THE INFLUENCE OF AUDITOR’S INDEPENDENCE, COMPETENCE, WORK EXPERIENCE AND PROFESSIONAL SKEPTICISM ON AUDIT QUALITY

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Abstract

Auditor as a profession is one of the front runners when it comes to upholding the quality of financial reporting and providing the broader public with reliable financial information. It certainly encourages the public accounting firm to improve the quality of audit generated. This study aims to determine whether auditor’s independence, competence, work experience and professional skepticism affect audit quality. Quantitative method is used in this research. Questionnaires were given to 130 auditors who work at the big five public accounting firms in Jakarta. The collected data were then analyzed using the multiple regression analysis. The result of this study indicates that auditor’s independence, competence, work experience and professional skepticism have positive influence on audit quality partially and simultaneously.

Keywords: audit quality, ethics, independence, competence, work experience and professional skepticism.

1. Introduction

Auditor as a profession is one of the front runners when it comes to upholding the quality of financial reporting and providing the broader public with reliable financial information. Auditing provides assurance to investors and creditors that company funds are handled appropriately. Auditors protect the public from investing in companies that use corrupt business practices or attempt to defraud investors with false financial statements. In reviewing financial statements and digging into accounting records, auditors can determine whether the financial statements and records accurately depict the company's true financial profile.

Auditors have the opportunity to fail in doing the audit process of the client's financial statements. In the end of 2016, Deloitte Touche Tohmatsu, based in Brazil, was fined by
PCAOB (Public Company Oversight Board) for US $ 8 million for issuing materially false audit reports. In 2017, Ernst & Young Indonesia partners were fined by the United States for US $ 1 million for allegedly giving an unqualified opinion but unable to provide sufficient evidence. Based on the case, the profession of public accountant is highly supervised by public. They need to be able to work competently and independently by using their expertise carefully and thoroughly in order to gain public trust.

By being an important critical mass in the global accountancy profession, auditor as a part of public accountant is required to continue to support the quality in carrying out the audit assignment. It certainly encourages the public accounting firm to improve the quality of audit generated. A quality audit will generate an opinion that matches the actual condition of the company and will certainly be useful to its users. The opinion is an objective and impartial assessment. This becomes one of many challenges for the public accounting firm in improving audit quality.

Until now there is no definite definition of audit quality. This is due to the lack of general understanding of the determinants of audit quality and the frequent conflict of interest between various users of the audit report. De Angelo (1981) states that audit quality is the probability that the auditors will find and report a violation on the client's accounting system. The auditor ability to find and report violations depends on the competence and independence of the auditors.

In principle, a quality audit can be achieved if the auditors apply the applicable standards and principles to be independent, obedient to the law, and adhere to the professional code of ethics. The audit standards that become the reference in producing quality audits are the general standards, field work standards and reporting standards. The general standard is a standard that reflects the personal quality of the auditors in which the auditors are required to have sufficient technical skills and training in performing the audit procedures. The standard of field work and reporting govern all auditor activities in audit practices and require auditors to prepare a report on the audited financial statements as a whole. In addition, the auditors have to comply with the professional code of ethics that regulates the behavior of auditors in carrying out their professional practice as well.

The first general standard states that in performing the audit, auditors must have sufficient technical training and competence. This standard asserts that adequate education and competence as an auditor is a necessary requirement for public accountant in doing the audit process. Kode Etik Akuntan Profesional section 130 established by IAI states that auditors must maintain professional proficiency and expertise at the level needed to ensure that clients will receive competent professional services. The auditor must also act carefully and diligently in accordance with applicable technical and professional standards when providing professional
However, knowledge of audit is not only limited to the knowledge gained during formal education. It is certainly not enough to cultivate a critical attitude to the auditors in carrying out the audit assignment. It takes a variety of work experience as an auditor to improve the ability in performing quality audit within the specified timeframe thoroughly and precisely. Research conducted by Marchant G.A. (1989) in Septriani (2012) suggests that experienced auditors will be capable of identifying errors in analytic studies, which will bring a higher level of quality in doing the audit. Experienced auditors can also provide a logical explanation of the errors and misstatements in the financial statements and can classify the errors. This is also supported by research conducted by Christiawan (2004) who states that experience will positively affect auditor ability in detecting errors that exist in the audited financial statement. In conclusion, work experience may be the one of the factors that affects audit quality, especially in detecting any misstatements in the financial statements.

Public accountant as a third party are in charge of auditing the clients’ financial statements as they need to assess the fairness of the financial statements presented. It requires not only auditor competence and work experience but also independence. SAS no.1, section 220 explains that the auditors should maintain a mental attitude of independence in matters relating to the engagement. In practice, auditors are often placed in dilemmatic situations where the auditors are required to be independent in giving opinion on the fairness of the client's financial statements while on the other hand, the auditors also need to be able to meet the demand desired by the client who pays the fees for the audit services provided (Singgih and Bawono, 2010). The situation can certainly affect the quality of the audit. Therefore, independence as a character is required by the auditors in order to generate quality audit that does not favor a single interest but the public interest.

On the other hand, Beasley et al. (2001) reveals that one of the biggest causes of auditor failure in maintaining quality of an audit is the lack of professional skepticism owned by the auditor. Based on the research, from 45 cases of fraud in the financial statements, 27 of them are due to inadequate professional skepticism of auditors. Therefore, professional skepticism is also an important element in auditing. Which is an absolute must for the auditors to always question and critically evaluate the audit evidence. This is reflected in the third general standard which stipulates that in conducting the audit and preparing its report, auditors must exercise due professional care. The use of due professional care demands the auditor to carry out professional skepticism. In this case, professional skepticism is a must-have attitude for auditors, either internal or external auditors in the private sector or the public sector. Arens et al. (2008: 145) argues that the auditors must planned and performed every aspects of the audit with the attitude of professional skepticism. It is important because audit is designed to provide assurance of detecting material misstatements due to errors and fraud in the financial statements. Hurtt (2010)
states that the concept of proofing evidence is one of the main concepts in auditing. In this case, auditor professional skepticism become a key factor in critical judgments by having a mind that always question the validity of audit evidence obtained.

Based on what has been explained, it can be concluded that auditor independence, competence, work experience and professional skepticism may affect audit quality. Despite of the conclusion above, some of the previous studies of audit quality showed a variety of results. Research conducted by Furiady and Kurnia (2015) states that work experience has no effect on audit quality. Badjuri (2011) also states that work experience has no influence on audit quality. These results are contradictory to the results of research conducted by Sukriah, et al (2009) and Saripudin (2012) which finds that work experience positively and significantly influence the quality of audit. Research on independence by Tjun et al. (2012) indicates that independence has no significant effect on audit quality. Similar results were also found by Sukriah, et al (2009) who found that independence does not have any significant effect on audit quality. This is contrary to research conducted by Singgih and Bawono (2010) and Badjuri (2011) which state that independence had positive effect on audit quality. Research conducted by Furiady and Kurnia (2015) and Tjun et al. (2012) show that auditor competence has positive influence on the audit quality. Research by Zarefar et al (2016) shows that there is positive influence on professional skepticism towards audit quality through auditor’s ethics and work experience. Suraida (2006) also states that professional skepticism has positive influence on audit quality. In contrast to Nandari and Latrini (2015), they actually found a negative influence of professional skepticism on audit quality. Some inconsistencies in research results related to audit quality open up opportunities for this study to reexamine factors that affect audit quality including auditor independence, competence, work experience and professional skepticism.

Based on the background of the research, the writer entitles her research "The Influence of Auditor’s Independence, Competence, Work Experience and Professional Skepticism on Audit Quality"

2. Literature Review and Hypothesis Development

2.1 Agency Theory

The agency theory explains the relationship between the principal and the agent in business. Agent is the party contracted by the principal to work on his behalf which involves some decision making authority and responsibility (Jensen and Meckling, 1976). Management as the agent shall be responsible for their work to the shareholders as the principal. Management must also manage the company with the aim of improving the prosperity and profit of the company.

There are problems related to agency theory, the problem concerns the relationship
between the principal and the agent, including:

1. **Asymmetric Information**

   The occurrence of asymmetric information happens when the agent has more information related to the actual circumstances of the company such as the company's financial circumstances and the company's internal control system.

2. **Conflict of Interest**

   The conflict of interest occurred because of the inequality of purpose. Both the agent and the principal have their respective interests.

   Agency theory helps auditors understand the conflicts of interest between management and shareholders. It may lead to one or more of fraudulent act. Thus, auditors are expected to be objectively responsible, independent in giving judgments and have adequate competences in auditing as well as using their professional skepticism when needed in carrying out audit activities. The ability of auditors in discovering any fraudulent acts can be useful to minimize fraud in an entity as a whole. Auditors will assess and produce an appropriate audit opinion to the circumstances of the company. With the prevention, companies can reduce costs because of the conflict of interest.

### 2.2 Auditing

Boynton, et al. (2003) defines auditing as a systematic process of obtaining and objectively evaluating evidence of the economic activity and events in order to establish the degree of conformity between the assertions of economic events and the predetermined criteria. The result then will be deliver to the interested parties. The audit report can be useful to its users such as creditors, investors, and shareholders of the company. In the viewpoint of a corporate entity, auditing has an important role. Auditing is one of the requirements for corporate entities that wishing to register their shares in the stock exchange. They must present financial statements that have been audited by Public Accounting Firm. Thus, auditing is a value-added mandatory activity for go public companies.

In order to make the auditing process conducted critically, the auditors must have the competence and experience in accounting, taxation, accounting system, and auditing. Public accountants need to prepare the audit before the whole process begins by making an audit plan. Thus, the financial statements will not only be examined critically, but also systematically. The purpose of auditing is to be able to provide an opinion on the fairness of the financial statements (Agoes, 2016: 5).

### 2.3 Audit Quality

According to DeAngelo (1981), audit quality is defined as a possibility that an auditor
will discover and report an infringement that exists in the client's accounting system. The likelihood that the auditor will find misstatements depends on the competence of the auditor while having the courage for reporting misstatements depends on the independence of the auditor. The quality of the audit can affect the reliability of financial statements in assisting decision making made by its users (Tjun et al., 2013). Behn et al., (1997) in Widagdo et al., (2002) states that there are twelve attributes of audit quality in client satisfaction measurement; work experience as an auditor, client’s industry understanding, responsive to client requirement, auditor competence, auditor independence, due professional care, strong commitment to audit quality, up-liner involvement during the audit process, the appropriateness of doing the audit field work, committee involvement during the audit process, high standard of ethics, and maintaining auditor professional skepticism.

According to Kode Etik Akuntan Profesional set by IAI, there are five basic principles that must be applied by professional accountants in order to maintain the quality of the audit conducted, among others; Integrity, Objectivity, Competence and Due Professional Care, Confidentiality and Professional Behavior. One aspect of the assessment of audit quality is reflected in a tangible form called an audit report. According to Efendy (2010), a quality audit is a quality service by auditors whose report that can be acted upon by auditee.

2.4 Independence

In accordance with the Standar Profesional Akuntan Publik (SPAP) set by IAI, public accountants must always maintain an independent mental attitude in providing professional audit services. The mental attitude of independence does not justify the auditor to have a preference on an interest to maintain his freedom of opinion (Sukriah, et al., 2009).

Mulyadi (2002: 26) explains that independence is a mental attitude to be free from any influences, not controlled by others and not dependent on others. Independence is an existence of honesty of auditors in considering facts and the existence of objective consideration which does not prefer to any interest in formulating and expressing their opinion. Meanwhile, according to Boynton (2003), independence is the basis of the auditor as a profession where the auditor will be neutral and objective towards the entity.

The definition of independence for public accountants are divided into two types of independence:

1. Independent in Appearance

Independent in Appearance sees auditors who need to appeared as independent as they should be. For example, an auditor cannot provide an audit service to a client who have any blood relationship with him.

2. Independent in Fact

Independent in Fact sees auditors who need to maintain their attitude and mind
independently in carrying out the audit assignment. They need to base their judgments and decisions by objective considerations in order to provide an objective opinion that is reliable.

According to Mulyadi (2002: 27), there are several conditions that can interfere auditor’s independence:
1. As a provider of audit services, the auditors are paid by the client for their services.
2. As a provider of services, auditors tend to satisfy the wishes of their clients.
3. Maintaining an independent attitude can often lead the auditors to lose their clients.

### 2.5 Competence

The first general standard states that audit should be carried out by one person or more who have sufficient technical competence and training as an auditor. With this statement, all organizations that have auditors in it are responsible for ensuring that each examination is conducted by auditors who collectively possess a certain level of knowledge and proficiency required to carry out the task. Therefore, the organization should have recruitment procedures and evaluations of the audit to assist the organization in maintaining auditors with adequate competence for sustainable development.

Lee and Stone (1995) define competence as sufficient expertise that can explicitly be used to objectively practicing the audit process as a whole. Competence is the qualification required by the auditor to perform the audit properly well. According to Arens (2008: 34-35), competence is a personal quality that must be owned by an auditor which is obtained through formal education background of auditing and accounting, sufficient professional training, and continuing professional education. The frequently used competencies are the characteristics that underlie the individual in achieving superior performance.

From some of the expert’s opinions above, it can be concluded that competence is a personal quality that must be owned by an auditor assessed from educational background, adequate job training, creative thinking ability, breadth of knowledge, good emotional intelligence, and adequate work skills with high effort. Thus, the auditor is able to provide professional services that are competent as they need to provide quality work.

### 2.6 Work Experience

According to Suraida (2006), work experience in auditing is the auditor's experience in auditing financial statements in terms of both the length of time and number of assignments that have been handled. The audit experience is measured by the auditor's flight hours in performing audit procedures related to the giving of opinion on the auditee's financial statements (Fakhri, 2016). Experienced auditors certainly have a better understanding of the financial statements. According to the SAS No.1 section 210, no matter how capable an auditor may be in other fields, he cannot meet the professional requirements demanded by auditing standards if he does
not have adequate education and experience in auditing field.

According to Libby and Frederick (1990), experience and knowledge can influence auditor's opinion. Auditors with more experience will be able to understand better their duties in the implementation of audit procedures compared to auditors who have less experience. The more experience they have, the more the auditors can generate assumptions in explaining the audit findings. Experienced auditor will not only have the ability to spot the material misstatements in the financial statements, but may also provide a more accurate description of the findings compared to those with no experience.

Research conducted by Singgih and Bawono (2010) assess experience based on length of work, the frequency of examination that have been done and the number of trainings in audit fieldwork that have been participated. In this study, experience is assessed as a learning process and the addition of potential developmental behavior of both formal and non-formal education. The more tasks a person does, the more he will be honed in the ability to detect misstatements that require special and varied treatment. Experiences are able to make a person do his work faster and better in the settlement.

Audit experience owned by the auditor also has an important role in determining the audit judgment. According to Butt (1998), experienced auditors will make a relatively better judgment in their duties. Experienced auditors can organize knowledge in memory that further influence judgment in audit assignment. Nelson et al. (1995) states that experienced auditors will only be based on relevant information as the basis for judgment making, while inexperienced auditors will be based the judgment both on relevant and irrelevant information collectively.

2.7 Professional Skepticism

The third general standard in the SAS No.1 section 230 states that in conducting audit and preparing its report, auditors are required to use their professional skills carefully and thoroughly (due professional care). The use of the professional proficiency carefully and thoroughly demands the auditor to exercise professional skepticism. The American Institute of Certified Public Accountant (AICPA) provides the definition of professional skepticism as: "an attitude that includes a questioning mind and a critical assessment of an audit evidence" (AU Section 316). The auditors are expected to exercise professional skepticism in conducting the audit in order to be able to find any material misstatements due to fraud.

By referring to the agency theory, the audit should be conduct by auditors with a mindset that acknowledge the chance that a material misstatement in consequence of fraud could be present. Any past experience with the client and any belief about management’s integrity and honesty should be out of the way. In using professional skepticism to gather and evaluate evidence, the auditor should not be pleased with a weak evidence because of a belief that
management is trustworthy.

Agoes (2016: 71) defines professional skepticism as a posture filled with questions in mind and a critical judgment on any audit evidence obtained. Professional skepticism is defined as an attitude that does not easily believe in audit evidence presented by management, the attitude of always questioning and evaluation of audit evidence critically. Professional skepticism is essential for auditors to gain strong information, which will serve as the basis for relevant audit evidence that able to support the giving opinion on the fairness of financial statements. Auditors must be professionally responsible for their duty to be diligent and careful. As a professional, auditors should avoid carelessness and trustworthiness, but the auditor is not expected to make a perfect judgment in the opportunity. Auditors have to exercise and maintain professional skepticism in every audit assignment. The audit should provide reasonable assurance that audit evidence is sufficient and appropriate to support the audit findings and conclusions. Adequate confidence in the evidence will greatly assist the auditor in carrying out a quality audit. Auditors with technical expertise through practical training will also contribute well to quality audit.

Hurtt (2010) introduce six characteristics of professional skepticism: questioning mind; suspension of judgment; searching for knowledge; interpersonal understanding; autonomy; and self-esteem. The characteristics relate to how an auditor evaluates evidence. The characteristics represent the willingness of an auditor to look for sufficient audit evidence and to evaluates the evidence before making a decision. An auditor who show a higher level of professional skepticism is supposed to wait for more information to acquire sufficient basis in making audit judgments. The interpersonal understanding characteristic identifies the need to examine the human aspects of an audit in evaluating evidence. Meantime, the autonomy and self-esteem characteristics point out the ability of a person to take steps upon the information obtained.

2.8 Hypothesis Development

2.8.1 The Relationship Between Independence and Audit Quality

As one of the absolute requirements of public accountant to be independent, it becomes one of the factors influential in producing a quality audit report. By being free from any conflict of interest, the auditor can carry out the audit process without affecting the quality of audit generated. This is supported by a study by Christiawan (2004) which states that public accountant is an independent party that is impartial to anyone and obliged to be honest in public interest.

Research conducted by Sarwoko and Agoes (2014) states that independence have significant effect on audit quality which means the higher the independence of the auditor the
higher the quality of audit generated. The research conducted by Singgih and Bawono (2010) also provides empirical evidence that independence are both simultaneously and partially affecting audit quality. The same study also states that independence is one of the dominant factors that affect the quality of audit. In line with the previous study, Badjuri (2011) also states that independence significantly affects audit quality. The study also provides empirical data which illustrates that the higher the auditor independence in carrying out the audit, the higher the quality of audit results. The results are also supported by research conducted by Alim et al (2007) and Christiawan (2004) which states that independence has a positive effect on audit quality. Based on the above exposure, the first hypothesis in this study is:

\[ H_1: \text{Auditor independence has a positive influence on audit quality.} \]

### 2.8.2 The Relationship Between Competence and Audit Quality

Competence is the skill of an expert. Where the expert is defined as someone who has a certain level of skill in certain subjects derived from knowledge and experience. Auditors are expected to have qualified skills in understanding the auditee business industry. The audit team in charge is also expected to provide the best audit services in accordance with the knowledge they have.

According to research conducted by Handayani and Merkusiwati (2015), competence has a significant positive effect on audit quality. A study conducted by Alim et al. (2007) also revealed that auditor competence has a significant effect on audit quality. Research conducted also by Imansari, Halim and Wulandari (2016), which objects are auditors who work in Malang, showed that competence has a significant effect on audit quality. The same as the research conducted by Furiady and Kurnia (2015), Tjun et al. (2013) also supported the statement above by finding that auditor competence has influence on the audit quality. The auditor must have the competence in auditing in order to produce a quality audit. Based on the exposure and previous research results, the second hypothesis in this study is:

\[ H_2: \text{Auditor competence has a positive influence on audit quality.} \]

### 2.8.3 The Relationship Between Work Experience and Audit Quality

A competent auditor would need sufficient experience in carrying out the audit practice. Experience is owned by the way of a person in doing the same job continuously, so he becomes faster and better in completing his work (Singgih and Bawono, 2010). Sukriah, et al. (2009) provides empirical data which states that work experience are positively affects audit quality. It means, the more work experience the auditors gained, the more quality of the audit generated. In contrast with Badjuri (2011) and Furiady and Kurnia (2015), they found that work experience has no influence or effect on audit quality.
Auditors with more experiences would have understood the techniques relating to complete the job better. They have also encountered various obstacles and mistakes during the completion of their previous tasks which makes them more careful in carrying out the given task in the present and the future. It will certainly affect the quality of audit conducted. Research conducted by Tubbs (1992) suggests that auditors with more audit experience will have the probability to find greater errors and misstatements than auditors who have fewer experience. It indicates that auditors with more work experience will generate a better quality of audit. This is also supported by research conducted by Saripudin et al. (2012) and Zarefar et al. (2016) who provide empirical data which states that there are a significant influence of auditor’s experience on audit quality. Based on the exposure and the results of previous research, the third hypothesis in this study is:

\[ H_3: \text{Auditor work experience has a positive influence on audit quality.} \]

### 2.8.4 The Relationship Between Professional Skepticism and Audit Quality

International Standards on Auditing states that auditor professional skepticism is essential for a critical assessment against the audit evidence. Auditors must have a mind that is always questioned the reliability of documents obtained from management and also consider the adequacy and appropriateness of evidence obtained. Handayani and Merkuswiwati (2015) found a positive influence of professional skepticism on audit quality through auditor’s independence and competence.

Research by Zarefar et al (2016) shows that there is a positive effect of professional skepticism towards audit quality through auditor’s ethics and work experience. Suraida (2006) also states that auditors with high skepticism will improve the audit quality. In contrast to Nandari and Latrini (2015), they actually found a negative influence of professional skepticism on audit quality. In the light of the statement above, the last hypothesis is:

\[ H_4: \text{Auditor professional skepticism has a positive influence on audit quality.} \]

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 independence, competence, work experience and professional skepticism toward audit quality which can be seen in Figure 1.
3. Research Method

3.1. Population and Sample

The population of this research is all auditors who work in public accountant firms located in Jakarta. The sampling technique was done by non-probability sampling using purposive sampling as a sampling method in which data collection were collected from members of population who are able to represent the population as a whole. Thus, the sample of this research is all auditors who work in the big five public accounting firms in Jakarta. 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 refers to strongly disagree and 5 refers to strongly agree. This scale is intended to know the auditor’s preference of every question stated in the questionnaire. There are some open questions as well that requires the respondents to fill in the blank according to their personal information.

3.2. Operational Definition and Variable Measurement

a. Audit Quality (Y)

The audit quality was measured by the instruments adapted from the research of Sukriah et al. (2009) which are 1) The Compliance of the Audit Assignment with the Audit Standards and 2) The Quality of Audit Report Generated.

b. Independence (X₁)

In this study, two indicators of auditor’s independence are used as described in Tjun et al. (2013). The measurable indicators of auditor’s independence refer to two derived variables. These indicators include: 1) Audit Tenure, 2) Pressure from Client.

c. Competence (X₂)
This variable is measured by open questions on questionnaires with 1) Respondents’ Education Level as the indicator, ranging from D3, D4, S1, S2, S3, or other strata. The other indicator is 2) The Number of Professional Training in the Fieldwork of Accounting and Auditing that the Auditor has been Participated.

d. Work Experience (X₃)

This variable is measured by open questions to the auditors which are included in the questionnaire with the questions of 1) The Length of Work as an Auditor and 2) The Number of Clients that have been Audited.

e. Professional Skepticism (X₄)

The indicators of professional skepticism in this research were measured according to a research by Hurtt (2010) who develops 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) Autonomy, 6) Self-esteem.

3.3. Data Analysis Method

The data analysis of this study consists of research instruments test which consist of validity and reliability test, classical assumptions test which consist of normality test, multicollinearity test and heteroscedasticity test and Multiple Linear Regression Analysis for hypothesis testing. The multiple linear regression equation of this study can be written as follows:

\[ Y = \alpha + b₁X₁ + b₂X₂ + b₃X₃ + b₄X₄ + e \]

\[ \alpha \] : Constant
\[ b₁-b₄ \] : Regression Coefficient
\[ X₁ \] : Independence
\[ X₂ \] : Competence
\[ X₃ \] : Work Experience
\[ X₄ \] : Professional Skepticism
\[ e \] : Error or Residual Value

4. Results

4.1. Validity and Reliability Test

Hundred and thirty questionnaires were distributed to the big five public accounting firms and 107 of them were returned and processed. Based on the demographic profile of respondents, the dominant age of the auditors lies in the range of 21-30 years. In terms of the latest education, the respondents are mostly undergraduates (S1) accounting (92%). Moreover, the respondents are mostly junior auditor for 42% and the senior auditors for 37%. Meanwhile, the length of work of
the auditor respondents is predominantly 0-5 years. In addition, male respondents have a slight higher percentage than female (54% and 46%, respectively).

The reliability test was carried out with the help of the Statistical Package for the Social Science (SPSS) program. The results of instrument reliability testing in this study can be seen in Table 1, where each statement item has Cronbach's Alpha greater than 0.7 so that the criteria for reliability test are fulfilled. Based on this, it can be concluded that all research instruments are declared reliable.

Table 1
Result of Reliability Test

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Explanation</th>
</tr>
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<tbody>
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<td>1.</td>
<td>Independence</td>
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</tr>
<tr>
<td>2.</td>
<td>Professional Skepticism</td>
<td>0.920</td>
<td>Reliable</td>
</tr>
<tr>
<td>3.</td>
<td>Audit Quality</td>
<td>0.880</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

The validity test is conducted by SPSS ver 21.0 program using the Pearson Correlation to produce the value of each question on the questionnaire. To determine the minimum requirements of a questionnaire to meet the validity test is to find the $r_{table}$ value at the error level $\alpha = 5\%$. More details are presented in Table 2 that shows the value of sig. $r$ of the question indicator is smaller than 0.05 ($\alpha = 0.05$) and on every item, $r_{hitung} > r_{table}$, which means that each indicator of every variables is valid.

Table 2
Result of Validity Test

<table>
<thead>
<tr>
<th>Item</th>
<th>Pearson Correlation Coefficient $r$</th>
<th>Sig.</th>
<th>$r_{Tabel}$</th>
<th>Pearson Correlation Value</th>
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<td>0.000</td>
<td>0.3</td>
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<td>0.814</td>
<td>0.000</td>
<td>0.3</td>
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<td>0.3</td>
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<td>X1.4</td>
<td>0.702</td>
<td>0.000</td>
<td>0.3</td>
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<tr>
<td>X4.1</td>
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</tr>
<tr>
<td>X4.9</td>
<td>0.616</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>X4.10</td>
<td>0.761</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
</tbody>
</table>
4.2. Classical Assumptions of Regression

Normality test is done to indicate whether the residual value is scattered normally or not. The procedure of the test is done by using Kolmogorov-Smirnov. The result of normality test is presented in Table 3. Based on Table 3, it can be seen that the sig. value for both equations is greater than 0.05 (0.304 > 0.05) and it is found that the residual has already had a normal distribution or the assumption of normality has been met.

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>X4.11</td>
<td>0.702</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>X4.12</td>
<td>0.726</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>X4.13</td>
<td>0.792</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>X4.14</td>
<td>0.777</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>Y.1</td>
<td>0.745</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>Y.2</td>
<td>0.765</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>Y.3</td>
<td>0.718</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>Y.4</td>
<td>0.812</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>Y.5</td>
<td>0.776</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>Y.6</td>
<td>0.743</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
<tr>
<td>Y.7</td>
<td>0.794</td>
<td>0.000</td>
<td>0.3</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Table 3
Result of Normality Test

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>107</td>
</tr>
<tr>
<td>Normal Parameters&lt;sup&gt;a,b&lt;/sup&gt; Mean</td>
<td>.0000000</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Most Extreme Differences Absolute</td>
<td>.094</td>
</tr>
<tr>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>Negative</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>.970</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.304</td>
</tr>
</tbody>
</table>

<sup>a</sup> Test distribution is Normal.

<sup>b</sup> Calculated from data.

The multicollinearity result is presented in Table 4. Multicollinearity test is done to obtain that there is no perfect linear relation or there is no relation between independent variables. The test is done by comparing value of tolerance resulted from multiple regression calculation. If the value of tolerance is < 0.1, then there is multicollinearity. Multicollinearity test can also be done by comparing VIF value (Variance Inflation Factor) with value of 10. If VIF value is > 10, then multicollinearity occurs. According to Table 4, the following is the results of each independent variable:

- Tolerance for Independence is 0.442
From the test results, it can be concluded that there is no multicollinearity between independent variables. Thus, the assumption test of the absence of multicollinearity can be fulfilled.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Independence (X₁)</td>
<td>0,442</td>
</tr>
<tr>
<td>Competence (X₂)</td>
<td>0,293</td>
</tr>
<tr>
<td>Work Experience (X₃)</td>
<td>0,343</td>
</tr>
<tr>
<td>Professional Skepticism (X₄)</td>
<td>0,338</td>
</tr>
</tbody>
</table>

Heteroscedasticity testing is done to test whether in the regression model there is residual variance inequality from one observation to another. If the residual variance of an observation to another observation is constant, it is called heteroscedasticity.

From the result in Table 5, it is indicated that the independent variables have no significant effect on the absolute residual because the significance of each independent variable is greater than the significance level of 0.05, so it can be concluded that heteroscedasticity does not occur in this regression equation.

4.3. Multiple Linear Regression

Linear regression use to calculate the influence of the independent variables which are independence (X₁), competence (X₂), work experience (X₃), and professional skepticism (X₄) on the dependent variable which is Audit Quality (Y).

Multiple Regression equation is functionate to find the relation between independent and dependent variables by using SPSS. The regression model is presented in Table 6.
Table 6
**Multiple Linear Regression Analysis**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Unstandardized Coefficients (B)</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Y</td>
<td>(Constant)</td>
<td>16.469</td>
<td>2.572</td>
<td>6.404</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>X1</td>
<td>0.363</td>
<td>0.178</td>
<td>0.198</td>
<td>2.037</td>
</tr>
<tr>
<td></td>
<td>X2</td>
<td>0.136</td>
<td>0.066</td>
<td>0.248</td>
<td>2.080</td>
</tr>
<tr>
<td></td>
<td>X3</td>
<td>0.054</td>
<td>0.027</td>
<td>0.223</td>
<td>2.022</td>
</tr>
<tr>
<td></td>
<td>X4</td>
<td>0.110</td>
<td>0.054</td>
<td>0.228</td>
<td>2.054</td>
</tr>
</tbody>
</table>

F test is used to test whether all independent variables entered into the model have a simultaneous effect on the dependent variable. Based on the results of data processing in table 7, it can be seen that the significance value of F = 0.000 < alpha = 0.05 so that it can be concluded that the model used in this study is significant. This shows that auditor independence, competence, work experience and professional skepticism influence the audit quality simultaneously.

Table 7
**F Test**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>505.261</td>
<td>4</td>
<td>126.315</td>
<td>34.684</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>371.468</td>
<td>102</td>
<td>3.642</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>876.729</td>
<td>106</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

T test is used to obtain the result whether the independent variables partially has a significant influence toward the dependent variable. T test result presented on Table 8.

Table 8
**T Test (Hypothesis Testing)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>t</th>
<th>Sig.</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>6.404</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td>2.037</td>
<td>0.044</td>
<td>Significant</td>
</tr>
<tr>
<td>X2</td>
<td>2.080</td>
<td>0.040</td>
<td>Significant</td>
</tr>
<tr>
<td>X3</td>
<td>2.022</td>
<td>0.046</td>
<td>Significant</td>
</tr>
<tr>
<td>X4</td>
<td>2.054</td>
<td>0.043</td>
<td>Significant</td>
</tr>
</tbody>
</table>

1. **Auditor independence has a positive influence on audit quality (H1).**

By using a one-way test and a significant level of 0.05, the probability value (0.044) is smaller than the significance level (0.05) so that H1 can be accepted which means auditor independence has a positive effect on audit quality.
2. **Auditor competence has a positive influence on audit quality (H2).**
   By using a one-way test and a significant level of 0.05, the probability value (0.040) is smaller than the significance level (0.05) so that H2 can be accepted which means auditor competence has a positive effect on audit quality.

3. **Auditor work experience has a positive influence on audit quality (H3).**
   By using a one-way test and a significant level of 0.05, the probability value (0.046) is smaller than the significance level (0.05) so that H3 can be accepted which means auditor work experience has a positive effect on audit quality.

4. **Auditor professional skepticism has a positive influence on audit quality (H4).**
   By using a one-way test and a significant level of 0.05, the probability value (0.043) is smaller than the significance level (0.05) so that H4 can be accepted which means auditor professional skepticism has a positive effect on audit quality.

In conclusion, all independent variables has significant influence to audit quality simultaneously and partially. From those four independent variables, the most dominant variable which influence the audit quality is competence, because it has the biggest value of beta standardized coefficient and t value.

4.4. **Discussion**

Based on the hypothesis testing results using multiple linear regression model, it is known that all of the independent variables, Independence (X₁), Competence (X₂), Work Experience (X₃) and Professional Skepticism (X₄) have positive influence on the Audit Quality (Y). Therefore, the test results of hypothesis 1 to 4 are explained as follows.

4.4.1 **The Influence of Auditor Independence on Audit Quality**

The test results for the first hypothesis (H₁) in this study indicate that auditor independence influence audit quality with a significance of 0.044 <0.05. The regression coefficient is 0.363 indicating that auditor independence has a positive effect on audit quality. This shows that the more independence the auditor has in conducting audits, the higher the audit quality will be. This is due to the need of the auditors to always be neutral and objective in conducting the audit works (Boynton, 2003). This research also provides a reflection that in making decisions, auditors can be influenced by the urge to retain their clients. However, the results of this study indicate that there are several forces that can improve the audit quality by applying the independence attitude. These forces include regulations or legislation concerning the rotations of public accountants and fear of losing reputation if the audit goes wrong (Christiawan, 2004). In Indonesia, the rotation of public accountants and public accounting firms is regulated in the Regulation of the Minister of Finance no. 17/PMK.01/2008 concerning Public...
Accountant Services which states that public accountant cannot provide audit service for the same client later than 3 (three) consecutive years. While as in for public accounting firm, the limitation is a maximum of 6 (six) consecutive years.

According to Singgih and Bawono (2010), events of financial scandals that have occurred also have a positive impact on the auditors, namely raising awareness to be more careful in maintaining their independence. One example of the financial scandal above was the fraudulent financial report by Toshiba in 2015 which caused eight of its leaders to resign. As the independent auditor of Toshiba at that time, public accounting firm Ernst and Young incurred heavy reputational damage and was fined for 2.1 billion yen. With these kind of scandals, auditors increasingly feel constrained by the regulations that are made more stringent than before, and feel their profession is threatened by severe consequences such as loss of public trust in their profession and legal sanctions (Singgih and Bawono, 2010).

4.4.2 The Influence of Auditor Competence on Audit Quality

The test results for the second hypothesis (H$_2$) in this study indicates that auditor competence influence the audit quality with a significance of 0.040 < 0.05. The regression coefficient is 0.136 indicating that auditor competence has a positive effect on audit quality. This shows that the higher the auditor's competence, the higher the audit quality generated. This is related to the implementation of auditors in audit practices that are required to be maximal, so that the auditors need knowledge and must constantly improve their knowledge (Tjun et al., 2013). Formal education background in accounting, sufficient professional training, and continuing professional education are needed to obtained in order to maintain auditor competence, which is a personal quality that must be owned by the auditors (Arens, 2008: 34-35). Kode Etik Akuntan Profesional by IAI also states that to ensure that clients will receive quality audit services, auditors must surely maintain their knowledge and competence at the required level.

Competent auditors tend to have broader insight into the world of accounting and auditing, or even other fields which enhanced the auditors in providing a better quality audit. Based on the results given from the data from the questionnaires, it can be concluded that the respondents in this study are highly competent auditors, because most of the respondents are bachelor degree and master degree graduates and certainly have a lot of expertise in the technical implementation of audits.

4.4.3 The Influence of Auditor Work Experience on Audit Quality

The test results for the third hypothesis (H$_3$) in this study indicates that auditor work experience influences audit quality with a significance of 0.046 < 0.05. The regression coefficient is 0.054 indicating that auditor work experience has a positive effect on audit quality. This shows
that the more work experience the auditor gained, the higher the audit quality will be. Auditor experience influences audit quality because experienced auditors have an advantage in detecting material misstatements, understanding the misstatement accurately, and looking for the cause of the misstatement (Tubbs, 1992). This is important due to the responsibility of an auditor to conduct a quality audit that can represent reliable financial assurance for public interest. The ability of auditors in conducting a quality audit will continue to increase along with the number of audit works and audit complexity that has been carried out (Sukriah et al., 2009).

Audit experience in this study was determined based on the length of work as an auditor and the number of clients audited, so that the results of this study also prove that the longer a person works as an auditor and the more clients he has audited, the auditor's ability in doing the audit will certainly increase, including more rigorous and critical in finding potential material misstatements that might occur which will increase the audit quality.

4.4.4 The Influence of Auditor Professional Skepticism on Audit Quality

The test results for the last hypothesis (H₄) in this study indicates that auditor professional skepticism influence audit quality with a significance of 0.043 <0.05. The regression coefficient is 0.110 indicating that auditor professional skepticism has a positive effect on audit quality. This shows that the more professional skepticism the auditor owned, the better the audit quality will be. Professional skepticism influences audit quality because it can improve auditor accuracy in evaluating audit evidence (Handayani and Merkusiwati, 2015). Professional skepticism is emphasized in the ability of collecting and critically evaluating audit evidence. Auditors need to be skeptical in evaluating audit evidence as to estimate the possibilities of mistakes which may occur (Hurtt, 2010). Skeptical auditor would not just accept statements from clients, but will always look for more evidence until a solid decision is made (Zarefar et al., 2016). Those decisions are able to improve the audit quality generated. For public accountants, clients’ trust on the audit quality is very important.

Auditor professional skepticism in this study is determined based on the six traits of professional skepticism by Hurtt (2010), which are the questioning mind, suspension of judgment, search for knowledge, interpersonal understanding, and self-esteem. The results of this study prove that auditors who build and maintain these six traits will able to conduct good quality audit. According to these traits, the result of this study also indicates that the willingness of an auditor to look for sufficient audit evidence and to critically evaluates the evidence before making decision improve the quality of the audit. It also shows that an auditor who wait for more information to acquire sufficient information and evidence before making audit judgments will provide a better quality audit. From the interpersonal understanding characteristic, it can be identified that auditors who feel the need to examine the human aspects of an audit in evaluating
evidence are also providing a better quality of audit. Auditors with good autonomy and high self-esteem will elevate the audit quality as well.

5. Conclusion, Limitation and Suggestion

The findings of this study revealed that Independence, Competence, Work Experience and Professional Skepticism significantly affect Audit Quality. Based on the author’s observations, this research is limited only to auditors who work in public accounting firms in the city of Jakarta, so the results of this study cannot be generalized to all auditors who work at the public accounting firms in Indonesia. In addition, the composition of respondents in this study is not balanced when viewed from their job position. Respondents of this research are mostly junior auditors, senior auditors and assistant managers. Thus, the results of this study cannot be generalized to auditors in every job position. This is due to the tight schedule and high mobility of the audit partners and managers.

As the recommendations, 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 44% other factors than the auditor’s Independence, Competence, Work Experience and Professional Skepticism which affect the quality of audit, so it is expected that the future researchers can enrich the future related research. For the public accounting firms, the result of this study can be considered as the design of the recruitment process of future auditors. Public accounting firms can also provide more trainings and seminars that are related to the maintenance of auditor independence, competence and professional skepticism in order to provide quality audit. Other than that, based on the result of this research, auditors are expected to 1) maintain the mental attitude of independence, 2) maintain and improve their professional proficiency and expertise in the field of audit, 3) use their work experience as lessons in conducting future audit assignments, and 4) enhance their awareness on the importance of professional skepticism.

Reference


