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Effect of Auditor Independence and Perception Junior Auditor of The Quality Audit Office in Jakarta (Empirical Study on Public Accountants Office Jakarta are Already Registered in OJK)

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Abstract: The purpose of this study was made to test and find out Whether there is an influence between Independence and Junior Auditor's Perception of Audit Quality. This research was conducted by taking samples from auditors who are in Central Jakarta Public Accounting Firm. By using the questionnaire as a testing tool and PLS as a tool processing the data from the questionnaire. The results of the study PROVE that Independence influences Audit Quality Because auditors who are in Central Jakarta Public Accountant Firms do not violate the established auditing profession standards while Auditor's Perception does not Affect audit quality Because audit implementation does not Affect the perception between audit quality and the results produced.

Keyword: Independence, Perception Junior Auditor, Audit Quality.

INTRODUCTION

An auditor should be guided by the auditing standards set by the Indonesian Institute of Public Accountants (IAPI), these standards include common standards, standard used in field work and reporting standards. (Restu Agusti and Nastia Putri Pertiwi, 2013). The result of audit quality made by public accountant also come under scrutiny from the public after many scandals, such as Enron case that shook the world and other cases of error in the result of audit make the credibility of the auditor left questionable. The rise of financial scandals that happened has proved a major impact on public trusts, in particular public accounting professions both abroad and within the country. (Saripudin, Netty Herawaty and Rahayu, 2012). Although CPAs are required to always provide high-quality audits in each audit, in reality there are still many cases of failure of an audit conducted by public accounting firms

that can indicate the low quality of the audit provided by the public accounting firm. Some examples of phenomena relating to audit quality.

Phenomena relating to audit quality. Foreign phenomenon, the current framework of audit quality standards is still not available for the US audit market. Therefore, academic institutions will use the framework from financial reports of UK as a guideline for measuring the quality of audits (USA Department of the Treasury, 2008; The Center for Audit Quality, 2012, 2013; PCAOB, 2013b, 2013c; International Auditing and Assurance Standards Board, 2013). PCAOB institutions (*Public Company Accounting Oversight Board*), stated that the IKA (Audit Quality Indicators) can measure the quality and the previous literature, related to job performance and the direction of the quality of the audit, to identify other assessments that may affect the quality of the audit. (Veena L. Brown, Jodi L. Gissel, Daniel Gordon Neely 2016). Another is the case of accounting fraud issues in British Telecom. The giant company in British is experiencing accounting fraud at one of its business lines in Italy. fraud in British Telecom failed to detect Price Waterhouse Coopers (PwC) which is a renowned public accounting firms in the world.

Of course, the impact of this accounting fraud not only caused the public accounting firm's reputation to taint but followed tarnished public accounting profession. British Telcom auditor replace them from PwC into KPMG. (<https://www.wartaekonomi.co.id/read145257/when-scandal-accounting-fraud-menerpabritish-telecom-and-pwc.html>). Auditor in carrying out their duties should have an attitude of independence by upholding the code of ethics and professional attitude of accountants that are not easily aligned to anyone, so that the resulting audit can be qualified auditor must always be objective in auditing (Law Tjun-Tjun, 2012), (Saripudin, 2012), (Septriani, 2012), (Restu Agusti, 2013) that independencies has a significant positive effect on audit quality audit reported. So, independency is one indicator in the form of attitude one should have an auditor in order to ensure audit quality was reported to be trustworthy. Due to the absence of an independent effect on the quality of the audit results reported a low likelihood of the auditor's inability to detect violations that occurred in checking the client's financial statements.

Efforts to improve the auditor with apply attitude independence. This is reinforced by the results Handy & Merkusiwati (2015), Kharismatuti & Hadipradjitno (2012), Tepalagul & Lin (2015), Diana, et al (2013), Agusti & Earth (2013), and Agustin (2013) states that independence has an influence on audit quality. However, it is contrary to research conducted by Nandari & Lastrini (2015), and Juliarsa & Futri (2014), that independency has no effect on audit quality. This indicates that the auditor is not always able to maintain his independency, thereby reducing the result of the audit. According to Arens & Loobcke (2009) Professionalism is the main requirements for external auditors in Public Accounting Firm (HOOD) because with high professionalism auditor independency will be guaranteed. This is reinforced by the results of research conducted by Agustin (2013) and Agusti and Earth (2013) show that professionalism has influence on audit quality. But in contrast to Futri & Juliarsa (2014) declare that professionalism does not affect the quality of the audit. Based on the background of the issues raised and then raised a study entitled "The Effect of Independence and Perception Junior Auditor on the Quality Audit."

Research conducted by Septiani Futri Putu Gede Juliarsa (2014), on the Influence of independency, professionalism, level of education, professional ethics, experience, and job satisfaction auditor to audit quality. Research results show that No Take effect: Independence, Research conducted by Martina Kompiang Dinata daughter, and IDG Dharma Suputra (2013), about the influence of independency, professionalism, and ethics of the profession to audit quality in KAP in Bali. Research results indicate that it Matters: The external auditors professional ethics, professionalism, has no effect on audit quality level of

education, professional ethics, job satisfaction has a positive effect on audit quality. Experience negatively affects audit quality in Bali. Future audit engagements affect audit quality. Based on theoretical overview and results of some previous researchers who have previously described the conceptual framework of this study are described as follows:

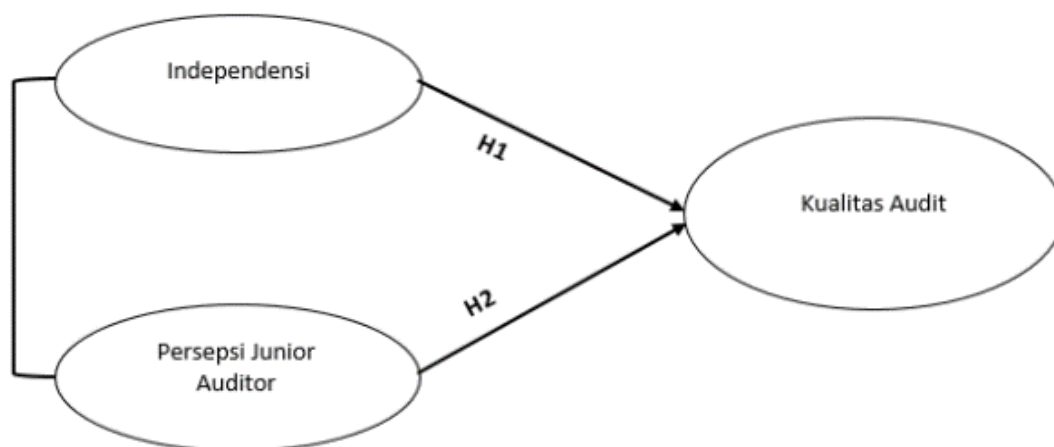


Figure 1. Theoretical Framework

METHOD

Research was conducted on auditors working in the public accounting firm in Central Jakarta which was registered in 2018. The FSA Directory Research used in the preparation of this thesis is research descriptive. This descriptive study examines empirically the effect of the auditor's independence and audit quality perception Public Accounting Firm (KAP) registered at Indonesian Institute of Accountants (Certified).

Research Variable

The dependent variable in this study was the effect of the independence (x1), and Perception Auditor (x2). Against Quality audits (y) as the independent variable.

Sample and Respondents

The research sample is determined by distributing questionnaires to some of the firm that were in the area of Central Jakarta. Respondents were selected in this study is the Junior Auditor and Senior Auditor who worked at the firm in Central Jakarta

Data Analysis Method

Research that measures variable with use instrument in the questionnaire should be tested the quality of the data or terms are important and applicable in the questionnaire normal necessity of a valid and reliable questionnaire. Collected data were tested and analyzed by *Partial Least Square* (PLS). In the analysis by using PLS there are 2 things to do is assess the Model Outer and Inner models.

RESULT AND DISCUSSION

Outer Testing Model

Analysis of the model outer performed to ensure that the measurement is done eligible to be used as measurement (Valid and reliable). Testing outer models explains how the relationship between variables with indicators or can be defined how each indicator relates to the latent variables.

Convergent Validity

Convergent Validity aims to measure the fit between the indicator variable measurement results and concepts theoretically explain the existence of indicator of that variable. The convergent validity of measurement models with reflective indicator can be seen from the correlation between the scores of items / indicators with its construct scores. Test convergent validity can be evaluated by looking at outer loadings, outer loadings are tables containing large loading factors to demonstrate the correlation between the indicators of the latent variable. Indicators are considered valid if they have a correlation value above 0.70. However, to study the early stages of development scale of measurement, loading factor value of 0.5 - 0.6 is still considered to be sufficient (Ghozali, 2015: 74). Output outer loadings can be obtained from the PLS Algorithm Report SmartPLS. To make it easier to see outer loadings than presented in the path diagram in Figure 2.

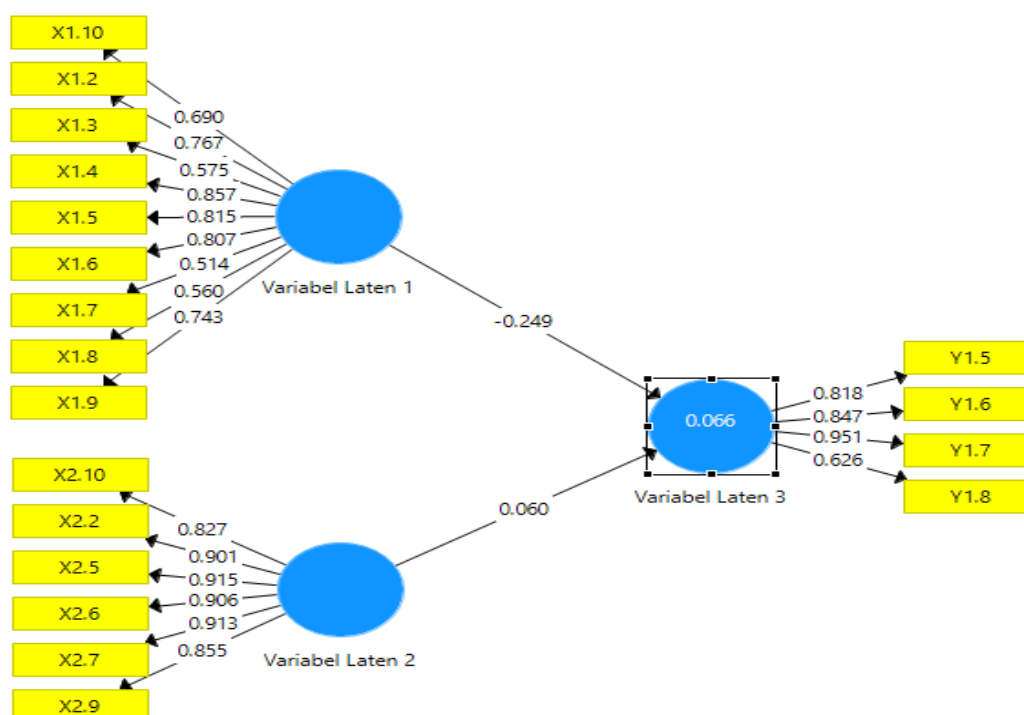


Figure 2. Algorithm Report SmartPLS

Measurement Model (Outer Model)

Model Outer validity test results in Figure 2 show that all indicators have had good validity because it has a loading factor of more than 0.50. Therefore, testing the validity of the outer loadings has been met. The shape of the outer presentation loadings in table form can be seen in table 4.7 below.

Table 1. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)	Description
Independence	0,508	Valid
Junior Auditor Perception	0,786	Valid
Audit Quality	0,671	Valid

Table 2. Discriminant Validity (Fornell Lacker Criterion)

	Independensi	Junior Auditor Perception	Audit Quality	Description
Independence	0,713			Valid
Junior Auditor Perception	-0,023	0,887	0,066	Valid
Audit Quality	-0,251		0,819	Valid

Shows that the average value of the square root of the variance extracted is 0.713, 0.887, and 0.819. Those values are greater than the correlation of each construct with a value greater than 0.50 which means that 50% or more variance indicators can be explained. So, there are no problems with the Validity discriminant model that has been tested.

Inner Model

Testing Inner Model are conducted to see the relationship between the constructs, the significant value and R-square of the study. Testing inner model is a model-based development concepts and theories in order to analyze the relationship between exogenous and endogenous variables that have been outlined in the conceptual framework.

R Square

The coefficient of determination Rsquare shows how variable independently explain the dependent variable. R-square value is zero to one. If the value Rsquare closer to one, then the variables independent provides all the information needed to predict the variation of the variable dependent. Otherwise, the smaller the R-square value, then the ability variables independently in explaining the variation of dependent variables are limited. Because of the variable independence this study has more than 2 variables, then R-square used is R-square-Adjusted (Ghozali, 2015: 78).

Table 3. R Square

	R Square	Adjusted R Square
Audit Quality	0,535	0,512

Shows the value of R-Square Adjusted for the variable quality of the audit (KA) amounted to 0,066. result this indicates that the variable quality of the audit can be explained by the independent variables, Perceived Auditor.

Hypothesis Test

These test results will show significant results seen from the Original Sample and statistic. Criteria for testing hypotheses is the significance level (α) of 5% and is determined using the following criteria:

- If $t_{count} > t_{table}$ (1.96) then the hypothesis is accepted.
- If $t_{calculation} < t_{table}$ (1.96) then the hypothesis is rejected

Table 4. Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistic ((O/STDEV))	P Values
Independence -> Audit Quality	-0.249	-0.287	0.100	2.494	0.013
Junior Auditor Perception -> Audit Quality	0.060	0.045	0.181	0.331	0.741

1. Hypothesis 1: The independence effect on Audit Quality

The first hypothesis (H1) shows the independence of variables effected Audit Quality is acceptable and significant towards audit quality due to value t-statistics produced in excess of t table that is equal to 2.494, the value is greater than t-table (1.96), and has a value of P values less than 0.05 amounting to 0,013

2. Hypothesis 2: Perceptions Junior Auditors effect on Audit Quality

The second hypothesis (H2) shows that the effect of variables Perception Auditor to Audit Quality is not acceptable because the value of t-statistics generated equal to 0.331, the

value is smaller than t table (1.96) and has a value of P Value is greater than 0:05 is equal to 0.741. This means that the perception variables Junior Auditor and Audit Quality are rejected.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of research and discussion that has been expressed by the author, the conclusions of this study are Independency affected toward audit quality. This effects shows that there's a lot of CPAs who still can maintain their independency to satisfy their clients. Auditor's perception did not have any significant effect towards audit quality. Because there's still a lot of CPAs who didn't meet the standard SPA set in Indonesia.

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