

The effect of professional ethics, independence, and competence on auditor performance

Subjects
Accounting and
Auditing

Santha Yoseva Malau* & Dadang Rahmat

Master of Management, Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta, Jakarta, Indonesia

ABSTRACT

Purpose: This study aimed to determine the effect of professional ethics, independence, and competence on auditor performance at the Public Accounting Firm in South Jakarta.

Methods: This research is associative with a causal relationship. It uses descriptive research methods with primary data types. The data in this study were obtained from distributing questionnaires to auditors at five public accounting firms in South Jakarta, with a sample of 53 auditors as respondents. The data was processed using the SPSS 25 program.

Findings: This study's results indicate that professional ethics partially affect auditor performance, independence affects auditor performance, and competence has no effect on auditor performance.

Practical Implications: This study's practical implications emphasize the importance of management in enforcing strict ethical standards and maintaining auditor independence through periodic training and stronger supervision. In addition, the need to develop programs to improve auditor skills is also emphasized. Although ethics and independence are the main focus, increased competence is still needed to optimize auditor performance.

Article History:

Received: 10 Jan 2024

Revised: 5 Feb 2024

Accepted: 10 Feb 2024

Online: 14 Feb 2024

Keywords

Professional ethics,
independence,
competence, auditor
performance

Reviewing Editor

Muljanto Siladjaja



Corresponding Author:

Santha Yoseva Malau, Email: santhayoseva@gmail.com

Journal of Public Auditing
and Financial
Management

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Abstrak

Tujuan: Tujuan penelitian ini adalah untuk mengetahui pengaruh etika profesi, independensi dan kompetensi terhadap kinerja auditor pada Kantor Akuntan Publik di Jakarta Selatan.

Metode: Penelitian ini merupakan penelitian asosiatif dengan hubungan kausal. Penelitian ini menggunakan metode penelitian deskriptif dengan jenis data primer. Data dalam penelitian ini diperoleh dari penyebaran kuesioner kepada auditor di 5 Kantor Akuntan Publik di Jakarta Selatan, dengan sampel sebanyak 53 auditor sebagai responden. Data diolah dengan menggunakan program SPSS 25.

Hasil: Hasil penelitian ini menunjukkan bahwa secara parsial etika profesi berpengaruh terhadap kinerja auditor, independensi berpengaruh terhadap kinerja auditor, sedangkan kompetensi tidak berpengaruh terhadap kinerja auditor.

Implikasi Praktis: Implikasi praktis dari penelitian ini menekankan pentingnya manajemen dalam menegakkan standar etika yang ketat dan menjaga independensi auditor, melalui pelatihan berkala dan pengawasan lebih kuat. Selain itu, perlunya pengembangan program untuk meningkatkan keterampilan auditor juga ditekankan. Meskipun etika dan independensi menjadi fokus utama, peningkatan kompetensi tetap diperlukan untuk mengoptimalkan kinerja auditor.

Kata Kunci: Etika profesional, independensi, kompetensi, kinerja auditor

1. Introduction

Public Accounting Firm is an organization engaged in services, where the services provided are operational audit services, compliance audits, and financial statement audits (Arens and Loebbecke, 2011: 11). The development of the business world today is very tight, so clarity is needed from companies regarding financial reports, which in turn requires professional auditors to assess the compliance and conformity of the company's financial statements with accounting principles. The urgency of this topic lies in the critical role of auditors in providing opinions that can affect stakeholder confidence in global economic reports. An auditor must be professional in carrying out audit tasks because audit quality reflects the ethics of an auditor.

An auditor has specific qualifications for conducting audits of financial statements in a company or organization (Notoprasetyo, 2012). By understanding the definition of auditors and the importance of professionalism, the public is expected to care about how auditors carry out their duties because every audit opinion has implications for investment decisions and public trust in the company. To improve auditor performance, paying attention to the principles set is necessary. Performance describes how an activity or implementation has been achieved in realizing the company's vision, mission, and goals prepared in strategic planning (Wahyuni et al., 2016). Another factor that affects performance is independence. Independence is the second general standard of the three auditing standards set by the Indonesian Institute of Accountants (IAI), which explains that the auditor must maintain an independent mental attitude regarding assignments. Previous studies have shown that auditor independence is positively correlated with audit quality. However, some recent research results show that there is debate about this relationship and highlight that professional ethics can negatively impact auditor performance.

Siti Fatimah (2020) explains that professional ethics significantly negatively affect auditor performance. This has a negative impact; namely, the higher the professional ethics of an auditor, the auditor's performance tends to be. The gap in current research is the lack of in-depth

understanding of the mechanisms by which professional ethics can contribute to a decrease in auditor performance. At the same time, the results of previous studies show the importance of independence in improving audit performance. This emphasizes the need for further research to explore the interaction between ethics, independence, and auditor performance. This study aims to explore the effect of professional ethics and independence on auditor performance in more depth and better understand the factors that influence auditor performance in public accounting firms. This research provides practical insights for companies and auditors to improve their audit performance through the application of ethics and increased independence to achieve quality audit results. In addition, this research is expected to contribute to better accounting practices, supporting transparency and accountability at the global level.

2. Theoretical Background

Independence

Independence, according to Endang Sri (2015), is the auditor's ability to report audit results without influence from other parties, based on evidence by standards. Independent auditors provide reliable information to the public without being bound by outside interests. Arens et al. (2017: 16) emphasize the importance of the auditor's independent mental attitude to maintain audit quality and users' trust in financial statements. Public Accountant Professional Standard No. 04 (SA Section 220) emphasizes that auditors' independence must be maintained, considering that their job is in the public interest, without favoring personal interests.

Competence

According to Wicaksono (2018: 5), competence is the skill or ability to carry out duties and responsibilities based on knowledge and expertise. Mathius Tandiontong (2018: 172) adds that competence is related to knowledge, expertise, and experience. Competent auditors have the skills and knowledge needed to complete their duties, as Agoes (2013: 146) stated. Competence includes relevant abilities, skills, and ethics. Arens et al. (2013: 42) emphasize the importance of formal education in auditing and accounting and practical experience to achieve competence. Wibowo (2016: 86) also highlights that competence is the ability to do a good job, which is very important for auditors.

Auditor performance

Auditor performance is work performance measured based on quantity, timeliness, attendance, quality, and responsibility. Anwar Prabu Mangkunegara (2015: 67) calls performance the real result of a person's work. In general, performance is defined as achievement in carrying out tasks. Seymor in Yetti (2015: 18) defines performance as a measurable activity, while Rivai (2013) states that performance is a concrete action carried out by individuals that reflects the achievement of work according to company tasks.

Hypothesis

The Effect of Professional Ethics on Auditor Performance

As an auditor, he must be responsible for the financial statements he examines, not only for the benefit of his clients but also for parties interested in the audit report. Research conducted by Hayati et al. (2019) revealed that professional ethics includes a code of ethics and principles set by the organization that emphasizes attitudes and behavior in carrying out obligations and

responsibilities in maintaining the quality and reputation of auditors. Good morals are needed so that deliberate fraud does not occur. By having good auditor ethics, the resulting work will also be good. Based on the theoretical framework and the results of previous studies, the first hypothesis is proposed as follows:

H1: Professional ethics affect auditor performance

The effect of Independence on Auditor Performance

Istiariani (2012) reveals that independence is a person's attitude to be honest and impartial and disclose reports based on facts. An auditor must have an independent attitude in the audit process to produce a quality audit without being influenced by other parties. Being independent in carrying out tasks will produce a quality audit, which shows that the auditor's performance is good. Based on the theoretical framework and the results of previous studies, the second hypothesis is proposed as follows:

H2: Independence Affects Auditor Performance

The effect of Competence on Auditor Performance

An auditor must increase his competence in his profession to avoid reporting errors. Auditors need competence to perform their duties properly (Ayuningtyas et al., 2012). Yadnya's research (2017) shows that competence positively influences auditor performance. Based on the theoretical framework and the results of previous studies, the third hypothesis is proposed as follows:

H3: Competence has a positive effect on auditor performance

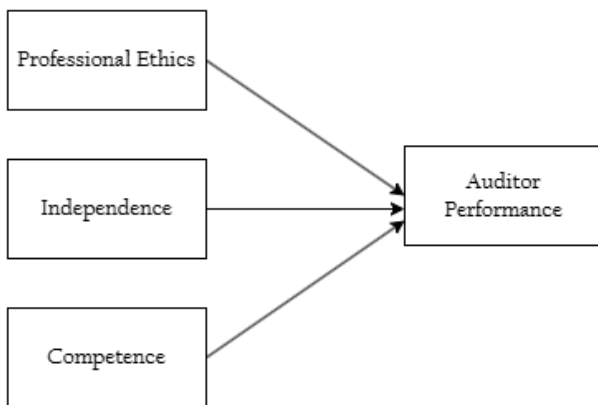


Figure 1. Research Conceptual Framework

3. Methods

This research uses a quantitative approach characterized by numerical data types. The variables studied consisted of Professional Ethics, Independence, and Competence as independent variables and Auditor Performance as the dependent variable. To collect data, researchers distributed questionnaires to auditors who work at the Public Accounting Firm in South Jakarta. The data collected was then processed using the SPSS version 25 program.

Analysis techniques

The analysis techniques used in this study include several steps. First, descriptive statistical analysis is carried out to describe and identify the characteristics of the data that has been collected. Furthermore, the analysis method includes classical assumption tests and hypothesis testing through multiple linear regression analysis. At the hypothesis testing stage, the F test was conducted to assess the feasibility of the regression model. In contrast, the T-test was used to determine the effect of each independent variable on the dependent variable. The general regression equation model used in this study is:

$$Y = + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e.$$

4. Results and Discussion

Descriptive statistical test

Based on descriptive statistical analysis, this study's respondents were 53 auditors. The auditors' professional ethics scores range from 16 to 24, averaging 20.34. The standard deviation of 2.121 indicates a moderate spread of values from the data obtained by respondents to the average. The level of auditor independence is measured in the range of 12 to 20, with an average value of 17.79, which indicates that most respondents have a high level of independence. The data spread for this variable is relatively small, reflected in the standard deviation, which is not too large, namely 1.843.

Table 1. Descriptive statistics

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Professional Ethics	53	16	24	20,34	2,121
Independence	53	12	20	17,79	1,843
Competence	53	18	24	21,04	1,961
Auditor Performance	53	19	32	27,66	3,019

Source: Data processed with SPSS Version 25

Respondents recorded scores between 18 and 24 for the competency level, with an average value of 21.04, indicating that most respondents have fairly good competence. The data distribution in the competency variable is also relatively even, with a standard deviation of 1.961. The auditor performance of all 53 respondents ranges from 19 to 32, with an average value of 27.66. This shows that, in general, the auditors perform well. However, the higher standard deviation (3.019) compared to other variables shows considerable variation among respondents regarding performance.

Hypotheses testing

$$Y = 1.799 + 0.540 X_1 + 0.534 X_2 + 0.256 X_3 + e$$

The results in Table 2 show a constant value of 1.799, indicating that auditor performance will be recorded if professional ethics, independence, and competence are considered constant. The regression coefficient for professional ethics is +0.540, which means that a one-point increase in this variable will increase auditor performance by 0.540. Likewise, with the independence regression coefficient of +0.534, a one-point increase will impact auditor performance, which will increase by 0.534. Meanwhile, the coefficient for competence is +0.256, indicating an increase in auditor performance of 0.256 if competence increases by one point. Thus, professional ethics and independence have a more significant impact on auditor performance than competence.

Table 2. Hypotheses testing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1,799	5,120		0,351	0,727
Professional Ethics	0,540	0,166	0,379	3,252	0,002
Independence	0,534	0,197	0,326	2,712	0,009
Competence	0,256	0,18	0,166	1,42	0,162
F = 9,629					

Source: Data processed with SPSS Version 25

The results of Table 2 show that the hypothesis test for the professional ethics variable produces a calculated t value greater than the t table ($3.252 > 2.009$) with a significance value of 0.002, which is less than 0.05. Thus, it can be concluded that professional ethics affect auditor performance. Furthermore, the results of hypothesis testing for the independence variable also show a higher t value than the t table ($2.712 > 2.009$) with a significance of 0.009, which is also below 0.05. This indicates that independence also affects auditor performance. This indicates that independence also affects auditor performance. On the other hand, in the hypothesis test for the competency variable, the t value shows lower results than the t table ($1.420 < 2.009$) with a significance of 0.162, which is greater than 0.05. This indicates that competence does not affect auditor performance. This indicates that competence has no partial effect on auditor performance. In addition, the simultaneous test results show that the calculated F value is greater than the F table ($9.629 > 2.79$) with a significance of less than 0.05 ($0.000 < 0.05$). Therefore, professional ethics, independence, and competence simultaneously affect auditor performance.

Discussion

The Effect of Professional Ethics on Auditor Performance

The results of hypothesis testing show that the professional ethics variable partially affects the auditor performance variable. This conclusion is obtained from the results of the t-test, which shows the t-count value is greater than the t-table, and the significance value is < 0.05 . Thus, professional ethics is a factor that has a positive effect on auditor performance at the Public Accounting Firm in South Jakarta. This research aligns with the research conducted by A.A. Sayu Gita Wulandari and I Gde Dharma Suputra (2018).

The Effect of Independence on Auditor Performance

From the results of hypothesis testing, it is evident that independence partially affects auditor performance. This is obtained from the t-test results, which show the t-count value is greater than the t-table and the significance value is < 0.05 . Thus, independence has a positive effect on auditor performance. This shows that independence will affect an auditor's performance in carrying out his duties. With an independent attitude owned by the auditor, the examination results will be more honest, not bound to any party, and by accounting principles. This will improve auditors' performance and maintain the profession's good name. The results of this study support research conducted by Irma Istriariani (2018).

The Effect of Competence on Auditor Performance

The results of testing hypothesis state that competence has no significant effect partially on auditor performance. This is obtained from the t-test results, which show the t-count value $< t$ -tabel with a significance value > 0.05 . Thus, it can be concluded that the competency variable partially does not affect auditor performance. This is because auditors do not carry out their duties optimally in accordance with their expertise. Competence is a characteristic that auditors must possess in carrying out audit tasks properly. Therefore, auditors who do not have sufficient knowledge and abilities will produce poor performance. This research is in line with research conducted by Puteri Sholihah (2018), which states that competence does not affect auditor performance.

5. Conclusion

This study involving 53 auditors from the Public Accounting Firm in the South Jakarta area found that auditor professional ethics had a partially significant effect on auditor performance. Auditors' compliance with professional ethics can improve their performance. In addition, auditor independence also has a significant effect on their performance, confirming the importance of professionalism in checking client errors with freedom without external influence. However, auditor competence did not show a positive effect on performance, indicating that auditors who do not have specialized skills often lack thoroughness and make mistakes in the performance of tasks. This study has limitations in the relatively small number of respondents, only 53 auditors, which may not fully represent the larger auditor population. In addition, this study focused on public accounting firms in one region, so the generalizability of the research results may be limited to that context. Based on the research results, it is recommended that the Public Accounting Firm continue to improve auditor performance to maintain client trust, even though professional ethics, independence, and competence have been done well. To improve auditor performance, it is necessary to increase competence, including knowledge, skills, work attitudes, and personality. In addition, leaders in the South Jakarta area must continue to pay attention to the ethics and competence of auditors to maintain and improve performance and achieve maximum results.

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Acknowledgment

the authors are grateful to the various reviewers for their constructive comments in shaping the manuscript.

Funding

Not applicable

Conflicts of interest/ Competing interests:

The authors have no conflicts of interest to declare that are relevant to the content of this article.

Data, Materials and/or Code Availability:

Data sharing is not applicable to this article as no new data were created or analyzed in this study

Publisher's Note

Imperium Research Institute remains neutral with regard to jurisdictional claims in published maps and institutional affiliations

Cite this paper:

Malau, S, Y., & Dadang, R. (2024). The effect of professional ethics, independence, and competence on auditor performance. *Journal of Public Auditing and Financial Management*, 4(1), 33-42. <https://doi.org/10.36407/jpafm.v4i1.1633>

