

The Role of Auditor Ethics as Moderating Variable in Relationship Between Auditor Accountability and Quality of the Audit

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Abstrak. Penelitian ini bertujuan untuk mengeksplorasi bagaimana independensi dan akuntabilitas auditor memengaruhi kualitas audit yang diatur oleh etika auditor. Penelitian ini menggunakan data primer yang dikumpulkan melalui penyebaran kuesioner kepada 124 auditor KAP di wilayah DKI Jakarta. Teknik sampling yang digunakan adalah sampling kenyamanan. Analisis regresi berganda dan analisis regresi sedang digunakan untuk menganalisis data menggunakan software SPSS 25. Hasil penelitian menunjukkan bahwa kualitas audit dipengaruhi oleh independensi dan akuntabilitas. Selain itu, etika auditor juga dapat mengontrol dampak independensi terhadap kualitas audit. Namun, dampak akuntabilitas tidak memiliki pengaruh signifikan terhadap kualitas audit. Penelitian ini memberikan pemahaman yang lebih baik tentang faktor-faktor yang mempengaruhi kualitas audit, serta menggarisbawahi pentingnya independensi dan etika auditor dalam memastikan kualitas audit yang lebih baik.

Kata kunci: Akuntabilitas; Kemerdekaan; Audit Kualitas; Auditor Etika; Analisis Regresi Sedang.

Abstract. This study aims to investigate how the independence and accountability of auditors affect audit quality governed by auditor ethics. This study used primary data collected by distributing questionnaires to 124 KAP auditors in the DKI Jakarta area. The sampling technique used is convenience sampling. Multiple regression analysis and moderate regression analysis are used to analyze the data using SPSS 25 software. The results show that audit quality is influenced by independence and accountability. In addition, auditor ethics can also control the impact of independence on audit quality. However, the impact of accountability does not have a significant effect on audit quality. This research provides a better understanding of the factors that affect audit quality, and underscores the importance of auditor independence and ethics in ensuring better audit quality.

Keywords: Accountability; Independence; Quality Audits; Ethics Auditors; Moderate Regression Analysis.

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Introduction

Financial statements have a very important role for decision-makers, both internal and external. Through financial statements, company leaders can make decisions in accordance with the situation and conditions that are occurring. As for external parties, financial statements can be used as a means of providing an assessment of a company. As a result, the financial statements compiled must be of high quality. The quality or failure of a financial statement can be seen from its characteristics. Relevance and reliability are the two key elements that must be present in financial statements, according to the Financial Accounting Standard Board (FASB) (Ardini, 2010). Information users need third-party services, specifically independent auditors, because these two traits are exceedingly challenging to quantify. They can vouch for the accuracy and dependability of the financial accounts, fostering more trust among people who use the report to gather data for internal and external decision-making. Public accountants work in an area that offers assistance to the general public, particularly when it comes to auditing the financial statements that their customers have prepared. Public accountants can perform various non-audit services outside audits, such as tax consultations and management consultations (Antle, 2014).

A public accountant must review the company's financial accounts to reasonably ensure that no major misstatements have been made. Readers of the audit report anticipate that the financial statements that public accountants have reviewed can be relied upon to be accurate and compliant with accounting rules. There are numerous instances of businesses "dropping" as a result of business failure linked to auditor failure, such as accounting of violations that happen in big businesses like Enron and Worldcom. Management committed the accounting infraction with the assistance of a public accountant (Harjanto, 2014). The public trusts the profession of public accounting. The public expects from this profession of public accounting a free and unbiased evaluation of the data supplied by the management of the company in the financial statements. The high

level of trust placed in this financial statement by its users eventually compels public accountants to focus on the caliber of the audits they provide. In order to provide excellent audit reports, independent auditors must ensure that the audits they conduct are indeed of the highest caliber. Its audit quality is crucial because it will create financial statements that can be relied upon as a basis for decision-making (Aziz, 2018).

According to Singgih and Icut (2010), audit quality is impacted by independence and expertise. Independence is the quality of not being readily swayed in one's thinking. A public accountant has no right to let anyone's interests, including those of management and business owners, affect how they do their job. Public accountants must be free from interference by interests that do not want audit outcomes that are harmful to the interested parties, according to Elfarini (2007). In social psychology, accountability refers to the encouragement a person has to settle their commitments so that they can be held accountable to their surroundings. Independent auditors must uphold their professional obligations, put the needs of the community first, exhibit strong moral character, be unbiased in their decision-making, be objective at work, and always endeavor to advance their knowledge and the caliber of the services they offer (Mediawati, 2001). Ethics is a different factor that can impact audit quality. Ethics is described as a set of behavioral norms or principles of behavior that are accepted and applied by a specific group or person, according to Sukanto (1991), in Lenni Delli (2015). The ethics of the public accounting profession are a set of values and concepts that auditors apply to their work.

Public accountants are constrained in their professional conduct by a set of laws and guidelines in the form of an ethics code. The auditor needs the Code of Ethics in order to do his profession since it sets boundaries for what is permitted and should not be done, what is suitable or not, and what is right or wrong regarding something the auditor does. Public accountants are anticipated to generate audits of higher quality if they adhere to the ethical standard in their professional activities (Halim, 2008). Researchers want to look into "the

influence of accountability and the auditor's independence on audit quality with auditor ethics as a moderating variable" based on the information presented above. The KAP targeted by this study is the KAP situated in the Province of DKI Jakarta. This research is a replication that combines research conducted by Ichwanti (2015), Junata & Badera (2016), and Aziz (2018).

Literature Review

Audit Quality

Elfarini (2007) explains that "Audit quality is the likelihood that the auditor can find violations that happen in the client's accounting system and report them in the audit financial statements, where in carrying out their duties the auditor is guided by the relevant Public Accountant Code of Ethics." High audit quality will produce trustworthy financial statements through competence and independence (Christiawan, 2002), detection of misstatement, conformity with the standards of the Public Accountant Professional (SPAP), compliance with SOP for work by supervisors, and attention given by managers or partners (Alim, Hapsari, & Purwanti, 2007). Professional responsibility, public interest, integrity, objectivity, competence, professional caution, secrecy, professional behavior, and technical standards are the eight criteria that Simamora (2002) outlined as requirements for public accountants. Also, the Indonesian Accountant Association (IAIPublic)'s Accountant Professional Standards (SPAP), which include general standards, field work standards, and reporting requirements, must serve as a reference for public accountants (SPAP: 2001). According to Ichwanti (2015) and Moizer (1986), the performance of the auditor and adherence to the rules are the main criteria for gauging the effectiveness of the audit process.

Accountability

Accountability is in charge of managing the reporting entity's resources and carrying out the policies assigned to it in order to accomplish periodic goals that have been regularly stated (Darie, 2008). Audit is closely related to accountability, and accountability is related to

the obligations of the parties in the organization to report their accountability to the client or other higher parties. To guarantee the reliability of information in the accountability report, it is needed for an independent party to provide the attestation or information by conducting an audit (I Gusti Agung Rai, 2008). Accountability in the BPKP (2007) BPKP (Pusdiklatwas) education and training center can also refer to the manifestation of a person's or organizational unit's responsibility for managing resources that have been granted and mastered in order to achieve goals, through a medium in the form of recurring accountability reports. Auditor accountability, according to some of these definitions, is a psychological or psychological incentive that can persuade the auditor to take responsibility for their deeds and the effects those deeds have on the surroundings in which they work.

Independence

"Independent denotes a mental attitude that is free from influence, not under the direction of other parties, and not dependent on others," explains Mulyadi (2011). Independence also refers to the auditor being truthful in their examination of the facts and other relevant factors, as well as not favoring them while forming and expressing their judgments. One of the ethical principles that public accountants must uphold is independence. Because they serve the public interest, public accountants who are independent are not readily persuaded. Public accountants are not required to act in anyone's best interests. According to Arens et al. (2004), having an autonomous mental attitude also means maintaining an independent front. The auditor's independence can be defined as an attitude that is found in the auditor when they are free from pressure and influence from both inside and outside when making a decision, where the decision must be based on the facts that are actual and objective. This conclusion can be drawn from the definition given above.

Auditor Ethics

The role of ethics in the work of accountants is important. This is because the public and other interested parties rely on accountants to provide independent and objective evaluations of the

financial statements of the companies they audit. Ethics provides auditors with a framework to ensure that they act with integrity, objectivity and independence in the performance of their work. An important aspect of ethical behavior for accountants is independence. This means that auditors must be free of conflicts of interest and other factors that may affect their ability to provide an unbiased opinion of the financial statements. For example, an auditor may not have a financial interest in the company being audited or have a personal relationship that could influence his opinion. Another important aspect of accountant ethics is professional competence. To do so, auditors must have the necessary knowledge, skills and experience to perform their duties properly and to keep abreast of changes in accounting and auditing standards. Confidentiality is also an important aspect of ethical behavior for auditors. Auditors are involved with sensitive information about the company they audit and are responsible for protecting that information from unauthorized disclosure. Finally, objectivity is an important principle of ethical behavior for auditors. This means that examiners should approach their work with an open mind and not allow personal prejudices and prejudices to influence their judgment. They must also be willing to change their opinions and conclusions when new information emerges that contradicts their initial findings. You can ensure that it is performed according to relevant standards and best practices. This helps build and maintain trust with clients, stakeholders and the wider community. This is essential to the credibility of accounting professionals.

Methodology

This research uses quantitative methods. This study's goal is to investigate how auditor independence and accountability affect audit quality, with auditor ethics acting as moderating factors. The study's sample was an auditor who worked for the DKI Jakarta KAP, and the study's population included auditors who worked on KAPs. Convenience sampling was used as the sample technique in this study,

where researchers are released to take samples from the population that have been determined based on the available elements. In obtaining and collecting data, researchers use two methods, namely, literature research and field research. This study employs a questionnaire containing statements in order to collect information from the auditors who serve as respondents. The form of a statement in the questionnaire can be positive or negative. This type of statement is divided so that respondents are careful in answering and there is no consistency of answers. In this study, the scale was set up as positive and negative statements that were either favorable or unfavorable. In this study, descriptive statistics, data quality checks, and hypothesis testing are used in the data analysis process.

Results

The Effect of Accountability on Audit Quality

The accountability variable's level of significance is zero, according to the results of the hypothesis test. This shows that the level of significance < 0.05 . Based on these findings, H1 is considered acceptable, indicating that audit quality is impacted by accountability. The findings also indicated a favorable trend, with a standardized beta value of 0.406, indicating that the quality of the audit increases as auditor accountability increases. The findings of this study corroborate earlier research by Junanta and Badera (2016), which found that audit quality is positively impacted by accountability. The quality of the audit will be improved by auditors with high accountability; on the other hand, auditors with poor accountability or a lack of sense of responsibility will lower the audit's quality. Accountability allows the auditor's work to be justified to various parties that request it and reflects the accuracy of the auditor's review of the financial statements. High levels of job quality will be assigned to auditors who maintain an attitude of accountability. Based on the study's findings, it can be shown that the quality of the audit generated by the auditor in the KAP of DKI Jakarta Province is influenced by the auditor's accountability.

The Effect of Independence on Audit Quality

The independence variable's significance value is 0.000 (sig. < 0.05), indicating that independence has an impact on audit quality. H2 is therefore approved. Value of the Standardized Coefficient Beta The independence variable has a positive direction of 0.315, indicating that the higher an auditor's independence, the higher the quality of the audit. The findings of this study support Ichwanti's (2018) research, which found that independence improves audit quality. During the audit, no one can readily sway the auditor's independence because it is a stand-alone mentality. An audit process is not justified in favor of anyone, because if the auditor loses its independence, even though it has high accountability, then the auditor won't be able to keep their right to free speech. It is difficult to maintain their level of independence and stay on the path they should. Long-term collaboration with customers may compromise the auditor's independence. Also, the auditor's customers will offer a variety of facilities during the audit assignment, putting the auditor in a difficult situation because the client could be able to easily control it.

The Effect of Accountability and Simultaneous Independence on Audit Quality

Results of the hypothesis test indicate that this variable has a significance level of 0.000 (sig. < 0.05). As a result, H3 is approved, proving that independence and accountability both affect audit quality. The findings of this study are consistent with earlier studies by Burhanudin (2016) and Aziz (2018), which found that independence and accountability had positive and noteworthy effects on audit quality. This illustrates that the quality of the audit that emerges from the audit process increases with the auditor's accountability and independence. The auditor loses accountability and independence due to increased client pressure and the presence of conflicts of interest, which results in dysfunctional conduct that is a sign that the audit quality is declining. The existence of motivation in oneself will ensure that the work is completed well and on time, which certainly can improve performance. A quality

audit report will be produced by an auditor who conducts audits with high professionalism and good conduct. It is hoped that in its application, the auditor will follow all audit procedures that have been established and adhere to the public accounting profession's code of ethics so that the audit report accurately depicts the company's current state without the use of engineering or any other form of fraud. As a result, auditors are held accountable for the results of the financial statement examination. The auditors are also required not to have any relationships with their clients in order for the results to be transparent and clear. As a result, audit quality will be guaranteed to be good and free from misleading information for those in need.

The Effect of Accountability on Audit Quality with Auditor Ethics as Moderation

A second stage of hypothesis testing using moderate regression analysis (MRA) was conducted to examine the interaction of accountability and audit ethics and their impact on audit quality. MRA results showed that the interaction between accountability and audit ethics was not significant at the 0.90 significance level (Sig. > 0.05). This has led to the conclusion that the relationship between accountability and audit quality is not affected by auditor ethics. The findings contradict his previous 2018 findings by her Ariestyanto, who suggested that audit ethics may moderate the relationship between accountability and audit quality. However, our survey found that the inexperience of the majority of respondents (junior examiners aged 21 to 25) may have contributed to this discrepancy. It is important to note that the impact of accountability on audit quality is not solely determined by the auditor's ethics. Other factors such as the auditor's experience, training and competence also play an important role. It is also important to continuously monitor and evaluate the compliance of auditors with ethical standards in order to ensure high quality audits in the future. Overall, this study highlights the importance of considering multiple factors when examining the relationship between accountability, ethics, and audit quality, and emphasizes the importance of audits to maintain the highest standards of ethical behavior and audit quality.

It emphasizes the need for ongoing training and evaluation of personnel.

The Effect of Independence on Audit Quality with Auditor Ethics as Moderation

The results of stage 2 hypothesis testing show that the variable's significance level is 0.020 ($\text{sig} < 0.05$). H5 is therefore recognized, indicating that the relationship between independence and audit quality is moderated by the auditor's ethics. The findings of this study support Prabawanti and Widhiyani's (2018) and Harjanto's (2014). The auditor's independence attitude will cause the auditor to follow all applicable auditing standards in general, resulting in quality audit reports. When management and auditors cannot agree on performance-related issues, this circumstance may lead management to coerce auditors into doing actions that are against norms, including offering comments. The auditor will be severely disadvantaged by this circumstance, thus it's possible that they'll comply with management's requests. The auditor must adhere to the relevant rules or ethics in this situation, hence a strong independent attitude is required. When performing a number of audit processes, an auditor is required to uphold certain morals or standards. The auditor must disclose any instances of fraud committed throughout the audit process in order to improve the audit quality.

Conclusion

The following conclusion is drawn from the data gathered and the outcomes of testing the current issues using the SPSS 25 program: Accountability has a limited impact on audit quality. As a result, the audit quality increases as auditor accountability increases. The audit's quality is impacted by independence. As a result, the audit quality produced increases with an auditor's level of independence. The audit's quality is concurrently impacted by independence and accountability. The auditor's independence and accountability affect the quality of the audit that is completed. The impact of accountability on the audit quality cannot be moderated by auditor ethics. The impact of independence on audit quality can be

moderated by auditor ethics. Based on the conclusions drawn from these data, there are several recommendations that can be made for further research; 1) Replication of research: Future researchers may replicate this study with larger sample sizes or different populations to increase the generalizability of results, 2) Examination of other factors: Although research finds that accountability and independence have limited impact on audit quality, future research can examine other factors that can affect audit quality, such as auditor expertise or client pressure, 3) Longitudinal studies: Longitudinal studies can be conducted to examine the impact of auditor independence and accountability on audit quality over time, which can provide more insight into how these factors develop in relation to each other, 4) Further exploration of ethics: More research could be conducted to explore the impact of ethics on audit quality and how it interacts with other factors. This could be especially relevant given the finding that ethics cannot moderate the impact of accountability on audit quality, 5) Training for young and junior auditors: Given the impact, youth and inexperience have on accountability, future research could test the effectiveness of training programs or mentoring initiatives aimed at increase accountability among young and junior auditors.

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