

The Effect of Auditor Competence and Independence on Audit Quality at AYZ Company

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ABSTRACT

The aim of this research is to see how auditor competence and independence affect audit quality. The background to this research is the importance of audit quality for stakeholders and the role of auditor competence and independence in improving audit quality. Data was collected through auditor reviews from various Public Accounting Firms (KAP). The research results show that the auditor's expertise and independence contribute significantly and positively to audit quality. In addition, the relationship between expertise and independence was also found to strengthen audit quality. This research shows that improving auditor education, training and experience and maintaining auditor independence are critical to producing high-quality audits.

INTRODUCTION

The role of auditors has become very important in an increasingly complex business world to ensure that the company's financial statements are clear and accurate. Two important components that greatly affect the quality of the resulting audit are auditor competence and independence. Auditor knowledge, skills and experience are included in auditor competence, while auditor independence refers to the auditor's ability to conduct audits objectively without being influenced by interested parties. Understanding how auditor competence and independence affect audit quality is becoming increasingly important to maintain stakeholder confidence in audited financial statements amidst lawsuits and public expectations of corporate accountability.

Maintaining stakeholder confidence in a company's financial statements is critical. A high-quality audit provides confidence that the financial statements have been prepared in accordance with applicable accounting principles and have no material errors. However, several factors affect audit quality, including auditor competence and auditor independence. Auditor competence includes all the knowledge, skills, and experience required to perform audit tasks effectively. Meanwhile, auditor independence relates to the auditor's ability to carry out his duties without being influenced by parties who have an interest in the audit results (Wang et al., 2024).

Facts on the ground show that many auditors face problems to remain independent and competent. Audit failures in many countries, including Indonesia, are often attributed to a lack of auditor capability and independence. Financial statement manipulation cases involving several large companies, for example, have shown how important auditor ability and independence are in preventing and detecting fraud. Experienced auditors are expected to find risks and apply appropriate audit procedures, while independent auditors can do their work without pressure from management (Naim et al., 2024).

The purpose of this study is to look at and analyse how auditor competence and independence affect audit quality. By understanding how these two components affect audit results, it is hoped that appropriate suggestions can be made to improve audit quality in the future. This research gathers auditors from various KAPs to show facts about how important auditor education, training, experience, and independent protection are to produce high quality audits.

Most studies have concentrated on specific industries or large, long-operating companies, although many studies have been conducted to investigate how auditor competence and independence affect audit quality. However, not much research has specifically studied such dynamics in companies with high operational complexity such as AYZ Company. The unique characteristics of this company, such as operational diversification and business scale, make the audit process difficult. As a result, research that specifically studies the impact of auditor competence and independence in AYZ Companies is still very much needed (Naim et al., 2020).

In addition, most previous studies tend to measure audit quality subjectively based on respondents' perceptions or using indicators that do not

always reflect the company's operational reality. Therefore, it is necessary to develop a more comprehensive approach to measuring audit quality, especially in the context of highly complex companies such as AYZ. This research will attempt to answer this question.

LITERATURE REVIEW

Competence

Auditors must have the knowledge, skills and abilities necessary to carry out audit tasks efficiently and effectively. Accounting skills can be gained through work experience, formal education in accounting, or professional training (Rohimah et al., 2023). It is critical for auditors to understand and assess complex financial data if they have a deep understanding of accounting, auditing, and financial regulations. Auditors must also have strong analytical skills, the ability to discover risks, and the ability to develop and implement appropriate audit procedures. To ensure that auditors are up to date with the latest developments in accounting and auditing, ongoing training is essential (Edhie Rachmad et al., 2024).

Extensive work experience is also important for auditor competency. More experienced auditors usually have a better understanding of the industry being audited and how to apply audit methods and techniques in various situations. This experience helps auditors spot possible problems and make appropriate suggestions. In addition, professional certifications such as CPA (Certified Public Accountant) or CA (Chartered Accountant) can demonstrate an auditor's competency because these certifications usually require rigorous testing and a number of educational and experience requirements. Combining adequate education, training and work experience will increase the auditor's ability to carry out their duties with high integrity and professionalism (Akhmatova et al., 2022).

H1: Competence Influences Audit Quality

Independence

One of the main principles known as auditor independence ensures that auditors can carry out their duties without being affected or influenced by any party, including the management of the company being audited. To maintain integrity and objectivity in the audit process, this independence is important. This ensures that stakeholders can trust the audit results. Auditors have two main parts of independence: independence in mind (in fact) and independence in appearance (in appearance). Independence in mind means that the auditor is not influenced by external elements that influence audit decision making. With independence in appearance, the auditor must be seen as not being influenced by the interests of other parties, so that the third party is competent (Kissi et al., 2024).

To remain independent, auditors must avoid situations that could compromise their interests or affect their professional judgment. This includes avoiding audits of financial or personal relationships with clients and not accepting inappropriate compensation or gifts. To ensure that auditors remain independent, regulatory bodies such as IFAC (International Federation of

Accountants) and IAPI (Indonesian Institute of Certified Public Accountants) establish professional rules and regulations. It is very important to adhere to these professional codes of ethics because without them, independence and trust in the audit report will be lost. Auditors can protect the public interest and provide unbiased assessments.

H2: Independence influences audit quality

From Hypotheses H1 and H2 above, it can be concluded that the research conceptual framework is as follows

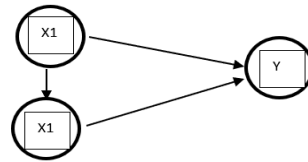


Figure 1. Conceptual Framework

METHODOLOGY

The author evaluates the influence of auditor competence and independence on audit quality. This research uses quantitative methods with survey methods. This method was chosen because the data collected from respondents can provide a clear picture of the relationship between these variables. To collect data, a questionnaire was used, consisting of closed questions measuring competence, independence and audit quality. To make it easier for respondents to provide assessments, a five-point Likert scale was used.

The population in this research are auditors who work in various Public Accounting Firms (KAP) in Indonesia. The auditors targeted in this research are those who have experience in auditing company financial reports. Purposive sampling technique was used to determine the sample, with the criteria being that auditors had a minimum of three years of work experience and had been involved in the audit process more than five times. From the existing population, a sample of 60 auditors was taken to ensure the representativeness and validity of the research results.

Multiple linear regression analysis was used to analyze the data collected from the questionnaire. This method was chosen because it allows simultaneous testing of the influence of two independent variables—auditor competency and independence—on one dependent variable, namely audit quality. Before regression analysis, the research instrument was tested for validity and reliability. This is to ensure that the questionnaire used is valid and reliable. In addition, to ensure that the regression model used meets the necessary requirements, classic assumption tests such as normality, heteroscedasticity and multicollinearity tests are also carried out (Yunian et al., 2024).

RESEARCH RESULT

Results Test Steps:

Validity and Reliability Test

1. Validity test

Validity testing is the process of evaluating the accuracy or correctness of an instrument as a tool for measuring research variables. If the instrument or measurement results are correct or valid, the research results may be correct (Juliandi et al., 2018).

Table 1. Validity Test

No	Variabel	r hitung	r tabel	Keterangan
1	X1	0.378	0.254	VALID
2	X2	0.336	0.254	VALID
3	X3	0.351	0.254	VALID
4	X4	0.355	0.254	VALID
5	X5	0.348	0.254	VALID
6	X6	0.316	0.254	VALID
7	X7	0.304	0.254	VALID
8	X8	0.355	0.254	VALID
9	X9	0.27	0.254	VALID
10	X10	0.320	0.254	VALID

2. Reliability Test

To ensure that research tools provide consistent and reliable results, reliability tests are carried out to measure how stable or consistent the research results are when repeated under similar conditions.

Table 2. Reliability Test
 Case Processing Summary

		N	%
Case s	Valid	60	100.0
	Exclud eda	0	.0
	Total	60	100.0

a. Listwise deletion based on all variables in the procedure.

Case Processing Summary

		N	%
Case s	Valid	60	100.0
	Exclud eda	0	.0
	Total	60	100.0

a. Listwise deletion based on all variables in the procedure.

(Data source: Results of data processing with SPSS.24, 2024)

Classical Assumption Test Analysis

Normality, multicollinearity and heteroscedasticity tests are classic assumption tests used in this research. A good regression model will only meet the classical assumption test:

Normality test

The data have a normal distribution and meet the assumptions of normality, according to the p-plot test.

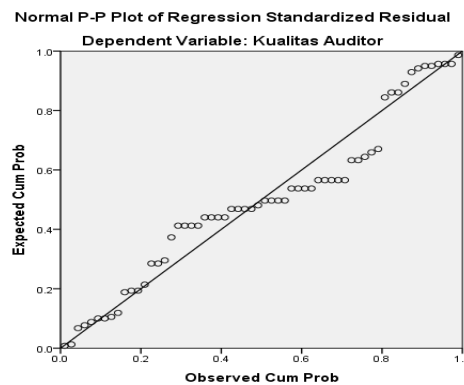


Figure 1. Normality Test
(Data Source: Results of data processing with SPSS.24, 2024)

In Figure 1, it can be explained that the plot approaches a diagonal line, so it can be concluded that the error meets the normality assumption. The error normality test can also be carried out using the Kolmogorov – Smirnov test.

MultiCollinearity Test

Model	Coefficients ^a												
	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B		Zero-order	Correlations		Collinearity Statistics		
	B	Std. Error				Lower Bound	Upper Bound		Partial	Part	Tolerance	VIF	
1	(Constant)	5.029	2.668		1.885	.065	-.313	10.371					
	Kompetensi Auditor	-.052	.074	-.053	-.700	.487	-.200	.096	-.284	-.092	-.051	.921	1.086
	Independensi Auditor	.822	.076	.820	10.839	.000	.670	.974	.835	.821	.787	.921	1.086

a. Dependent Variable: Kualitas Auditor

(Data source: Results of data processing with SPSS.24, 2024)

Multicollinearity can be assessed at the VIF value, namely $1.086 < 10$, so it can be concluded that there is no multicollinearity between variables X1 and X2

Heteroscedasticity Test

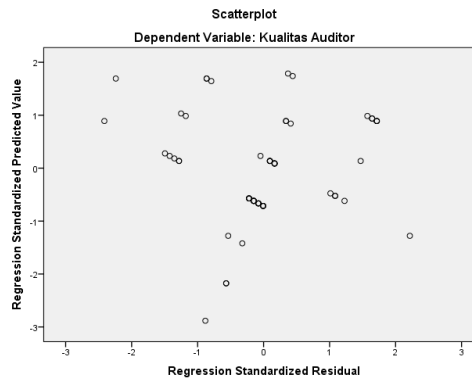


Figure 2. Heteroscedasticity test
(Data Source: Results of data processing with SPSS.24, 2024)

In Figure 2 it can be explained that the plot results show that there is no clear pattern or random pattern, so it can be concluded that there is no heteroscedasticity or constant error variation and the error is random or there is no autocorrelation.

Multiple Linear Regression Analysis

The purpose of simple linear regression analysis is to find out how much impact the regression coefficient has on the independent variable and the dependent variable. For this research, the simple linear regression equation model is as follows:

$$Y = a + Xb + Xc$$

where Y is internal control and b is the cash disbursement accounting information system. So the multiple linear regression equation is as follows:

$$Y = 5.029 - 0.62b + 0.822c$$

The above equation shows the following two things:

1. A constant of 5.029 with a positive relationship indicates that the Auditor Quality value will increase by 5.029 if the value of the independent variable, Auditor Competency, is considered constant;
2. The Competency Constant (X1) of -0.62 indicates that if the Competency of the Cash Disbursement Auditor increases by 1%, then the value will increase by 1%.
3. The Independence Constant (X2) of 0.822 indicates that if the Auditor's Independence increases by 1%, then the value will increase by 1%.

Partial Significant Test (t Test)

Model		Unstandardized Coefficients		Standardized	t	Coefficients ^a	
		B	Std. Error	Coefficients		Sig.	L
1	(Constant)	5.029	2.668		1.885	.065	
	Kompetensi Auditor	-.052	.074	-.053	-.700	.487	
	Indepedensi Auditor	.822	.076	.820	10.839	.000	

a. Dependent Variable: Kualitas Auditor

(Data Source: Results of data processing with SPSS.24, 2024)

Based on table. 3, it can be explained that tcount 10.839 is greater than t table 2.00758. And the sig value is 0.487, while the previous significance level of α was 0.05, so the sig value of 0.487 is the same as 0.05. Thus, Auditor Quality is greatly influenced by Auditor Competency and Independence.

DISCUSSION

Auditors' competence, which includes knowledge, skills, and experience, directly affects their ability to identify, analyse, and assess risks and apply appropriate audit procedures; research has shown that auditor competence and independence play a very important role in determining audit quality. Competent auditors improve audit accuracy and reliability by finding errors or fraud in financial statements.

An important factor affecting audit quality is auditor independence; this means that auditors should be free from external influences or pressures that could affect their honesty. By maintaining an independent attitude, auditors are better able to provide honest and unbiased judgements about their clients' financial conditions. Research shows that auditors who have a high level of independence tend to produce better audits than other auditors.

The interaction between auditor competence and independence must also be considered. Auditors who are highly proficient but not independent may do a good job technically, but their audit results may not be trusted by third parties. Conversely, auditors who are highly proficient but not independent may not be able to conduct an effective audit. As a result, these two elements must work together to ensure optimal audit quality.

The results show that auditor competence greatly affects audit quality at AYZ Company. Auditors with in-depth knowledge, sufficient experience, and strong technical skills are able to identify and evaluate risks more accurately, which impacts their ability to make relevant recommendations and improve overall audit quality. This result is in line with the theory that experienced auditors are more likely to produce higher quality audits because they have the ability to perform audit tasks more efficiently and effectively. The auditor's ability is particularly important in AYZ companies due to the high complexity of

operations. This increases stakeholder confidence and helps companies manage risks better (Naim et al., 2024).

In addition, it is evident that independent auditors have a significant impact on audit quality because they have the ability to provide independent judgement without being affected by pressure from certain parties, including company management. This study shows that independent auditors can find important issues that may be overlooked in conflict of interest situations. Given the large scale and diversification of the company's business that is vulnerable to external pressures, the importance of independence is increasingly apparent at AYZ. Auditors can ensure that the audit results truly reflect the financial state of the company by maintaining independence, improving audit quality and increasing public confidence in the Company's financial statements (Mei et al., 2024).

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The results of a survey of 60 auditors at various Public Accounting Firms (KAP) in Indonesia show that both auditor competence and independence have a positive and significant impact on audit quality. Auditor competency, which includes knowledge, skills and experience, can improve audit quality by enabling auditors to conduct more accurate and comprehensive evaluations of financial statements.

Auditors who are able to maintain independence, both mental and physical, tend to produce audits that are more objective and reliable; This is important to maintain the integrity and trust of stakeholders in audited financial reports. The combination of high expertise and consistent independence produces high quality audits that can detect and prevent material misstatements in financial statements.

Recommendation

There are several suggestions that can be made based on the results of this research. First and foremost, Public Accounting Firms (KAP) must continue to improve auditor competency through professional certification programs, ongoing training and education. The quality of the resulting audit will increase if auditors develop their skills and knowledge. Auditors should be encouraged to keep abreast of the latest trends in accounting and auditing standards.

Second, KAP must ensure that the auditor is independent in every audit assignment. This means following a professional code of ethics, limiting financial and personal relationships with clients, and rotating auditors. In addition, auditors must be provided with a work environment that allows them to work independently, such as getting assistance from KAP management and being protected from external pressure that could interfere with their honesty.

Finally, the government and professional associations such as the Indonesian Institute of Public Accountants (IAPI) must continue to monitor and change regulations relating to auditor competency and independence. By implementing strict standards and effective supervision, public trust in the audit profession will increase. It is hoped that these recommendations will

improve the quality of audits in Indonesia, which will ultimately improve the integrity of financial reports and protect the interests of stakeholders.

ADVANCED RESEARCH

Several limitations of this study should be considered. First, this study uses a survey method, which may have limitations in collecting comprehensive information about auditor competence and independence. There may be bias in the data obtained because respondents may provide answers that are considered most correct or in line with expectations. Second, this research is limited to auditors who work at Indonesian Public Accounting Firms (KAP). Therefore, these findings cannot be generalized to auditors in other countries that have different audit regulations and practices.

In addition, the variables examined in this research are only auditor competence and independence; however, other factors such as time pressure, audit fees, and audit complexity can also influence audit quality. These limitations may impact the completeness of the analysis and conclusions drawn. Lastly, this research uses a quantitative approach, namely multiple linear regression analysis. However, this approach may not be able to fully describe the complex dynamics that occur between the variables under study.

The author learns more about how auditor competence and independence affect audit quality, further research can be carried out using qualitative or mixed methods. By using interviews or case studies, this method can provide richer and deeper insights. This allows researchers to understand context and aspects that might be missed in a quantitative survey. Further research could also expand the geographic scope by involving auditors from various countries to gain a broader understanding of the variables studied.

Further research could also investigate additional variability that may influence audit quality, such as time pressure, audit fee size, and audit complexity. By adding these variables, researchers can provide a more thorough and thorough analysis of the variability that affects audit quality. In addition, experimental research can be conducted to test the effect of certain changes on competence and independence. Finally, by using more sophisticated analysis techniques such as Structural Equation Modeling (SEM), further research can develop more complex models to understand the relationships between variables in more depth. Researchers using this model can investigate the direct and indirect relationship between competence, independence and other elements on audit quality.

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