



Impact of Auditor Independence and Good Corporate Governance Companies on the Quality Audit (Studies in Public Accountant Firm in East Jakarta)

Rini Ratnaningsih¹ and Ridwan Anom Putranto²

^{1,2}Indonesia College of Economics (STEI), Jakarta, Indonesia, E-mail: cerry6288@yahoo.com

Abstract: The purpose of this study is to analyze and provide empirical evidence that the independence of auditors and good corporate governance affect the quality of audit partially and simultaneously on a public accounting firm in East Jakarta. The method used is cross sectional survey method by using quantitative data. Samples were taken using simple random sampling technique and produce as many as 30 respondents auditor.

Based on the results of the study showed that variables auditor independence has t count (6.908) > t table (2.048) at a significance level of 5% so Ho1 rejected and Ha1 accepted, which means variable auditor independence proxy in sub variable financial interests, business relationships, other services, except audit, pressure from clients, and long-standing relationships with clients have a significant effect on audit quality proxy variables in the variable sub audit opinion and audit of financial statements on a public accounting firm in East Jakarta. Variables good corporate governance of companies have t count (7.953) > t table (2.048) so Ho2 rejected and Ha2 accepted, which means that the variable good corporate governance which is proxy in the sub-variable transparency (transparency), accountability (accountability), liability (responsibility), independence (independency) and fairness (fairness) has a significant influence on audit quality proxy variables in the variable sub audit opinion and audit of financial statements on a public accounting firm in East Jakarta. And variable auditor independence (X1) and variable good corporate governance of companies (X2) together have a significant impact on audit quality (Y) on a public accounting firm in East Jakarta where F count 32.283 > F tables 3.354 then Ho3 rejected and HA3 accepted.

Keywords: Independence, Good Corporate Governance, and Quality Audit

1. INTRODUCTION

Globalization in the business world is already happening in many countries, especially in Indonesia. The business world is currently increasing very rapidly and can lead to compete among business competitors.

Various efforts to increase revenue and win the competition in order to increase the stock price continues to be done by the management company. To achieve a regular position in the capital market, companies must provide the information investors and creditors with a reasonable, reliable, transparent, and timely. Accounting, auditing, and corporate governance structure is an important component in the flow of information to market participants. Liability company information is reasonable, reliable, and transparent one contained in the financial statements. According to the Financial Accounting Standards Board Accounting Association of Indonesia (2012: 3) accounting standards, the purpose of financial statements is to provide information regarding the financial position, performance and changes in financial position of an entity that is useful to a large number of users in the decision making.

The users of financial statements expect the financial statements are reasonable, transparent, and reliable so that the financial statements should be directed to the general needs of the user, and does not depend on the needs and desires of a particular party. There should be no cheating (fraud) or attempt to present information in favor of some parties, while it is detrimental to the other parties who have conflicting interests. To avoid the financial statements are free of fraud requires a professional services or other independent authority examining the company's financial statements, which is a public accountant.

In carrying out financial audit, public accounting gain the trust of clients and users of financial statements to prove the fairness of the financial statements prepared and presented by the client. Therefore, in an opinion on the fairness of the financial statements being examined must be independent of the interests of the client, users of financial statements, as well as to the interests of the public accountant. Public accountants in each audit assignment frequent clashes that may affect the independence which the client as an employer trying to condition that the financial statements are made have a favorable opinion. While on the other hand public accountant should be able to carry out their duties in a professional manner that the auditor should be able to maintain an independent and objective attitude.

In addition to the information fair, transparent, and reliable contained in the financial statements, capital market participants or parties who have an interest in the company also needs information about management accountability and independence in the management of the company. Containing information about the accountability and independence of the company can be seen in the annual report (annual report) company.

The company's annual report presents all information about the company both on the financial statements and on corporate governance is now known as corporate governance. Corporate governance practices that are less commendable traits characterized by a board of directors that is bad, the lack of disclosure that is balanced, and the lack of enforcement law. In particular, the Organization for Economic Cooperation and Development (OECD) has issued a following standard guidelines on corporate governance to help the government in its efforts to evaluate and improve the legal framework, institutions, and rules for corporate governance in their countries, and provide direction and saran- suggestions for the capital market, investors, companies, and other parties that have a role in the development of Good Corporate Governance (GCG).

GCG stressed that the parties concerned to Companies are protected from fraud and abuse of authority committed by insiders, openness in carrying out a process of corporate activities. In carrying out the company's activities throughout the company organs must be free from pressure or influence

from within and from outside the company and be accountable for the achievement of the company's operations.

Based on the above, researchers interested in conducting research with the title "The Effect of Auditor Independence and Good Corporate Governance Companies on the Quality Audit on Public Accounting Firm in Jakarta East".

2. LITERATURE REVIEW

2.1. Independent

The independence of the accountant is a central issue in the fulfillment of the criteria of objectivity and openness. According to Arens, Elder and Beasley (2008: 110) in regulation Code of Professional Conduct 101 American Institute of Certified Public Accountants (AICPA) on the independence of states that: "The AICPA requires independendensi just for assignment attestation. For example, a public accounting firm (KAP) to provide management services to companies part-owned by the firm's partners. Of course, if the public accounting firm that also provides audit services to the company, it violates the independence requirements for services attestation". According Izlahuzzaman (2012: 179), independence is free from influence, not controlled by the other party. Meanwhile, according Halim (2008: 46), independence is a mental attitude that is owned by the auditor to be impartial in conducting the audit. in Boyton, Johnson, Kell (2002: 106), there are several themes in the interpretation of independence which include the impact of financial interests, business relationships, does the expression CPA or public accountant's office, other services include accounting services, auditing services are expanded and management consulting services, litigation, and the rewards are not paid for by the client. These financial interests, the prohibition against financial interests are very explicit. Auditors should not have or have the option to purchase one share of any of the clients. Auditors are also not allowed to have a loan to or from the client company, commissioners, directors, or major shareholders in the company, an exception if the loan was allowed from a financial institution clients where the services provided have been conducted independently, as well, is allowed through the procedure, requirements, and obligations of normal lending. Business relationships, auditors are not allowed to have a cooperative relationship with a business or investment holding commissioners, directors, or shareholders

The main clients and provide services in the capacity as a member of management or as an employee of the client, because it could weaken the independence. Other services, except the audit, auditors often provide other services in addition to our attestation services to clients. For example, an Auditor him carry out activities of bookkeeping, accounting and management consulting services (management consulting services) to clients atestasinya. It would weaken the independence. The situation is based on the belief that the CPA will conduct a review of what it has earned its own, so it's probably going to happen bias at time of review. Pressure from clients, auditors must be objective or retain facts about the findings of the audit work and not take sides in formulating and expressing their concerns. Long relationships with clients, more independence is also very closely related to the relationship with the client, in which it has been stated in the Decree of the Minister of Finance of the Republic of Indonesia No. 423 / KMK.02 / 2008 on Public Accountant Services. In the decision stated that the provision of services of general audit of the financial statements and an entity can be performed by a public accounting firm for 5 (five) financial years in a row and the longest public accountant for three (3) consecutive fiscal year.

2.2. Good Corporate Governance

Growth and global environmental change very quickly plus with a very tight competition and rampant corruption, collusion and nepotism increasingly requires companies to have the right strategy and control devices are complete, reliable, and integrated to deal with environmental uncertainty. Meminimalisasikannya then need to be good corporate management or professional, company's need of internal control is a natural thing because with good internal control then reflects the cult of good management anyway. Reflecting on these conditions, the implementation of good corporate governance is no longer be an option but has become a liability to be able to improve the control, performance, and can compete with other companies.

According Sedarmayanti (2012: 3), the term "governance" means governance, but also implies the maintenance, management, direction, development, implementation, and can also mean the government. Therefore, there is the term public governance, private governance, corporate governance and banking governance. According to the Regulation of the Minister for State Owned Enterprises Number: PER - 01 / MBU / 2011, Article 1, Good Corporate Governance (good corporate governance), hereinafter referred to as corporate governance are the principles that underlie a company's processes and management mechanism based on laws law and business ethics. According to Ernst & Young in the Single (2013: 155), Good Corporate Governance consists of a set of mechanisms that are interrelated consisting of institutional shareholders, boards of directors and commissioners, managers are paid based on their performance, the market as the controlling company, ownership structure, structure finance, investor-related and product competition. Management of the company against the risk of the business is very important. According to the Organisation for Economic Cooperation and Development (OECD) in Single (2013: viii) defines good corporate governance as a set of relationships between the company's Board of Commissioners, shareholders, and others who have an interest in the company.

GCG principles referred to in the Regulation of the Minister for State Owned Enterprises Number: PER - 01 / MBU / 2011 Article 3, include: Transparency (transparency), that transparency in the decision making process and openness in disclosing material information and relevant about the company. Accountability (accountability), namely clarity of function, implementation and accountability of organs so that the management company are effective. Accountability (responsibility), namely kesesuai- early in the management of the company against the laws and principles of healthy corporate. Independency (independency), which is the state in which a professionally managed company with no conflict of interest and influence / pressure from any party that does not comply with the legislation and the principles of healthy corporate. The Fairness (fairness), namely justice and equality in fulfilling the rights of stakeholders (stakeholders) arising under treaties and legislation.

2.3. Quality Audit

According to the Indonesian Institute of Accountants (SPAP, 2001), that the audit implemented quality auditor can be said if they meet regulations and standards of auditing. Includes quality professional auditing standards (professional qualities) independent auditor, judgment (judgment) used in the preparation of the audit and the auditor's report. Auditing standards consist of general standards, standards of field work and reporting standards. Audit has a function as a process to reduce the information contained inconsistencies between managers and shareholders by using outsiders to imply endorsement of the financial statements.

The users of financial statements, especially the shareholders will make a decision based on a report drawn up by auditors. This means the auditor has an important role in the drafting of the financial statements of a company. Therefore, the quality audit is an important thing that must be maintained by the auditors in the audit process that will produce quality audit reports as well.

Based on the description above, the auditor has a good strategic position in the eyes of management as well as in the eyes of users of financial statements. In addition, users of financial statements to put much faith in the work of auditors in auditing the financial statements. Great confidence from the audited financial statements and auditor services rendered requires the auditor to the quality of audit does.

2.4. Relationship Between Variable

- (a) Auditor Independence influence on the Quality Audit:** To achieve a regular position in the capital market, companies must provide the information investors and creditors with a reasonable, reliable, transparent, and timely. Liability company information is reasonable, reliable, and transparent one contained in the financial statements. The users of financial statements expect the financial statements are free from fraud. To avoid the financial statements are free of fraud requires a professional services or other independent authority examining the company's financial statements, which is a public accountant. In carrying out financial audit, public accounting gain the trust of clients and users of financial statements to prove the fairness of the financial statements prepared and presented by the client. Therefore, in an opinion on the fairness of the financial statements were examined, the auditor must be independent of the interests of the client, users of financial statements, as well as to the interests of the public accountant itself so that it will produce a quality audit.
- (b) The influence of the GCG on the Quality Audit:** Growth and global environmental change very quickly coupled with fierce competition as well as rampant corruption, collusion and nepotism increasingly requires companies to have the right strategy and control devices are complete, reliable, and integrated to deal with environmental uncertainty. Meminimalisasikannya then need to be good corporate management or professional, company's need of internal control is a natural thing because with good internal control then reflects the cult of good management anyway. Reflecting on these conditions, the implementation of good corporate governance is no longer be an option but has become a liability to be able to improve the control, performance, and can compete with other companies. Therefore, in order to produce quality audit client expects to implement GCG as a good internal control device.
- (c) Effect of Auditor Independence and Good Corporate Governance Companies effect on Audit Quality:** In performing the audit of financial statements, the auditor obtains the trust of clients and users of financial statements to prove the fairness of the financial statements presented by the client so that the auditor is required to be independent of the ratification of the financial statements of a company against the interests of clients, users of financial statements, as well as the auditor's own interests. In addition to an independent attitude, the auditors expect the client is responsible for the presentation of these financial statements in accordance with accounting standards generally accepted financial and internal control are determined necessary by the client to the preparation of financial statements that are free from material misstatement due to fraud or error. That the parties most

interested in the company are protected from fraud and abuse of authority committed by the Government, through the Financial Services Authority launched the roadmap implementation of Good Corporate Governance (GCG) for public companies and issuers. One issue that will be fixed is transparency and disclosure of information that is accurate and timely. Therefore, Auditor Independence and Good Corporate Governance The Company has relationships in influencing the quality of the audit.

2.5. Research Hypotheses

Based on the description that has been stated above, the hypothesis : auditor independence and corporate governance impact on audit quality partially and simultaneously in public accounting firms in East Jakarta.

3. RESEARCH METHODS

The research method used survey method by cross section by using quantitative data. Samples were taken using simple random sampling technique where of 55 (fifty-five) questionnaires were distributed to the auditor at KAP in East Jakarta, back thirty (30) questionnaire. The list of KAP in East Jakarta who are willing to study sample was KAP Erfan & Rakhmawan, Drs. Yuwono H, Abdul Aziz Fiby Ariza KAP, KAP Haryo Tienmar, Drs. Pam Freddy Situmorang, Drs. Bambang Sudaryono & Partners, Drs. Abror, Drs. Abdulrahman Hasan Salipu, KAP REXON Nainggolan & Partners, Djajarizki KAP, KAP Sudin & Partners.

The concept in this study include the concept of independence of the Auditor and GCG as independent variables, where the independence of the Auditor proxied within five (5) sub-variables, ie financial interests, business relationships, services other than auditing services, pressure from clients, and long-standing relationships with clients. While the GCG proxies in 5 sub-variables of transparency (transparency), accountability (accountability), liability (responsibility), independence (independency) and fairness (fairness). The dependent variable is a proxy Audit Quality in 2 sub variables, namely the audit opinion and audit of financial statements.

Model analysis of the data used in this study is an analysis multiple linear regression (Multiple Linear Regression Analysis).

3.1. Quality Test Data

The research data will not be useful if the instrument used to collect research data do not have reability (degree of reliability) and validity (degree of truth / validity high). Testing the validity of the data in this study is done statistically calculate the correlation between each question with a total score using Pearson Product Moment Correlation. Data declared invalid if tilapia r -count which is the value of Corrected Item-Total Correlation $>$ of r -table at the 0.05 significance (5%). While the reliability of a variable which is formed of the questionnaire said to be good if it has a value of Cronbach's Alpha $>$ of 0.60.

3.2. Classic assumption test

Classical assumption that the authors have implemented are normality test. To detect the normality of the data through the normal output curve graph pp plot and histogram curve.

3.3. Hypothesis testing

Test this hypothesis will be tested using linear regression analysis. Partial test (t test), to determine the value of t table is determined by the level of significance of 5% with degrees of freedom $df = (nk-1)$ where n is the number of respondents and k is the number of variables. Testing criteria used is if $t > t$ table (nk-1), then H_0 is rejected, and if $t < t$ table (nk-1), then H_0 is accepted. Additionally the t test can also be seen from the probability value (p value) compared with 0.05 (Level of significance $\alpha = 5\%$). The test criteria used is if the p value < 0.05 then H_0 is rejected if the p value > 0.05 then H_0 is accepted. Simultaneous Test (test f), the verification is done by comparing the value F arithmetic with F table at the 95% confidence level and degrees of freedom (degree of freedom) $df = (nk-1)$ where n is the number of respondents and k is the number of variables. Testing criteria used is if F count $> F$ table (nk-1), then H_0 is rejected, and if F arithmetic $< F$ table (nk-1), then H_0 is accepted. Besides test F can also be seen from the probability value (p value) compared to 0.05 (Level of significance $\alpha = 5\%$). The test criteria used is if the p value < 0.05 then H_0 is rejected, and if the p value > 0.05 then H_0 is accepted.

4. RESEARCH RESULT

4.1. Testing Hypothesis 1 (H1) as a Partial Regression

Analyzing the first hypothesis to determine whether there influence between auditor independence (X1) on audit quality (Y) is compared this ung of data processing through computerization with abel tt and using significant level of 5% (0.05). The data obtained through statistical test of t table is as follows:

$$\begin{aligned} - t t \text{ abel} &= - t_{(\alpha/2; n-2)} & t t \text{ abel} &= t_{(?/2; n-2)} \\ &= - t_{(0,05/2; 30-2)} & &= t_{(0,05/2; 30-2)} \\ &= - t_{(0,025; 28)} & &= t_{(0,025; 28)} \\ &= - 2,048 & &= 2,048 \end{aligned}$$

While the data obtained from the computerized data processing is this ung (tst at) = 6.908 with a P-Value = 0.000. H_0 rejected because $6.908 > 2.048$ or P-Value < 0.05 . Spot H_a H_0 is rejected or accepted, which means there is significant influence auditor independence on audit quality in the public accounting firm in East Jakarta.

4.2. Testing Hypothesis 2 (H2) as a Partial Regression

Analyzing the second hypothesis to determine whether there is an effect of good corporate governance (X2) on audit quality (Y) is compared this ung of data processing through computerization with abel tt and using significant level of 5% (0.05). The data obtained through statistical test of t table is as follows:

$$\begin{aligned} - t t \text{ abel} &= - t_{(?/2; n-2)} & t t \text{ abel} &= t_{(?/2; n-2)} \\ &= - t_{(0,05/2; 30-2)} & &= t_{(0,05/2; 30-2)} \end{aligned}$$

While the data obtained from the computerized data processing is this ung (tstat) = 7.953 with a P-Value = 0.000. H_0 rejected because $7.953 > 2.048$ or P-Value < 0.05 . So H_0 refused or H_a accepted which means a significant influence on the company's good corporate governance audit quality in the public accounting firm in East Jakarta.

4.3. Testing Hypothesis 3 (H3) in Regression Simultaneous

Analyzing the third hypothesis to determine whether there positive influence independence of auditors (X1) and good corporate governance of companies (X2) on audit quality (Y), F test, which is to see the effect of X1, X2 together against Y. significant variables that are used by 5% (0, 05). The data obtained through statistical tests of table f is as follows:

$$\begin{aligned} \text{F table} &= F (1- \alpha) \{(\text{df} = k), (\text{df} = n-k-1)\} \\ &= F (1- \alpha) \{(\text{df} = 2), (\text{df} = 30-2-1)\} \\ &= F (1- 0.05) (2,27) \end{aligned}$$

$$\begin{aligned} \text{How to find F table} &= 2, \text{ as the numerator} \\ &= 27, \text{ as the denominator} \end{aligned}$$

$$\text{F table} = 3.354$$

While the data obtained from the data processing computerization is F count = 32.283 or the Sig = 0.000. Ho rejected because $32.283 > 3.354$ or $\text{Sig} < 0.05$. So Ho refused or Ha accepted, meaning by together (simultaneously) there was a significant positive impact independence auditor (X1) and good corporate governance of companies (X2) on audit quality (Y) on a public accounting firm in East Jakarta.

5. CONCLUSIONS AND SUGGESTION

5.1. Conclusions

Based on the results of the study showed that variables auditor independence has t count (6.908) > t table (2.048) at a significance level of 5% so Ho1 rejected and Ha1 accepted, which means variable auditor independence proxy in sub variable financial interests, business relationships, other services, except audit, pressure from clients, and long-standing relationships with clients have a significant effect on audit quality proxy variables in the variable sub audit opinion and audit of financial statements on a public accounting firm in East Jakarta. Variables good corporate governance of companies have t count (7.953) > t table (2.048) so Ho2 Ha2 rejected and accepted, which means that the variable good corporate governance company proxies in sub variable transparency (transparency), accountability (Accountability), liability (responsibility), independence (Independency) and fairness (fairness) have significant influence the audit quality variables that proxy the variable sub audit opinion and the audited financial statements on a public accounting firm in East Jakarta. And variable auditor independence (X1) and variable good corporate governance of companies (X2) together have a significant impact on audit quality (Y) on a public accounting firm in East Jakarta where F count $32.283 > F$ tables 3.354 then Ho3 rejected and HA3 accepted.

5.2. Suggestion

There is a significant effect that indicates that independence have an important role in improving audit quality. Therefore, the auditor is expected to maintain its independence in carrying out auditing services. And there is also a significant influence which shows that good corporate governance plays an important role in improving audit quality. Therefore, in order to produce the expected quality audit companies (clients) to implement GCG as a good internal control device so that it will greatly assist the auditor to audit the maximum yield.

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