The population in this study were public accountants who were registered and worked at Public Accounting Firms (KAP) in the West Jakarta and South Tangerang areas of 11 KAPs. While the number of auditors varies depending on the size of each Public Accountant office. The population in this study was felt to be too large, so the sample was taken using the Slovin formula to calculate the sample size based on estimating proportions (Arikunto, 2004). Sampel (sample size) used in this study is a minimum of 81 respondents can already represent the results of valid values in the respondents. The sampling technique used in this study is a non-probability sampling method with a convenience sampling approach, namely by taking samples that are carried out by selecting free samples at will of the researchers (Bunga, 2012). To obtain the necessary data, the researcher uses a questionnaire that will ask several questions or questionnaires to parties with an interest in this research, namely Public Accounting Firms in West Jakarta and South Tangerang so that researchers obtain intact and complete data..

Data Analysis Method

The research data analysis method is as follows: Validity and Reliability Test:

- a. Validity test : The Validation Test is used to measure whether or not a questionnaire is valid or not. The questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that will be measured by the questionnaire.
- b. Reliability Test: The reliability test is a measuring tool for the stability and consistency of respondents in answering questions related to the

constructs - construct questions which are indicators of a variable and are arranged in a questionnaire form.

Descriptive Statistical Analysis

Descriptive statistics are statistics that are used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations

Classic assumption test:

- Normality test: The normality test is used to determine whether the data is normally distributed or not. The level of normality of the data is very important, because with normally distributed data, the data is considered to represent the population.
- Multicollinearity Test: Multicollinearity test aims to test whether the regression model found a correlation between independent (independent) variables. A good regression model should not have a correlation between the independent variables.
- Heteroscedasticity Test: The Heteroscedasticity test aims to test whether the regression model has an inequality of variance from the residual of one observation to another fixed observation, so it is called Homoscedasticity and if it is different it is called Heteroscedasticity.

RESULT AND DISCUSSION

Based on the multiple regression testing that has been done, the following is an explanation of the research hypothesis:

Table 1. T Test Results

Model	Unstandardized Coefficients		Standardized Coefficients Beta	Q	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1	(Constant)	-3,787	3.789	-.977	.373	.370	3,891
	ETHICS	2069	.088 .887				
	COMP	2.27	.091 .896				
	ENGP	.082	.087 .059	.10,49	.025	.393	3,993

a. Dependent Variable: KUA

Source: OutputSPSS

Model Suitability Test and Hypothesis Test:

- Determination Coefficient Test (Test R^2): The coefficient determines to see how much the variables X1, X2 and X3 have a relationship to the variable Y, the coefficient of determination (Kd) is used which is the square of the correlation.
- Overall or Simultaneous Testing (Test F) :The F test was carried out to determine the relationship between the independent variables together (simultaneously) on the dependent variable, a significance level of 0.05 was used.
- Individual or Partial Testing (t-test) : To find out whether the assumption or conjecture is true or not, a test called the t test is carried out. The t test is a procedure that allows a decision whether the decision is accepted or rejected against the assumption or hypothesis proposed. (Source Nila Hapsari, 2013)
- Multiple Linear Regression Analysis: Multiple linear regression analysis is used to determine the effect of two or more independent variables with one dependent variable, whether each independent variable is positively or negatively related to the dependent variable.

Effect of Competence on Audit Quality

Hasil Competency variable research has a significant influence on audit quality. The results of the hypothesis can provide an illustration that the higher the level of competence possessed by the auditor, the higher the level of the auditor in producing accurate audit quality. Competence will direct behavior, while behavior will produce performance (Nungky Nurmalita Sari, 2011). This is in line with Nungky Nurmalita Sari's research (2011) which shows that competence has a positive effect on audit quality. Because the higher the level of competence possessed by the auditor, the higher the level of the auditor in producing an accurate audit quality. Competence will direct behavior, while behavior will result in performance. Anggun (2017) states that competence has a direct effect on audit quality. Competence and independence have a significant effect on audit quality. The interaction between competence and independence with moderating auditor ethics has a positive effect on audit quality. However, this research is not in line with Handoyo's research (2012), this research states that competence of knowledge has no significant effect on audit quality. In this study it was stated that competence is not important in conducting examinations. The results of this study explain that the higher the level of experience and knowledge possessed by an auditor does not guarantee that the resulting audit quality will be good.

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Hasil Ethical variable research has a significant influence on audit quality. This is in line with Queena and Rohman's research (2012), ethics are rules or norms or guidelines that govern human behavior, both what must be done and what must be left behind by a group or group of people or society or profession. In order to improve the auditor's performance, the auditor is required to always maintain ethical behavior standards. The obligation to maintain standards of ethical behavior is related to the existence of public demands for the role of the accounting profession, especially for the performance of public accountants. Society as users of professional services requires professional accountants. Therefore, it is necessary to have auditor ethics in accordance with the principles of professional ethics and a code of ethics to support auditor performance.

Influence of Independence on Audit Quality

Hasil research variable independence has no influence on audit quality. This can be caused by the perception of the accountant

(auditor) that independence is an attitude that must be possessed by an auditor, an auditor must not be easily influenced, because the auditor carries out his work for the public interest. This is in line with research conducted by Indah (2010) who found that the longer the tenure audit, the lower the quality of the audit. A long relationship between the auditor and the client has the potential to make the auditor satisfied with what has been done, perform audit procedures that are less strict and always depend on management's statements.

CONCLUSION

Based on the research results obtained through hypothesis testing and the discussion described in the previous chapter, it can be concluded that: (1) audit competence has a significant positive effect on audit quality. The results of the hypothesis can provide an illustration that the higher the level of competence possessed by the auditor, the higher the level of the auditor in producing accurate audit quality. Competence will direct behavior, while behavior will result in performance; (b) auditor Ethics has a significant effect on audit quality. These results show that ethics are rules or norms or guidelines that govern human behavior, both what must be done and what must be abandoned, which are adhered to by a group or class of people or society or profession. In order to improve the auditor's performance, the auditor is required to always maintain ethical behavior standards. The obligation to maintain standards of ethical behavior is related to the existence of public demands for the role of the accounting profession, especially for the performance of public accountants. Society as users of professional services requires professional accountants; (c) independence has no positive significant effect on audit quality. This can be caused by the perception of the accountant (auditor) that independence is an attitude that must be possessed by an auditor, an auditor must not be easily influenced, because the auditor carries out his work for the public interest.

Based on the results of the analysis, discussion and conclusions that have been described previously, the authors provide suggestions that can be used as input or consideration for interested parties as follows: (1) future research can add variables in order to find out what factors can affect audit quality, such as audit complexity, professionalism, motivation, objectivity, accountability and integrity; (2) Future research can increase the number of samples and population and expand the research area in order to obtain more accurate and better results, and it is hoped that the level of generalization of the analysis will increase; (3) Further research needs to add direct interview methods to each respondent in an effort to collect data, to get more accurate results from the respondents.

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