

## COMPETENCY ANALYSIS OF AUDITORS WHO HAVE RELATIVES WITH PARTNERS IN PRODUCING QUALITY AUDITS AT PUBLIC ACCOUNTING FIRMS IN BANDUNG

**Author:**

<sup>1</sup>Wawan Asad Sutrisna  
Department of Accounting  
Universitas Nurtanio Bandung  
[Wawanasad8@gmail.com](mailto:Wawanasad8@gmail.com)

<sup>2</sup>Tina Merlina  
Department of Management  
Universitas Nurtanio Bandung  
[tinamerlina89@gmail.com](mailto:tinamerlina89@gmail.com)

<sup>3</sup>Apriyanti  
Department of Management  
Universitas Nurtanio Bandung  
[Aprilyanti2802@gmail.com](mailto:Aprilyanti2802@gmail.com)

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**Abstract.** Kinship relations are a homework in itself for business actors in developing countries to obtain competent workers. The aim of this research is to determine the competency of an auditor who has a relative relationship with a partner in producing quality audits. This research uses a qualitative method with an ethnomethodological approach in one of the local KAPs in the city of Bandung. It is concluded that competence influences the quality of audits at Public Accounting Firms (KAP) in the Bandung area. With a very strong and positive correlation category, which means that the better the audit competency, the better the audit quality.

**Keywords:** Auditor Competency, Quality Audit

### INTRODUCTION

Audits are carried out by one or more people who have sufficient technical expertise and training as auditors (SA section 210 in SPAP, 2011). Competency is a skill and ability in carrying out a job or profession (Agoes, 2013). According to Arens et al., (2013), Ability is something that an auditor must have so that in carrying out his duties he can be relied on and the objectives of a job are achieved correctly and professionally, as well as attending continuing professional education. In addition to a university-level education before starting their career, auditors are also required to participate in continuing professional education throughout their careers to ensure that their knowledge keeps pace with changes in the accounting and auditing profession. In fact, one of the important requirements for maintaining a CPA license is adequate continuing professional education, and another important requirement is the experience dimension. From the above definitions, it can be concluded that audits must be carried out by auditors who have knowledge, expertise and technical training so that the audit tasks carried out can run well. Auditors in this case also need to take special training to support specific audit assignments such as E-Commerce audit assignments.

An independent auditor is a profession that provides public

services, especially in the field of auditing financial reports. The services of accountants who work in a Public Accounting Firm (KAP) are really needed to guarantee that the financial reports are relevant and can increase the trust of interested parties in the company. Both clients who use audit services and external parties as users of audit reports place their trust in the audit results produced by the auditor. With trust from clients and external parties, it is hoped that auditors can maintain this trust well.

Several cases prove that audit services by public accounting firms (KAP) do not always produce good audit quality. One of them was the PT Kimia Farma Tbk incident. (KAEF) in the case of net profit markup which caused an inflated net profit in 2001 amounting to IDR 32.7 billion. This case ended with the imposition of sanctions by Bapepam in the form of a fine of IDR 1 billion to the directors of Kimia Farma for the period 1998-June 2002, IDR 100 million to auditors Hans Tuannakotta & Mustafa and IDR 500 million to the Kimia Farma company.

In Law No. 5 of 2011 Article 30 concerning Public Accountants, it is emphasized that public accountants, in this case the Public Accounting Firm (KAP), are prohibited from manipulating, assisting in manipulating, and/or falsifying data relating to the services provided. Public trust in the audit function of financial statements is very important, so the quality of financial report audits must be improved.

Based on the case that occurred with public accountants, KAP needs to improve audit quality so that it can again be trusted by interested parties by paying attention to several things (De Angelo, 1981) in Vidyantari and Suputra (2018:3) state that audit quality is the probability that the auditor will discover and report violations in the client's accounting system.

Auditors in providing audit services must present the report according to what happened and not mislead users of the report. By maintaining this trust, you will maintain the good name of the auditor and the public accounting firm where he works. In order to maintain these matters, auditors in carrying out audit services must be guided by existing audit standards. The audit standards used in Indonesia since 2013 are International Standards on Auditing (ISA) which can be used by public accounting firms in providing audit services. With the existence of international standards, it is hoped that the reports produced will also be of international quality.

Research conducted by Dian Arif Saputra (2017). Aims to determine the effect of auditor independence and auditor competence on audit quality. The population in this study were auditors who worked at the Public Accounting Firm (KAP) in Bandung. The research sample was taken using simple random sampling technique and resulted in 48 auditors as respondents. The sampling technique used in this research is convenience sampling. The results of this research indicate that auditor independence has a significant positive effect on audit quality and

audit competency has a significant positive effect on audit quality.

Research conducted by Murti and Firmansyah (2017). This research aims to determine the effect of auditor independence on audit quality. The unit of analysis to be studied is the Public Accounting Office in Bandung City, while the unit of observation is the auditors. The sample in this research was 67 auditors at a Public Accounting Firm domiciled in Bandung City. Sampling was carried out using probability sampling techniques. The types of data used in this research are primary data and secondary data. This research was conducted using a quantitative approach, the method used in this research was an explanatory method. Based on the results of this research, it is known that auditor independence has a significant positive effect on audit quality.

Research conducted by Adhi Nur Ramadhan (2018). This research aims to examine the influence of auditor competence, experience and professionalism on audit quality. This research uses descriptive verification and causality. The population of this research is all auditors who work at Public Accounting Firms in the Bandung area. The sampling method used in this research was convenience sampling with a sample size of 30 respondents. The data used in this research is primary data using a questionnaire. The analytical method used in this research is descriptive analysis and multiple linear regression analysis. The results of this research show that the auditor's competence, experience and professionalism simultaneously influence audit quality. Partially, auditor competency and auditor professionalism influence audit quality. Meanwhile, the auditor's experience has no effect on audit quality. Phenomenon related to audit quality, where based on the summary report of audit results for semester 1 2016 (BPK) on the 2015 Jambi City Regional Government financial report, there are several cases regarding weaknesses in the internal control system, such as 13 cases of the control system for implementing the revenue and expenditure budget, 11 cases of accounting and reporting control systems, as well as 4 cases regarding weaknesses in the internal control structure. Jambi City Government as published in Aktual (<https://aktual.com/pemkotjambi-dapat-predikat-paling-Bawah-dari-bpk/>).

Another case example is Enron Corporation, where previously an unqualified opinion was given by KAP Arthur Anderson on Enron Corporation's financial statements, not long after surprisingly Enron Corporation was declared bankrupt. Based on this case that occurred with a public accountant, the integrity, objectivity and performance of an auditor began to be doubted, in this case KAP needs to improve the quality of audits to increase the integrity of auditors so that they can again be trusted by interested parties by paying attention to due professional care, motivation and professionalism of auditors.

The introduction is written without subtitles/sub chapters and states the beginning of the

substance of the article which contains the topic, phenomenon/research gap/theory gap, problem, aim, originality, grand theory/theory used in the research, and hypothesis formulation. The introduction offers theoretical concepts, ideas, and presents previous research findings for comparison, as well as strengthening, enriching, and refining discussion, analysis, and interpretation. The presentation must be chronologically coherent and the logical relationship between one paragraph and the next must be clear.

## **LITERATURE REVIEW**

### **PREVIOUS RESEARCH**

According to Saputra (2012) and Alim et al. (2007), the competence and independence that auditors have in their application will be related to ethics. Auditor ethics are the value of auditor behavior to foster public trust in good ethics. During an audit, several auditors will usually be faced with a situation of conflict of interest towards their clients, resulting in violations of the accountant's professional code of ethics. Conflict of interest where the auditor tends to accept all client requests (for example, not reporting client fraud) for the sake of client satisfaction and getting a fee so that he is not independent. In carrying out professional practices, auditors must comply with the professional code of ethics that regulates their behavior. Auditors who always comply with the professional code of ethics will be able to improve the quality of their audits. Apart from competence, independence and ethics, the auditor's work experience is also seen as one of the factors that influences audit quality. Work experience is one of the requirements for obtaining a Public Accountant license. According to Libby and Frederick (1990) in Hutabarat (2012), the more experience an auditor has, the more they can produce various conjectures in explaining audit findings. Noviyanti's research in Tuanakotta (2011) explains that experienced auditors show higher professional skepticism compared to inexperienced auditors. The experience possessed by the auditor will improve the quality of the audit.

Competency is the knowledge and skills required by an auditor to achieve the tasks that determine individual work (Tunggal, 2013). Auditors must have sufficient competence individually even though the work is carried out as a team, but individually they must support the team's work better. Individually, an auditor needs to increase his knowledge so that special audits such as E-Commerce audits can be carried out optimally. According to Hall (2011), the competencies that external auditors must have in response to developments in E-Commerce based transactions are as follows:

1. External auditors must have competencies related to access rights.
2. External auditors must have competency related to passwords.

3. External auditors must have competence related to viruses and other things that damage the system
4. External auditors must have competencies related to tracing related to unauthorized access detection, event reconstruction, and personal accountability.

What an audit must do is how to know the dimensions so that they can measure the quality of the audit, of course it is related to the auditor's assurance because when it comes to quality, of course it is something that needs to be maintained and practiced in everyday life because it is not easy to implement or do it. Apart from that, as quoted by Coram et al (2003), audit quality can be seen from the level of auditor compliance in carrying out the various stages that should be carried out in an audit.

1. Audits must be carried out by one or more people who have sufficient technical expertise and training as auditors.
2. In all matters relating to the engagement, independence in mental attitude must be maintained by the auditor.
3. In carrying out audits and preparing reports, auditors are required to use their professional skills carefully and thoroughly.

Another factor that influences audit quality is time budget pressure. The demand for quality reports with a limited time budget is a particular pressure for auditors, so sometimes auditors believe too much in client explanations and presentations and fail to collect evidence related to client violations. This causes auditors to produce audit reports of low quality. Increasingly tight time budget pressure will cause audit quality to decline.

One of the problems in another case, it was found that the auditor was indicated to be collaborating with the client's management to secure financial report engineering practices. The practice of engineering financial reports such as what happened at Enron involving Public Accounting Firm Arthur Andersen. In the financial report, the company reportedly recorded a profit of 600 million US Dollars, even though the company actually experienced a loss. Enron's financial statements have been declared Unqualified by Public Accounting Firm Arthur Andersen. However, the public was then shocked by the news of Enron's bankruptcy on December 2 2001. Based on the results of the examination, it was found that several of Enron's officials, managers and most of Enron's accounting staff were former auditors at KAP Arthur Andersen. After this case was uncovered and an investigation was carried out, KAP Arthur Andersen was finally found guilty of obstructing the court process by destroying documents related to the audit they carried out.

## **RESEARCH METHODS**

Qualitative method with an ethnomethodological approach. The objects of this research are auditors who work at the Public Accounting Firm (KAP) in Bandung in Bandung City, with a minimum education level of S1 and a minimum work period of 1 year. The auditors who were respondents in this research consisted of junior auditors, senior auditors, managers, supervisors and partners. This type of research is causal study, namely research that looks at causal relationships (seeing whether there is influence) between research variables.

## **DISCUSSION**

Based on the descriptive statistics above, it can be seen that the audit quality variable has an average of 98.30 which is greater than the theoretical average of 35.5, this shows that the audit quality by auditors at the Public Accounting Firm (KAP) has carried out activities in terms of implementation of external audits, external audit communications and monitoring follow-up to external audit results. The standard deviation value of audit quality is 9.222, this shows the level of respondents' answers. The independence variable has an average of 30.40 which is greater than the theoretical average of 22, this shows that the auditor's independence in carrying out audits has an independent attitude, not being involved in daily operations, have honesty and are not influenced by clients. The standard deviation value of independence is 2.772, this shows the level of respondents' answers. The auditor competency variable has an average of 21.33 which is greater than the theoretical average of 15, this shows that the auditor has auditor competence in terms of the need for appreciation, the need for achievement and the need for security. The standard deviation value of auditor competency is 1.996, this shows the level of respondents' answers. The commitment variable has an average of 14.55 which is greater than the theoretical average of 14, indicating that inspectorate auditors have commitment in terms of affective commitment, namely the existence of similarity or agreement between personal values of individuals and organizations and feelings of joy at work, normative commitment, namely the individual's feeling of obligation to continue working for the organization and shows the existence of obligations and responsibilities that must be assumed and ongoing commitment, namely loyalty to the organization where we work. The standard deviation value of commitment is 1.812, this shows the level of respondents' answers. The experience variable has an average of 11.42 which is greater than the theoretical average of 9, this shows that auditors at the Public Accounting Firm (KAP) have experience in terms of the auditor's position, the level of knowledge and skills possessed by the auditor as well as the number and level of experience of the audit staff. The standard deviation value is 1.433, this shows the level of respondents' answers. The auditor competency variable has an average of 24.40 which is greater than the

theoretical average of 19, this shows that the inspectorate auditor has auditor competency in terms of understanding the relevant standards (SPKN and SPAP), insight into government and formal education in participating in skills improvement programs. The standard deviation value of auditor competency is 2.889, this shows the level of respondents' answers.

Based on the results of the first hypothesis, it shows that independence has a positive effect on audit quality. Independent inspectorate auditors produce quality audits. Auditors who have an independent attitude are auditors who are not involved in daily operations, have honesty and are not influenced by clients, thereby producing quality audits, namely those who carry out internal audits, internal audit communications and monitoring follow-up to external audit results. The results of this research are also supported by the results of descriptive statistics that the independence of auditors in Public Accounting Firms (KAP) on average shows that there is good independence in every auditor of Public Accounting Firms (KAP) in Bandung. The results of this research are in accordance with the theory put forward where hope is an effort and encouragement to achieve certain goals, if an auditor has confidence in what he is doing by upholding the principles of honesty, freedom and impartiality then audit quality can be realized. In carrying out their duties, the auditors of the Public Accounting Firm (KAP) in Bandung have good independence, as is known in the implementation of supervision to maintain the auditor's independence, if there is an auditor auditing family, relatives or friends in the OPD (Regional Apparatus Organization) then usually the auditor withdrawn from his assignment. This can prove that there are efforts by the Public Accounting Firm (KAP) in Bandung to maintain auditor independence to produce good audit quality, so that auditors are far from taking sides and there is no pressure from anyone, thus making audit results objective. The results of this research are consistent with research conducted by Kurnia et al, (2014), Najib and Usman, (2013), Parasayu and Rohman, (2014), Dewi and Budiarta, (2015) which revealed that the independence variable influences audit quality.

## **CONCLUSION**

From the results of research that has been carried out on respondents' answers and statistical tests, it can be concluded that competency influences audit quality at public accounting firms (KAP) in the Bandung area. With a very strong and positive correlation category, which means that the better the audit competency, the better the audit quality and maintaining independence and commitment for an audit person.

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