

# Analysis Of Auditor Independence And Ethics On Audit Quality With Audit Fees As An Intervening Variable At Public Accounting Firms In Medan

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**Abstract:** Companies need the services of public accountants and related parties to examine the fairness of financial statements, which help measure whether the company's financial management has gone well and by applicable standards. This study aimed to analyze auditor independence and ethics on audit quality with audit fees as an intervening variable at the Public Accounting Firm in Medan City. This research method is quantitative observational-cross sectional conducted at the Public Accounting Firm in Medan City in April 2023. The total population was 70 people; the sample determination used complete sampling. Data analysis using multiple linear regression, coefficient of determination ( $R^2$ ), F test (simultaneous testing), and t-test (partial testing) at  $\alpha = 0.05$ . The t-test results of the independence variable obtained t-count (6.772) > t-table (1.66) and probability value (0.009) < 0.05, the ethics variable obtained t-count (6.921) > t-table (1.66) and probability value (0.002) < 0.05, the fee variable received t-count (5.056) > t-table (1.66) and probability value (0.006) < 0.05, then the three variables have a relationship with audit quality. The results of the F-count test (88.121) > F-table (2.70), then  $H_4$  is accepted, which means that the variables of independence, ethics, and audit fees affect audit quality. Partially and simultaneously, the variables of freedom, ethics, and audit fees significantly affect audit quality at the KAP Medan branch.

**Keywords:** independence, ethics, fee, audit quality.

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## I. INTRODUCTION

Companies need the services of public accountants and associated parties to examine the fairness of financial statements. The examination results will produce a public accountant's opinion, used by users of the company's external and internal financial statements to measure whether the company's financial management has run correctly and by applicable standards (Alisa et al., 2019). Audit quality is essential to ensure that the public accounting profession fulfills its responsibilities to investors, the general public and the government, and other parties who rely on the credibility of audited financial statements (Meidawati and Assidiqi, 2019). An auditor must have an attitude of independence, namely the mood and actions in examining to be impartial to anyone and not be influenced by anyone (Lestari et al., 2020). The examiner must also be objective and free from conflicts of interest in carrying out his professional responsibilities (Susanto et al., 2020); (Sari et al., 2021). The cooperation contract, in terms of determining the amount of audit fees between the auditor and the client, can affect audit quality. When auditors negotiate with management regarding the work of the audited report, it is likely to affect audit quality (Chandra Shil, 2019).

Since people in the business world need the role of auditors, auditors must maintain ethical standards of behavior towards the organization where the auditors work (Raji et al., 2020). The application of ethics that apply when carrying out the auditor profession can also result in audit quality (Setyowati et al., 2021). Based on the description above, researchers are interested in analyzing auditor independence and ethics on audit quality with audit fees as an intervening variable at public accounting firms in Medan.

## II. EXPERIMENTAL PROCEDURE

This research method is quantitative observational-cross sectional to see the relationship of the independent variables (independence, ethics, and auditor fees) to the dependent variable (audit quality) conducted at the Public Accounting Firm in Medan City in April 2023. The population was 70 people; the sample determination used total sampling. The validity test is used to measure whether a questionnaire is valid or not, and the reliability test. Data analysis using multiple linear regression, coefficient of determination ( $R^2$ ), F test (simultaneous testing), and t-test (partial testing) at  $\alpha = 0.05$ .

### III. RESULTS AND DISCUSSIONS

Descriptive statistics will provide an overview of the minimum value, maximum value, average value (mean), median value, and variable deviation or standard deviation of the variables used in this study. The general data display of the variables used in this study can be seen in Table 1.

**Table 1. Descriptive Statistics**

Average	Median	Minimum	Maximum	Standard Deviation
X1	33.642	32,00	25,00	3,019
X2	32.867	33,00	25,00	2,782
Y	25.224	25,00	16,00	2,179
Z	33.411	34,00	26,00	2,633

Source: Research Results, 2023 (Data processed)

Based on the results of the descriptive statistical calculation in Table 4.1, it can be explained that the independence variable has a total sample size of 70, with a minimum value of 25 and a maximum value of 32, while the average value (mean) is 33.642 and the standard deviation value (standard deviation) is 3.019. The auditor ethics variable has a total sample size of 70, with a minimum value of 25 and a maximum value of 33, while the average value (mean) is 32.867, and the standard deviation value (standard deviation) is 2.782. The audit quality variable has a total sample size of 70, with a minimum value of 16 and a maximum value of 25, while the average value (mean) is 25.224 and the standard deviation value (standard deviation) is 2.179. The Audit Fee variable has a total sample size of 70, with a minimum value of 26 and a maximum value of 34, while the average value (mean) is 33.411 and the standard deviation value (standard deviation) is 2.633.

**Table 2. R Square Model Summary**

Model	R	R Square	Adjusted R Square	Std. An error in the Estimate
1	.845 <sup>a</sup>	.845	.845	6.22

Source: Research Results, 2023 (Data processed)

The results of the Determination Coefficient Test obtained an Adjusted R square value of 0.845; this means that 84.5% of the variation in the dependent variable on audit quality can be explained by the variation in the independent variables of independence, ethics, and fees, the remaining 15.5% (100%-84.5%) is defined by other variables not examined in this study.

**Table 3. Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.2245	2.089		4.223	.019
Independence	.671	.086	.618	6.772	.009
Ethics	.623	.071	.647	6.921	.002
Fee	.567	.062	.528	5.056	.006

Source: Research Results, 2023 (Data processed)

The t value is determined to be significant at 5% and the degree of freedom:  $df = n - k$  ( $df =$  number of samples and  $k =$  number of overall variables), namely  $df = 70 - 3 = 67$ . The t-count test is two-way, so the t-table is  $t_{5\%}$  or  $t_{0.05}(67) = 1.66$ . From the t-test results above, it can be concluded that for the independence variable, the t-count ( $6.772 > t$ -table (1.66)) is obtained, and the probability value ( $0.009 < 0.05$ ), then H1 is accepted, meaning that there is an effect of independence on audit quality. For the ethics variable, the t-count ( $6.921 > t$ -table (1.66)) and the probability value ( $0.002 < 0.05$ ) are obtained, so H2 is accepted, meaning that there is an effect

of ethics on audit quality. The fee variable, obtained t-count (5.056) > t-table (1.66) and the probability value (0.006) <0.05, then H3 is accepted, meaning that there is an effect of fees on audit quality.

**Table 4. Simultaneous Test (F Test)**

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2543.1	2	1356.1	88,121	.011 <sup>b</sup>
Residual	2356.1	70	.723		
Total	2021.5	70			
	2416.2	70			

Source: Research Results, 2023 (Data processed)

The f table value is obtained from  $df1 = k-1 = 4-1 = 3$ , where k is: several dependent and independent variables.  $df2 = n-k = 70-3 = 67$ , where n is: the number of samples from row 67, column 3. F table, according to the F table, is 2.70. Table 4 shows that the calculated F value is 88.121 with a probability of 0.000; because the likelihood is less than 0.05, the regression model can be used to predict audit quality. This can also be seen from the F-count (88.121) > F-table (2.70), then H4 is accepted, which means that the variables of independence, ethics, and audit fees affect audit quality at the KAP Medan branch.

**The effect of independence on audit quality**

The results of the independence variable t-test obtained t-count (6.772) > t-table (1.66) and probability value (0.009) <0.05, then H1 is accepted, meaning that there is an effect of independence on audit quality. The results of this study are in line with Rahmawati (2013), which states that partially the independent variables, namely competence (consisting of knowledge and experience) and independence (consisting of length of relationship with clients and pressure from clients), have a partially significant effect on audit quality with a positive direction of influence for the variables of knowledge, experience, and length of relationship with clients. This means that the increasing knowledge, experience, and size of the auditor's relationship with the client will improve the audit quality provided. However, negative results are obtained for the pressure variable from the client, meaning that the higher the pressure from the client, the lower the audit quality provided (Rahmawati, 2013).

**The effect of auditor ethics on audit quality**

The results of this study are ethics variables, obtained t-count (6.921) > t-table (1.66) and probability value (0.002) <0.05, then H2 is accepted, meaning that there is an effect of ethics on audit quality. The results of this study are supported by Rahayu (2016), stating that the Auditor Ethics variable (EA) has a t.count of 2.467 and a significant level of 0.017 < 0.05. So this shows that Ho is rejected and H2 is accepted, so it can be concluded that the Auditor Ethics (EA) variable significantly affects Audit Quality (KA). Auditors with better ethics will have better audit quality. To improve an auditor's performance, auditors must maintain ethical behavior standards to produce quality audits (Rahayu and Suryono, 2016).

**The effect of audit fees on audit quality**

The fee variable, obtained t count (5.056) > t-table (1.66) and probability value (0.006) <0.05, then H3 is accepted, meaning that there is an effect of fees on audit quality. The results of this study are supported by Taufiqah (2022), who conducted research entitled The Effect of Audit Fees, Audit Tenure, Audit Rotation, and Auditor Reputation on Audit Quality (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2013-2015). He stated that the audit fee variable shows a significance level of 0.040 which is smaller than the  $\alpha$  coefficient value of 5% (0.05), which means that the first hypothesis is accepted. Audit fees are fees received by public accountants after carrying out their audit services; the amount depends on the risk of the assignment, the complexity of the services provided, the level of expertise required to carry out these services, and the cost structure of the KAP concerned (Taufiqah Julia Wardani et al., 2022).

**The effect of independence, ethics, and audit fees on audit quality at KAP Medan**

The results showed the calculated F value of 88.121 with a probability of 0.000; because the likelihood is smaller than 0.05, the regression model can be used to predict audit quality. This can also be seen from the F-count (88.121) > F-table (2.70), then H4 is accepted, which means that the variables of independence, ethics, and audit fees affect audit quality at the KAP Medan branch. The Coefficient of Determination test obtained an Adjusted R square value of 0.845; this means that the variation in the independent variables of independence,

ethics, and fees can explain 84.5% of the variation in the dependent variable on audit quality. Other variables not examined in this study define the remaining 15.5% (100%-84.5%).

#### IV. CONCLUSION

Based on the research results and discussion in the previous chapter, the conclusions that can be drawn in this study are that partially and simultaneously, the variables of independence, ethics, and audit fees significantly affect audit quality at the KAP Medan branch.

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