

The Effect of Professional Ethics, Independence, and Audit Expertise on Auditor Performance

(Survey at the Central Sulawesi Provincial Financial and Development Supervisory Agency)

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Abstract

The research objective was to examine and analyze the effect of professional ethics, independence, and audit expertise on auditor performance. Meanwhile, the long-term objectives to be achieved in this study are to establish a policy on the duties and functions of auditors, so that they can improve the performance of auditors, and comply with the principles and norms in auditing (Examination). A set of Auditor professional ethics is a professional job in running it governed by the rules that have been set and each member (auditor) obeys it. The level of auditor independence is the responsibility of the public accountant profession which is expected to indirectly reflect independence and in carrying out its work it is obscured to be impartial in preparing reports on the results of audits that will be accepted by Government Agencies, the business world, and investors. In addition, auditors are required to have audit expertise in their duties which include audit expertise which includes planning audit work programs, compiling working papers and reports on audit results. To achieve specific research objectives, researchers will conduct research at the Central Sulawesi Province Financial and Development Supervisory Agency (BPKP). The data used are primary data by giving a questionnaire to each auditor at the Financial and Development Supervisory Agency of Central Sulawesi Province, and to deepen the data the researchers will conduct interviews with BPKP leaders of Central Sulawesi Province, the data are analyzed and evaluated by multiple linear regression analysis through the Normality Test, Multicollinearity. and heteroscedasticity. The results of research can contribute to the development of science, especially in the field of auditing through analysis and testing of theoretical suitability, through variables of professional ethics, independence, and audit expertise. The results of the research can be used as a source of information and as a basis for making policies related to auditor performance.

Keywords: Professional Ethics, Auditor Independence, Audit Expertise, Auditor Performance.

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Introduction

As a government entity, it is obliged to submit an accountability financial report for one period. As mandated in the Regulation of the Supreme Audit Agency of the Republic of Indonesia Law No. 15 of 2006 states that state finances are a basic element in the administration of state government and have very important benefits in realizing the goals of the State to achieve a just, prosperous, and prosperous society. To achieve the state's goals, the management and responsibility of state finances requires a free and professional audit institution to create a clean government that is free from corruption, collusion, and nepotism. The Central Sulawesi Financial and Development Supervisory Agency (BPKP) as an internal government auditor in carrying out its duties must comply with auditing and reporting standards in realizing an important element in accountability that is oriented towards serving the interests of users of financial statements and providing absolute assurance of the results of the auditor's report (Febrianty, 2012). Auditor ethics is the science of assessing good things and bad things, about rights and obligations (morals). To improve auditor performance, auditors are required to have competence and independence which is a neutral attitude that is free from the influence of auditees and other parties who report findings.

Auditor performance is required to uphold the ethics of their profession according to the established code of ethics, the auditor profession has principles and morals, as well as ethical behavior. Understanding the role of an auditor's ethical behavior can have a broad effect on how to behave towards their auditees to comply with generally accepted accounting in providing opinions. In addition to upholding their independence, auditors can also fulfill the requirements in auditing standards that have sufficient expertise, education, and experience in the field of auditing. Recently, many legal problems, especially the problems of corruption, collusion, and nepotism (KKN), have occurred in government organizations with the mode of bribery, illegal fees, and the use of state assets for personal gain. The Financial and Development Supervisory Agency (BPKP) as the government's internal auditor provides information in the form of audit findings that can be trusted as a reflection of the auditor's performance. Based on the above phenomenon, researchers are interested in the title The Effect of Professional Ethics, Independence, and Audit Expertise on Auditor Performance (Survey at Bpkp Central Sulawesi Province).

Literature Review

Professional ethics

According to Arens et.al (2014), Ethics can be broadly defined as a set of moral principles or values. Everyone has such a set of values, whether or not we pay explicit attention to them. Philosophers, religious organizations, and other groups have defined this set of moral principles and values in various ways. Examples of defined sets of moral principles or values are laws and regulations, church doctrine, business codes of conduct for professional groups such as public accountants, and codes of conduct in organizations. Professional ethics is a professional job and in carrying it out is governed by rules that have been set by the association or organization and each member obeys it (Yuwono, 2011). Every profession that provides services to the public has a code of ethics, which is a set of moral principles governing professional behavior (Agoes,

2011).

Independence

Due to the existence of different interests, in providing an opinion on the fairness of the financial statements being examined, public accountants must be independent of the interests of clients, users of financial statements, and the interests of public accountants themselves. Wilcox states:

"Independence is one of the important Professional Ethics of Accountants, because the public accountant's opinion is given to add credibility to the financial statements which are basically a picture of management. If the accountant is not independent of his client's management, the opinion he gives has no meaning" (Wilcox, 1974).

The importance of the independence of public accountants encourages the public accounting profession to include it in the Professional Standards for Public Accountants (SPAP, IAI 2001: 102), namely in the General Standard of the second item which reads: "In carrying out their duties, KAP members must always maintain an independent mental attitude in providing professional services".

Audit Expertise

Expertise is an important element that must be possessed by an independent auditor to work as a professional. Professional traits are conditions for the perfection of techniques that a person has through years of practice and learning that are useful for developing these techniques, and the desire to achieve perfection and excellence compared to his peers. Thus, a true professional must have clear traits and extensive experience. Services provided by clients must be obtained in a professional manner obtained by learning, practice, experience and refinement of auditing skills. According to Tan and Libby (1997), audit expertise can be grouped into two groups, namely: technical expertise and non-technical expertise. Technical expertise is the fundamental ability of an auditor in the form of procedural knowledge and other clerical skills in the scope of accounting and auditing in general. Meanwhile, non-technical expertise is an ability from within an auditor which is influenced by personal factors and experience.

Auditor Performance

According to Mocheriono (2012) Performance is the result of work that can be achieved by a person or group of people in an organization both quantitatively and qualitatively, something with the authority and duties and responsibilities of each in an effort to achieve the objectives of the organization concerned legally, not against the law and in accordance with morals and ethics. Performance can also be directed as work performance and work results (Pusdiklat BPKP, 2011) And Pasalong (2013), defines performance appraisal as an evaluation of a person's success or failure in carrying out his duties.

Framework of Thought

According to Arens et.al (2014), Ethics can be broadly defined as a set of moral principles

or values. Everyone has such a set of values, whether we pay explicit attention to them. Philosophers, religious organizations, and other groups have defined this set of moral principles and values in various ways. Independence is a unique indicator of the public accounting profession. In general, a member of a profession is expected to only pay attention to the interests of his client, but in the public accounting profession an accountant who is carrying out inspection services must pay attention to the interests of the client and third parties who base decisions on these financial statements which are often unknown to him. Expertise is an important element that must be possessed by an independent auditor to work as a professional. Professional traits are conditions for the perfection of techniques that a person has through years of practice and learning that are useful for developing these techniques, and the desire to achieve perfection and excellence compared to his peers. Performance is a description of the level of achievement of the implementation of an activity, policy program in the form of goals, objectives, mission, and vision of the organization as stated in strategic planning, and performance assessment is an evaluation activity and performance results (Wati, et.al, 2010).

Research Methods

Population and Sample

The population and sample in a study need to be determined with the aim that the research conducted actually gets the data as expected. The discussion of population and sample is as follows.

Population

Population is a set of data that has the same characteristics and becomes the object of inference, Statistics inference bases itself on two basic concepts, population as a whole data, both real and imaginary, and samples, as part of the population used to make inferences (approach / description) to the population from which it comes. Population according to Sugiyono (2013: 117), is a generalization area consisting of objects or subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. In this study, the population was all auditors at the BPKP Representative of Palu Central Sulawesi Province, namely 71 auditors.

Table 1: List of Names of Functional Auditor Positions (JFA) of BPKP Representative of Central Sulawesi Province in 2020

Position	Total
Auditor Madya Korwas JFA Bid. Pengawasan IPP	1
Auditor Madya Korwas JFA Bid. APD	1
Auditor Madya Korwas JFA Bid. Akuntan Negara	1
Auditor Madya Korwas JFA Bid. Investigasi	1
Auditor Madya Korwas JFA Bid. P3A	1
Auditor Pelaksana Lanjutan	3
Auditor Madya	7
Auditor Muda	5
Auditor Pertama	39
Auditor Pelaksana	12
Total	71

Source: Head of Personnel Subdivision of BPKP Representative Prov. Central Sulawesi.

Sample

The definition of a sample according to Sugiyono (2012: 73) is part of the number and characteristics possessed by the population, the sample taken from the population must be truly representative. Sample size is the number of samples to be taken from a population. According to Arikunto (2012: 104) if the population is less than 100 people, then the total sample is taken as a whole, but if the population is greater than 100 people, then 10-15% or 20-25% of the total population can be taken. Based on this study, because the population was not greater than 100 respondents, the authors took 100% of the total population at the BPKP Representative of Central Sulawesi Province, namely 71 respondents. Thus the use of the entire population without having to draw a research sample as a unit of observation is referred to as the census technique.

Results and Discussion

Multiple linear regression analysis is used to determine how the dependent variable can be predicted through two or more independent variables as predictor factors. This study tries to see how much influence professional ethics, independence, and audit expertise have on auditor performance. Based on the output of the SPSS for windows version 21.0 program, (Appendix V), the multiple regression results are as follows:

Table 2: Multiple Regression Calculation Results

Independent Variable	Regression Coefficient	t-calculated	Sig.	r-parsial
X ₁	0,399	3,602	0,001	0,465
X ₂	0,340	3,069	0,004	0,409
X ₃	0,316	3,940	0,000	0,498
Constant = 4,223		F-calculated = 44,911		Sig. F = 0,000
Multiple-R = 0,861		R.Square = 0,741		α = 0,05
		Adjusted R Square = 0,725		

Source: Data processed, 2022

Based on the regression coefficient values obtained from the multiple linear regression analysis above, the regression model equation that describes the effect of professional ethics, independence, and audit expertise on auditor performance is as follows: The equation above describes the amount of influence of the independent variable on the dependent variable. The coefficient of professional ethics (X₁), independence (X₂), and audit expertise (X₃) which is positive indicates that there is a unidirectional influence between the independent variable and the dependent variable. The F test is used to determine whether all independent variables (X) simultaneously have a significant effect on the dependent variable (Y). Based on the results of the ANOVA (Analysis of Variance) test or F test, the Fcount value is 44.911 > Ftable of 2.19 and the significance level is smaller than the level of distrust of 0.000 < 0.05. Based on these results, it can be interpreted that professional ethics, independence, and audit expertise simultaneously affect auditor performance. The t test is used to determine whether each independent variable partially has a significant effect on the dependent variable. This test is conducted to determine

whether if separately, each independent variable still contributes significantly to the independent variable (Y).

Based on the results of the calculation of the t test statistics of the three independent variables intended in the regression model, it can be seen that: The professional ethics variable (X1) obtained a tcount value of $3.602 > t$ table of 1.675 and the significance level is smaller than the 5% confidence level, namely $0.001 < 0.05$. Therefore, partially the professional ethics variable (X1) has a positive and significant effect on auditor performance (Y). The independence variable (X2) obtained a tcount value of $3.069 > t$ table of 1.675 and the significance level is smaller than the 5% confidence level, namely $0.004 < 0.05$. Therefore, partially the independence variable (X2) has a significant effect on auditor performance (Y). The audit expertise variable (X3) obtained a tcount value of $3.940 > t$ table of 1.675 and the significance level is greater than the 5% confidence level, namely $0.000 < 0.05$. Therefore, partially the audit expertise variable (X3) has a positive and significant effect on auditor performance (Y).

Discussion

Based on the results of research that examines the effect of professional ethics, independence, and audit expertise on auditor performance, there are several things that can be explained in this study, namely as follows:

The Effect of Professional Ethics, Independence, and Audit Expertise on Auditor Performance

Based on testing the first hypothesis, it shows that the variables of professional ethics, independence, and audit expertise together (simultaneously) have a significant effect on auditor performance. The results of hypothesis testing state that the influence of professional ethics, independence, and auditor expertise simultaneously affects auditor performance. Auditor performance and professional ethics have a significant effect on auditor performance. auditors who have ethics and have independence can improve better and higher quality auditor performance. Audit expertise has a significant effect on auditor performance. This means that if the audit expertise increases, the auditor's performance will be better and more appropriate. Expertise is an important element that must be possessed by an independent auditor to work as a professional. that independence has a significant effect on audit judgment. This indicates that an auditor must be able to improve a climate of openness, integrity, and accountability in accordance with the principles of improving audit quality which can be implemented with the independence of an auditor.

The Effect of Professional Ethics on Auditor Performance

Based on the test results, it shows that professional ethics has a positive and significant effect on auditor performance. This illustrates that the professional ethics owned by BPKP-Central Sulawesi are very good. Professional ethics is a characteristic of another profession, which functions to regulate the behavior of its members. The better the professional ethics owned by auditors, the better it will improve auditor performance. Researchers view that professional ethics owned by auditors is one of the factors that influence in improving audit performance. By upholding professional ethics, it is hoped that there will be no fraud committed by auditors, so that they can provide audited opinions that are truly in accordance with the

financial statements and make public trust in auditors higher. Professional ethics can be seen from the auditor's personality by being responsible for his profession and prioritizing the public interest over the auditor's personal interest, being objective where the auditor is honest and not influenced by the opinions of certain parties in making decisions and applying the precautionary principle. The auditor is responsible for carrying out the examination is an attitude where the auditor is professional in making decisions and carrying out examinations according to the established code of ethics and does not interpret the code of ethics according to personal wishes.

In terms of ethics, a profession must have a high moral commitment which is outlined in the form of special rules. This rule is the main rule in carrying out or carrying out the profession, which is commonly called the code of ethics. The code of ethics must be fulfilled and obeyed by every profession that provides services to the public and is a tool of trust for the wider community. Thus, it can be concluded that every auditor of BPKP-Central Sulawesi must obey the ethics of his profession related to the services provided when it comes to the wider community. For this reason, by upholding professional ethics, it is hoped that the performance of auditors will increase. The test results show that professional ethics has a significant effect on auditor performance. This shows that professional ethics has an important role in improving auditor performance. This means that the higher the professional ethics possessed by the BPKP-Central Sulawesi auditors, the better it is in improving auditor performance.

The Effect of Independence on Auditor Performance

Based on the test results, it shows that independence has a positive and significant effect on auditor performance. This shows that when the auditor carries out his duties, he is not easily influenced by other parties. Because the auditor in carrying out his duties is a situation where the auditor has high honesty and conducts audits objectively. Independence has a significant effect on auditor performance. This is because an auditor is free from the influence of other parties who can influence when reviewing the audit object. Basically, independence means that there is honesty in the auditor in considering facts and there is an objective and impartial consideration in the auditor in formulating and expressing his opinion. Therefore, when auditors carry out their duties, they must have high honesty and conduct audits objectively.

The Effect of Audit Expertise on Auditor Performance

The results of the hypothesis test state that the audit expertise variable has a partial effect on audit performance. The results of this study suggest that expertise will affect auditor performance, skilled auditors will be able to use good techniques in conducting their audits to improve auditor performance. Expertise is an important element that must be possessed by an independent auditor to work as a professional. Professional traits are conditions for the perfection of techniques that a person has through years of practice and learning that are useful for developing these techniques, and the desire to achieve perfection and excellence compared to his peers. Thus, a true professional must have clear traits and extensive experience. Services provided by clients must be obtained in a professional manner obtained by learning, practice, experience, and refinement of auditing skills. Expertise is an important element that must be possessed by an independent auditor to work as a professional. In addition, an auditor's expertise can also affect the auditor's prediction and detection ability

of fraud and errors so that it can improve auditor performance.

Conclusion

Professional ethics, independence, and audit expertise simultaneously have a significant and positive effect on the performance of BPKP auditors in Central Sulawesi Province. The higher the professional ethics, independence, and audit expertise, the higher the resulting performance. The use of professional ethics has a significant and positive effect partially on the performance of BPKP auditors in Central Sulawesi Province. The higher the ethical professionalism, the higher the resulting performance. Independence partially has a significant and positive effect on the performance of BPKP auditors in Central Sulawesi Province. The higher the independence, the higher the resulting performance. Audit expertise partially has a significant and positive effect on the performance of BPKP auditors in Central Sulawesi Province. The higher the audit expertise, the higher the resulting performance. It is recommended that in carrying out the audit process, auditors must think and act independently in their work, have a sense of responsibility if the results of the examination require improvement and improvement, and avoid practices that negate reporting (or recording audit results) important problems or significant findings so that the audit task is truly objective and can produce accurate and quality audits.

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