

The Effect Of Independence On Audit Quality On KAP In Medan City

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ABSTRACT

This study is entitled the effect of independence on audit quality. The scope used is auditors who work at the Public Accounting Firm (KAP) in Medan City. The purpose of this study was to analyze the effect of independence on audit quality. The population used in this study were 50 auditors who worked at 5 public accounting firms (KAP) in Medan City. The research method used is a quantitative method with a descriptive research approach with a questionnaire data collection technique with a Likert scale, hypothesis testing is carried out using a simple linear regression test with the help of SPSS software version 26. the sampling technique in this study used convenience sampling techniques. The results showed that the independence variable had a positive and significant effect on audit quality. If the auditor has an independent attitude that upholds honesty and is not influenced by any party, the resulting audit quality will be better.



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1. INTRODUCTION

Audit quality is a very important part of presenting the audit report. In order for clients to be satisfied with the work of an auditor, a good auditor attitude is needed to produce good audit quality. Good financial management will produce good audit results. Auditors must ensure that the audits they carry out are of high quality in order to produce quality audit reports as well. The level of confidence that can be achieved by the auditor is determined by the results of the collection of evidence. The greater the amount of competent and relevant evidence collected, the higher the level of confidence achieved by the auditor.

If it is possible that in examining the financial statements the auditor finds misstatements or finds fraud that occurs in the financial statements, the auditor must report according to what actually happened. The existence of an independent auditor in an entity as a detector of irregularities in the financial statements, the company's

financial statements must present correct, reliable information so as not to mislead users of the report (Pratistha & Widhiyani, 2014).

According to the Minister of Finance Regulation Number: 17 / PMK.01 / 2008 concerning Public Accountant Services Article 1 states that the Public Accounting Firm (KAP) is a business entity that has obtained a license from the Minister of Finance as a forum for Public Accountants in providing services. For users of the auditor's financial statements, independence must be seen as one of the characteristics of an auditor so that the audited financial statements can be trusted and are in accordance with the applicable auditing standards in Indonesia. Auditor experience is also an important factor in supporting the audit quality of an auditor. In supporting his professionalism in carrying out his audit duties, as an auditor must also be guided by the auditing standards set by the Indonesian Institute of Certified Public Accountants (IAPI). IAPI sets standards and rules that all members and other practicing accountants must follow. Audit standards are general guidelines to assist auditors in their professional responsibilities for audit reports.

Nugraha (2014) states that audit quality is very important, because high audit quality is expected to produce relevant and reliable financial reports as a basis for decision making. The results of good audit quality are in the form of financial reports that are transparent, accountable and in accordance with applicable SAK, able to improve company performance and later the results of these financial reports can be seen by interested stakeholders and reflect the company's image in the eyes of the public (Indrawati et al., 2019). Facts in the field show that not all auditors fulfill and comply with Audit Standards (SA) in their assignments. A case involving audit quality is the case of PT Garuda Indonesia. PT Garuda Indonesia is the first commercial airline company in Indonesia that is owned by the Government of Indonesia or BUMN. In January 2017 PT Garuda Indonesia had 196 aircraft with more than 600 flights every day. In 2019 PT Garuda Indonesia had an agreement with PT Mahata Aero Teknologi, the agreement concerned the provision of in-flight connectivity services. As a result, all members of the Board of Directors of PT Garuda Indonesia were subject to administrative sanctions of 100 million and also KAP Tanubrata, Sutanto, Fahmi, Bambang & partners were suspended for 12 months.

There are still many cases of violations committed by Public Accounting Firms (KAP) and Public Accountants (AP), this can be found from various cases of violations that have occurred including the following:

Company	Name of Public Accounting Firm (KAP)	Case	Source
PT Sunprima Nusantara Pembiayaan (SNP Finance), 2018	Public Accounting Firm (KAP) Satrio, Bing, Eny and Partners which is one of the KAP under Deloitte Indonesia.	Public accounting firm (KAP) Satrio Bing, Eny & Rekan (Deloitte Indonesia), AP Marlinna and Merliyana Syamsul who audited PT Sunprima Nusantara on financing for the 2012 to 2016 fiscal years did not fully comply with the Auditing Standards-Public Accountant Professional Standards, there was no reasonableness of assertion of the assertion of the separation of financing income account limits, implementation of adequate procedures related to the fraud risk detection process and response to fraud risk, and professional skepticism in planning and conducting audits. Therefore, the Minister of Finance imposed administrative sanctions on AP Marlinna and Merliyana Syamsul in the form of restrictions on providing audit services to financial services entities for 12 months.	https://www.kontan.co.id/
PT Hanson International Tbk (MYRX), 2016	Public Accounting Firm (KAP) Purwanto, Sungkoro and Surja (member of Ernst and Young Global Limited)	OJK imposed sanctions on KAP Purwanto, Sungkoro and Surja for violating accounting professional standards, because it was proven to have manipulated the presentation of the annual financial statements (LKT) by 732 billion.	https://money.kompas.com/
PT Summarecon Agung Tbk, 2020	Public Accounting Firm (KAP) Purwanto, Sungkono and Surja	The case committed by PT Summarecon Agung Tbk is to provide fees to regional heads so that property development permits are issued more quickly and in the annual audit report conducted by KAP Purwanto, Sungkono and Surja, PT Summarecon Agung has 60 subsidiaries in 2020 with an audit fee of 6 billion.	https://monitorindonesia.com/

The table above shows that there are often negligence committed by auditors and public accounting firms that violate Auditing Standards (SA) - Public Accountant Professional Standards (SPAP) and the Public Accountant Code of Ethics, resulting in decreased public confidence in the quality of the audit itself. There have been many previous studies on audit quality. Previous research conducted by Khairiyah (2020) said that independence and audit fees have a significant effect on audit quality. This positive effect shows that the effect of independence is in line with audit quality or in other words, high independence will affect good audit quality, and vice versa, if independence is low, the quality of audit results will be poor or low. In line with research conducted by Burhanudin (2016), it is also said that independence affects audit quality. However, in research by Widari et al., (2023) said that auditor independence has no effect on audit quality.

2. METHODS

This research uses an associative approach. According to Khairiyah (2020) associative research is research that aims to analyze the relationship between one variable and another. The research method used in this research is quantitative method. According to Khairiyah (2020) quantitative research is one type of research whose specifications are systematic, planned and clearly structured from the beginning of the research to the making of the research design. This research was conducted at the Public Accounting Firm (KAP) in Medan City.

According to Sugiyono (2017) Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics set by researchers to study and then draw a conclusion. The population in this study were auditors who worked at the Public Accounting Firm in Medan City.

According to Sugiyono (2017) the sample is part of the number and characteristics possessed by the population and is carefully selected from that population. Based on the results of distributing the questionnaires that have been carried out, a sample of 50 respondents was obtained. Data collection techniques carried out by researchers in the form of Questionnaires / Questionnaires, the data that has been obtained is then managed in order to produce a research result that can be proven empirically. The data analysis test used is the partial t test. The t test is used to determine whether each independent variable partially has a significant effect on the dependent variable.

3. FINDINGS AND DISCUSSION

Findings

Hypothesis Test Results (t Test)

The t statistical test is used to determine the level of significance of the effect of each independent variable on the dependent variable. H_0 is accepted if the value of t count $<$ t table, with a value of $df = n - k$ or $50 - 3 = 47$ where n is the number of samples and

k is the number of research variables, it can be seen that the t table is 2.012. The t test can also be compared with the value or level of significance (sig) with a probability of 0.05 (5%).

Tabel 3.1
Hypothesis Test Results (T Test)
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	28.253	5.760		4.905	.000		
Indenpedency	.342	.102	.356	3.361	.002	.747	1.338

a. Dependent Variable: Audit Quality
Source: Primary data processed, 2023

Based on the t test results in table 4.15 above, it can be concluded:

The significant value of independence on audit quality shows the t value of the independence variable count of 3.361 > 2.012, then the t count of the independence variable is greater than the t table value of 2.012 stating that H0 is rejected H1 is accepted with a significance value of 0.002 < 0.05, then the sig. count of 0.002 is smaller than the sig. table value of 0.05 stating that the independence variable has a significant effect.

Discussion

Based on the results of data analysis, it is known that the Independence variable affects Audit Quality. More detailed analysis and test results can be explained as follows:

The results of the first hypothesis test (H1) are independence on audit quality with t count for the independence variable is 3.361 with a significance value of 0.002. This means that the value of t count > t table (3.361 > 2.012). it can be concluded that the independence variable has a positive and significant effect on audit quality. This means that independence is an attitude where the auditor is impartial and not under the influence or pressure of certain parties in making decisions or actions. The neutral attitude shown by the auditor when carrying out his duties illustrates that the auditor is honest and free from any influence, resulting in a reliable audit report.

The results of this study are in line with research conducted by Dewi Ajeng Citra (2016) which states that an auditor who has a high independent attitude, the resulting audit quality will be better.

The auditor will be held accountable for the results of the audit he made, this is what causes the independent attitude of an auditor to be maintained. Then, this research is also in line with research conducted by Lulu Khairiyah (2020) and Muhammad Alifzuda Burhanuddin (2017) which states that independence has a

positive and significant effect on audit quality.

However, this research is not in line with research conducted by Trihapsari and Anisykurlillah (2016) which states that there are two aspects of independence, namely the real independence of a practitioner in carrying out his work and independence in the appearance of the auditor as a professional group. They call it "practitioner independence" and professional independence". So with this it can be concluded that H0 is rejected and H1 is accepted.

4. CONCLUSION

Based on the results of the analysis, it shows that the Independence variable has a positive and significant effect on audit quality. This shows that the higher the independence of an auditor, the better the resulting audit quality will be. If the auditor has an independent attitude that upholds honesty and is not influenced by any party, the resulting audit quality can reflect the actual condition of the client company. The higher the independence of an auditor in carrying out his work results in audit quality of the financial statements according to the actual situation.

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