


Independence as a Moderator of the Influence of Integrity and Objectivity on Audit Quality

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Article Info	ABSTRACT
<p>Keywords: Independence Moderator The Influence of Integrity and Objectivity Audit Quality</p>	<p>This study aims to analyze respondents' perceptions of integrity, objectivity, independence, and audit quality, as well as how these factors interact and affect audit quality. Based on the analysis results, it was found that respondents' perceptions of integrity, objectivity, independence, and audit quality were in the satisfactory category. The instrument testing showed that the research instruments have very good validity and reliability and are suitable for use in this study. The results of the moderating regression analysis indicate that integrity and independence have a significant impact on audit quality. Furthermore, it was found that independence can significantly enhance the relationship between integrity and audit quality. Conversely, the results show that objectivity partially does not affect audit quality, and independence does not strengthen the relationship between objectivity and audit quality. These findings provide important insights for audit practices, highlighting the importance of integrity and independence in improving audit quality, while the role of objectivity needs to be further reviewed to understand its insignificant impact.</p>
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INTRODUCTION

External auditors play a crucial role in delivering quality audits, yet not all Public Accounting Firms (KAP) are proficient and operate according to procedures and professionalism in completing their audits. During the years 2023-2024, three Public Accounting Firms, namely KAP Nunu Nurdiyaman, KAP Hendri Arifian, and KAP Rusli, were sanctioned with license suspensions as reported by the Financial Profession Development (PPPK) under the Ministry of Finance of the Republic of Indonesia. This situation affects public trust, which declines towards the reputation of these firms directly involved in a company's financial reporting, impacting external parties or investors who find inaccuracies in financial conditions.

The independence of an auditor is the most critical characteristic in audit quality, forming the foundation of integrity and objectivity. An auditor must maintain independence to demonstrate quality in reporting to the public and clients. According to Laksita and Sukirno (2019), higher auditor independence correlates with higher audit quality. In contrast, Widya

and Syofyan (2020), Mutmainnah et al. (2022), and Permatasari (2023) argue that independence does not affect audit quality.

According to Amir (2017), audit quality ensures that audit standards comply with generally accepted auditing standards, which all auditors must follow. This study aims to examine the quality of audit reporting conducted by auditors. Providing high-quality audit services requires absolute independence from external auditors, showing impartiality and remaining uninfluenced by pressures or specific parties. Auditors are obligated to be honest not only to company owners and management but also to creditors and other stakeholders who trust the work of public accountants. According to Arens et al. (2015), auditors working with public companies must maintain independence in providing their professional services according to standards set by the board.

This study aims to obtain empirical evidence on integrity and objectivity's influence on audit quality and how this impact is moderated by auditor independence. Additionally, this research holds several benefits. First, theoretically, it can reinforce previous findings with empirical evidence on the influence of audit quality influenced by independence. Second, practically, the results of this study can provide a basis for public accounting practitioners to produce high-quality auditors through audit process improvements, auditor training, or regulatory enhancements related to audit independence. By understanding the role of independence as a moderating variable, it is hoped to enhance transparency, accountability, and client trust in Public Accounting Firms (KAP) throughout the audit process.

To determine the relevance level in audit activities and its importance criteria, auditors are tasked with conducting audits, collecting, and issuing evidence related to their examinations. An auditor's reputation evolves alongside their ability to produce high-quality audits. Thus, auditors are expected to generate reliable financial reports for decision-making purposes. According to Haryanto & Susilawati (2018), audit quality is a characteristic that meets auditing standards and quality control standards that describe audit practices and serve as a measure of quality in fulfilling professional responsibilities.

A well-conducted audit report earns trust from the public and becomes a standard for decision-making. Auditor performance has the potential to influence integrity, and auditors must carry out their duties free from personal or group interests to maintain integrity. Studies examining audit quality, such as those by Yulianti et al. (2020) and Oktavia (2018), indicate that integrity positively impacts auditor performance. High integrity among auditors can enhance the quality of audit results. Irene et al. (2018) state that integrity significantly influences organizational commitment. Therefore, auditor integrity in public accounting firms significantly affects organizational commitment, and high integrity provides auditors with opportunities to enhance the quality of their examination results based on Sinambela et al. (2021). From the integrity theory presented, hypotheses can be developed, such as **Auditor Integrity positively impacts audit quality.**

An auditor must adhere strictly to established ethical codes as the foundation for conducting audits to support a high level of auditor objectivity. Objectivity is a necessity that an auditor must possess, as emphasized by Ni Putu Lorensky et al. (2021) in their study. Thus, the high level of objectivity possessed by auditors can be trusted and accounted for. Research by S. Zahmatkesh & J. Rezazadeh (2017) on "The Effect of Auditor Features on Audit Quality" concludes that work experience and professional competence significantly impact audit quality, while motivation does not. Accountability and objectivity also significantly impact audit quality. From this, a hypothesis can be formulated: **Auditor objectivity positively impacts audit quality.**

Audit quality, as defined in Mulyadi's Auditing book (2014), refers to the auditor's likelihood of detecting errors in a client's financial statements and documenting them in the audit report. According to the Indonesian Institute of Accountants (IAI), an audit can be considered high quality if it meets the standards of quality control and generally accepted auditing standards. During their duties, auditors adhere to these audit standards as guidelines. In addition to auditors, Public Accounting Firms (KAP) must comply with IAI's audit standards. Therefore, KAPs must establish joint arrangements and controls to ensure consistency in review planning with the established examination norms.

SA section 210 Audit Engagement Standards in the Public Accountant Profession Standards (2021) states that in all matters related to commitments, freedom in mental disposition must be maintained by the auditor. Auditors must maintain independence as they carry out their work in the public interest. Hence, auditor independence is crucial because auditor opinions have significant impacts on various parties, including governments, the public, economic observers, and investors. Alviani et al. (2021) stated in their research that independence strongly influences audit quality. Saputra et al. (2023) also affirmed that independence, objectivity, integrity, and competence collectively influence the quality of audit outcomes.

Based on the references above, hypotheses can be formulated regarding the relationship between independence, integrity, and objectivity with audit quality as follows: **Independence strengthens the relationship between integrity and audit quality, and Independence strengthens the relationship between objectivity and audit quality.**

RESEARCH METHOD

The research design aims to test hypotheses using the multiple regression analysis method with auditors as the unit of analysis. Data collection involves distributing questionnaires. The questionnaire is distributed to auditors who are respondents from several Public Accounting Firms through purposive sampling, selecting a population of 126 individuals based on specific criteria: partners, managers, seniors, and junior auditors holding at least a D3 degree in accounting relevant to their field in active Public Accounting Firms in the Jakarta Special

Capital Region (DKI Jakarta) for the year 2024 and listed in the Directory of the Indonesian Institute of Accountants (IAI).

A Likert scale is utilized to gather data regarding the impact of auditor independence, integrity, and objectivity on audit quality. The instrument consists of closed-ended questions and a Likert scale ranging from 1 to 5 for variable measurement. Respondents are asked to indicate their level of agreement using the following scale: "Strongly Agree" (SA), "Agree" (A), "Neutral" (N), "Disagree" (D), and "Strongly Disagree" (SD).

Multiple regression analysis with moderation is the statistical analysis used to explain the combined influence of independent variables on the dependent variable in the study, specifically the impact of Independence (IP) on Integrity (IA) and Objectivity (OA) collectively on Audit Quality (KA).

a. Auditor Integrity.

When an auditor acts with integrity, they conduct audits according to their conscience and remain honest in all circumstances. Honesty is a steadfast trait that auditors must possess to be accountable to the public and clients (Santoso et al., 2020). The indicators are as follows:

1. Auditor's honesty and transparency
2. Auditor's courage
3. Auditor's wisdom
4. Audit responsibility

b. Auditor Objectivity

Objectivity for auditors means being fair and impartial in leading a review under pressure to meet personal or group interests. S. Zahmatkesh & J. Rezazadeh (2017) concluded in their research that objectivity has a positive impact on audit quality. Behavioral elements that support objectivity include:

1. Freedom from conflicts of interest
2. Disclosure of conditions as per facts

c. Audit Quality

Audit performance meeting quality standards on quality control and audit is known as audit quality. These standards explain the most effective audit practices and serve as a measure of how well tasks are performed. The external auditor's ability to detect material errors and misstatements throughout the audit process is a crucial aspect of audit quality that must be maintained (Meidawati et al., 2019).

1. Reporting all client errors
2. Understanding client information systems
3. Strong commitment to completing audits
4. Adherence to auditing principles and accounting principles in fieldwork
5. Not blindly trusting client statements

6. Caution in decision-making

d. Independence

To ensure that information used in decision-making is accurate and audit results are of high quality, auditors need to maintain a mentally independent stance and critically evaluate audit evidence. Independence, objectivity, integrity, and competence all have simultaneous impacts on audit quality, according to Saputra et al. (2023). The indicators that can be used to assess the impact of independence are:

1. Auditor's autonomy
2. Independence in fact
3. Independence in appearance
4. Independence in audit programs
5. Independence in verification
6. Independence in reporting

Multiple Regression statistical method with the following equation:

$$KA = a + b \cdot IA + b_1 \cdot OA + b_2 \cdot IP + b_3 (IA \cdot IP) + b_4 (OA \cdot IP) + e$$

KA = Audit Quality

IP = Independensi

a = Konstanta

b = Koefisien Regresi

IA= Integritas

OA= Objektivitas

e= Standar Error

The testing that covers information quality is conducted using Validity Test and Reliability Test. Normality Test, Multicollinearity Test, and Heteroskedasticity Test are used for testing classical assumptions. Additionally, F Test, T Test, and Coefficient of Determination Test (R-squared) are used for hypothesis testing in this research.

RESULT AND DISCUSSION

Results of the Research Instrument Validation and Reliability Testing

Validity and reliability testing was conducted using corrected item-total correlation (t-value > 0.3) and Cronbach's alpha (> 0.7). The results of the validity testing for all variables showed Cronbach's alpha values greater than 0.7 and corrected total item correlations greater than 0.03 for all variables tested, indicating that all research instruments are valid and reliable for further analysis.

Descriptive Analysis Results

Respondent profiles in this study include gender, age, highest education level, KAP location, position in KAP, years of experience as an auditor, number of clients per year, training in the last 2 years, and number of fraud cases detected per year. Based on gender, 53% are male aged between 25-35 years old. Furthermore, the majority of respondents have a Bachelor's degree (94%). The most common KAP location is in South Jakarta (39%), and most respondents hold positions as senior auditors or equivalent (52%). The most common years of experience range from 5-10 years, accounting for 28% of respondents. The majority handle between 5-15 clients per year and have attended training 1-2 times in the last two years, with most not having encountered fraud cases.

Variable IA (Audit Integrity) has a minimum score of 51 and a maximum score of 70, with a mean of 57.65 and a standard deviation of 4.50. This indicates that respondents generally agree (4) with the statements related to audit integrity, and the higher mean compared to the standard deviation suggests good quality data for audit integrity. Variable OA (Review Objectivity) has a minimum score of 26 and a maximum score of 40, with a mean of 29.98 and a standard deviation of 2.66. The majority of respondents also chose agree (4), and the higher mean compared to the standard deviation indicates good data quality for objectivity. Variable KA (Audit Quality) ranges from a minimum score of 56 to a maximum of 75, with a mean of 60.80 and a standard deviation of 3.35. The average response indicates agreement (4), and the mean is higher than its standard deviation, indicating satisfactory data quality. Variable IP (Independence) ranges from a minimum score of 33 to a maximum of 55, with a mean of 41.80 and a standard deviation of 3.91. This suggests that the majority of respondents agree with the selected answers (4), and the higher mean compared to the standard deviation indicates good data quality for independence.

Moderated Regression Analysis (MRA) Results

In the MRA analysis, all data passed classical assumption tests, including normal distribution, absence of multicollinearity issues, and homogeneity of data. The results of the Moderated Regression Analysis (MRA) are as follows:

Table 1. Results of MRA Analysis

Variable Name	Predictions	Koefesien	T Test	Significance	Conclusion
(Constant)	99.154	22.733	4.362	.000	
IA	-1.046	.519	-2.016	.046	Accepted
OA	.491	.757	.648	.518	Rejected
IP	-1.394	.511	-2.726	.007	Accepted
IP*IA	.031	.012	2.583	.011	Accepted
IP*OA	-.007	.016	-.438	.662	Rejected

a. Dependent Variable: KA, F-Count=62.390 ($p < 0.05$), $R^2 = 72.1\%$

Variable audit integrity has a significance probability value of 0.046, which is smaller than 0.05, hence it is concluded that audit integrity significantly influences audit quality. The audit objectivity variable has a significance probability value of 0.518, which is greater than 0.05, thus it is concluded that audit objectivity does not significantly influence audit quality. The independence variable has a significance probability value of 0.007, which is smaller than 0.05, leading to the conclusion that independence significantly influences audit quality. Independence moderates audit integrity significantly affecting audit quality with a significance probability value of 0.011, which is smaller than 0.05.

Independence does not moderate audit objectivity significantly affecting audit quality with a significance probability value of 0.662, which is greater than 0.05. Additionally, the calculated F-value probability is 0.000, indicating that simultaneously, audit integrity, audit objectivity, and independence significantly influence audit quality with a total impact of 72.1% (coefficient of determination R²).

DISCUSSION

Impact of Integrity on Audit Quality

Based on the data above, the Audit Quality variable is significantly influenced by the Integrity variable. This is evidenced by the underlized value of -1.046 and the significance value (sig) of 0.046, which is less than 0.05, indicating significance. The first hypothesis of this study is therefore accepted. This finding aligns with research conducted by Sinambela et al. (2021), which states that auditor integrity in public accounting firms significantly affects organizational commitment, and high integrity allows auditors to enhance the quality of their examinations.

Impact of Objectivity on Audit Quality

Based on the data results above, it can be seen that the Audit Quality variable is negatively influenced by the Objectivity variable. This is indicated by the underlized value of 0.491. Moreover, the sig value is 0.518, which is much higher than 0.05. Thus, it can be concluded that the objectivity variable does not significantly influence audit quality, and the hypothesis regarding objectivity's impact on audit quality is rejected in this study. These findings support research conducted by Wahzuni and Erma (2022), Kuswara (2020), and Sihombing & Triyanto (2019), which state that auditor objectivity does not affect audit quality.

Independence Can Strengthen the Relationship Between Integrity and Audit

Quality With a significance probability value of 0.011, which is less than 0.05 for the Independence variable, it can be concluded that Independence significantly moderates Integrity's impact on Audit Quality. This is consistent with Alviani et al. (2021), who state

that independence strongly influences audit quality, and Saputra et al. (2023), who indicate that independence, objectivity, integrity, and competence collectively affect audit quality.

Independence Can Strengthen the Relationship Between Objectivity and Audit

Quality The Independence variable does not significantly moderate the impact of audit objectivity on audit quality, as evidenced by a significance probability value of 0.662, which is greater than 0.05. Therefore, this hypothesis is rejected. Several factors affecting independence influence the auditor's objectivity in the financial statements produced, including business interests with clients, pressure from client management, and the auditor's inability to understand the complexity of client business. Dinayah et al. (2023) state that while integrity and objectivity are essential traits for auditors, fluctuations in auditor integrity do not strongly influence auditor objectivity regarding audit quality.

CONCLUSION

Based on the analysis results, it is found that respondents' perceptions of integrity, objectivity, independence, and audit quality are considered satisfactory. The instrument test indicates that the research instrument is very good and suitable for the study. The moderating regression analysis results state that integrity and independence significantly influence audit quality. Furthermore, independence significantly enhances the relationship between integrity and audit quality. Conversely, the partial relationship between objectivity and audit quality is not significant, and independence cannot strengthen the relationship between objectivity and audit quality.

For researchers, there are limitations in obtaining respondents with qualifications such as auditors with a Master's degree (S2). Suggestions for future research could involve modifying the model or adding other variables that could predict influencing factors on audit quality, such as accountability, professionalism, audit experience, and other independent variables affecting audit quality. Additionally, for respondent diversity, future research could aim to include auditors from public accounting firms outside the DKI Jakarta area.

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