

The Effect of Independence, Integrity, Professionalism, and Professional Skepticism on the Accuracy of Giving Audit Opinion

(The Case of Audit Board of the Republic of Indonesia)

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Abstract—The purpose of the research was to explore the influence of Independence, Integrity, Professionalism and Professional Scepticism on the Accuracy of Giving Audit Opinion by Government auditors, in this case the Audit Board of the Republic of Indonesia (BPK-RI). The research seeks to broaden empirical evidence on the relationship between the influence of Independence, Integrity, Professionalism and Professional Scepticism with respect to Accuracy of Giving Audit Opinion by BPK-RI. The research using associative method approach. Data analysis using Partial Least Square (PLS) approach which is a model of Structural Equation Modelling (SEM) that is component or variant based. Data analysis methods consist of: (1) Outer Model Analysis, (2) Inner Model Analysis, and (3) Hypothesis Testing. Data were came from a convenient selected sample of 55 auditors spread in 3 (three) AKN (Government Auditor). The findings show that Independence has positive and significant influence on the accuracy of giving audit opinion by BPK-RI, Integrity has positive and no significant effect on the accuracy of giving audit opinion by BPK-RI, Professionalism has positive and significant effect on the accuracy of giving audit opinion by BPK-RI, and Professional scepticism has negative and no significant effect on the accuracy of giving audit opinion by BPK-RI.

Keywords: *independence, integrity, professionalism, professional skepticism, accuracy of giving audit opinion*

I. INTRODUCTION

The profession of public accountants (auditor) as well as government accountant (auditor) has an important role in auditing the financial statements of an organization and is a profession of public trust so that the public can find out whether an institution or company has carried out their duties well, honestly and transparently to the public.

The Audit Board (BPK) is a state institution tasked with auditing the management and responsibility of state finances as referred to the 1945 Constitution of the Republic of Indonesia. To realize an independent, integrity and professional BPK for the interests of the state, every BPK member and State Finance Auditors (AKN) must comply with the code of ethics. The

code of ethics is the norms that must be obeyed by each member of the BPK and the State Finance Auditor while carrying out their duties to maintain the dignity, honour, image and credibility of the BPK. Independence, integrity, and professionalism as well as professional scepticism are values that must be upheld by members of the BPK and the State Audit Agency [1].

According to ICW's observation quoted by Tribunnews, there were at least 6 bribery cases involving 23 auditors, officials up to the staff of the Audit Board (BPK) [2]. There are 3 (three) bribery cases to obtain Unqualified Opinion, 1 (one) bribery case to obtain Qualified Opinion with Exceptions, 1(one) bribery case to change BPK findings and 1 (one) bribery case to "help" the BPK audit process smoothly. With the smallest bribe value of Rp. 80 million and the largest bribe value of Rp. 1.6 billion per person.

Considering the importance of the BPK-RI's role in the quality of a government institution which is seen from their financial statements and related to the many cases involving BPK-RI members which will result in doubts about the giving audit opinions by the BPK-RI, it is important to study whether each BPK-RI member has carried out the task based on professional ethics, that is the existence of an independent attitude, integrity, professionalism and professional scepticism.

Most of previous studies examined the effect of independence, integrity, professionalism and professional scepticism on the accuracy of giving audit opinion by public accountants in audit firm and focus on listed companies in Indonesian Stock Exchange. This study focuses on empirically studying the relationship of the effect of independence, integrity, professionalism and professional scepticism on the accuracy of giving audit opinion by government auditors, in Indonesia, where to the knowledge of the authors, no similar study has been conducted before. This studied focus in Indonesia especially on the geographical region of Jakarta in the context of audit opinion by government auditors.

Therefore, this paper aims to study "The effect of Independence, Integrity, Professionalism and Professional

Scepticism on the Accuracy of giving Audit Opinion by Government auditors Case of the Audit Board of the Republic of Indonesia (BPK-RI).”

A. Independence

Independence is an attitude and action in carrying out an examination to be impartial to anyone and not influenced by anyone [1]. The auditor must maintain independence in two respects, independence in mind, auditor is truly able to maintain an unbiased attitude throughout the audit and independence in appearance, the results of another interpretation of this independence [3].

B. Integrity

Integrity is a quality, trait, or condition that shows complete unity, possesses honesty, hard work, and adequate competence [1]. Auditors must have high integrity so that people can continue to believe in the services they provide. To maintain and expand public trust, auditors must carry out all their professional responsibilities with a high degree of integrity by being professional, objective, fact-based, impartial, honest and open to the entity being examined but still paying attention to limitations [4]. Confidentiality contained in the applicable laws and regulations. Integrity is manifested in an honest, objective and assertive attitude in applying principles, values and decisions [1].

C. Professionalism

The professionalism is the ability, expertise, and professional commitment in carrying out duties accompanied by the principle of due care, accuracy, and accuracy, and is guided by the standards and provisions of legislation [1]. The auditor's professional attitude is realized by always being professional scepticism during the inspection process and prioritizing the professional judgment.

However, the auditor must use professional skills carefully and thoroughly in determining the type of examination to be carried out, determining the scope of the examination, selecting the methodology, determining the type and amount of evidence to be collected, or in selecting tests and procedures for carrying out the examination and in conducting assessment and reporting of audit results [1].

D. Professional Skepticism

Professional scepticism means that the examiner does not consider that the responsible party is dishonest, but also does not consider that the honesty of the responsible party is not questioned [1,4-6].

The auditor is responsible for upholding professional scepticism in all planning and conducting audits, in short the auditor must remain vigilant of the possibility of material misstatement whether due to fraud or errors in all planning and audit implementation.

The auditor must plan, implement and report the audit with a professional scepticism. The auditor acknowledges that certain circumstances can cause the principal to deviate from the criteria. Professional scepticism means that the auditor

makes a critical judgment with a mind that always questions the adequacy and accuracy of the evidence obtained during the examination. The auditor must use professional scepticism in assessing the risk of significant fraud occurring to determine factors or risks that can significantly affect the auditor's work if fraud occurs or may have occurred [1].

E. Accuracy of Giving Audit Opinion

At the end of the assignment, the auditor must issue an audit report, in which there is an opinion or opinion regarding all the financial statements that he has examined. The auditor must be responsible for expressing an opinion in the form of a written report on whether the financial statements have been presented fairly in accordance with the evidence and records that truly indicate the actual state of the company, in all material respects, in accordance with the applicable financial reporting framework. Where this opinion is based on the evaluation of audit evidence obtained and the findings of the auditor. If an opinion cannot be given, the auditor's report must state the conclusion.

In this case, the references number [1,4-6] issued four types of audit reports, as follows:

- Unqualified Opinion (Unmodified Opinion), the auditor states that the financial statements have been presented fairly, in all material respects, financial position, results of operations, changes in equity, and cash flows of an entity in accordance with accounting standard in Indonesia.
- Modified Opinion: which (1) Qualified Opinion, stated that financial statements are presented fairly, in all material respects, financial position, results of operations, changes in equity and cash flows in accordance with Accounting Standards in Indonesia, except for the impact relating to excluded. (2). Adverse Opinions, if the financial statements are not prepared based on Accounting Standard in Indonesia, and (3) Disclaimer Opinion, this opinion is given if the auditor cannot convince himself that the financial statements as a whole have been presented fairly.

F. Independence and Accuracy of Giving Audit Opinion

Independence is a trait that is expected and should be owned by an auditor, they cannot have a personal interest in carrying out their duties that are contrary to the professional ethics of the auditor. Therefore, to be able to provide the right opinion in an audit process, the attitude of independence from the auditor is needed. If the auditor loses its independence, the accuracy of the giving of the expressed opinion is highly doubtful, cannot be trusted by users of financial statements and cannot be used as a basis for decision making.

According to Kaseem have the results of research that independence has a significant positive effect on the accuracy of giving opinions which means that the more independent or the more independent the auditor from the influence of other parties so that the consideration of giving opinions will be free from other parties and opinions given will be in accordance with the actual situation [7].

G. Integrity and Accuracy of Giving Audit Opinion

Integrity is an honest, transparent, courageous, wise, responsible and confident attitude in their duties but still has the norm [7]. Auditors who are honest, courageous, wise and responsible are able to carry out the audit process and provide opinions or opinions as they should. Auditors who have high integrity in themselves will provide the right opinion in accordance with the actual situation.

In his research, Tepalagul and Lin explained that the integrity included in professional ethics has a significant positive influence on the accuracy of the giving of opinions by auditors [8]. The more an auditor implements integrity in him then it will also affect the opinions they give.

H. Professionalism and Accuracy of Giving Audit Opinion

As professionals, the auditor acknowledges the responsibility for the community, clients, and professional colleagues, including for respectable behaviour, even though this is a personal sacrifice. Professional auditors in detecting errors have a positive influence on the level of materiality which in turn will have an impact on the accuracy of the provision of audit opinions by auditors. This states that, the more an auditor has a professional nature in him related to the tasks carried out by considering all the existing aspects, the accuracy and reliability in giving opinions will be better.

There are results that show that professionalism has a positive and significant influence on the accuracy of the giving of opinions by auditors in Kaseem [7]. The more professional auditors carry out their duties, the opinions given will be more appropriate or in accordance with the actual situation.

I. Professional Skepticism and Accuracy of Giving Audit Opinion

Professional skepticism is the nature of being always aware of the possibility of fraud in an audit process. As previously explained that the auditor must not assume that management is a dishonest party, but also does not question and further review the honesty conveyed by management. The auditor may not be quick to feel satisfied with the existing audit evidence to be able to provide the right opinion. Giving opinions must be supported by sufficient competent audit evidence, wherein the collection of audit evidence, the auditor must always use his professional skepticism. The auditor's professional skills will influence the level of accuracy of the opinions that will be given, and this also states that the attitude of professional skepticism that the auditor has will affect the accuracy of the giving of opinions by the auditor.

Tepalagul and Lin states in her research that professional skepticism has a positive and significant influence on the accuracy of the auditor's opinion, the more an auditor uses skepticism while carrying out his duties, the opinions given will be more appropriate [8].

II. METHODS

After reading the literature, it noticeably seems that Independence, Integrity, Professionalism and Professional Scepticism on the Accuracy of Giving Audit Opinion In the research model, a selection was made from factors that according to the theories influencing the Independence, Integrity, Professionalism and Professional Scepticism on the Accuracy of Giving Audit Opinion the research model would be tested with the developed hypotheses.

The model on Independence, Integrity, Professionalism and Professional Scepticism on the Accuracy of Giving Audit Opinion can be developed as follows:

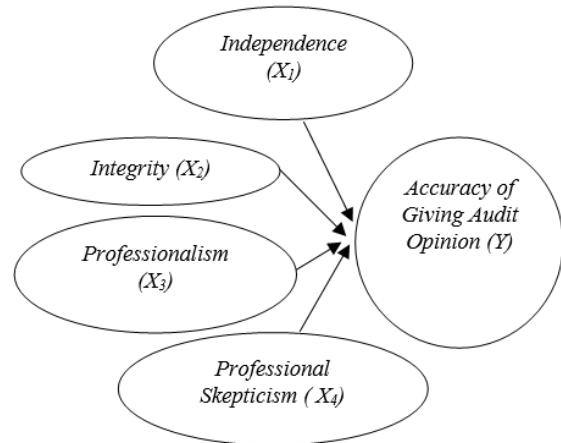


Fig. 1. Model on independence, integrity, professionalism and professional skepticism on the accuracy of giving audit opinion.

A. Research Hypothesis

The statistical hypothesis is expressed as follows:

- H₁: Independence has a positive and significant influence on the accuracy of Giving audit opinions.
- H₂: Integrity has a positive and significant influence on the accuracy of Giving audit opinions.
- H₃: Professionalism has a positive and significant influence on the accuracy of Giving audit opinions.
- H₄: Professional scepticism has a positive and significant influence on the accuracy of Giving audit opinions.

B. Methods

The nature of research considered appropriate is descriptive. The aim is to determine the relationship and analyse the associations between variable (Independence, Integrity, Professionalism and Professional Scepticism) on the other variable (Accuracy of Giving Audit Opinion). To conduct this research, primary data was collected in the form of questionnaires-survey as the research tool from all auditors working at the Auditor Boards of the Republic of Indonesia (BPK-RI) Head Offices. The total of 75 questionnaires with cover letters having handy instructions attached was hand delivered to the respondents. Data collection techniques using

questionnaires that have been tested for validity and reliability, returned and process only 55.

The statistical tool used for evaluating and interpreting the questionnaires into meaningful information for resulting analysis is PLS Structural Equation Modelling (SEM PLS-SmartPLS program). Data analysis methods used are:

- Outer Model Analysis (Validity Test and Reliability Test)
- Inner Model Analysis (Determination-RSquare Adjusted Coefficient)
- Hypothesis Test (t test).

III. RESULTS AND DISCUSSION

A. Outer Model Analysis

1) *Convergent validity*: Validity is the accuracy of an instrument in measuring what you want to measure, whether the instrument used to measure the construct can really measure the construct correctly. In this study, the loading factor limit of 0.6 will be used. The following is the SmartPLS output for the outer loadings generated in this study:

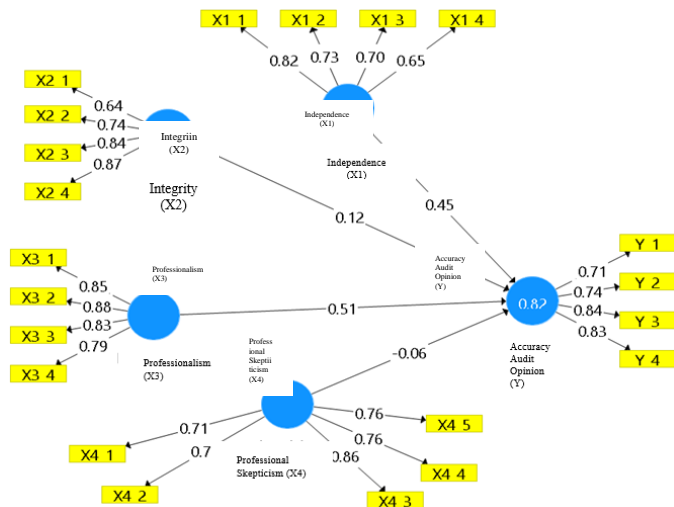


Fig. 2. Outer loadings value.

Based on the picture, it can be seen that each statement of the variables in this study as a whole has the value of the outer loadings more than 0.60, so it can be concluded that all statements in the questionnaire are valid.

2) *Discriminant validity*: Discriminant validity is done to ensure that each concept of each latent variable is different from other variables. Can fulfill discriminant validity if each loading value of each indicator of a latent variable has the largest loading value compared to other loading values on other latent variables. Here are the results of the discriminant validity of the SmartPLS program:

TABLE I. CROSS LOADINGS VALUE

	Independence (X1)	Integrity (X2)	Accuracy Audit Opinion (Y)	Professionalism (X3)	Professional Scepticism (X4)
X1_1	0,820	0,292	0,622	0,454	0,535
X1_2	0,731	0,201	0,478	0,371	0,428
X1_3	0,699	0,374	0,619	0,475	0,404
X1_4	0,648	0,525	0,601	0,632	0,631
X2_1	0,450	0,642	0,466	0,515	0,591
X2_2	0,266	0,744	0,341	0,364	0,436
X2_3	0,299	0,844	0,479	0,534	0,503
X2_4	0,466	0,869	0,662	0,704	0,686
X3_1	0,702	0,573	0,728	0,848	0,714
X3_2	0,579	0,548	0,756	0,883	0,704
X3_3	0,436	0,547	0,685	0,830	0,588
X3_4	0,534	0,719	0,658	0,787	0,732
X4_1	0,481	0,646	0,502	0,501	0,709
X4_2	0,462	0,724	0,567	0,629	0,785
X4_3	0,587	0,465	0,648	0,706	0,862
X4_4	0,600	0,567	0,543	0,629	0,756
X4_5	0,552	0,470	0,639	0,678	0,755
Y_1	0,565	0,624	0,708	0,738	0,685
Y_2	0,666	0,335	0,741	0,545	0,433
Y_3	0,612	0,572	0,835	0,578	0,518
Y_4	0,679	0,496	0,834	0,751	0,685

Based on the above table, that the measurement of cross loadings with the construct, shows the construct correlation with the indicator is greater than the size of the other construct, the latent construct predicts the indicator is better than the other construct so that the criteria of discriminant validity are fulfilled.

3) *Reliability test*: In this study reliability testing was carried out by two methods, namely Cronbach Alpha and Composite Reliability with each value > 0.70 so that the construct can be reliable.

TABLE II. RELIABILITY TEST

	Cronbach's Alpha	Composite Reliability	Significance limit	Information
Independencies (X₁)	0.700	0.817	0.70	Reliable
Integrity (X₂)	0.786	0.860	0.70	Reliable
Professionalism (X₃)	0.857	0.904	0.70	Reliable
Professional Scepticism (X₄)	0.833	0.882	0.70	Reliable
Accuracy of Audit Opinion (Y)	0.785	0.862	0.70	Reliable

Based on the table above shows the reliability test results can be seen that the overall statement instrument used to measure the variables analysed in this study was declared

reliable, this is seen from the Cronbach’s Alpha and Composite Reliability values of all variables studied greater than 0.70

B. Inner Model Analysis

Based on the Path Coefficients table below, the structural equations obtained are:

$$Y = 0.450X_1 + 0.116X_2 + 0.507X_3 - 0.058X_4 + e \quad (1)$$

Following are the results of the coefficient of determination after being processed with the SmartPLS program which is presented in the form of the table below:

TABLE III. DETERMINANT COEFFICIENT

	R Square	R Square Adjusted
Accuracy of Audit Opinion (Y)	0.825	0.811

Based on the above table, the value of R Square Adjusted from Y above is 0.811 indicating that 81.1% of the variance in the accuracy of giving the audit opinion can be explained by changes in the independence, integrity, professionalism and professional scepticism variables, while the other 18.9% is caused by other factors outside the research model.

C. Hypothesis Test (T-Test)

TABLE IV. PATH COEFFICIENT

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))
Independence (X ₁) -> Accuracy of giving audit Opinions (Y)	0.450	0.466	0.140	3.212
Integrity (X ₂) -> Accuracy of giving audit Opinions (Y)	0.116	0.128	0.119	0.970
Professionalism (X ₃) -> Accuracy of giving audit Opinions (Y)	0.507	0.487	0.169	2.997
Professional Scepticism (X ₄) -> Accuracy of giving audit Opinions (Y)	-0.058	-0.059	0.188	0.308

Test criteria with t table or 5% significance level (2009) are determined as follows:

- If t statistics > t table is more than 2,009 then the hypothesis is accepted.
- If t statistic < t table is less than 2,009 then the Hypothesis is rejected.

D. Independence (X₁) on the Accuracy of Giving Audit Opinion

Based on the above table IV, independence has a positive and significant effect on the accuracy of giving opinions with

the original sample value of 0.450. Thus the hypothesis (H1) proposed in this study can be accepted with a t-statistic value of 3.212 which is greater (>) than the t table value of 2009, thus indicating that independence has a positive and significant effect on the accuracy of the giving of opinion by BPK-RI auditors. Which means that the more an auditor has an independent nature in him during his duties, the better their accuracy in giving opinions.

Where the results of this study are not in line with the research conducted by Kaseem [7] and Tepalagul and Lin [8] which shows that independence does not have an influence on the accuracy of giving opinions. However, the results of this study are supported or in line with research conducted by Kroukamp and Cloete which states that independence has a significant positive effect on the accuracy of the giving of opinions [9].

E. Integrity (X₂) on the Accuracy of Giving Audit Opinions

Based on the table IV above, the integrity variable has a positive but not significant effect on the accuracy of giving opinions with the original sample value of 0.116 so it can be stated that the hypothesis (H2) is rejected because the t-statistic value is only 0.970 which means less than the significance limit (t table) 2009 with the conclusion that integrity does not have a significant influence on the accuracy of the provision of opinions by BPK-RI auditors. Thus, the hypothesis (H2) in this study was rejected.

The results of this study are supported by research conducted by Kroukamp and Cloete states that integrity does not have a significant effect on the quality of examination results where the results of an examination can be seen from the audit opinion given whether it is in accordance with the real or not [9].

F. Professionalism (X₃) on the Accuracy of Giving Audit Opinion

See Table IV, relationship between professionalism and the accuracy of the opinion has an original sample value of 0.507 with a t-statistic value of 2.997 which means that the value is greater than the value of table 2.009 so that the professionalism variable has a positive and significant influence on the accuracy of the opinion given by BPK-RI auditors. That way, the hypothesis (H3) in this study can be accepted. This states that the more professional the auditor is at work, the better the results of their work, namely in giving an opinion on the financial statements of an agency will be more appropriate.

The results of this study are supported or in line with research conducted by Cohen et al which states that professionalism has a significant positive effect on the accuracy of giving opinions [10]. Likewise with research conducted by Kaseem which states that professionalism has a positive and significant influence on the accuracy of giving opinions by auditors [7].

G. Professional Skepticism (X_4) on the Accuracy of Giving Audit Opinion

See table IV, relationship of professional scepticism with the accuracy of giving opinions has an original sample value of -0.058 with a t-statistic value of 0.308, which means that this value is smaller than the limit of significance (t table) 2009, so that the construct of professional scepticism has a negative and insignificant relationship to the accuracy of the opinion by BPK-RI auditors. Thus the hypothesis (H4) submitted in this study was rejected.

The results of this study are not in line with the research conducted by Cohen et al which states that professional scepticism has a positive and significant influence [10], as well as research conducted by Kroukamp and Cloete [9] and Rusman et al [11] both of which have results research that professional scepticism has the most dominant influence on the accuracy of giving opinions by auditors. As well as research conducted by Cipriano and Vandervelde which states that professional scepticism has a positive and significant effect on the accuracy of giving opinions by external auditors [12].

IV. CONCLUSION

This study shows that Independence has a positive and significant influence on the accuracy of giving audit opinions by BPK-RI auditors; Integrity has a positive and no significant influence on the accuracy of giving audit opinions by BPK-RI auditors; Professionalism has a positive and significant influence on the accuracy of giving audit opinions by BPK-RI auditors and Professional scepticism has negative and no significant influence on the accuracy of the giving audit opinions by BPK-RI auditors.

The recommendations that will be suggested by the authors are if possible questionnaires are directly distributed to AKN

(Government Auditor) as respondents not thru human resources department, as required by BPK RI.

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