The Influence of Auditor Independence and Competence on Audit Quality at Public Accounting Firms in Medan

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A R T I C L E I N F O

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A B S T R A K

The purpose of this study is to determine the effect of Independence and Competence Auditors on the Quality Audit, partially and simultaneously on Auditors at Public Accounting Firm in Medan. The results of the research analysis show Independence partially has a significant effect on the Quality Audit and Competence partially doesn't have significant effect on the Quality Audit. The results showed that Independence and Competence simultaneously have a significant effect on the Quality Audit at Public Accounting Firm in Medan. The results of the study are supported by the value of R^2 which means Independence and Competence have an effect on Quality Audit. While the remaining is effected by other factors originating from outside this research model such as professionalism, work experience, audit fee, integrity.

1. INTRODUCTION

The large number of cases involving auditors in performing their audit duties affects public confidence in the quality of audits of audited company financial statements. Audit quality is a process of finding and reporting irregularities in accordance with the audit standards used by auditors. A high-quality audit will reduce uncertainty or doubt related to the financial statements presented by management or the company. Audit quality reports must be continuously improved, as it is only natural that audit quality occasionally becomes a topic of deep concern for the accounting profession, government, society, and investors. One way to achieve the objectives of company owners and management is through financial reporting mechanisms, which necessitates an independent third party to assess the reliability of financial statements. For a reliable financial report, it must have high-quality audit standards. Auditors must follow applicable standards and regulations, and they must adhere to these rules to enhance the confidence of management and investors in making informed decisions.

There are several factors that influence audit quality, namely auditor independence and competence. Independence in conducting audits is very important in determining good audit quality because the results of the audit can be used to make the right decisions. Without independence, the public will not be able to trust the results of a financial statement audit. Independence is very important in a profession that requires a mindset that is free from influence, independent, and not controlled by other people or parties. In addition to independence, auditors must also have competence from the audit planning stage to understand the audit procedures during their work in conducting audit activities. Competence relates to the auditor's ability and expertise in detecting errors in auditing financial statements, solving and resolving problems efficiently and effectively. An auditor must be competent to report the results of audit activities to financial statement users objectively, thereby producing high-quality audits. To achieve good and objective audit results, data and facts must be collected and obtained as thoroughly as possible for examination by the auditor, which requires the auditor to be competent.

This research was conducted at a public accounting firm in Medan. The researcher conducted this research at a public accounting firm due to the large number of cases currently involving public accountants, which ultimately tarnished the reputation of public accounting firms in the eyes of the public. Although public accountants have been given standards for providing quality opinions in accordance with audit results, there are still public accountants who have not implemented these standards, thereby affecting the quality of audits. The lack of independence and competence of public accountants in completing their audit tasks will affect the quality of the audit results in terms of the accuracy and reliability of the information of the audited company. Given that such cases can lower the quality of audit results, the researcher is interested in conducting this study to determine whether independence and competence significantly influence audit quality at public accounting firms in Medan.

2. LITERATURE REVIEW

2.1. Audit Quality

2.1.1. Definition of Audit Quality

Audit quality is the probability of an auditor finding and reporting an error or misstatement that occurs in a client's accounting system (Tandiontong, 2016). Audit quality is the accuracy of the information reported by the auditor in accordance with the audit standards used by the auditor, including information on accounting violations in the client's financial statements (Yadiati and Mubarok, 2017).

2.1.2. Criteria Affecting Audit Quality

According to Halim (2015), audit quality can be influenced by several criteria, namely:

1. Competence, which is the level of confidence in the extent to which data and facts can be trusted and relied upon, are relevant to the objectives of the audit, and can be objectively verified.
2. Sufficiency, which is the level of adequacy of data and facts determined by the size/number of samples selected.
3. Timeliness, which is the level of suitability in terms of the time period and facts created so that an audit of the data and facts can be carried out.

2.1.3. Audit Quality Indicators

According to Tandiontong (2016), there are several indicators of audit quality, namely:

1. Input orientation, including the assignment of personnel by public accounting firms to carry out agreements, consultations, supervision, appointments, professional development, promotions, and inspections.
2. Process orientation, including independence, compliance with audit standards, audit control, and auditor competence.
3. Output orientation, including auditor performance, acceptance and continuity of cooperation with clients, and due professional care.
4. Follow-up on audit recommendations, including management, internal regulations, systems and culture, as well as physical facilities at the client company that support the implementation of auditor recommendations.

2.2. Independence

2.2.1. Definition of Independence

Independence is the honesty of auditors in considering facts and the objective, impartial consideration of auditors in formulating and expressing their opinions (Prihanto, 2018). Independence is an audit activity in which auditors must be impartial and not perform executive duties related to the object being audited (Halim, 2015).

2.2.2. Activities That Affect Independence

According to Halim (2015), independence is influenced by several activities, namely:

1. Acting objectively based on authentic evidence or data and facts.
2. Keeping company data confidential from parties who are not interested (not affiliated).

3. Carrying out tasks with a sense of responsibility and optimal results in a professional manner.
4. Maintaining harmonious relationships, both professionally and personally, with parties directly involved in the subject matter of the audit.
5. Avoiding unethical behavior and always upholding the reputation of the auditing profession.
6. Being firm in presenting audit conclusions, opinions, and recommendations for improvement.

2.2.3. Independence Indicators

According to Prihanto (2018), indicators of independence can be measured using the following :

1. Mental independence, the existence of honesty within accountants in considering facts and the existence of objective, impartial considerations within accountants in expressing their opinions (not easily influenced).
2. Independence of appearance, independence as viewed by parties with an interest in the audited company who are aware of the relationship between the auditor and the client.
3. Independence of practitioners, related to the ability of individual practitioners to maintain a fair or impartial attitude in planning programs, carrying out verification work, and compiling audit reports.
4. Professional independence, related to the public's perception of the public accounting profession. Professional independence is more about how the public views public accountants as a negative or positive profession.

2.3. Competence

2.3.1. Definition of Competence

Competence is an individual's ability to perform a job correctly and have advantages based on knowledge, expertise, and attitude (Edison et al, 2016). Competence is everything that a person possesses in the form of knowledge, skills, and other internal factors to be able to do a job based on their knowledge and skills (Busro, 2018).

2.3.2. Benefits of Competence

According to Busro (2018), there are several benefits of competency, namely:

1. Clarifying work standards and expectations to be achieved.
2. A tool for employee selection.
3. Maximizing productivity.
4. A basis for developing a remuneration system.
5. Facilitating adaptation to change.

6. Aligning work behavior with organizational values.

2.3.3. Competency Indicators

According to Edison et al (2016), competence is measured by several indicators, namely:

1. Knowledge, which is knowledge obtained from formal learning and/or training or courses related to the field of work being handled.
2. Skills, which are expertise in the field of work being handled and the ability to handle it in detail, as well as the ability to solve problems and complete tasks quickly and efficiently.
3. Attitude, which is upholding organizational ethics and having a positive attitude (friendly and polite) in carrying out work correctly.

The following are the research hypotheses :

H_1 : Independence is thought to have a big impact on audit quality at public accounting firms in Medan.
H_2 : Competence is thought to have a big impact on audit quality at public accounting firms in Medan.
H_3 : Independence and competence are thought to have a big impact on audit quality at public accounting firms in Medan.

The research framework in this study will explain the relationship between each variable, as shown in the figure below :

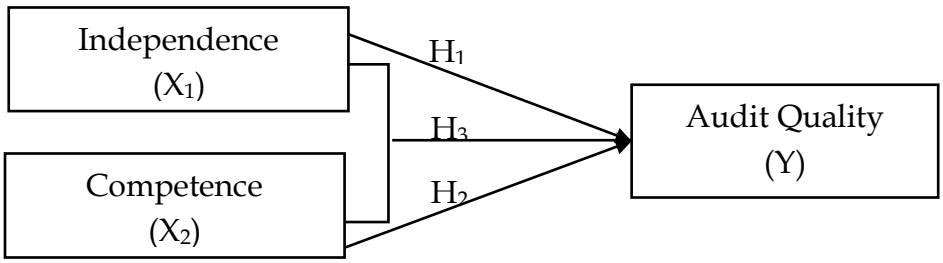


Figure 1. Research Framework

3. RESEARCH METHODOLOGY

The data collection technique used in this study was a questionnaire, which involved first compiling a number of written statements and then distributing them to a number of respondents to answer the questions provided. To assess the respondents'

responses, a Likert scale was used. According to Ghozali (2016:94), regression analysis is used to measure the strength of the relationship between two or more variables, and also shows the direction of the relationship between the dependent and independent variables.

4. RESEARCH RESULT

Previous studies conducted on various Public Accounting Firms (KAP) in Medan City show that auditor independence and competence have varying effects on audit quality. In general, most studies find that auditor independence has a positive and significant effect on audit quality. Auditors who are able to maintain objectivity, are free from conflicts of interest, and are not influenced by pressure from clients tend to produce more reliable audit reports. However, there are studies that show different results, where the effect of independence is insignificant or even negative. This indicates that external factors such as time constraints, long-term relationships with clients, or the size of the audit fee can affect the effectiveness of independence in maintaining audit quality. Meanwhile, auditor competence—which includes technical knowledge, experience, and professional skills—has also been found to have a positive and significant effect on audit quality. Auditors with high levels of competence are able to plan and execute audit procedures appropriately, detect errors or fraud, and provide relevant recommendations. However, some studies have found that competence does not always have a direct impact; in some cases, the impact of competence only becomes significant when moderated by factors such as integrity or professional ethics. The results also show that the combination of independence and competence contributes more to audit quality than when the two factors are tested separately. In several studies, the simultaneous influence of both factors on audit quality reached a high level of significance, indicating that competent and independent auditors are more likely to deliver audit results that meet professional standards. The differences in the results of this study illustrate that the relationship between independence, competence, and audit quality is not always linear and straightforward. Contextual factors, both from the perspective of individual auditors and the characteristics of public accounting firms in Medan, can influence the strength and direction of this relationship. Therefore, further research is recommended to include relevant moderating or mediating variables, as well as consider a more comprehensive analytical approach to obtain a more accurate picture of the determinants of audit quality in this region.

5. DISCUSSION

The Effect of Independence on Audit Quality

Based on the results of partial testing using the t-test, it is known that the independence variable has a significant effect on audit quality at public accounting firms in Medan. The results of this study are in line with the research conducted by Gari and

Dedy (2019), which states that independence has a significant effect on audit quality. Ariany (2017) stated that independence has a significant effect on audit quality. Haryanto and Clara (2018) stated that independence has a significant effect on audit quality. Qibthiyyah and Elly (2020) stated that independence has a significant effect on audit quality.

The Influence of Competence on Audit Quality

Based on the results of partial testing using the t-test, it is known that the competency variable has no effect and is not significant on audit quality at public accounting firms in Medan. The results of this study are in line with research conducted by Oklivia and Aan (2014), which states that competency has no significant effect on audit **quality.**

The Influence of Competence on Audit Quality

Based on the results of simultaneous testing using the F-test, it is known that the variables of independence and competence have a significant effect on audit quality at public accounting firms in Medan. The results of this study are in line with the research conducted by Ariany (2017), who stated that independence and competence have a significant effect on audit quality. Haryanto and Clara (2018) stated that competence and independence have a significant effect on audit quality. Qibthiyyah and Elly (2020) stated that independence and competence have a significant effect on audit quality.

6. CONCLUSIONS AND RECOMMENDATIONS

This study states that independence and competence in relation to audit quality, as shown by the results of multiple linear regression analysis, indicate that any improvement in the aspects of the independence and competence variables will lead to an improvement in audit quality. Partially, independence has a significant effect on audit quality at public accounting firms in Medan, which means that H1 is accepted. Partially, competence has no effect and is not significant on audit quality at public accounting firms in Medan, which means that H2 is rejected. Simultaneously, independence and competence have a significant effect on audit quality at public accounting firms in Medan, which means that H3 is accepted. Based on the results of the coefficient of determination (R2) test, it is known that independence and competence can explain their relationship with audit quality at public accounting firms in Medan.

The results of this study indicate that independence has a significant effect on audit quality, so auditors must remain independent in performing their audit work even if they have had a long-standing cooperative relationship with their clients. Auditors must have firm principles and convictions and perform their audit duties in accordance with applicable standards so that they can produce high-quality audit results that can be used for decision-making. Auditors are responsible for the results of their audits in maintaining the good name of public accountants and avoiding negative assessments from other auditors. Therefore, auditors must be honest so that the public continues to

trust the audit results produced by auditors. The results of this study indicate that competence does not significantly affect audit quality. Therefore, auditors must understand and perform professional services in accordance with the relevant SAK (Financial Accounting Standards) and SPAP (Public Accountant Professional Standards) and conduct their audit services in accordance with applicable standards. Auditors also have a responsibility to produce good audit quality, so they also need knowledge related to the field of auditing, as well as work experience to support the performance of their audit work.

The researchers suggest that future studies wishing to examine or continue this research should seek to identify or add other research variables that may influence audit quality in addition to independence and competence, such as professionalism, work experience, audit fees, and integrity. Researchers suggest that future studies should increase the number of respondents or samples to better reflect the actual conditions at public accounting firms. Researchers also suggest that future studies should expand the scope of the population studied by adding more criteria in sample selection.

ADVANCED RESEARCH

Audit quality is a crucial factor that determines the credibility of financial statements produced by an entity. As an independent party, auditors have a responsibility to provide objective, accurate, and professional opinions. Two factors that are often considered to determine audit quality are auditor independence and auditor competence. Independence reflects the auditor's ability to act without pressure or influence from other parties, while competence describes the technical abilities, knowledge, and skills possessed by the auditor to carry out audit procedures appropriately.

Previous studies in Medan have examined the influence of these two factors on audit quality, but the results show mixed findings. Some studies found that independence has a positive and significant effect on audit quality, while other studies showed insignificant or even negative results. Similarly, auditor competence — some studies state that it has a direct effect on audit quality, while other studies show that competence is only effective when moderated by variables such as integrity or professional ethics. The inconsistency of these findings indicates a research gap that needs to be explored further.

Based on these conditions, this follow-up study was designed to re-examine the influence of auditor independence and competence on audit quality at public accounting firms in Medan, taking into account additional variables that could potentially moderate or mediate this relationship. This study is expected to provide a deeper and more contextual understanding of the factors that determine audit quality, as well as serve as a reference for auditors, public accounting firms, and regulators in improving professional standards and audit service quality in the future.

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