

THE INFLUENCE OF ETHICS AND AUDIT RISK ON AUDIT QUALITY WITH PROFESSIONAL SKEPTICISM AS A MODERATING VARIABLE: A CASE IN PUBLIC ACCOUNTING FIRM (KAP) LOCATED IN SURABAYA

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Abstract

The audit quality is a complex issue as it deals with so many interfering factors and depends on the viewpoints of each party. This study uses the statement from De Angelo that good audit quality can be achieved, when the auditor is able to discover and report the existing infringements in the client's accounting system. Following that, this study is intended to find out the influence of ethics and audit risk on audit quality with professional skepticism as a moderating variable. The respondents of this research are the auditors who work in public accounting firms located in Surabaya. This research uses primary data that were collected by questionnaires. The survey method was chosen as data collection method by delivering questionnaires directly to the respondents. A hundred and six questionnaires were distributed to several public accounting firms and only 87 of them that could be processed. The analytical technique used was Multiple Linear regression and Moderation Testing using residual. The result shows that, first, ethics affects audit quality. Second, audit risk affect audit quality. Third, professional skepticism strengthens effect of ethics on audit quality. Fourth, professional skepticism strengthens effect of audit risk on audit quality.

Keywords: *audit quality, ethics, audit risk, and professional skepticism.*

1. Introduction

In this modern economy era, audit profession is remarkably developing. Auditors, as a part of public accountant, play an important role in company audits by offering their professional judgment on the financial statements in order to provide useful audit result which can provide meaningful

insights to various interested users (head of the company, shareholders, government, creditors, and employees). The analysis of financial statement and judgment of the auditor will become a basis for consideration and decision making made later by all related parties (Revsin et al., 2000). For example, investors use the audit result and auditor's opinion to make investment policy, and lenders also use them in their consideration and decision making either to terminate or expand the loans given to the companies.

Specifically, the opinion of the auditors is greatly needed to improve the financial statement's credibility and quality, which, in turn, will affect the audit quality. This is in line with Moizer (2005) who stated that the audit work quality performed by the auditors largely affects the value of audit judgement. Moreover, in order to make audit opinion with good quality, the auditors should rely on the real condition of the company including its financial statement situation. This is done to ensure that the audit result will not mislead users or even harm the client itself. Therefore, while conducting an audit on financial statement, auditors should follow standard and regulatory requirement. Those standards require that appropriate professional skepticism to be applied in the exercise of professional opinion or judgment.

Moreover, while administering audit procedure, professional skepticism needs to be adopted by the auditors since fraud is often hard to be detected and is often intentionally covered by the perpetrators (Knapp & Knapp, 2001). A dearth of professional skepticism often becomes an underlying cause of audit failures and the loss of trust given by the investors. In implementing professional skepticism itself, the auditors are also required to have deep understanding of skepticism in order to help them provide high quality in audit (Papova, 2012).

Anggoro (2015) has seen it as a deficiency problem facing credibility crisis. He stated "Auditor profession in Indonesia faces the problem of audit deficiency arising from the lack of application of professional skepticism, time budget pressure and the increasing complexity of financial reporting, as well as problems related to the limited accountants in the face of the ASEAN Economic Community (MEA) competition which will free the labor market including accountants in the beginning year of 2016".

Currently, in more particularly in Indonesia, profession in audit field faces problems related to deficiency in the quality of audits conducted by an auditor. The problem arises because of a lack of professional skepticism, the increasing level of financial reporting complexity, and a higher concern on the clients' wants. The failure of auditor in implementing professional skepticism is suspected to be one of the causes of deficiency audit quality, which is feared to affect the reputation of audit services in Indonesia.

The ASEAN Economic Community that has been implemented since December 31, 2015 becomes one of the reasons for auditors to improve their performance to serve best audit service. The problem of audit quality deficiency should be solved as soon as possible in order to face AEC (ASEAN Economic Community).

There have been a large number of studies conducted to investigate the relationship among variables affecting professional skepticism in an area of accounting and auditing in order to know factors affecting audit quality. Some of them focused on dependent variables, others centered their study on independent variables, while some others tried to treat a particular variable either as a(n) intervening or moderating variable.

This present study tried to investigate the influence of a moderating variable to a particular dependent variable which is audit quality and independent variables which are ethics and audit risk. With the implementation of a moderating variable, the researcher expects that the relation among variables (independent and dependent variable(s)) can be more apparent, either intensifying or reducing the relationship, which eventually will benefit an audit in general and the related parties involved.

Professional skepticism is used as a moderating variable in this present study since the researcher finds the significance of professional skepticism application in an audit. Without the implementation of professional skepticism, auditors will identify errors in irrational thought, and find it hard to identify errors due to misstatement, as cheating is easy to hide by the perpetrators (Suraida, 2005). Moreover, professional skepticism is also found to have close relation with other variables such as ethics, independence, experience, competence, expertise, audit quality, and among others.

Therefore, due to a limited number of research using professional skepticism as a moderating variable, this present study tries to add the new insight on its relationship to other variables. However, different from Zarefar, Andreas, and Zarefar (2015), this present study is going deeper by including the analysis of the influence of audit risk to the quality of audit. Moreover, similar to the present study, Suraida (2005) also investigated the relation of ethics, competency, experience, and audit risk. Yet, her focus is the influence of those factors on professional skepticism and the auditors' judgment accuracy, not on the audit quality.

2. Literature Review and Hypothesis Development

2.1 Auditing

Auditing is defined as a process of collecting and analysing evidence in a systematic way in relation to assertions of economic acts and events in order to ensure trust among the assertions and build the effective communication regarding the audit results to the related parties (Messier Jr, Glover, & Prawitt, 2016). Auditing is then seen as a logical thinking process and reasoning skill, requiring a thorough and complex analysis in auditing conduct.

There are three main types of audits that auditors can do, regarding the company's activities. The first is the audit of financial statements. This is related to the actions of collecting and investigating the evidence about the company's report in order to provide a judgement on whether their report has been a fair presentation fulfilling the established principles of public accounting in force (GAAP). The

second type of audit is the compliance audit. This is related to the actions of collecting and examining the evidence about the company's report in order to give opinion on whether the financial reports of a company comply with reservations, conditions, or specific regulations. The third type is about the operational audit activity. This activity is conducted to collect and evaluate the evidence to find out the efficiency and effectiveness of company's activity in its relation to the accomplishment of the targeted objectives.

2.2 Audit Quality

De Angelo (1981) defines audit quality as the joint probability in which an auditor will discover and report the infringements that exist in the accounting system of its clients. Audit quality is greatly needed in a company to investigate and assess company's activities. Audit quality is defined as the possibility that an auditor might find and report an infringement in the accounting system of the client. Furthermore, during the process of investigation, auditing is also able to measure business risks and the maintenance of the common auditing standards to avoid lawsuits and employer's complaints as well as reduce the damage to the reputation as a professional accountant as a result of mal-auditing (Gholamreza& Samira, 2015).

Several studies have been conducted to examine related factors influencing audit quality. Carcello (1992) stated that audit quality is greatly affected by prior experience in several sectors: industry expertise, auditing, responsive actions to the client company's needs, appropriate conduct of audit field work, commitment to quality, due care throughout the engagement, high ethical standards, technical competence in approved accounting standards and auditing standards, independence, effective interaction with the audit committee, active involvement of the executives (partner/manager) in the engagement, and skeptical attitude throughout the audit engagement. Meanwhile, Behn et al. (1997) tried to relate audit quality to client satisfaction with 12 audit quality attributes (Audit Experience, Understanding a Client's Business Environment, Responsive Actions to the Client Company's Needs, Obedience to the Common Standards, Independence, Due Care, High Commitment to audit Quality, Involvement of the Leader of Accounting Firm, Appropriate Conduct of Audit Field Work, Involvement of the Audit Committee, High Ethical Standards, and Professional Skepticism).

2.3 Ethics

Ethics is a branch in Philosophy which deals with value which is based on human behaviour to truth or fallacy of the actions or good or bad results of such actions (Khani, 2014). Meanwhile, Asif (2010) states that ethics is a set of ethical criteria to evaluate the truth or fallacy of an issue. The definitions given by both researchers show the importance of ethical principles in a profession in order to rule the moral value or behavior of a profession, which is based on the regulations that must be obeyed and complied by each member of the profession.

The code of ethics needs to be followed by any profession that principally gives services to the community. The code of ethics is a series of moral principles ruling professional conduct (Agoes, 1999). In the context of accounting and auditing, professional ethics is the measurement index of proper behaviour and a means to determine bad and good relations. Ethical principles in the area of accounting and auditing surely determines the professional responsibility of the accountants to the community, employer, and other stakeholders while doing their jobs including when they face an ethical issue.

The regulation and ethics of professional behaviour in the domain of accounting and auditing is an effort to respond to the needs of being independence and trustworthy. According to Pflugrath, Bennie, & Chen (2007), code of ethics is essential as it implicitly forms limitations or unethical behavior and is aimed to provide guideline in biased situations. Code of ethics is able to execute some organizational functions, for instance, making the unclear or unstated ethical values become explicit, raising the awareness of the employees on which actions are unpunishable or unethical, and helping the organization to transfer accountability of actions to individuals.

To develop the public accountants and public accounting firm quality, new codes of conduct are proposed. Indonesian Public Accountants can make themselves prepared to comprehend and apply the tasks of the profession, so the audit quality can be achieved in the maximum level. In addition, De Angelo in Prasita and Adi (2007) tells that audit quality actually can be observed from the agreement of an auditor while accomplishing several phases that should be administered in auditing activities. Moreover, the implementation of audits conducted in compliance with applicable ethics will improve the quality of audit, because the code of ethics is a means for clients or public to assess the quality of services provided (Arens et al., 2008).

2.4 Audit Risk

Arens (2003) defined risks as uncertainty in the conduct of an audit, in which there is an uncertainty about the competence of evidence, uncertainty about the effectiveness of the client's internal control, and uncertainty about whether the financial statements have been fairly presented when the audit has been completed. Audit risk is very important in the process of audit because auditors are not able to and do not attempt to review and check all the transactions happening. In addition, auditors have to lead their audit work to the key risks (sometimes also referred to significant risks), in which some errors in balances and transactions might cause a material misstatement or fatalities in the financial statements.

Risk assessment procedures should be performed by the auditor to serve as a foundation for identifying and assessing the risks of the misstatement of the material. The auditor is obliged to have sufficient knowledge of the company and its environment, including the internal control systems of the company. The duties include the identification and assessment of the material misstatement risks, the identification whether the identified risks, based on the judgement of the auditor, are included as

significant risks. These actions are done to serve as a basis for the design and performance of further audit process.

In giving opinion as to which there are significant risks, several considerations should be made by the auditor: 1) whether there is a risk of fraud, 2) whether there is a relation between the risk and current development in economy, accounting, and others, which, therefore, needs particular attention, 3) the complexity of transactions, 4) whether there are important transactions with other related parties in the risk, 5) the level of subjectivity in measuring the financial information in its relation to the risk, particularly the high range of measurement uncertainty in financial reporting, 6) whether there are important transactions in the risk which are unnormal business transaction, or which appear to be not usual.

Based on the AU section 312 and book titled “Auditing and Assurance Service” by Messier, Glover, & Prawitt (2014), there are three aspects of audit risk broken down by audit risk model: 1) Inherent risk (this is the vulnerability of an account to a misstatement that can be material, either individually or when it is accumulated with other falsehoods, prior to the examination of any related controls; 2) Control risk (the risk that a material misstatement might happen because the company’s internal controls do not restrain or notice and revise the misstatement, either individually or when it is accumulated with other falsehoods); 3) Detection risk (the risk that the actions done by the auditor are failed to disclose a misstatement which exists and that can be material, either individually or when it is accumulated with other falsehoods).

The degree of misstatement means a lack of the auditor’s accuracy in assessing or determining the level of audit risk on the subject matter he is working on. Effective auditors recognize the presence of a number of risks and will struggle with those risks in an appropriate approach. However, most of the risks faced by auditors are difficult to quantify and require careful thought to be responded appropriately. Following these risks appropriately is a matter of great importance in order to produce a good audit quality.

2.5 Professional Skepticism

Skepticism means less skeptical believer or hesitation (Indonesian Dictionary, 2008). The SPASP (SA Section 230, paragraph 06) describes the professional skepticism of an auditor as an a behaviour which involves a constant questioning of the mind and critical evaluation of the audit evidence. Professional skepticism is an essential concept in the practice of audit and a basic part in the audit procedures, affecting audit quality. Several characteristics generally correlated with being skeptical include questioning and thorough observation, reflection, scrutiny beyond the obvious, and deferral of belief.

This skeptical attitude of auditors is expected to reflect the professional skills of auditors. Professional auditor proficiency will greatly influence the accuracy of giving opinion, so indirectly professional skepticism of auditors will influence the accuracy of opinion delivery. In addition, with

this professional skepticism, auditors are expected to perform their duties in accordance with established standards, uphold the norms and rules, so audit quality and professional image of auditors can be maintained (Emrinaldi et al., 2014).

The implementation of auditors' professional skepticism is essential to produce good audit quality. Nevertheless, there are several perspectives on, and varied definition of professional skepticism in auditing literature. Gusti and Ali (2007), and Kee & Knox's (1970) introduced a model "Professional Auditor Scepticism" which explains that careful consideration of prior audit experience, situational factors, and individual factors affected auditors' professional skepticism. Specifically, Kee and Knox's (1970) stated that in their model "Professional Auditor Scepticism", auditors' professional skepticism is greatly affected by some aspects, which include ethics, situations, and experience.

Glover & Prawitt (2014) introduced a "professional skepticism continuum" acknowledging that the proper application of professional skepticism is based on the risk characteristics of the assertion and account. The application of professional skepticism continuum to the audit is expected to help auditors obtain the maximum balance between efficiency and effectiveness. It is essential to take into account that the application of professional skepticism continuum to a particular assertion and account occurs after a cautious and accurate initial risk assessment, and that the auditor keeps re-evaluating risk during audit process to make sure proper skepticism is administered while collecting and evaluating audit evidence. Professional skepticism continuum presents various professional skepticism levels and significantly thoroughly distinct mindsets at different stages of continuum, meaning that several factors affecting the need to collect more or less audit evidence will determine that there will be several situations when the procedures of auditor's risk assessment will guide the auditor to decide that distinct amounts of audit effort are essential for a certain assertion or account. The application of a continuum justifies that the proper level of skepticism varies based on the circumstance.

2.6 Hypothesis Development

2.6.1 The Effect of Ethics on Audit Quality

In general, in conducting an audit, each member of quality audit team has to try hard for being objective in giving judgement and subsequent explanations. Only the facts are allowed to be included in the assessment of whether criteria are in line with the implemented programs. The auditor should state his judgment not before it has been well justified based on sufficient and proper knowledge and just mere opinion. Implementing objectivity in audit work means auditor implements the one of basic principle based on code of ethics. According to Hery (2006), an auditor in making a definite decision uses more than one rational consideration based on the understanding of prevailing ethics and makes a fair decision. Also, the action taken must reflect truth and real circumstances. Each of these rational considerations represents the need for a consideration that is expected to reveal the truth of the ethical

decisions that have been made. Therefore, to measure the level of auditor's understanding of the application of prevailing ethics, any decisions require a particular measure. Accountants professional in carrying out their duties have binding guidelines such as code of ethics. Ananda (2014) stated that an auditor should have an adherence to the existing code of ethics, so that the auditor will be able to maintain ethical behavior and can meet accountable working principles with optimal performance in the conduct of the audit. So in carrying out his activities, a public accountant has a clear direction and provides the right and accountable decisions to the parties who use the results of the auditor's decision.

Arens et al. (2012) argued that a public accountant should be aware of the responsibility to the public, clients, and fellow practitioners, including of respectable behavior, even if it means making a sacrifice of personal gain, in order to produce a good audit quality. In addition, there are several researches by Syamsuddin et al., 2014; Putri and Juliarsa, 2014; Kisanawati, 2012; and Pflugrath, et al., 2007 which have proven that ethics affects audit quality. Based on the statement above appears following hypothesis:

H1: *Ethics affects Audit Quality*

2.6.2 The Effect of Audit Risk and Audit quality

Mulyadi (2002) defined audit risk as a certain degree of uncertainty received by the auditor in conducting audit. Audit risk may arise because auditors unintentionally does not modify his opinion properly. In making an audit opinion, the auditor should take into account of audit risk. There are some aspects of audit risk that need to be taken into consideration by auditors to decide the nature, timing, and scope of audit procedure (AU section 312).

In the audit activity, the auditor should include the results of risk determination into the audit program to ensure that the required controls are truly applied to reduce the risk. Audit risk shows the risks faced by the auditor who states that the financial statements are correct and has published his audit opinion, but in fact the report is not true and has high material misstatement. This causes the auditor's opinion to be invalid to its users. Thus, indirectly the auditor cannot meet the expected audit quality, which De Angelo (1981) defines as the joint probability in which an auditor will find and report the fraud that exists in the accounting system of the clients. Based on the statement above appears following hypothesis:

H2: *Audit Risk affects Audit Quality*

2.6.3 The Moderating Effect of Professional Auditor Skepticism on The Relation of Ethics and Audit Quality

Ethics in general can be defined as a set of principles or moral values. Ethical behavior is needed by society to function based on rules. Therefore, ethics is seen as values that can bind members of society. The need for ethics in society is quite important, so many common ethical values

are included in law (Arens et al., 2014: 90). The public and government's trust on the work of the auditor is determined by the expertise, independence, and integrity of the auditor's moral or honesty in carrying out the work. Public distrust on auditors may degrade the dignity of the auditor's profession as a whole, thereby harming other auditors.

Syamsuddin et al. (2014) stated that auditors require a set of ethics in addition to applying professional skepticism to govern the work of audit and keep the confidentiality of the clients. Moreover, Emrinaldi et al., (2014) explained that by applying professional skepticism, it is expected that the auditors conduct their work based on the general standards, norms, and rules to maintain auditors' professional image and audit quality. In addition, Zarefar, Andreas, & Zarefar (2016) found that professional skepticism moderate the influence of ethics towards audit quality. Based on the statement above appears the following hypothesis:

H3: *Professional Skepticism strengthens effect of Ethics on Audit Quality*

2.6.4 The Moderating Effect of Professional Auditor Skepticism on The Relation of Audit Risk and Audit Quality

A high audit risk requires the auditor to have high awareness of possible fraud in order to make audit effective. SAS 99 strengthens the significance of applying professional skepticism during audit. The auditor must keep a questioning mind and become critical in their assessment to the report of entity's management and to other evidence examined to decide the existing risk or fraudulent misstatement. The auditor should never accept less than persuasive evidence based on the assumption that management is honest.

In addition, the application of professional skepticism should be able to reduce the detection risk because it improves the effectiveness of the audit procedures applied and reduces the likelihood of the auditor reaching inaccurate conclusions when evaluating the results of audit procedures. By applying professional skepticism throughout an audit process with the hope to raise awareness on, find, and assess existing risk, the auditor could conduct an effective audit including reduce the risks and discover infringements. Thus, good audit quality can be achieved, whereby the auditor is able to discover and report the existing infringements in the client's accounting system (De Angelo, 1981).

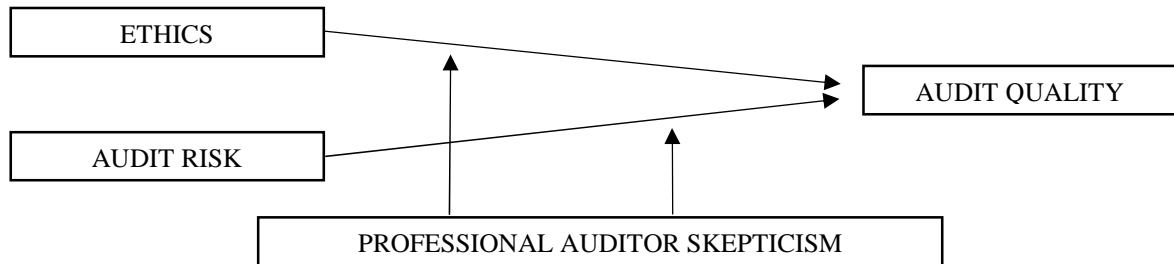
Based on the statement above appears following hypothesis:

H4: *Professional Skepticism strengthens effect of Audit Risk on Audit Quality*

Based on the theories as well as previous research presented in the literature review as well as hypotheses developed by the researcher, the researcher designed a research framework that will be used as a basis for this current study analysis. The framework in this study explains about the influence of ethics and audit risk toward audit quality with professional skepticism as a moderating variable which can be seen in Figure 1.

Figure1

Research Framework



3. Research Method

3.1. Population and Sample

The population of this research is all auditors who work in public accountant firms located in Surabaya. In more details, the list of public accountant firms or KAP in Surabaya. The sampling technique was done by non-probability sampling using convenience sampling as a sampling method in which data collection were collected from members of population who are conveniently available to participate. It was done by choosing public accounting firms which were willing to accept the questionnaires. The questionnaire is completed with instructional steps (directions) of how to fill up the questionnaire. The potential answers of the questionnaire are set in 5 level of Likert with 1 very disagree and 5 very agree. This scale is intended to know the auditor's preference of every question stated in the questionnaire.

3.2. Variable and Research Measurement

a. Audit Quality (Y)

The audit quality was measured by the instruments adapted from the research of Behnet *al.* (1967) mentioned in Widagdo (2002) which has twelve (12) indicators that consists of (1) The audit experience; (2) The understanding of the client industry; (3) The response to the client requirement; (4) The compliance to general standards; (5) The independency; (6) The due care; (7) The strong commitment to the audit quality; (8) The leadership involvement of the accounting firm; (9) The right field work; (10) The involvement of the audit committee; (11) The high ethics standard; and (12) The professional skepticism.

b. Ethics (X₁)

In this research, the indicators of ethics will be determined by five fundamental principles based on IFAC and code ethics in Audit Standard (Integrity, Objectivity, Professional Competence and Due Care, Confidentiality, Professional Behavior).

c. Audit Risk (X₂)

Messier, Glover, & Prawitt (2014), as well as AU section 312 paragraph 27, stated that there are three components of audit risk, there are inherent risk, control risk, and detection risk. The indicators of audit risk in this research will be based on the AU section 312 and book titled “Auditing and Assurance Service” by Messier, Glover, & Prawitt (2014)

d. Professional Skepticism (M)

The indicators of professional skepticism in this research were measured with theoretical model of professional skepticism that is grounded in psychological literature and philosophical literature on methodological skepticism. Hurlburt (2010) developed the measurement instruments of professional skepticism into 6 dimensions, there are: 1) Questioning mind, 2) Suspension of judgment, 3) Searching of knowledge, 4) Interpersonal understanding, 5) Self-confidence, 6) Self-determining.

3.3. Data Analysis Method

The data analysis of this study consists of descriptive statistics (description and demographic profile of respondents, and research variable description), validity and reliability test, and Moderated Regression Analysis with residual test for hypothesis testing which has several regression models. The first regression model is multiple linear regression and the other regression models are moderated regression model with residual test (the second and third regression models are a model of the residual test for Ethics, and the fourth and fifth regression model are a model of the residual test for Audit Risk :

$$Y = a + b_1 X_1 + b_2 X_2 + e \dots \dots \dots (1)$$

$$M = a + b_3 M + e \dots \dots \dots (2)$$

$$e = a + b_4 Y \dots \dots \dots (3)$$

$$M = a + b_5 M + e \dots \dots \dots (4)$$

$$e = a + b_6 Y \dots \dots \dots (5)$$

Where the explanations are as follows:

Y = Audit Quality

X₁ = Ethics

X₂ = Audit Risk

M = Professional Skepticism

a = Intercept/constant

b₁ = Coefficient variable of Ethics

b₂ = Coefficient variable Audit Risk

b₃ = Coefficient of residual value for Ethics

b₄ = Coefficient of absolute residual value for Ethics

b₅ = Coefficient of residual value for Audit Risk

b₆ = Coefficient of absolute residual value for Audit Risk

4. Results

4.1. Descriptive Statistics and test of validity and reliability

Hundred and six questionnaires were distributed to several KAPs and 87 of them were returned and processed. Based on the demographic profile of respondents, the dominant age of the auditors lies in the range of 26-35 years. In terms of the latest education, the respondents are mostly undergraduates (S1) accounting (86%). Moreover, the respondents are mostly junior auditor that is 43% whereas senior auditor is 53%. Meanwhile, the length of work of the auditor respondents is predominantly 1-5 years. In addition, male respondents have a slight higher percentage than female (53% and 47%, respectively).

The distribution of the frequency for each variable and test of validity and reliability result are presented in Table 1. The data show that the average value of each variable is more than 4 which is included in category of good. Under the terms used in this study, Pearson correlation values are considered valid if it reaches the value formulated in $r_{\text{value}} > r_{\text{table}}$. The data present that the value of validity test is more than 0.3 (r_{table} for this study) which mean that each indicator is valid, so it can be concluded that the indicators can be used to measure the research variables. Moreover, this study used Cronbach Alpha to test reliability where a variable is stated reliable if the reliability level (Cronbach Alpha) is bigger than 0.6. From Table 1, it is known that the value of Cronbach Alpha for all variables is greater than 0.6. Therefore, it can be concluded that all the variables used for this research are reliable

Table 1
Research Variable Description and Test of Validity and Reliability

Variable	Indicator	Mean	Validity and Reliability	
			Validity	Reliability
Ethics (X1)	X1.1	4.3	0.783	0.931
	X1.2	4.34	0.751	
	X1.3	4.22	0.791	
	X1.4	4.17	0.797	
	X1.5	4.24	0.793	
	X1.6	4.24	0.744	
	X1.7	4.31	0.773	
	X1.8	4.17	0.821	
	X1.9	4.31	0.81	
	X1.10	4.3	0.793	
		4.26		
Audit Risk (X2)	X2.1	4.01	0.602	0.938
	X2.2	4.03	0.677	
	X2.3	4.13	0.661	
	X2.4	3.98	0.346	
	X2.5	4.24	0.662	
	X2.6	4.06	0.694	

	X2.7	4.07	0.601	
	X2.8	4.08	0.567	
	X2.9	4.08	0.718	
	X2.10	4.05	0.483	
	X2.11	4.05	0.803	
	X2.12	3.97	0.522	
	X2.13	4.08	0.616	
	X2.14	4.09	0.56	
	X2.15	4.16	0.682	
	X2.16	4.18	0.675	
	X2.17	4.21	0.769	
	X2.18	4.22	0.693	
	X2.19	4.25	0.746	
	X2.20	4.22	0.731	
	X2.21	4.22	0.789	
	X2.22	4.21	0.787	
	X2.23	4.08	0.824	
		4.12		
Professional Skepticism (M)	M1	4.1	0.758	0.965
	M3.2	4.13	0.784	
	M3.3	4.18	0.875	
	M3.4	4.24	0.8	
	M3.5	4.26	0.832	
	M3.6	4.29	0.769	
	M3.7	4.24	0.712	
	M3.8	4.16	0.833	
	M3.9	4.15	0.872	
	M3.10	4.15	0.866	
	M3.11	4.13	0.859	
	M3.12	4.11	0.805	
	M3.13	4.1	0.809	
	M3.14	4.18	0.84	
	M3.15	4.15	0.862	
		4.17		
Audit Quality (Y)	Y1	4.24	0.732	0.912
	Y2	4.22	0.803	
	Y3	4.16	0.757	
	Y4	4.29	0.795	
	Y5	4.23	0.761	
	Y6	4.21	0.767	
	Y7	4.29	0.773	
	Y8	3.95	0.643	
	Y9	4.21	0.746	
	Y10	3.92	0.532	
	Y11	4.17	0.635	
	Y12	4.11	0.766	

		4.17		
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4.2. Regression Analysis

The result of regression analysis is presented in Table 2. Based on Table 2, the coefficient of determination (R^2) is 0.61. It means that 61% of Audit Quality will be influenced by the independent variables, which are Ethics (X1) and Audit Risk (X2). Whereas, another 39% of Audit Quality will be influenced by other variables which are not described in this study. Table 2 also presents that sig. F value is 0.000. It means regression model analysis is significant because sig. F ($0.000 < 0.05$). It can be concluded that H_0 is rejected and H_1 is accepted, which means the dependent variable (Audit Quality) is influenced significantly by the independent variables (Ethics and Audit Risk). In addition, the result of multiple regression is fit because there are no violation of classical assumptions required either normality, multicollinearity, autocorrelation, or heteroscedasticity.

Table 2
Result of Multiple Regression

Variable	Coefficients	t-value	Sig.	F	Sig. F	R^2
Constant	1.275	0.298	0.76	65.759	0.000	0.610
Ethics	0.437	3.107	0.003			
Audit Risk	0.318	5.004	0.000			

The hypothesis result can be checked through statistical measurement called t-test. In this research, Hypothesis 1 and 2 can be concluded from the result of multiple linear regression. Based on Table 4.2, the t value of Ethics is 3.107, while t-table ($\alpha = 0.05$; db residual = 84) is 1.987. The results represent that Ethics has a significant influence toward Audit Quality because t test $>$ t table which is $3.107 > 1.987$, or sig t ($0.003 < 0.05$). The t value of Audit Risk is 5.004, while t table ($\alpha = 0.05$; db residual = 84) is 1.987. The results represent that Audit Risk has a significant influence toward Audit Quality because t test $>$ t table which is $5.004 > 1.987$, or sig t ($0.003 < 0.05$).

Table3
Result of Residual Test

Dependent Variable	Independent Variable	Constant	Unstandardized Coefficients	t	Sig.	R^2
AbsRes X1	Audit Quality	19.502	-0.315	-4.345	0.000	0.182
AbsRes X2		11.616	-0.157	-2.118	0.037	0.050

Referring to Table 3, the t value of ABRESX1 variable (residual between Ethics and Professional Skepticism) to Audit Quality variable is -4.345 and probability value is significant because sig t ($0.000 < 0.05$). The t value of ABRESX2 variable (residual between Audit Risk and Professional Skepticism) to Audit Quality variable is -2.118 and probability value is significant

because $\text{sig } t(0.037) < 0.05$. The results represent that the coefficient of Audit Quality toward both, ABRESX1 and ABRESX2, is significant and negative. It means that Professional Skepticism is a moderating variable and there is a lack of fit between Audit Quality and Professional Skepticism, causing a negative influence on Audit Quality.

In summary, Hypothesis 1 and 2 are accepted, which means that Ethics affects Audit Quality, and Audit Risk affects Audit Quality. On the other hand, Hypothesis 3 and 4 are rejected, which means that Professional Skepticism does not strengthen the relationship between Ethics and Audit Quality, and between Audit Risk and Audit Quality.

4.3. Discussion

Based on the hypothesis testing results using multiple linear regression model, it is known that all of the independent variables, Ethics (X_1) and Audit Risk (X_2), have an effect on the Audit Quality (Y). Moreover, based on the hypothesis testing results using residual moderated regression model, it is known that Professional Skepticism does not strengthen the effect of Ethics on Audit Quality, and of Audit Risk on Audit Quality. Therefore, the test results of hypothesis 1 to 4 are explained as follows.

4.3.1 Ethics affects Audit Quality

Based on the results of hypothesis testing, it is proven that Ethics affects Audit Quality. The implementation of audits conducted in compliance with applicable ethics will improve the quality of audit, because the code of ethics is a means for clients or public to assess the quality of services provided (Arens et al., 2008). In generating good quality audits, public accountants must be aware of the responsibility to the public, to clients, and to fellow practitioners, including respectable behavior, even if it means making a sacrifice for personal gain (Arens et al., 2012). Auditors who adhere to professional ethics will not be easily influenced by other parties and perform their duties in accordance with ethical principles that apply to the auditors, so that the quality standards of work will increase and will produce a good quality audit result.

Code of Ethics is a guideline that becomes a basis to behave and this will increase public confidence in the quality of professional services provided by an auditor. This is in line with the results of Ananda's (2014) study which states that an auditor must have an adherence to the existing code of ethics; by applying such an attitude the auditor will be able to maintain ethical behavior and be able to meet accountable working principles with optimal performance in the implementation of audit. The higher the compliance on the ethics codes of auditors, the higher the public trust to the quality of auditing. In addition, these results are also consistent with the research undertaken by Syamsuddin et al. (2014), Futri and Juliarsa (2014), Kisanawati (2012), and Pflugrath, et al. (2007).

4.3.2 Audit Risk affects Audit Quality

Based on the results of hypothesis testing, it is proven that Audit Risk affects Audit Quality. Mulyadi (2002) states that the risk in auditing means that the auditor receives a certain degree of uncertainty in the conduct of the audit. The assessment of the risks faced by the auditor is clearly stated in the audit standard, AU section 312 paragraph 27, in which the audit risk components need to be considered by the auditor to determine the nature or type, timing, and scope of audit procedures. The auditor also needs to consider the audit risk in evaluating the findings obtained through the application of the audit procedure.

De Angelo (1981) defines audit quality as the joint probability in which an auditor will discover and report the infringements that exist in the accounting system of the clients. The level of risk faced by the auditor will affect the auditor's error rate in providing appropriate opinion. The higher the level of risk faced by the auditor, the higher the possibility of auditors in making mistakes in giving opinions, which will impact on the quality of audit results generated.

4.3.3 Professional Skepticism does not effect of Ethics on Audit Quality

Based on the result of hypothesis testing, it is proven that Professional Skepticism does not strengthen the influence of Ethics on Audit Quality. It means that the application of professional skepticism in the implementation of ethics in order to deliver good audit quality is negative. The result of this study contradicts the research of Zarefar, Andreas, &Zarefar (2015) which found that professional skepticism moderates positively among ethics and quality of auditing output.

In more depth, the higher standard of set of norms and rules that the auditors hold might restrict the auditors' work to the level that they might find their work to be quite challenging. They put high expectation to always be in line with the code of ethics, and put attention even to the details of the financial statement accounts that clearly present little or no risk to the financial misstatement, as the auditors are too cautious that their behaviours might harm the code of conduct having been set up or break the existing norms and rules. The situation gets worse when the auditors apply high level of professional skepticism, even to an inappropriate level, during the audit process. This will lead to an inefficient and ineffective audit process by the auditors in terms of the complexity of the work done, and high pressure to work at hand. The auditors, due to high level of professional skepticism, extend their consideration while it is not necessary. Besides, high expectation of society towards the auditor performance and standard that must be fulfilled might make auditors more difficult to achieve good audit quality.

4.3.4 Professional Skepticism does not effect of Audit Risk on Audit Quality

Based on the result of hypothesis testing, it is proven that Professional Skepticism does not strengthen the influence of Audit Risk on Audit Quality. This means that inappropriate implementation of professional skepticism during assessing audit risk will decrease the quality of audit.

The negative influence of professional skepticism in the relationship of audit risk and audit quality found in this present study gives a novel insight in the study of audit. The auditors, although recognizing the importance of skepticism, are found to not demonstrate the appropriate level of skepticism when assessing risk if seen through the perspective of quality of audit output. Apart from the crucial role of professional skepticism in identifying risk, inappropriate application of professional skepticism might negatively influence the effectivity and effectiveness of the audit process. Auditors apply higher professional skepticism during assessing risks while it is not needed. They are questioning too much to some specific account and too curious to some events, which might impact their consideration to be extended while it is not necessary. That action might influence the length of work and scope of the audit, which eventually impacts the fee, and it will impact audit quality as a whole. Moreover, a lack of relevant knowledge and experience causes inappropriate application of professional skepticism by the auditors.

5. Conclusion, Limitation and Suggestion

The findings of this study revealed that Ethics and Audit Risk significantly affect Audit Quality. Meanwhile, Professional Skepticism shows a negative influence on the relationship between Ethics and Audit Quality, as well as on the relationship between Audit Risk and Audit Quality. This means that Professional Skepticism is a moderating variable but there is a lack of fit between Audit Quality and Professional Skepticism, causing a negative influence on Audit Quality.

Based on the author's observations, the limitations in this study is the limited number of respondents who became the object of this research since the research was conducted at the end of year to the beginning of the following year, a period of a "big season" for auditors when most of them are not in the office. This had an impact on the availability of respondents in this research because some public accounting firms did not accept or rejected the questionnaires due to the absence of auditors as research respondents. Future researchers are suggested to consider wisely the time of research conduct, so they will not meet with any limitation on the number of respondents who can participate in the research, in the hope that the results of research can be maximized and can present the actual situation. In addition, for further research, it is expected that the future researchers can expand the scope of this research either by adding the sample or research variable. In the results of this study, there were still approximately 39.9% other factors outside Ethics, Audit Risk, and Professional Skepticism, which affect the quality of audit, so it is expected that the future researchers can enrich this present research.

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