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THE INFLUENCES OF AUDITOR COMPETENCY AND MUSLIM AUDITOR ETHICS ON AUDIT QUALITY (CASE STUDY ON BUDIANDRU AND PARTNER PUBLIC ACCOUNTING FIRM)

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Abstrak

Penelitian ini menguji pengaruh Kompetensi Auditor dan Etika Auditor Muslim terhadap Kualitas Audit pada Kantor Akuntan Publik Budiandru dan Rekan di Cibubur, Jakarta Timur. Penelitian ini bertujuan untuk mengetahui seberapa besar pengaruh Kompetensi Auditor dan Etika Auditor Muslim terhadap Kualitas Audit. Jenis penelitian yang digunakan adalah metode kuantitatif. Teknik pengambilan sampel menggunakan teknik sensus yaitu 32 responden yang merupakan auditor pada Kantor Akuntan Publik Budiandru dan Rekan. Metode analisis yang digunakan adalah metode analisis Structural Equation Modeling (SEM) Partial Least Squares (PLS) dengan program aplikasi yang digunakan yaitu SmartPLS 3.0. Hasil penelitian menunjukkan bahwa secara parsial dan simultan variabel Kompetensi Auditor dan Etika Auditor Muslim terbukti berpengaruh positif dan signifikan terhadap Kualitas Audit. Temuan penelitian ini dapat membantu lembaga pemeriksa dan lembaga terkait untuk meningkatkan, guna lebih meningkatkan kualitas audit di masa depan.

Kata Kunci: Kompetensi Auditor, Etika Auditor Muslim, Kualitas Audit

Abstract

This research examine the influence of Auditor Competency and Muslim Auditor Ethics on Audit Quality at the Budiandru and Partner Public Accounting Firm in Cibubur, East Jakarta. This research aims to find out how much influence Auditor Competency and Muslim Auditor Ethics have on Audit Quality. The type of research used is a quantitative method. The sampling technique used a census technique, namely 32 respondents who were auditors at the Budiandru and Partner Public Accounting Firm. The analytical method used is the Structural Equation Modeling (SEM) Partial Least Squares (PLS) analysis method with the application program used, namely SmartPLS 3.0. The results of this research show that partially and simultaneously the variables Auditor Competency and Muslim Auditor Ethics have proven to have a positive and significant effect on Audit Quality. The findings of this research can help auditing agencies and related institutions to enhance, in order to further improve audit quality in the future.

Keywords: *Auditor Competency, Muslim Auditor Ethics, Audit Quality*

INTRODUCTION

In the realm of global economic dynamics, the validity of financial information is critical in the operations of a company. Accounting as a systematic method for recording and analyzing financial transactions, emanates an important aura as an essential foundation.

Just to provide transparency, accounting also gives a deep insight into the financial health of an entity. Amidst the rampant uncertainty in the global business arena, accounting serves as a reliable source of information. In the realm of corporate finance, financial statements emerge as essential papers that reflect the financial condition of an entity. The quality of financial statements is achieved through careful preparation, supported by the competence of accounting staff. Financial statements which are the final result of the report on the accounting process are needed as a means of decision making for certain parties by providing various quantitative financial information. The importance of quality financial reports also appears in the views of financial sector actors, including from the Center for Financial Professional Development (P2PK) which aims to monitor and ensure audited financial reports to avoid fraud that can have a negative impact on the company.

Figure 1. Data on Total of Fraud Cases in 2019

Source: Survei ACFE 2019

Based on the results of the Association of Certified Fraud Examiners (ACFE) survey in Asia-Pacific Occupational Fraud 2019: A Report to the Nations said that the biggest fraud in Indonesia was corruption as many as 167 cases with a potential percentage of 69.9%, misuse of state and company assets/wealth as many as 50 cases with a percentage of 20.9%, and financial statement fraud as many as 22 cases with a percentage of 9.2% (ACFE, 2020). Examples of cases of violations such as in 2015, PT Tirta Amarta Bottling manipulated data on the value of assets and showed the company's financial condition that had developed to fulfill the requirements for additional credit facility requests from PT Bank Mandiri. Then, on June 28, 2019, PT Garuda Indonesia was found guilty and sanctioned for fraudulent revenue recognition in the 2018 financial statements. Another example of violations occurred in the bribery case by the Regent of Bogor Regency in 2022 for the management of the Bogor Regency local government financial statements for the 2021 fiscal year in collaboration with BPK West Java. The regent wanted the Bogor Regency local government to get the WTP title again for the 2021 fiscal year from the West Java Representative BPK.

The spread of fraud is in the media spotlight and an important issue for business owners to know in considering auditing their company's financial statements later. In order to produce a quality audit, the audit process must be carried out by a competent person who acts as an expert in the field of accounting and auditing. Another factor that affects audit quality is auditor ethics, in carrying out their professional practices, auditors must comply with the professional code of ethics that regulates their work. Auditors who always comply with the professional code of ethics will be able to improve audit quality (Angelina, 2017). Based on the background above, it can be seen that the role of auditors is important in producing good audit quality, so the authors are interested in conducting research with the title "The Influences of Auditor Competency and Muslim Auditor Ethics on Audit Quality (Case Study at Budiandru and Partner Public Accounting Firm)".

LITERATURE REVIEW

Agency Theory

Agency theory, proposed by (Jensen & Meckling, 1976) describes the relationship between two parties, namely the principal (owner) and the agent (management), who then delegates the responsibility or mandate to the agent in an agreed form of cooperation. Agency theory is used in the field of auditing to explain the working relationship between principals and agents involving auditors as independent parties to reduce asymetric information.

Steward Theory

Steward theory is defined as a situation where managers do not focus on individual goal motivation, but pay more attention to the interests of principals who are aligned with their desired goals (Davis et al., 1997; Donaldson & Davis, 1991). The auditor acts as a steward who is ready to fulfill the wishes or interests of the principal with an attitude of loyalty and still prioritizes integrity and is responsible for service to the public.

Attribute Theory

As an auditor, he must also maintain an attitude that can maintain the good name of his institution so that it is related to attribute theory. Attribute theory was coined by (Heider, 1958) which discusses a person's behavior and studies the process of how their perceptions of events that occur around them, the reasons or causes of the behavior occur.

Auditor Competency

Auditor competency is crucial in improving audit quality. If the competence is high, the auditor will easily complete his duties, and the auditor will experience difficulties when performing tasks if the competence is low, so the resulting audit quality will also be low (Tjahjono & Adawiyah, 2019). Therefore, the higher the level of education an auditor has, the broader the auditor's knowledge will be and can work professionally (Meidawati & Assidiqi, 2019).

Muslim Auditor Ethics

According to (Kurnia et al., 2014) auditor ethics is knowledge about good and bad moral behavior. In an effort to improve performance, auditors are required to comply with ethical behavior standards so that audit results can be of high quality. In an effort to improve performance, auditors are required to comply with ethical behavior standards so that audit results can be of high quality. The code of ethics is very important for auditors by providing restrictions on what can and cannot be done, both morally and not. By following ethical standards in their work, it is hoped that the quality of audits made by public accountants will improve (Ichwanty, 2015).

In all aspects of human life, Islam teaches ethics, including in the public accounting profession. The ethics of honesty exemplified by the Prophet are particularly relevant element for the public accounting profession. Rasulullah was sent by Allah Swt. to improve human morals through examples and lessons with his best strategy, namely making himself a role model (Sam et al., 2019).

Audit Quality

Audit quality is defined as the likelihood that an auditor will examine and report irregularities in client information. Finding violations measures audit quality with the knowledge and expertise of auditors. Meanwhile, violation reporting depends on the auditor's urge to disclose or not the violations obtained (Deangelo, 1981).

Auditing quality parameters are closely related to ethics, the main point of which is demonstrated by the IAASB, namely showing appropriate values, ethics and behavior. In addition, the competency factor is no less important in producing a quality audit, namely by having sufficient knowledge, skills, and experience, and having sufficient time allocated to the auditee to perform audit work. A high-quality audit can be the reason a financial report gains trust as a basis for decision making (Aprilia Nst, 2020)

Conceptual Framework

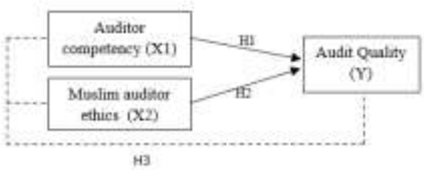

Figure 2. Framework

Hypothesis:

H_1 : Auditor competency affects audit quality

H_2 : Muslim auditor ethics affect audit quality

H_3 : Auditor competency and muslim auditor ethics affect audit quality

RESEARCH METHODS

The type of research used by this study employs a quantitative approach that focuses on analyzing data in the form of numbers. The type of data used is primary data obtained directly from the original source concerned by the survey method to respondents. The sampling technique used in this study was the census method, involving a total of 32 auditors. The data in this study were processed using the Structural Equation Modeling (SEM) Partial Least Squares (PLS) method with the help of the SmartPLS application to assess the measurement model and structural model in this study.

RESULTS AND DISCUSSION

Measurement Model Analysis ***(Outer Model)***

1. Convergent Validity

Table 1. Convergent Validity Test Results

Variables	Item Code	Outer Loading	Note
Auditor Competency (X1)	KOA1	0,724	Valid
	KOA2	0,763	Valid
	KOA3	0,863	Valid
	KOA4	0,784	Valid
	KOA5	0,702	Valid
	KOA6	0,744	Valid
	KOA7	0,790	Valid
Muslim Auditor Ethics (X2)	EAM1	0,863	Valid
	EAM2	0,804	Valid
	EAM3	0,860	Valid
	EAM4	0,889	Valid
	EAM5	0,863	Valid
	EAM6	0,878	Valid
	EAM7	0,741	Valid
Audit Quality (Y)	KUA1	0,833	Valid
	KUA2	0,916	Valid
	KUA3	0,814	Valid
	KUA4	0,751	Valid
	KUA5	0,850	Valid
	KUA6	0,749	Valid
	KUA7	0,646	Acceptable

Source: Primary data results processed by SmartPLS 3.0, 2024

Based on Table 1. above, it can be seen that in the item code for the Audit Quality indicator (KUA7) there is a loading factor that is colored red with a value of 0.646 because it is smaller than 0.7. However, in the development of scale increases, the loading factor value between 0.5 - 0.6 is still acceptable in this test, so that all variables can be said to meet the requirements of convergent validity. According to (Hair et al., 2014) that the convergent validity should yield a value higher than 0.5.

2. Discriminant Validity

There are two ways to test discriminant validity, namely cross loading and Average Variance Extracted (AVE). The following are the test results that have been carried out with SmartPLS 3.0.

Table 2. Cross Loading Test Results

Variables	Item Code	Auditor Competency (X1)	Muslim Auditor Ethics (X2)	Audit Quality (Y)	Note
Auditor Competency	KOA1	**0,724**	0,389	0,447	Pass
	KOA2	**0,763**	0,529	0,570	Pass
	KOA3	**0,863**	0,642	0,684	Pass
	KOA4	**0,784**	0,576	0,456	Pass
	KOA5	**0,702**	0,533	0,494	Pass
	KOA6	**0,744**	0,546	0,539	Pass
	KOA7	**0,790**	0,478	0,557	Pass
Muslim Auditor Ethics	EAM1	0,628	**0,863**	0,654	Pass
	EAM2	0,522	**0,804**	0,570	Pass
	EAM3	0,671	**0,860**	0,638	Pass
	EAM4	0,591	**0,889**	0,730	Pass
	EAM5	0,550	**0,863**	0,738	Pass
	EAM6	0,588	**0,878**	0,674	Pass
	EAM7	0,532	**0,741**	0,734	Pass
Audit Quality	KUA1	0,750	0,660	**0,833**	Pass
	KUA2	0,579	0,724	**0,916**	Pass
	KUA3	0,483	0,702	**0,814**	Pass
	KUA4	0,613	0,529	**0,751**	Pass
	KUA5	0,551	0,842	**0,850**	Pass
	KUA6	0,466	0,524	**0,749**	Pass
	KUA7	0,495	0,444	**0,646**	Pass

Source: Primary data results processed by SmartPLS 3.0, 2024

Based on Table 2. above, it shows that the loading value of each indicator of each variable has a greater value than the value of each indicator of other variables.

Table 3. AVE Test Results

Variables	Average Variance Extracted (AVE)	$\sqrt{AVE}$	Note
Auditor Competency (X1)	0,591	0,769	Valid
Muslim Auditor Ethics (X2)	0,712	0,844	Valid
Audit Quality (Y)	0,637	0,798	Valid

Source: Primary data results processed by SmartPLS 3.0, 2024

Based on Table 3. above, it can be seen that the AVE (Average Variance Extracted) value of all latent variables shows a value > 0.5 so that these variables can be said to have good discriminant validity according to the rule of thumb according to the opinion (Chin, 2014) with a value> 0.5. In addition, if the square root of the AVE is greater than other constructs, it can prove that the model will have even better discriminant validity.

3. Reliability

In measuring the reliability value, you can use two methods, namely Composite Reliability and Cronbach's Alpha. The results of the two measuring instruments used have criteria with a Composite Reliability value> 0.6 and Cronbach's Alpha > 0.7.

Table 4. Composite Reliability Test Results

Variables	Composite Reliability	Note
Auditor Competency (X1)	0,910	Reliabel
Muslim Auditor Ethics (X2)	0,945	Reliabel
Audit Quality (Y)	0,924	Reliabel

Source: Primary data results processed by SmartPLS 3.0, 2024

Based on Table 4. that the results of reliability testing with Composite Reliability for variable X1 are worth 0.910, variable X2 is worth 0.945, and variable Y is worth 0.924 with the rule of thumb is > 0.6 so it can be concluded that the Composite Reliability value can be said to be reliable.

Table 5. Cronbach's Alpha Test Results

Variables	Cronbach's Alpha	Note
Auditor Competency (X1)	0,884	Reliabel
Muslim Auditor Ethics (X2)	0,932	Reliabel
Audit Quality (Y)	0,903	Reliabel

Source: Primary data results processed by SmartPLS 3.0, 2024

Based on Table 5. that the results of reliability testing with Cronbach's Alpha, namely for variable X1 worth 0.884, variable X2 worth 0.932, and variable Y worth 0.903 with the rule of thumb is> 0.7 (Hair et al., 2014). It can be concluded that the Cronbach's Alpha value can be said to be reliable.

Structural Model Analysis *(Inner Model*)

1. R-Square Test (Coefficient of Determination)

Table 6. R-Square Test Results

Variables	R Square Adjusted	Note
Audit Quality (Y)	0,675	Strong

Source: Primary data results processed by SmartPLS 3.0, 2024

Based on Table 6. shows that the Adjusted R-Square value is 0.675. This value indicates that auditor competency and Muslim auditor ethics together explain 67.5% of the variance in Audit Quality. It can be concluded that the R-Square on the Audit Quality variable falls into the strong criteria because it is> 0.67.

2. Hypothesis Test

a. T-Test

Table 7. Path Coefficients Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Result
Auditor competency (X1) on Audit quality (Y)	0,282	0,335	0,142	1,986	0,048	Accepted
Muslim Auditor Ethics (X2) on Audit quality (Y)	0,614	0,580	0,155	3,957	0,000	Accepted

Source: Primary data results processed by SmartPLS 3.0, 2024

H1: Auditor competency has a positive and significant effect on audit quality

Based on Table 7. above, it can be seen that the test results on the Auditor Competency variable show positive results on Audit Quality as evidenced by the original sample value or correlation value of 0.282. In addition, the T-statistic value on this variable is greater than the T-table, namely 1.986> 1.96 which indicates significant. This is consistent with the p-value of 0.048 which is less than 0.05. So, it can be concluded that the Auditor Competency variable has a positive and significant effect on Audit Quality so that H1 is accepted.

This is supported by research according to Septony B. Siahaan and Arthur Simanjuntak (2019) with the title The Effect of Auditor Competency, Auditor Independence, Auditor Integrity and Auditor Professionalism on Audit Quality with Auditor Ethics as a Moderating Variable (Case Study at Public Accounting Firm in Medan City) which states that Competency partially has a positive and significant effect on Audit Quality.

H2: Muslim auditor ethics has a positive and significant effect on audit quality

Based on the results of the T-Statistic test in Table 7, the test on the Muslim Auditor Ethics variable shows positive results on Audit Quality as evidenced by the original sample value or correlation value of 0.614. In addition, the T-statistic value on this variable is greater than the T-table, namely 3.957 > 1.96 which indicates significant. This is also in line with the p-value, which is 0.000 <0.05. So, it can be concluded that the Muslim Auditor Ethics variable has a positive and significant effect on Audit Quality so that H2 is accepted.

This finding aligns with the research by Yeni Kuntari, Anis Chariri, Nurdhiana (2017) with the title The Effect of Auditor

Ethics, Auditor Experience, Audit Fees, and Auditor Motivation on Audit Quality which states that Auditor Ethics has a positive effect on Audit Quality.

b. F-Test

From the R-Square test results of 0.675 (67.5%), with 2 independent variables (k), namely Auditor Competency and Muslim Auditor Ethics, the total sample (n) used is 32 and the significance level used is 0.05. Then the F-Count is obtained through the following formula:

$$f = \frac{R^2(n-k-1)}{k(1-R^2)}$$

$$f = \frac{0{,}675\ (32-2-1)}{2\ (1-0{,}675)}$$

$$f = \frac{19{,}575}{0{,}65}$$

$$= 30{,}11$$

Then at the F-table value through the F table with the significance value used is 0.05, the F-Table is obtained as follows:

$$\mathrm{F-Tabel} = \mathrm{F} \propto (\mathrm{k}, \mathrm{n}-\mathrm{k}-1)$$

$$= \mathrm{F}0{,}05\ (2{,}32-2-1)$$

$$= \mathrm{F}0{,}05\ (2{,}29)$$

$= 3{,}33$ (obtained from F Table)

H3: Auditor competency and Muslim auditor ethics has a positive and significant effect on audit quality

Based on the calculation results obtained, F-Count is 30.11 and F-Table is 3.33, so F-Count> F-Table which means H0 is rejected and H3 is accepted. So it is concluded that the variables of Auditor Competency (X1) and Muslim Auditor Ethics (X2) simultaneously have a significant and significant effect on Audit Quality (Y) at the Public Accounting Firm Budiandru and Partners.

This is supported by research by Winda Kurnia, Khomsiyah, and Sofie (2014) entitled The Effect of Competency, Independence, Time Pressure, and Auditor Ethics on Audit Quality which states that competency and ethics variables have a positive and significant effect on audit quality.

3. Regression Equation

The following is a regression model equation using SmartPLS 3.0:

Y = a + bX

$Y = 0{,}282X_1 + 0{,}614X_2$

Note:

Y = Audit quality

a = Auditor competency

b = Muslim Auditor Ethics

Based on the regression model equation above, it can be interpreted that the regression coefficient value on the auditor competency variable (X1) is positive, namely 0.282. This shows that if the Muslim auditor ethics variable does not exist (X2 = 0) and every one unit increase in the auditor competency variable will affect the increase in audit quality by 0.282.

Furthermore, the regression coefficient value on the Muslim auditor ethics variable (X2) is positive at 0.614 which indicates that if the auditor competency variable does not exist (X1 = 0) and each one unit increase in the Muslim auditor ethics variable will affect the increase in audit quality by 0.614.

CONCLUSIONS AND RECOMMENDATIONS

1. The auditor competency variable (X1) has a positive and significant influence on the audit quality variable (Y) at the Budiandru and Partner Public Accounting Firm. The results indicate that that auditors at KAP Budiandru and Partners, with adequate competency, significantly influence audit quality. However, based on the questionnaire results on auditor competency, this variable provides a lower influence compared to the ethics of Muslim auditors.
2. The variable of Muslim auditor ethics (X2) has a positive and significant influence on the variable of audit quality (Y) at the Budiandru and Partner Public Accounting Firm. The research results explain that auditors at KAP Budiandru and Partners with good ethics are able to improve audit quality as well, with questionnaire results showing that the ethics of Muslim auditors exert a greater influence than auditor competency.
3. Auditor competency variable (X1) and Muslim auditor ethics (X2) have a positive and significant simultaneous influence on the audit quality variable (Y) at the Budiandru and Partner Public Accounting Firm.

Reccommendation

1. For future researchers to explore additional exogenous and moderating variables that are factors of audit quality. Then, use questionnaire and interview methods (mixed method) for more accurate and comprehensive results. In addition, it is possible to re-research the auditor competency variable to see if there are differences in the results of further research because in this study it has a lower influence than other variables.
2. In this study, the ethics of Muslim auditors exert a greater influence than auditor competency, so KAP

Budiandru and Partners should maintain and enhance the quality of performance in Muslim auditor ethics and must pay special attention to auditor competency for further improvement so that the quality of the audit produced can be maximized

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